

**ENTREPRENEURIAL OPPORTUNITIES  
PROFESSIONAL MANAGEMENT  
& GLOBAL COMPETITION**

**By**

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**ENTREPRENEURIAL OPPORTUNITIES,  
PROFESSIONAL MANAGEMENT AND GLOBAL COMPETITION**  
*-- the making of an entrepreneurial manager*

By

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*If the animal spirits are dimmed and the spontaneous optimism falters leaving us to depend on nothing but a mathematical expectation, enterprise will fade out and die.*

John Maynard Keynes<sup>2</sup>

**Entrepreneurship -- a state of mind**

Our basic stance in this paper is to treat entrepreneurship as a *process* which flourishes when the interlinked dimensions of individual entrepreneurial traits, societal encouragement, and business opportunities converge to a common goal. From the process perspective, *one does not become an entrepreneur by the mere act of starting or owning an enterprise*. More important is the nature, degree and extent of innovations that the entrepreneur introduces and that too on a *continuous* basis. Those individuals, especially in family businesses, who on inheritance fail to add value to their output in terms of productivity increases through market-place innovations, would not qualify as entrepreneurs.

Conversely, under the process perspective, an individual with an entrepreneurial frame of mind will always act as one irrespective of his time, place and position. Such an individual will be expected to have a high internal locus of control. He would expect himself to be the master of time and space

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<sup>2</sup> In *The General Theory of Employment, Interest and Money*, Harcourt Brace, NY, 1983, pp. 383.

around him and feel responsible for his productivity and contribution to society. In this view, teachers who design new courses or devise new teaching methods, doctors who find a newer, more cost-effective ways of treatment, music maestros who create new forms of music, and *intrapreneurs* and *champions* who invent new products and design new processes inside large corporations, would all qualify as entrepreneurs.

In terms of scope of definition of entrepreneurship, it is held that the economic development of any nation is a direct function of the number of high quality innovators and entrepreneurs its society supplies. This in turn is dependent upon the desire for new and better products that it demands and accepts and which, in consequence, rewards the risk-takers and innovators. A virtuous circle thereby results leading to all-round economic development and improved standards of life. *Entrepreneurship* being closely linked to the development of society, the concept is receiving close attention of business management scholars and social scientists (Stevenson & Jarillo, 1990). Articles on entrepreneurship are appearing in respected journals such as *Journal of Business Strategy*, *Strategic Management Journal*, etc. with increasing frequency. However, in the usual connotation 'entrepreneurship', even at post-graduate level, is limited to studying small business issues (especially the entry and survival strategies), and description of the psychological characteristics of entrepreneurs and their differences with professional managers (Vesper, 1988). The social usefulness of income-generating and self-employment potential of small business to the aggregate economy cannot be overemphasized. However, in the emerging international economic scenario, such a view of entrepreneurship is too narrow and needs realignment with the new realities.

### **Global competition and windows of opportunities**

As Indian business globalizes and interlinks itself with the world, the nature and range of business opportunities as well as challenges for Indian entrepreneurs are extensive. Competition is no longer between local firms, competing either on output- efficiency governed behaviour or price-reduction mechanisms. Instead present-day competition is predominantly in the classical Schumpeterian-mould (Schumpeter, 1934) which means that organizational and technological innovations, superior product quality, and customer satisfaction are major determinants of firm-level competitiveness in the global market-place. In a globally competitive environment, customers have a *choice*, and

