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Entrepreneurship in Globalized Economy

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Introduction

Entrepreneurs are backbone of any economy as they commence and generate new ideas and execute them. They establish new industries which make the economies active, dynamic, energetic, strong and prosperous. In attainment of sustainable and steady economic growth, better standard of living, gainful employment opportunities- the role of entrepreneurs has become vital. In respects of natural endowments India is considered as a rich country. But due to lack of entrepreneurship they could not be utilized for the benefit of the economy. Inaccessible areas, primitive techniques, shortage of capital and trained human resources, ability to organize and co-ordinate the resources for production and development of the economy are such hurdles which can be removed entrepreneurs. However, in the present scenario under the globalization, their role and functions has undergone the changes. Can they continue to create economic value in a globalized business environment? How and why government gets involved in economic growth and how entrepreneurs contribute to economic value.

Fostering entrepreneurship is widely perceived to be a critical policy objective to generate employment and creating opportunities for actualizing the potentials of capabilities and reduction in poverty in the country. Sound macroeconomic conditions and business environment including infrastructure, regulation, and legal environment have typically been emphasized to increase entrepreneurial activities and create jobs. In developing country like India where wage and salary jobs in public sector and organized manufacturing sector are limited and majority of job are created through self-employment, the role of entrepreneurship assumes significant role.

There is no denying that pre LPG period patronized inefficient and non-visionary entrepreneurs. Some entrepreneurs who are well-versed in the game of managing politicians for their own benefit have made well progress in terms of high profit and turnover. The firms even attempted to influence the policy decision in their interest which encouraged the corruption. The firms which were granted the license were not necessarily efficient, low cost and barometric firms. The administrative obstacles, procedural delays, red-tapism and inflexibility associated with labour laws, were the factors which killed the true spirit of the entrepreneurship.

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In addition to this, limit on the plant size, import quota, reservation of items exclusively for small scale sector, unnecessary control on the import of foreign technology and equipment, made the working easier for the protected domestic market than to face the completion in the global market. But after LPG the scenario has undergone a paradigm change. Each economy is inter-connected and inter-dependent with the others. In the current scenario of globalization the entrepreneurs need to be adept in the management of market/competition. If they want to survive in the globalized economy, they have to very sensitive towards the changes in the market, demand pattern, consumer's taste, preference and technology. They have to implement the new ideas and new things in new way to succeed. In this regard the role of government is also crucial. Transparent system of governance, institutional changes, property rights, true implementation of policy measures are some requisites without which globalization would be but empty slogans with little impact on entrepreneurs.

Before 1990s the image of India was one of the most controlled, regulated and protected economy of the world. The license, permit and quota system was deep rooted in the every economic and commercial activity. This was a great hurdle in the development of entrepreneurship in the country. Although during 1980s few selected policy measures were adopted to liberalize the economy to some extent. But large scale reforms were taken after 1991. Thereafter, may policy changes have been introduced to relax the entrepreneurship activities from various restrictions and to open economy for private entrepreneurship as well as to foreign investment and trade. Many incentive schemes for entrepreneurs particularly in small scale industries have been implemented.

Entrepreneurship

The concept of entrepreneur introduced by Richard Cantillon (1755), and popularized byJ.S. Mill (1848), and it was originally meant a merchant, adventurer or employer. In early twentieth century, the Marshallian concept of entrepreneur which treated entrepreneurial function simply as" management" was quite popular. Having rejected this concept, Schumpeter argued that the distinguished function of the entrepreneur is that he carries out innovations. For an entrepreneur it is not necessary to be the owner of the firm, he can hold a dependent position in the company, like a manager or a member of the board of directors. Further, he is not necessarily connected with an individual firm. Schumpeter asserts that some financiaries and promoters are not permanently associated with particular firms and yet they are entrepreneurs in his sense of the term. Schumpeter has different view from the Marshall regarding the concept and role of entrepreneur. He does not consider all those heads of firms and managers or industrialists who merely operate established business as entrepreneurs. Some classical economist failed to distinguish between the capitalist and entrepreneur, because in the 19th century, the capitalist was also entrepreneur. He also played the important role in organizing the factors of production.

In 19th century the producer was a technical expert, a personnel manager and also buying and selling agent. All these functions of a producer were generally so much mixed up that it was not easy to seen them separately from the essential function of entrepreneur. During pre-capitalist phase self-interest motivates man to act. Capitalism, however, develops rationality and adds a new edge to it in two interconnect ways. As Schumpeter says "First it turns the monetary unit into a tool of rational cost profit calculations which in turn react upon that rationality. By crystallizing and defining numerically, cost-profit calculations forcefully propel the logic of enterprise. Secondly, apart from developing the modern scientific attitudes, the emerging capitalism also produces the men eager to innovate".

