

FUNDAMENTAL PROBLEMS OF FUTURE ENTREPRENEUR WHICH MAKES COMPLEXITY TO SURVIVE IN VUCA WORLD

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Abstract

Schumpeter (1934) was among the first to identify the entrepreneur as an entity worthy of study, distinct from business owners and managers. He described entrepreneurs as individuals whose function was to carry out new combinations of means of production. To Schumpeter, this function was fundamental to economic development. Entrepreneurs, therefore, warranted study independent of capitalists and business managers. Today there continues to be an implicit assumption that the entrepreneur contributes disproportionately to the economy of a nation, yet little has been done to isolate this individual for further analysis. Extending the theory of Schumpeter, who argued that an entrepreneur was distinguishable both by type and by conduct, two conceptualizations are proposed in this paper: one for differentiating entrepreneurs from small business owner/managers and the second for differentiating entrepreneurial ventures from small businesses. This paper is the attempt to figure out the fundamental problem of future Entrepreneur (Youngsters / Students) to face or facing the speed of rate of VUCA. This paper tries to bring to light up the importance of up gradation of our education system along with the shortage skill in our future business holding hands to gain the competitive edge in international business.

Introduction

Entrepreneurship: The Contribution

Because the definition of entrepreneurship denotes the creation of some combination that did not previously exist, entrepreneurship often is equated with small business ownership and management. The small business sector has received attention in the economic and management literature because of its significance to the economy. If entrepreneurship can be viewed as incorporating innovation and growth, the most fertile ground for management research may be entrepreneurs and entrepreneurial ventures. Entrepreneurship has been found to extend beyond small businesses: some large corporations have been described as engaging in entrepreneurial behavior (Ronstadt, 1982, Schollhammer, 1982, Shils, 1982). Additionally, a person who owns an enterprise is not necessarily an entrepreneur (Martin, 1982). Clearly, an overlap exists of entrepreneurship with the small business sector.

The country's most valuable resources are youth because they are going to be an important component of economic growth & to create a future for it. In that case, India is the richest country in the world because it is blessed with 70 percent of youth population with 35 years age group.

Is that India is utilizing this valuable resource (young population) effectively?

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Mostly the answer no, because

- 41% of Indian youth population employment is far lower than the global average (20% of youngsters are unemployed in Indian population).
- 8 out of 10 start-ups are failing and engaging into the normal job as an employee.

Objective of the Study

The objective of the paper is to study “The Fundamental Problem of Future Entrepreneur which Makes Complexity to Survive in VUCA World”. Our youngster is lagging in skill to survive in VUCA world”. The main reason behind this is our education system is not to the level to empower the youngster with entrepreneurship education to cope up with the volatile environment in VUCA world.

LITERATURE REVIEW: THE "ENTREPRENEUR"

One of the earliest definitions of an entrepreneur was that of Cantillon (circa 1700) who described the individual as a rational decision maker who assumed the risk and provided management for the firm (Kilby, 1971). Schumpeter (1934) credited Mill (1848) with bringing the term into general use among economists. Mill, also, believed that the key factor in distinguishing a manager from an entrepreneur was the bearing of risk. Schumpeter, however,

countered that risk bearing was inherent in ownership and that entrepreneurs, the combiners, were not necessarily owners; therefore, the risk bearing propensity would not be a trait. Martin (1982) believes that capital risk is a function of the investor. Further, Brockhaus (1980) cast doubt on the validity of the risk taking propensity as an entrepreneurial characteristic with his descriptive work. Brockhaus found no statistical difference in the risk preference patterns of a group of entrepreneurs and a group of managers. It should be noted that Brockhaus used the establishment of a business as the criterion for inclusion of the participants in the entrepreneur group. Omitting business ownership as a designation of entrepreneurship permits both the inclusion of corporate entrepreneurs and the elimination of the risk bearing characteristic. However, many writers have asserted and continue to assert that risk bearing is a prime factor in the entrepreneurial character and function (McClelland, 1961; Palmer, 1971; Timmons, 1978; Welsh & White, 1981). Numerous normative and descriptive studies have supported various sets of personality characteristics of entrepreneurship. Brockhaus (1982) has presented an excellent historic overview of the definitions of entrepreneurs. Perhaps the most important factor from a societal perspective is the characteristic of innovation. Schumpeter (1934) believed that innovation was the central characteristic of the entrepreneurial endeavor. His emphasis on this point is revealed in his declaration that one behaves as an entrepreneur only when carrying out innovations. McClelland (1961) stated that energetic and/or novel instrumental activity was a key factor in entrepreneurial activity. Martin (1982)