therefore look beyond buying commodities. They increasingly desire better value in tangible as well as intangible forms. Reflecting this paradigm shift, developed economies show increasing contribution of services in the GDP. Hong Kong had a ratio of 70:30 in the late 1970s as the share of manufacturing to services; in the mid-1990s the trend had not only reversed but increased to 20:80 in favour of services. Further, economic growth cannot be explained in purely factor input terms. A study by Solow found that technological innovations explained three-fourths of all residual economic development. Conventional factor inputs such as capital and labour accounted for only 25 percent of the growth. Boskin and Lau also found a similar relationship in their research on economic growth of five major industrialized countries. Their analysis showed that technical progress explained as much as 50 percent economic growth of USA, UK, Germany, France and Japan. Only 20 percent of growth came from increase in capital inputs.<sup>3</sup> That technological and managerial innovations will shape up tomorrow's competition more intensely is under no doubt with the fusion of computer and telecommunications technology (Bradley, Hausman, & Nolan, 1993). The increasing indivisibility of corporate strategies, organizational structures, and computer and information technology is validated when we realize that the manufacturing segment alone in India spent Rs 26 billion (almost \$0.9 bn) in 1994 on information technology (IT) products and services, making it the largest purchaser of IT in the country ahead of the financial sector.<sup>4</sup>

Some visible manifestations of companies developing advanced global information systems are

- \* greater environmental uncertainty and hence lesser predictability
- \* higher-order competition (that is, firms are adopting increasingly complex and innovative strategies and structures to gain market share)
- \* increased networking (that is, firms are linked across globe through wholly-owned or dedicated networks). This has resulted in firms being able to source and distribute information, products, and services across the globe without loss of competitiveness.

### **The need for the *entrepreneurial manager***

Given global-scale opportunities and shifts in the underlying basis of competition, the traditional role of brute muscle power, be it of political type or financial type, stands reduced. Even the normal

<sup>3</sup> Quoted in 'Ignored Sectors of Opportunity', *The Economic Times*, July 31, 1993

<sup>4</sup> *Economic Times*, July 17, 1995

arbitrage-type entrepreneurship wherein the entrepreneur undertakes a profit on the basis of his superior information and by removing underlying inefficiencies in the system is unsustainable in the long run as markets become more efficient (Leibenstein, 1968). More sustainable and rewarding in the long run would be the ability to constantly reorient the thinking towards the basics of consumer wants and preferences arrived at through a process of market research and blended with intuition. Thus, present-day managers need to be equipped with not only sound management, scientific and technological skills, but also have the ability to imagine and visualize common patterns between seemingly disparate phenomena, and finally, be prepared to venture out (risking their cushy, safe jobs for achieving their dreams). Our vision of the modern-day *entrepreneurial manager* thus is of a dynamic professional who combines risk-taking with risk-managing, infuses academic rigour to practice vigour, merges cold analysis with creative synthesis, possesses hindsight with foresight, and exhibits spontaneous verve with steely nerve.

That the environment is supportive of such individuals is reflected by the degree of attention related issues such as: venture capital management (irrespective of size and technology!); technology management; identification of organizational-level vision and mission consistent with personal values; and, explicit development of comprehensive strategic business plans are getting from financial institutions (Kuratko & Welsch, 1993). Whereas in late 1980s, hardly any venture capital institution existed in India, today there are at least a dozen major venture capitalists both in the public and private sectors.

### **Bending-the-frame type entrepreneurial-managerial competences**

Under the new paradigm, path-breaking and impact-making opportunities for an *entrepreneurial manager* lies in his potential to: a) create globally competitive industries based on state-of-the-art technology, and sound business management principles; and, b) recreate and regenerate high potential organizations in which society has invested substantial resources (including turnaround management under severe crisis situation). This aspect has been completely ignored in entrepreneurship and turnaround management literature and business schools in India. In other words, the two broad opportunity-segments for the envisaged *entrepreneurial manager* are: undertaking innovations which lead firm-level competences to become *distinctive* (i.e. the

competences are unique to the firm - see Selznick, 1957); and, managing environmental strategic and technological discontinuities which destroy existing distinctive competences and therefore call for organizational renewals and recreations (Tushman & Anderson, 1986).

