

Chapter 07

Entrepreneurial Culture

This chapter discusses the followings.

- 7.1 Introduction to culture
- 7.2 Introduction to entrepreneurial culture
- 7.3 The need for the creation of an entrepreneurial culture
- 7.4 Social and economic factors conducive for the emergence of an entrepreneurial culture
- 7.5 Social factors against entrepreneurship
- 7.6 Role of women in entrepreneurship
- 7.7 Business ethics and social responsibility
- 7.8 Incentives available for entrepreneurs



7.1 Introduction to culture

At the beginning of human civilization it can be seen that man has been working with different parties of the society as well as with the various cultures in satisfying their needs and wants. The values of a culture shape the people. Culture can be explained as beliefs, values, attitudes, behavior patterns, different ideas, customs and norms that exist among people of a society which are unique to them. Depending on the characteristics of these cultural elements, the behavior of the people will be decided.

Example :-

In Sri Lankan society, different categories of people like Sinhalese, Tamils, Muslims and Burgers are living together and these ethnic groups possess values, beliefs, attitudes and different behaviors which are unique to them.



Figure 7.1

7.2 Introduction to entrepreneurial culture

Entrepreneurial culture is a collection of elements like special behaviors, attitudes, beliefs, ideas, behavior patterns, rites, rituals, and customs which are unique to entrepreneurs.

A person living in the entrepreneurial society inherits entrepreneurial traits. That is the person who thinks positively, accepts risks creatively and does innovations. Moreover, such people are dissatisfied with the status quo and try to change the prevailing condition. Further those people are very sensitive to the environment and owing to that sensitivity they have the capability of identifying the opportunities and chasing them. As soon as the opportunities are identified, they exploit them.

7.3 Need for the creation of an entrepreneurial culture

Most of the countries in the world have developed due to the influence of cultural and social forces. Since efforts are being taken to develop Sri Lanka, the need for an entrepreneurial culture is highlighted. Solutions to most of the economic and social problems of Sri Lanka can be found through this.

✿ A Solution to unemployment

The unemployment rate of Sri Lanka is considerable. The nature of this unemployment is very complex.

Example :-

Unemployment is high among educated people than the uneducated people.

Unemployment is at a high percentage among the youth aged below 30 years.

A considerable percentage of the workforce of Sri Lanka migrates for jobs.

Unemployment is high among educated women.

Hence the creation of jobs for the workforce of Sri Lanka can be done very easily within an entrepreneurial culture.

✿ Achievement of economic growth

If an economy is to grow, production of goods and services within that economy should increase. Any country can achieve high economic growth through an entrepreneurial culture.

✿ Availability of unused resources

Sri Lanka is a land full of resources. Those resources are not properly utilized at present. There is a possibility of generating products by using those unused resources.

P Need for new job creators

It has become difficult to provide jobs for the people compared to the population growth of Sri Lanka. In order to provide jobs, new businesses should be created. As a result, direct and indirect jobs will be created when conducting and developing those businesses.

P Need to minimize the inconsistencies in income distribution

Inconsistency in income distribution occurs when a large part of the population of the country receives a small portion of the national income and small part of the population receives a large portion of the national income.

Through popularization of the entrepreneurial culture, entrepreneurial ability of many people will be improved. Through that ability, they can earn profits. Further through the increase in employment, income will flow to the low income earning segment. This will minimize the inconsistencies in income distribution.

7.4 Social and economic factors conducive for the emergence of an entrepreneurial culture

There are many social and economic factors favourable for the emergence of an entrepreneurial culture. Some of them are given below.

P Existence of a favorable economic environment

To start and run new businesses, there should be a favourable economic environment for entrepreneurs. Economic factors should be in favour of business activities. This include factors such as low interest rates, increase in income level and favourable foreign exchange rates.

P Stable political condition

Having a political authority which makes favourable rules and regulations and policies for the identification of solutions to economic and social problems giving prominence to entrepreneurship while securing it will be very helpful for the emergence of an entrepreneurial culture. Further the political authority should have understood the rewards of entrepreneurship.

❖ Incentives given by government and other organizations

Government and public sector organizations can immensely support the upliftment of entrepreneurship. Entrepreneurial culture can be developed by giving financial and non-financial aids.

