

# “Innovation and Entrepreneurship in the 21st Century Global Economy- India's innovative & entrepreneurial potential”

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**Abstract :** Drucker's ideas were the panacea for institutional giants of his time, and the business climate of the 80s was ripe for adopting them. In this context, he treated both innovation and entrepreneurship in the “new entrepreneurial economy” as practices, decisive duties that could be

Controlled best in a systematic work environment. Unfortunately for corporate America, the bureaucratic organization structure was not able to sustain an entrepreneurial spirit, and many of

The proponents left to start their own ventures. Twenty-five years and one computer revolution later, where do these concepts stand? American business has undergone more extreme changes in every aspect in every industry than could have ever been predicted. Many center on technology, information and productivity, which Drucker steadfastly argued were less important than management. Today, innovation and entrepreneurship have changed. There are different ways of

Breeding, executing and practicing those concepts around the world. Today the practical reality is entrepreneurship and innovation are not manifested the same in an international marketplace. In fact, they are not all systematic as Drucker believed. For example, the U.S. and China have incubators to breed innovation and entrepreneurship, but they are not practiced similarly. Likewise, some innovations, like the Internet, are opportunistic and accidental. Originally developed by DARPA, the Defence Advanced Research Projects Agency as a means to share information on defence research between involved universities and defence research facilities, the internet quickly became the World Wide Web.

**Keywords:** Entrepreneur, Entrepreneurship, Innovations, Corporate etc.

## INTRODUCTION

When Peter Drucker wrote about innovation and entrepreneurship in the mid 1980s (Innovation and Entrepreneurship Principles and Practices, 1985), America employed 10 million more people than had been predicted, and its dynamic economy was headed toward a primarily entrepreneurially inspired, innovative business culture. There was an abundance of young risk taker who was willing to endure the ruthlessly long hours required by entrepreneurial opportunities, especially because of the potential success they offered. At the same time, big business dominated the corporate world and benefitted from a highly loyal workforce. Incorporating innovative ideas in business quickly

became a highly esteemed management goal worthy of great effort. Corporate executives required their people to learn the disciplines of innovation and entrepreneurship, and Peter Drucker became their teacher. Drucker's ideas were the panacea for institutional giants of his time, and the business climate of the 80s was ripe for adopting them. In this context, he treated both innovation and entrepreneurship in the “new entrepreneurial economy” as practices, decisive duties that could be controlled best in a systematic work environment. Unfortunately for corporate America, the bureaucratic organization structure was not able to sustain an entrepreneurial spirit, and many of the proponents left to start their own ventures. Twenty-five years and one computer revolution later, where do these concepts stand? American business has undergone more extreme changes in every aspect in every industry than could have ever been predicted. Many center on technology, information and productivity, which Drucker steadfastly argued were less important than management. Before his death in 2004, he wrote a book called, Management Challenges of the 21st Century. In the chapter, Management's New Paradigms, he reminds business leaders, “The center of a modern society, economy and community is not technology. It is not information. It is not productivity. It is the managed institution as the organ of society to produce results ... Management is the specific function, the specific instrument to make institutions capable of producing results.” Today, innovation and entrepreneurship have changed. There are different ways of breeding, executing and practicing those concepts around the world. Today the practical reality is entrepreneurship and innovation are not manifested the same in an international marketplace. In fact, they are not all systematic as Drucker believed. For example, the U.S. and China have incubators to breed innovation and entrepreneurship, but they are not practiced similarly. Likewise, some innovations, like the Internet, are opportunistic and accidental. Originally developed by DARPA, the Defence Advanced Research Projects Agency as a means to share information on defense research between involved universities and defense research facilities, the internet quickly became the World Wide Web. Companies tackling the global economy face unprecedented challenges and threats, as well as remarkable opportunities. Fortunately, new generations of entrepreneurs are more confident in

themselves than were the baby boomers of the 80s. They are more inclined to demand instant gratification from their careers, even if it doesn't include maximizing profits. Today, entrepreneurs want to be intellectually challenged, and some even want to make a difference in society. Their motivations are strikingly different from those of their predecessors of the 1980s, which in the long-term could be a contributing factor to sustainable success.