But now with the maturing of capitalism based on the institution of corporate enterprise there is clear cut difference between both. The role of entrepreneur is quite different and challenging compared to capitalist. Though entrepreneurs are not necessarily motivated by the desire of profit, they are quite rational in their approach. Rationality is necessary for carrying out of new plans, for breaking up old traditions and creating and inventing new ones. As Schumpeter mentions that an entrepreneur has a strong desire to set up a private business kingdom, which probably falls in the same category as a medieval man's dream to establish a political kingdom. Secondly, "there is the will to conquer, the impulse to fight, to prove one-self superior to others, to succeed for the sake, not of the fruits of success, but of success itself". Finally, there is the pleasure of creating or doing things or simply of exercising one's energy and ingenuity.

Globalization

By the term globalization we mean opening up of the economy for world market by attaining international competitiveness. The globalization of the economy simply indicates interaction of the country relating to production, trading and financial transaction with the developed industrials countries of the world.

Globalization has four parameters:

- Permitting free flow of goods by removing or reducing trade barriers between the countries;
- Creating environment for flow of capital between the countries;
- Allowing free flow in technology transfer and;
- Creating environment for free movement of labour between countries of the world. Thus taking the entire world as global village, all the four components are equally important for attaining a smooth path for globalization.

The concept of globalization by integrating nation states within the theme work of WTO is an alternative version of the theory of comparative cost advantage propounded by the classical economist for assuming unrestricted flow of goods between the countries for mutual benefit.

However, some experts limit the globalization to unrestricted trade flows, capital flows and technology flows. They do not include the free flow of labour within the parameter of globalization set by them. Stiglitz is a strong critic of globalization and pointed out the non-inclusion of free flow of labour in the present format of globalization advocated the developed countries. It was stated that the globalization would help the under-developed and developing countries to improve their competitive strength and attain higher growth rates. Now it is to be seen how far the developing countries would gain by adopting the path of globalization in future. The first step in the direction of globalization was liberalization in trade of goods and services which led to an unprecedented expansion of international trade between 1950 and 1970. This was followed by the liberalization of regimes for foreign investment leading to a surge in international which began in the late 1960s. Domestic financial liberalization encouraged market forces by reducing the role of the state in the financial sector. The demarcation lines between banks, insurance companies and finance companies have been considerably diluted, bond markets and equity markets have been liberalized, controls and regulation on both the inflows and outflows of capital have been removed, and institutional investors have emerged in the developed countries that are both willing and able to invest in global markets. MNCs which have spread their operation over a number of countries, have served as important vehicles of globalization as they account for a large part of foreign direct investment and of trade in the goods and services. A new emerging form of industrial organization has also helped the process of globalization.

Many countries of the world adopted the policy of globalization. Following the same path India also adopted the same policy since 1991 and started the process of dismantling trade barriers along with abolishing quantitative restrictions phase-wise. Accordingly, the Government of India has been reducing the peak rate of custom duty in its subsequent budgets and removed the quantitative restrictions. All these resulted in open access to new markets and new technology for the country.

Globalization renders the following opportunities to an economy:

- Globalization helps to boost the long run average growth rate of the economy of the country through-improvement in the allocative efficiency of resources and increase in labour productivity, and reduction in capital output ratio.
- Globalization paves the way for removing inefficiency in production system. Prolonged protective scenario in the absence of globalization makes the production system careless about cost effectiveness which can be attained by following the policies of globalization.
- Globalization attracts the entry of foreign capital along with foreign updated technology which improved the quality of production. The indigenous firms by adopting the latest technical-know can raise their efficiency and productivity, which in turn lowers the cost of production and prices of the goods and services. Consequently, their competitiveness and share in the global market increases.
- Globalization usually restructures production and trade pattern favoring labour-intensive goods and labour intensive techniques as well as the expansion of trade in services.
- Globalization makes domestic industries of developing countries to become conscious about price reduction and quality improvement to their products so as to face foreign competition.
- Globalization discourages uneconomic import substitution and favour cheaper imports of capital goods which reduces capital-output ratio in manufacturing industries. Cost effectives and price reduction of manufactured commodities will improve the terms of trade in favour of agriculture.
- Globalization facilitates consumer goods industries to expand faster to meet growth demand for these consumer goods which would result faster expansion of employment opportunities over a period of time. This would result trickle-down effect to reduce the proportion of population living below the poverty line. Globalization enhances the efficiency of the banking insurance and financial sector with the open up to these areas to foreign capital, foreign banks and insurance companies.

The fears expressed in some quarters that our trade policy would generate a disruptive flood of imports and weaken our economy have been shown to be completely unfounded. Globalization and openness have actually increased our self-reliance. Government of India followed a shift in policy orientation from import substitution to export promotion, reduced tariff rates and removed quantitative controls. Moreover, quantitative restrictions were replaced by price-based system. Other measures introduced in this direction include setting up of special economic zones (SEZs), export oriented units (EOUs), full filling WTO norms and aligning EXIM procedures, removal of disincentive, export promotion through import entitlement. Following the strategy of export-led growth during the last three decades Indian economy experienced lot of changes in its condition. Moreover, the structure of Indian economy has also undergone considerable changes in the last decade. These include increasing importance of external trade and external capital flows. The service sector has become a major part of the economy with GDP share of over 50 percent and country becoming an important hub for exporting IT services.