stressed that entrepreneurial creativity is different from literary or artistic creativity in that the entrepreneur does not innovate by creating ideas but by exploiting the value of ideas.

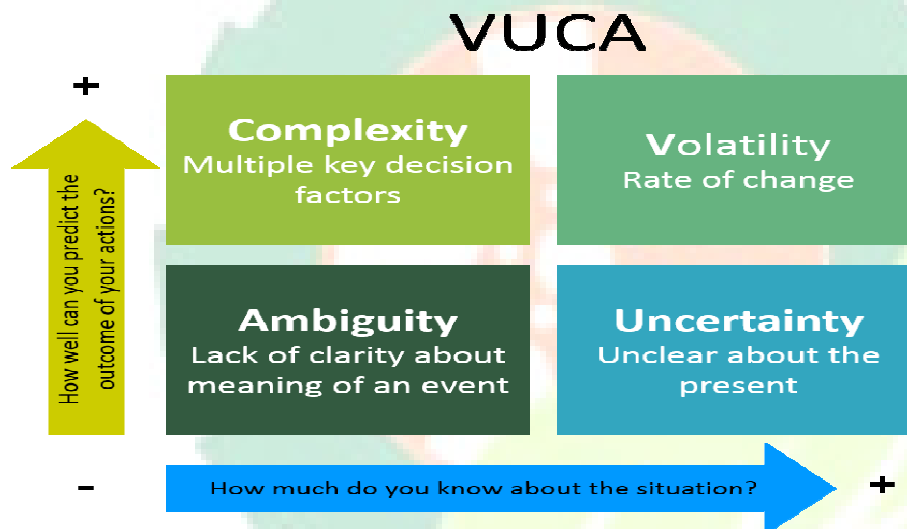
VUCA is an acronym developed by the U.S. military after the collapse of the Soviet Union to describe a multipolar world: volatile, uncertain, complex, and ambiguous.

Volatility reflects the speed and turbulence of change.

Uncertainty means that outcomes, even from familiar actions, are less predictable.

Complexity indicates the vastness of interdependencies in globally connected economies and societies.

Ambiguity conveys the multitude of options and potential outcomes resulting from them.



As you can see from the grid above, the vertical or Y axis represents how well you can predict the outcome of your actions, or the certainty of the outcome. The horizontal or x-axis represents how much you know about the situation or situational awareness. In volatility, we might know quite a bit about the situation and we might be able to predict the outcome of our actions. In volatility, the issue is simply the rapid rate of change. As this post will point out, most of us are in volatile markets with rapidly changing circumstances.

In uncertain situations, we might know quite a bit about the situation, but we are unsure how next to proceed. This is closely aligned with the military term “the fog of war.” If we don’t know

Complexity represents a situation where we may be aware of the outcome of our actions, but we may have many key decision factors that are clouding our ability to make a judgment.

Ambiguity is low in both the situational awareness and the predictability of the outcome of our actions. This might be a situation where we’re introducing an entirely new business model to the market or launching a never-before-tried combination of technologies.

The Controversy over statistics

- India holds 69 places in 2017 **Global Entrepreneurship Index** rankings where as china holds 48th place

- NASSCOM in its study report include- India is the youngest start-up nation in the world and 72 percent of the founders are less than 35 years old.
- India has moved up a position to become the third fastest growing base of start-ups worldwide with the number of start-ups crossing 4,200 by the end of 2015 published by NASSCOM.
- 80,000 jobs created by start-ups.
- Around 3-4 start-ups are born each day.