## LITERATURE REVIEW

As businesses move toward the year 2010, it's interesting to examine the strides innovation and entrepreneurship have made. For starters, innovation has all but become a necessity in today's global business setting, regardless of a company's market scope. This is due to the new reality that competition for any business extends way beyond its local area. In fact, companies that recognized this early on and nurtured innovation as the ultimate source of competitive advantage are surely reaping the benefits now. With the proliferation of elaborate think tanks and R&D facilities overseas, it is evident that companies today are striving for an innovative climate. Yet, based on a comparative study of Innovation practices, the practice of innovation is not without its extreme challenges. (Southern Business Review, spring 2004, Harper, S. M., Becker, S.W.) Preoccupations that consume the minds of today's entrepreneurs are very different from those of the 1980s. Just over a year ago, most American businesses were forced to shift back as the economy was brought to its knees at home and abroad. Although entrepreneurs are known for turning such conditions into opportunities, this crisis hit hard and shows no signs of abating anytime soon. In the book, *Webs of Innovation: The Networked Economy Demands New Ways to Innovate* (Financial Times Prentice Hall, 2001) author Alexander Loudon argued that even During recessionary times, the need for innovation persists. He recommended a concept of “networked innovation” as the way to help corporations adapt to carrying out innovation in the Information Age. Companies with ongoing commitment to innovation, he noted, are both able to

Take greater advantage of new markets and opportunities during boom times, and to maintain and grow existing business during downward cycles. Companies that don't take charge of their

Innovation processes cannot expect to profit from innovation, he concludes. Recent research conducted by the Kauffman Foundation in Kansas City reports that 70 Percent of respondents believe entrepreneurship is the answer to getting America out of its Present financial calamity. If entrepreneurs are going to be an integral part of the answer to the world's turbulent Times, if they are destined to be the opportunity diggers and job creators, then it will probably come from those who lean more to the creative side. According to Professor Jean-Claude Larreche, Professor of Marketing at INSEAD in

Fontainebleau, France, creative entrepreneurs can weather this crisis better than traditional companies can. “It's not the creative entrepreneurs, but it's the large companies that are being challenged. Creative companies can survive any Condition,” says Larreche. Speaking at the World Knowledge Forum in Seoul, South Korea (11/19/08), Larreche Used Virgin Atlantic as his shining entrepreneurial example. Richard Branson, founder and Entrepreneurial architect of the Virgin Group, embarked on his first business venture in 1967 at the age of 17. Branson started his second business three years later. It was a mail-order retail Record company: Virgin Mail. Three years after that he expanded to establish Virgin Records. What can now be called a Virgin empire contains a conglomeration of wholly owned Subsidiaries and outside partnerships. Virgin is diversified in countless directions, with interests in airlines, retail stores, a travel group, an entertainment group, a hotel enterprise, financial services, cinemas, radio stations and much more. “The best companies with the best products and services survive in a crisis. You will see companies all around you going bust and you'll benefit from that,” Branson says. Concluding his speech, the message came directly from the mind of a true Entrepreneur, “I've always believed there is no point in going into business unless you're going to make an enormous and positive difference.”

## OBJECTIVE OF THE STUDY

To make critical analysis of innovation on a global scale.

To find the impact of entrepreneurship in current economy.

To find out the methods how India can unleash the innovation and entrepreneurship potential.

## RESEARCH METHODOLOGY

The paper is based on the secondary data and mostly collected from books, journals, magazines internet etc. These data are thoroughly analyzed, reviewed and presented in this paper.

### **Critical Analysis of Innovation on a Global Scale**

Innovation as a practice has come a long way since Drucker shared his ideas in the 1980s.

For starters, any present-day discussion about innovation is likely to include references to

International initiatives. Also, due to the global economy, measuring innovative performance has moved to the Top of corporate executives' agendas. In fact, global innovation now has a formal means of Measurement. The Global Innovative Index conceived and developed by INSEAD Business School and World Business, is a formal model built to better see which nations are currently Meeting the challenges of innovation. The GII ranks the world's best and worst

performing Economies from the standpoint of innovation, as well as providing insights into nations' strengths And weaknesses in their innovation-related policies and practices. Since the GII shows to what degree individual nations and regions currently respond to the challenge of innovation, it will begin to paint a picture of what constitutes success and what does not. To get actionable information, we need to look at entrepreneurship and innovation interchangeably and develop an index to reveal the linkage between them on a global basis. Led by Tim Davis of the Organization for Economic Cooperation and Development (OECD), the group believes that if entrepreneurship is the process leading to the creation and growth of a business, then creation and growth must be measured. In Drucker's world and for the past couple of decades, an exodus of people moved “West” for a good education and often ended up staying because of the rich opportunities that existed. But now, these opportunities are not limited to the West. Opportunities are international in scope, and people are choosing to return to their homeland to utilize their newly acquired talent and to build fortunes with it, and elevate global competition. The demand for innovation on an international scale and for the entrepreneurship that accompanies it will focus increasingly on being more purpose-driven. With intention at the helm, innovation and entrepreneurship will adapt to accommodate the changing focus of the drive to live a better life, do good, save the planet and make money. It's no longer about information as Drucker thought. It's about building a better world and a better life through innovation with a purpose. 'MAKE IN INDIA' concept of the present Prime Minister of India sri. Narendra Damodardas Modi is a thought in this regard. He has created & generated a platform for innovative entrepreneurial in India with this concept.