*Ability to create innovative customer-ended products, markets and industries*

The first broad opportunity for the entrepreneurial manager lies in his ability to rapidly introduce new products, exploit new sources of raw materials (most often by new technologies), and reorganize the input and output inter- and intra-firm linkages. Daunting as the competitive environment may appear, yet small and medium scale enterprises built on technological and marketing *distinctive competences* are leading the way through product and process innovations. Software industry in India, machine tool industry in Germany and Japan, and hosiery, leather garments and steel-making in Italy are shining examples of increasing scale-irrelevance and globally spread entrepreneurial opportunities. The expectation here is that the *entrepreneurial manager* will be able to pioneer new markets, develop new products and innovate an entire industry, as Fred Smith of Federal Express (overnight courier delivery service), Bill Gates of Microsoft (computer software, networking solutions and operating systems), and Steve Wozniak and Steve Jobs of Apple Computers (Macintosh PC) did. Even at more restricted local levels, the entrepreneurial manager would be able to introduce new managerial technologies and monopolize market niches, either by making available customized low-cost products or providing high-value differentiated services.

*Ability to recreate low-performing, bankrupt organizations*

The second important opportunity for the application of scientific, managerial and entrepreneurial skills lies in moribund businesses which have been rendered sick to the extent that a situation of bankruptcy exists. In such organizations a high degree of uncertainty prevails and the motivation of employees is extremely low. Many of these enterprises, being unable to cope up with the environmental changes, find their competences are no longer relevant in the context of emerging competitive challenges. Compared to the task of competence-enhancing innovation, the opportunity to recreate organizations is more of a challenge.

This calls for *bending-the-frame type* application of technological, people-management, and creative strategies. Firms, in order to regain competitiveness, usually focus on organizational

restructuring with the expectation of productivity improvement through removal of inefficiencies, and improvement of process efficiencies. The usual responses in this strategy are: new reporting combinations, cost-cutting, downsizing, assets reduction, business process re-engineering, and worse, in several cases, employees lay-off. *The basic approach is on doing old things better and faster.* One cannot argue about this, but this is not all. If the change is a competence-destroying discontinuity, shrinking maneuvers such as above are unlikely to sustain the organization for long. Apart from stabilization and modernization of production capabilities, more urgent in a severe crisis situation is the need to bring about an organization-wide cultural change towards commitment to new products development and customer satisfaction. Consider the example of petrochemicals - a sunrise industry in India with investors rushing for stocks of companies which had just a letter of intent (LOI). This industry is now open to international competition. Products such as benzene, caprolactum, and other similar products are being freely imported into India. Despite a 25 percent duty, domestic transportation and handling expenses, the imported material is approximately 20 percent cheaper than the one domestically produced. The price of Indian products in the country has been reduced reluctantly by about 7 percent. Since most of the products in a petrochemical industry are of the nature of intermediate goods, price rises in these products puts the down-stream manufacturers (especially the vertically integrated plants) under a bind. They can neither raise the prices of their final products in the market since cheaper options are available, nor can they absorb the statutory price hikes. After the reduction of import duty on caprolactum from 80 percent to 50 percent, and withdrawal of subsidies on certain items of fertilizers, companies in this business, and especially those with older technology, are on the verge of a shake-out. Fertilizers and Chemicals Travancore (FACT), a state government undertaking in Kerala, incurred huge losses on accumulated stocks totaling about 123,000 metric tonnes of fertilizers, and 8,000 tonnes of caprolactum (see *The Economic Times*, Nov. 4, 1992). FACT's plant has been commissioned as recently as in 1991 at a cost of Rs 375 crores. To reduce its stocks of caprolactum, FACT had to reduce the prices by as much as 25 percent (from Rs 80,000 per tonne to Rs 61,000 per tonne). National Textile Corporation, a deeply sick PSU which made losses of more than Rs 4500 million in 1994-95 alone (and whose net worth has been eroded several times), provides another flavour of entrepreneurial challenges for bringing about

organizational renewals. It is obvious that NTC cannot be turned around by the usual fine-tuning and 'technological' solutions which the BIFR-sponsored rehabilitation programmes suggest (Jain, 1994).