Examples :-

- Giving tax relief
- Giving loans under concessionary conditions
- Giving training and advice
- Giving aids
- Facilitating the meetings of local and foreign buyers
- Organizing workshops and exhibitions

❖ Having a family background which encourages entrepreneurship

A family background which encourages entrepreneurship will positively affect the creation of an entrepreneurial culture. Creation of an environment within the family which encourages the development of entrepreneurial capabilities will help the generation of successful entrepreneurs in the future. There is a greater tendency for new generations to choose entrepreneurial activities when their families have family businesses which have existed continuously. This too is a favorable factor which help the emergence of an entrepreneurial culture.

❖ Encouragement given by large businesses

Large businesses often get the help of small and medium scale businesses when conducting their businesses. Hence large businesses always provide different aids to small and medium scale businesses.

Examples :-

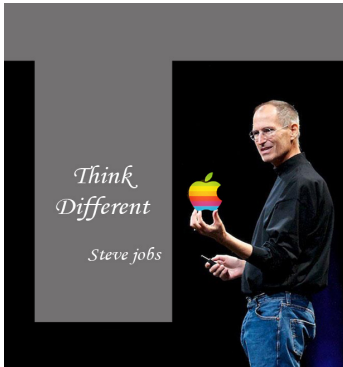
- Obtaining raw materials and parts required by large companies from small businesses. Transferring some production activities to small businesses (sub contracting)

❖ Ability of obtaining resources

Availability of ample resources and ability to use them for production are factors which encourage entrepreneurship.

P Role models

Ability to witness role models of successful entrepreneurs in the society is a major factor which influences the creation of an entrepreneurial culture. Such a guidance will help the entrepreneurs to understand the way they should proceed.



'Think differently'

Steve Jobs- founder of Apple Company

Figure 7.2

P Encouragement given by different parties

Encouragement given by the members of the family, school, different societies and friends, makes a favourable impact for the creation of an entrepreneurial culture. At present, newspapers and electronic media can play a big role in this regard.



Activity 01

Identify two successful entrepreneurs in Sri Lanka.

Search their path of becoming a successful entrepreneur from their life stories.

List few lessons that can be learnt by new entrepreneurs from their life stories.

7.5 Social factors which obstruct entrepreneurship

There are many personal rewards of being an entrepreneur. Further, entrepreneurs generate higher rewards for the economy as well. One of the mechanisms of the development of a country is entrepreneurship. Yet many are reluctant to be entrepreneurs.

Let's discuss some social factors that go against entrepreneurship.

❖ High recognition given to salaried jobs

The dream of most of Sri Lankans is to do a highly paid job. The reason for this is the tendency of the society to judge the success and the recognition of a person from his or her job. Owing to this attitude, many are used to wait expecting a job by suppressing their entrepreneurial skills.

❖ Reluctance to accept risks and challenges

A main characteristic of an entrepreneur is the readiness to accept manageable risks. They should accept the challenge of making their innovations successful. Therefore, the unwillingness of people to accept risk and challenges is another barrier to the entrepreneurship.

❖ Lack of encouragement from education

The present traditional education system does not support the generation of people who can see the world with a creative mind, change the status quo and accept risks and challenges. This acts as a barrier for entrepreneurship.

❖ Insufficient government support

Weaknesses of policies which are for the development of entrepreneurship in Sri Lanka and insufficiency of incentives given to promote entrepreneurs are barriers for entrepreneurship.

P Dependent mentality

Most of the Sri Lankans today have high expectations towards what they inherit from their parents and try to live by spending what they have inherited thereafter. Further, they expect subsidies given by the government. People are reluctant to earn what they need through their own effort. Such mentality acts as a negative factor which demotivates people from being entrepreneurs.

7.6 Role of women in entrepreneurship

‘The hand that rocks the cradle, rules the world’

The above saying depicts the unique capability within a woman. They can lead anything towards success due to their creativity, dedication, risk taking ability, intelligence, gumption and flexibility. Owing to above qualities, women today choose to be successful entrepreneurs individually or as groups by identifying new opportunities and converting them to their own business. Further they provide job opportunities to others through their businesses.



Figure 7.3

Need of women choosing to do businesses

It has become necessary for women to enter into the entrepreneurship field today. There are many reasons for this.

P To achieve a satisfactory income level

Since cost of living has increased at present, it has become difficult to run the affairs of a home only with the income of one individual. In order to avoid this, it is necessary for women to earn an income through a business.

❖ Majority of the population being women

When analyzing the composition of population of Sri Lanka, it is evident that women represents the majority. Hence, we can come to the conclusion that there is a considerable women representation within the workforce of Sri Lanka. Hence, women should venture in to business and should give their contribution to uplift the economy of the country.