### **How can India unleash its innovation and entrepreneurship potential? “Time is of 2**

The world has started accepting India as a major player in global economics. Analyst and Industry veterans' prophesize India to be a major power of the future. This is still a distant Dream because India has a humungous youth population of 300 million with just 100 million jobs in her pocket. The million dollar question is that which industry has got the nerves to absorb a workforce of this scale. The only rational answer to this problem is entrepreneurship which in itself comes with a new set of challenges.

Do we have innovation and entrepreneurship in our blood?

Globally India is conceived as a country with aversion to innovation and entrepreneurship. The condition aggravates with the fact that we traditionally have had a miniscule amount of investments in our R&D facilities. In the year 2007-08, we had only 0.93% of GNP being spent on R&D with the lion's share going into strategic (military) development. This can be further substantiated

by the fact that on one hand the R&D expenditure of all Indian industries taken together is less than that of a Single Japanese company - Sony while on the other hand, 12% of the world's total R&D expenditure in 2005 was done by China. A comforting fact is that Indians have a tendency of self-employment which was revealed in the 62nd round of NSSO's report on employment showing a national average of 254 per 1000. A quick glance at history enforces the thought that even Indians are adept entrepreneurs. Karsanbhai's Nirma, Munjal's hero, Iyengar's TVS group, Dhirubhai's reliance, Kiran Shaw's Biocon, Bharti's Airtel are few examples out of the inexhaustible list of Indians Who have carved a niche in the golden temple of fame.

Unleashing the latent potential:

➤ Opportunities galore advantage India: The Demographic Dividend Way this colossal population of over 1.15 billion not only poses huge challenges for the Country but at the same time opens the golden door of opportunity. A third of India's Population was below 15 years of age in 2000 and close to 20 per cent was in the 15-24 Age groups. It is expected that in 2020, the average Indian will be only 29 years old, Compared with 37 in China and the US and 48 in Japan. This ensures that India in no way can fall short of manpower in the next few decades and this can sustain India's growth Story in the long run.

➤ Unsaturated Indian Markets: World over companies are eyeing Indian markets because of high domestic demand and a Robust growth supplementing it. This gives an opportunity to entrepreneurs for exploring the latent needs of the Indian customers. Launch of Kinetic scooters at the time when no Indian would have ever imagined a non-steel, self-start, gearless scooter, companies such As Hi Design rubbing shoulders with global majors like Gucci and Prada are few Examples to learn from.

➤ World Is Equally Flat for “Everyone”: Over and over again the issue of dumping by foreign companies comes up, but crying Wolf is not the solution. With umpteen bilateral and multilateral agreements in place, Along with the opening up of economies, it is a shot in the arm for entrepreneurs' world over.

➤ Indian “Baniya” Is Alive and Kicking: According to a McKinney report, Indian families are already saving too much to support Small businesses directly. These savings under expert guidance and mentorship can work wonders for aspiring and budding entrepreneurs.

➤ Global Downturn: Not For India – Time to Explore New Avenues: India is making headlines due to its partial immunity from the global meltdown. It is true that although there is slowdown in a few sectors, majority of the industries have shown a Promising profit

which is remarkable. Layoffs and cost cutting is a global phenomenon But India is largely unaffected. A report by Hewitt states that over 60% of the companies are still hiring and 9 out of 10 companies are still promoting. There is a silver lining to every cloud, is as true as ever. Globally Indians are being sent Back due to lack of employment opportunities but the catch is that these Indians are Flushed with funds and have valuable experience. This is a perfect mix to start new Ventures. There is an abundance of skilled and experienced employees in the market which can be a great asset for any new company. “Recession can lead to Indian Progression”, is the verdict.

➤ Challenges Await the Entrepreneurship Bandwagon: The sorry story of bureaucracy and red-tapism still haunt the Indian businessmen. “Single Window Clearance” can act as a booster for novice entrepreneurs. Implementing such process in itself is a herculean task for the government as this practice has been nurtured by the bureaucrats for decades. However, this is the only way out if we want to Progress.

➤ Credit Crunch Coming Home: Promoting Alternate Sources of Finance: The global downturn has led to drying up of funds through stock market and International Sources. The situation is further aggravated by the dollar outflow and vigorous efforts by The Reserve Bank of India to defend the rupee by buying out Dollars. Government of India had to participate actively in the initiative by promoting cooperatives and banks for providing credits.

