1.0. INTRODUCTION

This study is an attempt to establish factors that affect culture of innovation in the MSME entrepreneurship sector in India. This research in the department of Management endeavours to answer the following questions:

(i) What are the factors or variables that affect culture of innovation in the MSME entrepreneurship sector?

(ii) Which of these are cultural and non-cultural variables?

(iii) Which of these variables encourage or discourage culture of innovation in entrepreneurship?

(iv) Is there inter-dependence between cultural and non-cultural variables?

(v) How do these variables affect the entrepreneurship intention and innovation in entrepreneurship?

(vi) Are there different niches or segments in the Indian MSME entrepreneurship sector based on cultural and non-cultural variables?

1.1 BACKGROUND OF THE PROBLEM

India has a demographic dividend with more than 62% of its population in the working age group (15-59 years), and more than 54% of its total population below 25 years of age. In the next 20 years the labour force is expected to increase by 32%. This is both a daunting challenge and a huge opportunity for India.

In addition, the following challenges have been highlighted by the recent National Policy for Skill Development (2015):

- It is estimated that only 4.69% of the total workforce in India has undergone formal skill training.

- A NSDC skill gap study over 2010 – 2014 indicates that there is an additional net incremental requirement of 109.73 million skilled manpower by 2022 in 24 key sectors. Approximately 241.86 million would be unskilled or skilled, out of which 170 million would be in the age group 15-45 years. In the agriculture sector, this unskilled workforce comes to be 128.25 million.

- In addition, another 104.62 million fresh entrants will enter work force and 298.25 million of existing farm/non-farm sector workforce need to be skilled in the next 7 years.
• Different states in India face varied challenges in relation to demographics and skill development.

• 93% of the workforce is in informal/unorganised sector, and it is difficult to map existing skills and gauge their skilling requirements.

• Women constitute almost half of the demographic dividend. However there is continuing fall in labour force participation rate of women in both rural and urban areas between 2004 and 2011.

• Job creation for skilled youth is also a major challenge. Entrepreneurship based on innovation has immense growth potential. The Global Innovation Index 2014 ranks India 76 out of 143 countries on basis of lower number of entrepreneurs. Accelerating entrepreneurship particularly based on innovation is crucial for large-scale employment generation in India (NPSD 2015).

The workforce needs to be equipped with employable skills to substantially contribute to the economic growth of the country. As India moves towards becoming a global knowledge economy, rising aspirations of its youth can be met through skills strategy. This strategy can create jobs in the primary, secondary and tertiary sectors, leading to higher economic growth and entrepreneurship in all sectors.

However, Indian entrepreneurship potential has not been fully harnessed – the MSME (micro, small and medium enterprises) sector contributes to only 17% of GDP. With progressive economic landscape, entrepreneurs can become catalysts of economic growth, provide income and employment opportunities, and produce innovative products. The face of Indian entrepreneurship is also changing — entrepreneurs are increasingly young and/or female.

Though three kinds of entrepreneurial activities exist in India – Factor driven entrepreneurship, Efficiency driven entrepreneurship and Innovation driven entrepreneurship, there is a prevalence of factor-driven entrepreneurship. For entrepreneurship and innovation opportunities to flourish, an enabling eco-system for entrepreneurship needs to be created, and a culture of opportunity and innovation should be inculcated. This will boost innovation driven entrepreneurship. It is acknowledged world-wide and by Indian government’s initiative – National Policy for Skill Development and Entrepreneurship (2015) that supportive environments are increasingly essential to successful entrepreneurship. The ideal
entrepreneurial environment has 5 pillars: Access to funding, Entrepreneurial culture, Supportive regulatory/tax regimes, Educational systems that support entrepreneurial mindsets; and a coordinated approach that links the public, private and voluntary sectors.

The National Policy for Skill Development and Entrepreneurship (2015) that superseded the Skill Development policy of 2009 attempts to address each of the above-mentioned concerns. The vision of this Policy is “to create an ecosystem of empowerment by Skilling on a large Scale at Speed with high Standards and to promote a culture of innovation based entrepreneurship which can generate wealth and employment so as to ensure Sustainable livelihoods for all citizens in the country.” The core objective of the entrepreneurship framework is to coordinate and strengthen factors essential for growth of entrepreneurship across the country, including promoting entrepreneurship culture and make it aspirational.