### **Corporate and *team* entrepreneurship - a way with humane approach**

Schumpeter in his later years opined that the intrapreneur (an entrepreneur inside a corporation) was the ideal individual for bringing about a stream of innovations. Increasingly major product and process innovations are brought about by dedicated teams under large corporation settings (a new organizational realization termed as *team entrepreneurship* is shaping up). Even in academics, most worthwhile and impact-making research (just like any other adventure) is largely a product of collective effort of many scholars and scientists. That intrapreneurship has not taken roots in most business organizations yet is more a reflection of response gap to the new competitive realities. Corporations are still organized on hierarchical, feudalist, and power-exercising lines. However, in a technology-driven societal paradigm, it is the *knowledge worker* and his *knowledge products* that command market premium. The usual principal-agent relationship (signifying the capitalist-promoter and his employee-manager) cannot be sustained in innovative organizations where the work philosophy is to introduce a steady stream of new products. Organizations employing *knowledge workers* have to be necessarily flat and non-hierarchical, which means that information has to be shared universally and employees are to be empowered in decision-making.

Hewlett-Packard's entrepreneurial team is a fine example of the speeding up of decision-making processes. HP earlier was structured in a traditional formation with committees deliberating upon the strategic choices. The idea was that use of committees will expedite collective decision-making processes, and will help avoid the problems associated with bureaucracy. In time, the company realized that the system of committees instead of speeding up decision-making was hampering creativity and innovation. It was therefore decided that there was no justification for the committee system, and the practice must be brought to an end. The rules and procedures which guided company's decisions for a long time were thrown away. Instead, it was decided that *empowered* teams will perform the work.

With the introduction of *entrepreneurial teams*, the hidden potentials of the company soon became evident. For instance, the rule book had said that the printer will be sold only as an accessory of the total computer package sold by the HP. In early 1980s, Richard Hackborn, Vice President, and his team of engineers



decided that there was a huge potential market for inexpensive laser printers compatible with PCs of all makes. Once the rule book was kept aside fresh insights and follow-up decisions started pouring in. The Vice President and his team made two important decisions. First, instead of making the engine of a printer (the hardware) in-house, they decided to buy it from Canon Inc. of Japan, which could produce the expected volumes at much cheaper costs. Second, the team took a strategic decision that new products will be designed and marketed for the entire PC market and not be confined to HP customers exclusively.

#### *The results of HP's empowered-teams driven innovations*

The results of this entrepreneurial re-organization has now become history. HP's printer business alone is worth more than \$2 bn. Its market share in the highly competitive, globalized industry is a phenomenal 60 percent.<sup>5</sup> The company, having established its early lead, regularly brings out new, creative and superior products at cheaper prices so that it stays ahead of the competition all the time.

#### *Retaining key employees through intrapreneurship*

Large corporations, specially those in high technology, must realize that only through an entrepreneurial management style, would they be able to retain their key, innovative and knowledge-owning employees, who otherwise for want of space, would leave either to start their own enterprise or worse, would be lost to a rival organization (Jain, 1994 b). IBM's brush with one of its most brilliant computer designers, Gene Amdahl is history. Amdahl designed a new series of computers based on VLSI advanced chips. This was just after IBM had introduced its latest model System 360. Amdahl's design was turned down compelling him to quit IBM and start his own venture. When Amdahl 470 was introduced in 1975, it was faster by almost 1.5 times and cheaper by 10 percent than IBM's then latest 370/168 models (Maidique, 1980). The emerging corporate rethinking therefore provides an opportunity for the entrepreneurial manager to have access to several higher and lower order resources providing him in the process, a chance to alter the existing rules of competition. (This argument also answers the common refrain that high salaries are a deterrent to 'risky' entrepreneurial activities by management graduates).

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<sup>5</sup> Business Week, April 1, 1991.

### ***Main problems in fostering intrapreneurship***

A fundamental reason for inhibited entrepreneurial behaviour inside corporations lies in the way a business performance is defined and measured. Most businesses rely on some productivity and profitability measures such as return on investment or return on equity. These measures are necessarily ratios denoting on the top side the output function and on the bottom side the input function (Hamel & Prahalad, 1994). Obviously it is far easier for the manager to work on the input functions since he has a tangible sense of control in the form of number of employees and units of raw materials. Hence, the emphasis on corporate shrinkages and employee lay-offs, though, these choices (especially employee retrenchment) may be a reflection of one's own managerial incompetence in generating adequate quantum of additional business. Bringing about a shift from defensive organizational downsizing to aggressive business transformations is a key area of challenge for the entrepreneurial manager.