➤ Vicious Organizational Inefficiencies: What about Corporate Mentoring: Indian firms are well known for their inefficient processes. Upgrading to advance Technology to compete in the global arena is imperative. An eye opener can be the Indian Cement industry which is outmoded and highly inefficient as India's per capita production Of 115 kilograms per year lags the world average of over 250 kilograms and China's Production of more than 450 kilograms per person. A viable but unconventional way could be mentoring by successful corporate and MNC's who have already proved their mettle in the global arena. They are people who have proved their business acumen and they would definitely look for their benefit in this also. Giving redeemable Corporate Credits by the Indian government can be the way out. Companies would also benefit by promoting their brands through such initiatives.

➤ Labor, Labor Everywhere, Not a Skill to Employ: There are more than 5000 Industrial Training Institutes (ITI) in India. However, the Quality of training is rather uneven. These it is produce 700,000 technicians each year. Improving their skill level would be a very powerful channel of advancing India's Technical/manufacturing capabilities. India is unable to compete against countries like China in manufacturing world class products because of shortage of skilled technicians. The institutes have bottlenecks like poor

infrastructure, outdated curriculum, less qualified instructors and limited interaction with the industry. Skilled labor can be a huge advantage for entrepreneurs to be competitive. These Entrepreneurs are generally not in a position to train employees and then use them as it is A huge cost and a deterrent for their growth. We have world class educational institutions such as the IIM's, IIT's etc. The question is that can we progress with a weak foundation? There are companies that train their own Workforce and if these companies join hands, with government's support and guidance from successful educational institutions, they can reach new acme of success.

➤ Infrastructure, The Gordian Knot: India's incessant infrastructural woes are yet another roadblock on the path to success. Overstressed power grids, erratic power supply, shoddy roads, acute water shortage etc has severely impaired the growth of our country. We can at least simulate if not emulate various other nations who have world class Infrastructure. We bemoan about paucity of resources but even some elementary Mathematics can answer this. According to a conservative estimate about Rs 1.23 crs. A Day to run Parliament and during the Budget session, 47 hours were lost in the Lok Sabha. Another 40 hours were lost in the Rajya Sabha which adds up to about Rs 17.61 Crs down the drain. This amount is good enough to finance 4-5 small businesses and who knows if they would have turned into another Reliance which contributes approximately 3% to India's GDP. The crux lies in optimization of resources.

➤ Fear is in the Air, Instilling Confidence Is the Key: With industrial goliaths being wiped out due to the global turmoil, an aura of fear has crept in. People are worried due to uncertainty in the markets. It is time when the Government should give a fillip to the plans of aspiring entrepreneurs by incentivizing their plans, giving better insurance schemes and cheaper credit.

➤ The Cardinal Rule: Promoting New Ventures While Fostering India's SME's: A small seed is tomorrow's big tree. Even companies like Infosys, Reliance, Oberoi Hotels etc had a modest start. It's a well accepted fact that SME play a vital role in any Country's growth. The contribution of smes to GDP in 2003 ranged from 60.0 percent in China, 57.0 percent in Germany and 55.3 percent in Japan whereas, as per Assocham's Report India is still slogging around 17% and trying to reach 25% by 2015. Continuous Support for technological upgradation, credit availability and export promotion by the Government can be a great support. Iims and iits have started the concept of incubation Where new companies are promoted within their premises (Silicon Valley, similarly, Promoted by Stanford University). This idea could be implemented on a larger scale Along with Industrial associations. Developing of self-help groups (Cluster development) by NGO's like SEWA, BASIX etc has initiated a mass movement of self employment through microfinance.

There are Organizations like Shri Mahila Grah Udyog which started off with a borrowed sum of Rs.80 and has a turnover of Rs. 470 Crores which includes Rs. 24 Crores of Exports. This Show cases the potential of microfinance.

➤ Glorifying The Corporate Tycoons: Indians have succumbed to the Nehruvian ideologies that profits are bad and Entrepreneurs can't be leaders. For decades students have been taught of politicians and Freedom fighters as leaders but why can't entrepreneurs like M S Oberoi, Ambani, Narayan Murthy or for that matter Steve Jobs and Warren Buffett serve as ideals for Juveniles.

### CONCLUSION:

Finally, we have miles to go before we sleep...

It is apparent that India has a long way to go before making a mark on the world map as a Developed and prosperous nation. The dream can be realized by improving the quality of Life of its masses which can only be done by generating employment for them. The seemingly insatiable demand for jobs can only be met by promoting entrepreneurial Activities by giving the right platform to entrepreneurs with the help of organizations such As NEN, The Indus Entrepreneurs etc. It is pretty evident that Indians have launched new Ventures with flair in the past and they still possess the fire. Opportunities are in Abundance and the country is plush with resources. The formidable challenge lies in optimizing resources and overcoming the hurdles to not Only join the league of successful and developed nations but rather set an example for Other developing nations.

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