The all above data are trying to give a picture that we are performing well in terms of entrepreneurship, but the following data are quite a controversy to the above information.

- 41% of Indian youth population employment is far lower than the global average (20% of youngsters are unemployed in Indian population).
- 8 out of 10 start-ups are failing and engaging them into a normal job as the employee.

The last two points conform that Indian youngsters are very passionate to make entrepreneurship as their career but most of us don't possess the skill to turn start-up to the successful business.

The Major Challenge of India

Shortage of skilled workforce is a major problem in India. The share of the skilled workforce in developed countries is 60 to 90%, whereas Indians share is just 5%. Even many plans are brought by our government like Make in India & Skill Development the problem is not yet solved because the root cause is hidden in our education system.

Lack of Skill Based Education

India supplies major skilled workforce throughout the world but the hidden truth behind this is we lack in providing skilled based quality education. India ranks third in the output of graduates after US and China but we lag in quality and skill-based education. The very good live example is 25% of engineering graduating every year remains unemployable in India. The major problem behind this is individuals, as well as institutions, gives importance to marks and grades rather than enhancing knowledge which the real competitive world is looking for. That's the reason why only 2% of the total workforce in India has undergone skills training.

Skill Required to Build for Success

Indian youngsters are very good in innovative idea but to make it into the successful certain skill set need to be triggered by our entrepreneurship education. They are as follows

- Visionary skill about the business they want to run
- Observation skill to understand the movement of environment
- Research skill to have an in-depth knowledge about the selected business idea.
- Leadership skill to lead a team in a successful manner.

Industry Wise Start-up Failure Rate

The Statistic Brain Research Institute compiled a variety of statistics on start-up failure rates and the underlying reasons during 2016. They also listed the percentage a start-up is likely to fail based on its industry.

Industry	% still operating after 4 years
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Finance Insurance & Real Estate	58%
Education & Health	56%
Agriculture	56%
Service	55%
Wholesale	54%
Mining	51%
Manufacturing	49%
Construction	47%
Retail	47%
Transportation Communication & Utilities	45%
Information	37%

Start-ups in the areas of information, transportation, communication, and utilities have the highest failure rates, while finance insurance and real estate tend to be more

successful. But the grim reality is that almost 50 percent of new businesses, independent of the industry, don't make it to four years.

Major Causes for Failure

The Statistic Brain Research Institute report also found the number of underlying causes

that contribute to crash and burn of business within the first two years

Major Causes	% of Failures	Specific Pitfalls
1. Incompetence	46%	Emotional pricing
		Non-payment of tax
		No knowledge of pricing
		Lack of planning
		No knowledge of financing
		Poor account keeping
2. Lack of managerial Experience	30%	Inadequate borrowing practice
		Fast Expansion
3. Lack of Experience in line of good or service	11%	Carry inadequate inventory
		No knowledge of supplier
4. Neglect fraud disaster	1%	

Findings based on above Study

- Lack of knowledge about the business they are running.
- Offering a wrong product without researching the customer taste and preference
- Poor resources allocation due to unavailability of funds at the right time

- Most important reason is absent of branding strategy
- Inexperienced management team
- No backup plan

Suggestions

- Do market research before entering the market.

- Try to gain in-depth knowledge about the business you run.
- The government still more need to make relaxation in rules and regulations & encourage banks to provide the funds at the right time for start-ups to operate.
- Apart from all our entrepreneurial education need to be upgraded to create practical exposure to the student.

Conclusion

In a competitive landscape of business environment, VUCA is an additional stress to the entrepreneur. But this is not something unsolvable. This can be overcome easily if we choose right product and business model along considering above problems. VUCA is often seen as a negative force, but as an entrepreneur, we need to see the potential and to transform it proactively and find the opportunity within. There are only two hands can support to build this skill. One is education system which is needed to be changed and other government policy which is already getting ready to prepare huge entrepreneurial hub in India.

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