❖ High unemployment among women

Unemployment rate is high among women. It is a waste of resources of a country. When women enter in to business, their contribution can be used to increase the national production. It will be a solution to unemployment since they create employment for themselves and for the others.

❖ Existence of businesses which need contribution of women

Women's contribution is needed for the businesses which require unique skills of women and qualities like softness and kindness.

Examples :-

Pre-schools, Nursing, Beauty culture, Day care centers, Fashion designing

❖ Trend of women getting higher education

There is an increasing trend among women to get school education as well as higher education. They can contribute for the economic development of the country by starting businesses independently by making use of the higher education they acquired.

Opportunities for women to do business

It is important to have opportunities within the business environment for women to enter into business. Following are some such opportunities which can be seen in the economy of Sri Lanka.

❖ High demand created for services

A high demand for different services has been created in order to fulfill human needs and wants owing to the facts like busy schedules of people, and increase in income levels. Opportunities are open for women to provide those services.

Examples :-

Selling processed foods
Laundry service
Day care service



Figure 7.4

❖ Existence of business opportunities which can be started with a low investment and low risk

Examples :-

Event management – organizing different functions
Organizing local and overseas tours

❖ Unique financial and non -financial incentives being introduced to women

Examples :-

Giving loans at lower interest or interest free
Conducting entrepreneurial training programmes for women

❖ Changing social attitudes regarding women

Examples :-

Recognition given to women
in the society has been increased

Acknowledging the economic
contribution made by women

Women engaging in activities
which were under male
dominance



Figure 7.5

Some strengths of women to be an entrepreneur are given below.

- ✚ Ability to use the inherent skills
- ✚ Having self-discipline
- ✚ Ability of balancing the private life and the business activities
- ✚ Ability of using time effectively
- ✚ Having a high level of creativity
- ✚ Ability of building close relationships with different parties and developing trust through that
- ✚ The attitude in the society that women are reasonable and trustworthy
- ✚ Being frugal

Barriers for women entrepreneurship

Women encounter different barriers when they run businesses. Sometimes women refrain from being an entrepreneur due to those barriers. Some such barriers are given below.

- ✚ Challenge of balancing the roles of the personal life and the role as an entrepreneur
- ✚ Women have to give prominence to household activities and as a result attention given to the business can go down.
- ✚ Independence of women has not yet been established in the society.
- ✚ Dislike to do businesses is going beyond the tradition.
- ✚ Programs which promote women entrepreneurship are not enough.
- ✚ Difficulties of obtaining capital.



Figure 7.6



Activity 02

Naveesha was a student in grade 08 and is the eldest daughter of a family which had economic difficulties. Her brother is studying in grade 04. Her father is a labourer and mother is a house wife. The salary of Naveesha's father is not enough for all the household activities. Yet her mother was frugal and responsible enough to spend a greater portion of the income on the education of children and the rest for other needs of the home. Though income difficulties were there, they lived a happy life.

One day Naveesha's father met with an accident and became bed-ridden. As a result, he lost his job. Naveesha regretted a lot seeing the helplessness of her mother who didn't receive any income for the medical treatments of her father and for the household affairs. Naveesha's mother was a very courageous woman and she determined to stand on her own. Naveesha's mother started a small institution which makes handbags utilizing the resources available in her area with the small amount of money she has saved. Naveesha was amazed when she saw the dedication of her mother who worked hard for her business day and night while doing all the work of her father without any negligence.

Her creations were different when compared to the other handbags available in the market. As a result she was able to increase the sales of her products. She was able to give jobs in her business for four women of her area within a short period of time and became a famous and a successful individual of the area. Further, she was selected as a member of the executive committee of the women's society of the area. The fact that she was able to continue the education of her children and earn a satisfactory income to nurture them witnessed that she had successfully faced the challenge of balancing the roles of her personal life and the role as an entrepreneur.

After recovering fully, Naveesha's father was satisfied with the achievements her mother had gained when he was disabled and decided not to seek other jobs and to join and develop the business of Naveesha's mother. Naveesha too determined to be a successful woman entrepreneur like her mother after studying well.

Read the above carefully and answer the following questions.

01. Identify the entrepreneurial characteristics of Naveesha's mother.
02. Explain how she had overcome the barriers of women entrepreneurship.



Activity 03

Collect the reports/ records published in newspapers and magazines that describe the contribution of women to the economic development of the country.

Discuss them in the classroom and identify the facts which have motivated them and the challenges they have faced.



Activity 04

Identify the natural resources available in your area which are not utilized.

List business opportunities that can be exploited by women using those resources.