### **Implications and challenges in making *of the entrepreneurial manager*:**

The text thus far suggests far-reaching challenges and implications at four levels at least, viz.: firm, industry, policy, and management and technological education. Some of these can be enumerated as follows:

#### ***At the firm-level:***

- continuously provide an environment and structure where the entrepreneurial manager gets the desired challenges and where *he is able to stretch himself*.
- upgrade skills by in-house training, preferably by cross-functional teams in which members train each other. This is how British Telecom organized its corporate renewal programme.
- allow *slack time* to the manager to *think through* the problems and generate creative and innovative solutions. This calls for redesigning the performance appraisal systems to take into account individual innovativeness as well as contribution to team entrepreneurship.
- help and assist in starting own in-house ancillaries.

#### ***At the industry-level:***

Several Chambers of Commerce, Trade Associations and representative industry groups will have to adopt a strategic approach in order to ensure that Indian firms benchmark *beyond* what exists. They

should be able to set the standards for the rest of the world. A new mindset from the present *reactive* state to a more *proactive* state is suggested. Therefore, Trade Associations and Chambers of Commerce will have to be more aggressive. They will also have the task of performing multi-dimensional role of exploring, seeking and arranging latest technology, providing a databank for exporters and importers, representing the creative and innovative aspects of Indian industry in international fora, promoting and setting-up of pooled R&D institutions for collective product and process spin-offs and disseminating the research back to individual firms.

*At the policy-level:*

- educational institutions are nurseries for providing key engineers, scientists and managers for promoting global competitiveness. These must be preserved and run autonomously, entrepreneurially, and professionally -- more or less on the same lines as suggested in this paper.
- students must be allowed to invest in themselves. Emphasis must be to develop an all-round personality at least at the undergraduate levels.
- recognition of managerial, technical and scientific manpower as key builders of nation's competitiveness. Their contribution should be acknowledged, publicized, and given due respect.

*Implications for management and technological institutions*

In this paper we have laid down seemingly contradictory combination of human qualities for the making of an entrepreneurial manager! The question is: who would, as the class of people be expected to possess these qualities? Herein, the role for the national management and technology institutes becomes obvious. Their commitment to professionalism, excellence and innovation assumes a critical dimension. These institutions will have the responsibility to supply the requisite number of dynamic entrepreneurial managers who enjoy societal legitimacy. It is for such institutes to design courses and develop fresh teaching material for the making of a globally competitive manager. Management education, till now, has mostly emphasized a logical and techno-economic view towards resources allocation and risk-taking. Strategic management literature shows clearly that decision-making is neither a wholly rational exercise nor the emergent outcomes of decisions always those that were intended in the first place (Mintzberg & Waters, 1985). Courses on entrepreneurship, creativity, innovation management are admittedly difficult to teach since there are

no unique solutions and the knowledge is not easily codifiable (some would argue that the focus is on the creative right side of the brain compared to the logical left-side). But these are the areas which will finally help create managers with an holistic entrepreneurial perspective.

## Conclusion

In sum, the risk-rewards for the new entrepreneurial managers are unprecedented. This paper has outlined the why and how of these opportunities and at the same time emphasized the need for bringing about a new thinking on the meaning of entrepreneurship. The challenge for *happening* a dynamic, entrepreneurial manager and enabling him to perform lies on the society and firms. Managers who can make the successful transition from a pure administrative, *bounded rationality* perspective to one which is entrepreneurial would be able earn a profit for themselves and for the (firms and) society which invests in them. Under free-market conditions, society will allocate its resources (in terms of capital, infrastructure, and skills) to individuals and organizations who in its opinion have delivered and become *social change agents and architects*.

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## Key words

entrepreneurial professional	global competition
entrepreneurship	intrapreneurship
team entrepreneurship	strategic discontinuity
competence-destroying and	competence-enhancing innovation
knowledge workers	innovation management
knowledge products	technology management

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