Winds of liberalization are sweeping the developing countries as well. In order to meet the conditionality's of the economic stabilization and structural adjustment programmes of the IMF and World Bank, a large number of developing countries have opened up their economies in recent years by deregulating the industrial and financial sectors, dismantling controls on imports and exports of goods and services, full or extensive liberalization of exchange restrictions, easing controls on portfolio inflows and outflows etc. Technological revolution in the field of transport, communications and information has played a crucial part in the progress of globalization. The advent of computers and satellites leading to massive expansion in the field of information technology has revolutionalized the entire communication system. The development and expansion of fax, e-mail, mobile telephones, computer industry etc. has made communication across the world just a matter of minutes. The information technology allows companies to run their business in ways that were impossible earlier and at a fraction of the price. The internet has added to the speed of transactions. Virtual stock exchanges are no longer a dream and twenty four hour trading has become a reality. The electronic money has added momentum to capital mobility as funds worth billions of dollars can be transferred globally with much ease and speed with the help of globally linked electronic monitors.

Globalization of production has taken place at a rapid speed during the last three-four decades. The driving force behind this has been the MNCs. Because of stagnant demand and rising production cost in home countries, MNCs are shifting their production bases to the developing countries where the domestic markets for goods and services are expanding and the production cost are much lower, as raw material and labour are very cheap. Since the developing countries are also rapidly opening up their economies under pressure from international agencies and MNCs and under various commitments and the penetration of MNCS in the developing countries is growing more and more widespread and deep.

Globalization stresses for attaining higher growth rate, self-reliance, full employment and better level of living. It was supposed to attain growth with equity and improve the condition of majority of the population living in these developing countries. But unfortunately, globalization helped a limited number of population living in these industrially advanced countries. They are also reaping advantage of unequal bargaining power at WTO and also force the developing countries to open up their wide market for the entry of products and investment capital of industrially developed countries.

Entrepreneurship in Globalization Phase

The global financial crisis which witnessed the biggest every bankruptcy in USA's premier financial institutions in 2008 has soon engulfed in other countries of the world including European and South East Asian countries. Although India is possessing a large domestic market, broad based industrial and infrastructural sectors, abundant supply of cheap labour, a huge number of educated and trained manpower and adequate natural resources to attain competitiveness but the country remains far behind many other Asian countries like Singapore, Malaysia, Korea, Hong Kong, Indonesia, and China. India's share in the world market is very low compared to its potentials. In order to achieve success in the path of globalization Indian producers should improve their competitiveness. This requires attainment of higher growth in productivity, improved quality products and innovations in products and process technology. In order to attain international competitiveness, companies will have to enter into strategic alliances and collaborations in order to bring in state of the art technology for reducing cost, improve efficiency and to penetrate and capture global markets with joint efforts.

The decade of 1990s was marked by considerable deregulation of industrial economy through de-licensing and de-reservation, opening up the industrial sector to internal and external competition, lowering of tariffs, removal of quantitative restrictions etc. These reforms had an adverse effect on the small-scale sector. Cheaper and better quality imported goods are posing a serious threat to small scale units operating in various industries like chemicals, silk, auto- components, toys, sports goods, footwear etc. The most serious threat is being posed by cheap Chinese imports as the so called China Price is forcing many small scale units to close down. Machinery and other equipment in many industries have grown obsolescent. On account of this reason while their costs of production are high, the quality is inferior as compared to the large scale units. Moreover, the small scale units often do not care about the changing tastes and fashions of the people. Accordingly, modernization and rationalization are urgently required in small scale industries. One of the main problems faced by the scale unit is in the field of marketing. These units often do not possess any marketing organization and consequently their products compare unfavorable with the quality of the products of the large-scale industries. Therefore, they suffer from a competitive disadvantage vis-av-s large scale units. Because of the shortage of capital and financial resources, these units do not have adequate staying capacity and are often forced to sell their products at unremunerated prices.

Conclusion

Under the present circumstances, a firm must take care to become competitive in an open global market to face challenges and market opportunities. The achievement of the economy since the introduction of economic reforms in 1991 is also quite disappointing. The globalization has so far failed to make the economy a viable one. It is argued that the benefits of globalization and liberalization should percolate down to the small and ordinary person both in rural and urban areas of the country. The growth rate in both agriculture and industrial sector is not commensurate to its expectation. The growth rate of GDP mostly remained around 6%. The growth rate of employment is quite dismal. Moreover, the social sectors like health, education, food, shelter and medical care suffered badly due to gradual withdrawal of security cover. It has been observed that in India there are three weakest links in economic reforms of the country. Firstly, the government has failed to take into confidence the organized workers at any stage of the implementation of economic reforms. In a country like India, there is no social security net no unemployment benefit and till today there are no institutions for retraining of workers in newer skills. The slow and unbalanced development of agriculture and under-developed infrastructure are the other two weakest links which are holding up the economic growth of the country.

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