7.7 Business ethics and social responsibility

Business Ethics

A business should earn profits without harming the environment and any other party. For that it is necessary to follow a code of ethics when running businesses. Those business ethics depend upon the values of the people who are involved in the business.

Common agreements arrived at in writing, verbally or symbolically, by a person or a group of people regarding what is right and what is wrong or what is good and what is bad are called business ethics.

Examples :-

Giving priority to the consumer in every business affair

Doing business without harming the natural environment

Three main parties influence the determination of business ethics.

1. Proprietors
2. Members of the organization
3. External society



Activity 05

Suggest few business ethics that should be followed by a business.



Activity 06

List ten activities that can happen in a business which violate business ethics.

Social Responsibility of a Business

The traditional view regarding the social responsibility of a business is that a business should provide maximum returns for the capital invested by the owners. But at present, the social responsibility of a business has become a broader concept.

Social responsibility of a business indicates that a business has a responsibility towards the owners of the business as well as the whole external society within which the business is operated and nurtured.

Hence businesses should pay attention to the prevailing issues of the society including protecting the environment, economic development, social and cultural development and establishment of a peaceful society.

Levels of Social Responsibility of a Business

Social responsibility of a business can be fulfilled according to the following ways.

01. Economic responsibility
02. Legal responsibility
03. Ethical responsibility
04. Philanthropic responsibility

01. Economic responsibility

The responsibility to contribute to increase the rewards of the owners of the business. Fulfillment of this is essential for the survival of the business.

Examples :-

Securing the financial stability of the business, profitability, using limited resources efficiently.

02. Legal responsibility

This is to conducting the business according to the rules and regulations imposed by the government and other institutions.

Examples :-

Paying Employees Provident Fund properly
Refraining from environmental pollution
Refraining from using prohibited raw materials

03. Ethical responsibility

This is to comply with the written or symbolic rules which are believed to be right by the society in which the business operates.

Even though these responsibilities are not compulsory in order to conduct the business, they are fulfilled by businesses as they represent the expectations of different social parties.

Examples :-

Giving equal job opportunities to women and to the minority
Training and development of employees
Improving the quality of the product/service

04. Philanthropic responsibility

These are the responsibilities which are not essential for the survival of the business and not directly expected by different parties of the society from the business. These are the high level responsibilities which are fulfilled voluntarily by a business without expecting anything in return.

Examples :-

Sponsoring community events including sports, educational and health events

Stakeholders of a Business

Stakeholders are the parties who are influenced directly or indirectly due to the conduct of a business.

These parties have different expectations. Some examples for such expectations are given below.

Party	Expectation
Owners	Satisfactory return to the capital invested
Employees	Earning a reasonable salary and the job security.
Creditors	Recovering the loans provided within the due period
Government	Complying with the rules and regulations and charging taxes properly
Consumers	Obtaining quality products at a reasonable price.

As given in the above illustration different parties believe that their expectations will be met and when they are not being met they tend to act against the business. Hence, a business should decide their policies and ethics, in a way that the expectations of above groups are met.

Rewards of Complying with Social Responsibility

- ❖ Improve the goodwill of the business
- ❖ Ensure the long term survival of the business
- ❖ Possibility of legal issues to emerge will be low
- ❖ High profitability is ensured as the demand for the products and services of the business increases
- ❖ Satisfying and loyalty of employees will increase



Activity 07

Mark (✓) if the following statements are correct or (✗) if they are wrong in the box given in front of each statement.

No.	Cost	✓ / ✗
01	Though a high cost has to be born for waste disposal by a business, complying with that will help create a good image for the business.	
02	Businesses that are established in an economy also have the responsibility of increasing the welfare of that economy.	
03	Stakeholders are satisfied when a business complies with the equitable ethics which are acknowledged by a society.	
04	Responsibilities with which a business should comply affect the survival of the business.	
05	Responsibilities that the whole society believes a business will essentially fulfill are called philanthropic responsibilities.	

7.8 Incentives available for entrepreneurs

By promoting entrepreneurship of a country, the country can gain many benefits. Due to its importance most of the government as well as the private institutions try to promote entrepreneurship. As a result of that different incentives are given to entrepreneurs in order to start and run the businesses.

Reasons as to why the business starters require government incentives are given below.

- ❖ To encourage entrepreneurs to start new businesses
- ❖ To give the opportunity for entrepreneurs to convert their business ideas in to real businesses
- ❖ To induce self-confidence and positive attitudes of starters of business
- ❖ To provide a successful entry to the entrepreneurs
- ❖ To carry on the social welfare activities expected by a government

Types of Incentives

Different incentives given by the government can mainly be categorized as follows.