It is suggested that serious concerted attempts have to be made in research on Indian entrepreneurship and innovation, if the desired mission of this National Policy of Skill Development 2015 – ‘catalyze an ecosystem wherein productive and innovative entrepreneurship germinates, sustains and grows leading to creation of a more dynamic entrepreneurial economy and more formal wage employment’ is to be realized. This implies that adequate attention should be given to culture research in entrepreneurship.

The following key concepts and their definitions are crucial for positioning this research within the conceptual boundaries:

**Culture:**

“Culture is the sum total of a way of life: it is the values, traits, or behaviours shared by the people within a region” (Herbig and Dunphy 1998:13).

“Collective programming of the mind, which distinguishes the members of one human group from another” (Hofstede 1991:5)

Rosenstiel and Koch (2001:201) argue that values as a layer of cultural traits cannot be observed directly, and hence inferred from observable human behaviour, human artefacts, or verbal statements by persons about their value orientation.

National culture is set of collective beliefs and values that distinguishes people of one nationality from those of another (Hofstede 2001). National cultures are extremely stable “(due to) reinforcement of culture patterns by the institutions that themselves are products of the dominant cultural value systems” (Hofstede 2001:255). There is an assumption that there
is a large degree of homogeneity within the nation. However there are regional differences within a country, and yet properties of national cultural exert an influence on regional settings.

Several authors have operationalized culture through the use of multiple cultural dimensions. The most famous and most widely used model of cultural dimensions was developed by Hofstede (2001). The five cultural dimensions are power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation.

**Culture of Innovation:**

Culture of Innovation – is understood in terms of attitudes towards innovation, technology, exchange of knowledge, entrepreneurial activities, business, uncertainty (Hofstede 2001).

Culture of innovation is “the institutions (formal or informal norms and values) that have a significant influence on how actors in innovation process perceive economic and technical challenges and provides strategies to tackle these” (Wieland 2004: 10).

Culture has profound significance for adoption of innovation. “Existing cultural conditions determine whether, when, how and in what forms a new innovation will be adopted. If the behaviour, ideas and material apparatus which must accompany the use of innovation can affect improvements along lines already laid down in the culture, the possibilities of acceptance are much greater” Herbig and Dunphy (1998:14). Several studies have attributed high innovation capacities to societies characterized by: higher individualism, willingness to take risks, readiness to accept change, long-term orientation, low on status/hierarchy (low power distance), weak uncertainty avoidance, openness to new information, frequent travel, positive attitude towards science, high education levels, early adapters, and religion.
Culture and Entrepreneurship:
Innovation is directly related to entrepreneurship and therefore cultural dimensions influencing innovation will also affect entrepreneurial activities (Hofstede 2001).
Beugelsdijk (2007:192) suggests that propensity for innovation and entrepreneurship go hand-in-hand as entrepreneurship is associated with the formation of new firms, and understood as starting something new. As entrepreneurship is associated with alertness, finding of new product-market combinations and innovation, "entrepreneurship, innovation and economic growth are logically linked through the recognition and exploitation of opportunities in economic and social areas” (Beugelsdijk 2007:192).

Concept of Entrepreneur
The word ‘entrepreneur’ is derived from French word ‘Entreprendre’. Schumpeter (1994) gave a central position to the entrepreneur as he believed that an entrepreneur was a dynamic agent of change; a catalyst who transformed physical, natural and human resources into production possibilities.
Entrepreneur as risk bearer (Richard Cantilon).
Entrepreneur as an organizer (J Baptist Say).
Entrepreneur as an innovator: Joseph A Schumpeter (1934) assigned a crucial role of innovation to the entrepreneur. He considered economic development as a dynamic change brought by entrepreneur by instituting new combinations of factors of production. These combinations may occur in any of the following forms: new product in the market, new method of production, opening of new market, discovery of new source of raw materials, and new form of organisation.
Peter F. Drucker defines an entrepreneur as one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the basic tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.
International Labour Organization (ILO 2006) defines entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with necessary resources to initiate appropriate action to ensure success. The UNESCO/ILO report (2006) description of entrepreneur as one who combines innovativeness, readiness to take risk, sensing opportunities, identifying and mobilizing potential resources, concern for excellence, and who achieves the goal.