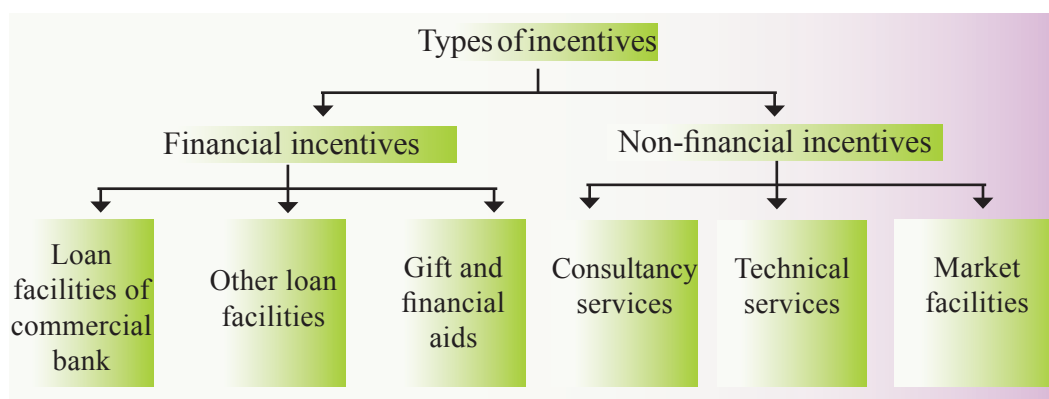


Figure 7.7

Financial Incentives

Aids given to a business which are of monetary nature are called financial incentives.

Examples :-

- Giving loan facilities under concessionary interest rates
- Giving loans without securities
- Extending the repayment period of loans
- Financial gifts

Non -Financial Incentives

Incentives given to a business which are of non- monetary nature are called non-financial incentives. That is to provide infrastructure facilities including technical and marketing facilities.

Examples :-

- Training entrepreneurs
- Training employees
- Training on marketing
- Consultation on business plan development
- Giving technical training
- Giving knowledge regarding packaging
- Help finding the market



Activity 08

Identify whether the following are financial incentives or non-financial incentives.

No.	Incentive	Answer
01	Obtaining a bank loan of Rs. 100 000 from a State bank	
02	Getting an aid of Rs. 500 000 under non-repaying basis	
03	Receiving a machine worth Rs. 10 000 as a donation from a government institution	
04	Giving technical instructions regarding the production process of a business	
05	Giving the opportunity to participate in a workshop in order to get the instructions regarding packaging under a special promotional program	
06	Getting an opportunity to link with the foreign buyers after participating for a Exhibition organized by the Export Development Board	
07	Giving a stall of an exhibition which is worth Rs. 10,000 to an entrepreneur free of charge	

Institutions that provide incentives

Different government as well as private institutions are engaged in providing incentives to entrepreneurs.

Some examples for the institutions which provide financial incentives are given below.

All domestic commercial banks
Other financial institutions
Development Finance Corporation of Ceylon (DFCC) bank
Regional development banks

Some institutions which provide non-financial benefits along with the services they provide are given below.

Industrial Development Board	Giving advice regarding investment opportunities
	Providing industrial information
	Giving technical support
	Providing engineering services
	Giving vocational services and basic facilities for industries
	Providing marketing services
Industrial Technology Institute	Giving technical consultation for industries
	Calibration of laboratory and technical equipments
	Development of products and production process
	Industry and laboratory measures
	Repairing electronic equipments
	Inspection of finished products and raw materials and quality control
	Technical training
	Ascertaining the technical errors of industries

Sri Lanka Export Development Board	Creating an environment conducive for exports in Sri Lanka
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Sri Lanka Standard Institution	Preparing national standards Issuing quality certificates of products Certifying quality systems Inspecting the quality of export goods Import inspection Instructions to improve quality
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Activity 9

Imagine that you are going to start a business. Name institutions from which non-financial facilities can be obtained for that business and identify those non-financial incentives.

Let's Answer

01. Briefly explain the term “entrepreneurial culture”.
02. Describe briefly why an entrepreneurial culture should be created in Sri Lanka.
03. List social factors which are required for the emergence of an entrepreneurial culture.
04. Name four stakeholders of a business.
05. Explain the social responsibility of a business briefly and indicate the need of complying with those responsibilities.
06. Give two examples each for financial and non-financial incentives.



(All the pictures appeared in this book have been downloaded from the Internet)