Entrepreneurship as a learning process: Ambanis’ as the 20th century entrepreneurs of India

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This study provides insights into the characteristics and behaviour of entrepreneurs. The study emphasizes the role of experience in entrepreneurship. The main focus is to illustrate how entrepreneurs can use their previous entrepreneurial experiences in their entrepreneurial career. The case introduced in this paper is that of young Indian entrepreneur(s). His story fits to some of the earlier findings in the field, but it also offer new insights into earlier results. Results show that the entrepreneur in question firmly and continuously exploited entrepreneurial learning and experiences in his entrepreneurial career. When moving to new business in a new industry, the entrepreneur may be capable of thinking ‘outside the box’, and hence to innovate. Findings also suggest that a new generation of entrepreneurs, with less risk-averse approaches to entrepreneurship may enhance more positive attitudes about entrepreneurship in general.

Keywords: Case study, entrepreneurial learning, entrepreneur.

INTRODUCTION

Creating a new venture is not as simple as imagined by many. Moreover, those individuals who really have the potential to become successful entrepreneurs often do not do so (Bratnicki et al., 2005). However, those individuals who decide to start a new business face many challenges. During the start-up phase, entrepreneurs usually face new hurdles, such as the need to acquire financing and know-how concerning bureaucracy and the creation of customer relationships. In addition, the risk of failure always looms in the life of an entrepreneur. Some of the entrepreneurs give up when they face a major failure in their business (e.g. Bratnicki et al., 2005). However, there are also those who take a failure (or just a closure of their company) as a learning process and are almost immediately ready to start a new business. These people can be called serial entrepreneurs, i.e. a subgroup of habitual entrepreneurs (e.g. Westhead and Wright, 1998a). This study will focus on entrepreneurship as a learning process with insights of Indian Entrepreneur.

This paper is structured as follows: In the next section, the concept of serial entrepreneurship is introduced. Then, serial entrepreneurship is considered from the viewpoint of entrepreneurial learning. In the subsequent sections, a single case study of an entrepreneur from India is reviewed. Finally, some conclusions are presented.

The concept of the serial entrepreneur

Entrepreneurship does not necessarily mean a commitment to only one company for the duration of the entire entrepreneurial career (e.g. Cooper and Dunkelberg, 1987; Rosa, 1998; Ucbasaran et al., 2003). Many entrepreneurs have owned and managed several companies, either temporarily (one after another) or simultaneously. The first company may open new opportunities which may not have been available otherwise or went unnoticed (Ronstadt, 1988) and these opportunities may have been better exploited through a new company. Thus, the career of an entrepreneur does not always equal the life cycle of the company he/she has found or bought.

According to MacMillan (1986), the habitual entrepreneur is a person who has founded several companies and who has simultaneously committed to at least two. Habitual entrepreneurs deserve scholarly attention because of their importance in helping us to understand the entrepreneurial process. MacMillan (1986) argues that habitual entrepreneurs, more than the one-shot entrepreneurs, have had ‘the opportunity to learn how to efficiently and swiftly overcome the stumbling blocks they encountered in their first efforts’. Thus, they have accumulated entrepreneurial skills from

Review
their experiences.

By studying these entrepreneurs, it would be possible to uncover and codify their ‘skills and techniques’ and gain a deeper understanding of the process of business creation. This view is echoed by other authors (see e.g. Donckels et al., 1987; Starr and Bygrave, 1991; Rosa, 1998).

Habitual entrepreneurs can be divided into serial and portfolio entrepreneurs

(Kolvereid and Bulvåg, 1993; Hall,1995; Westhead et al., 2004). Their classification is based on whether they own their companies temporarily or permanently. Westhead and Wright (1998a) define the habitual entrepreneurs in a versatile way by suggesting that the portfolio entrepreneur founds, inherits or buys a new company along with the original, whereas the serial entrepreneur founds, inherits or buys a new company after selling or closing his/her original company. Therefore, the typical serial entrepreneur creates a company, improves it to a certain stage and then moves on to start another company. Lately, serial entrepreneurs have been found especially in the high technology industries (Lewis, 2000).

Previous experience from entrepreneurship may facilitate the recognition of new opportunities. The managerial and technical knowledge accumulated during the years together with the already existing networks may enhance the ability to exploit these opportunities (Westhead et al., 2004). With entrepreneurial experience, it is possible to recognize the measures needed to develop the business and the networks enable the access to the needed information and assure the resources, additionally reducing the disadvantages of novelty and lack of size (Starr and Bygrave, 1991). However, it should be noted that previous entrepreneurial experience does not necessarily lead to a success in future business and it is misconceiving to assume that experienced entrepreneurs always succeed better than beginners (Schollhammer, 1991).

Previous research suggests that prior entrepreneurial experience often lowers the threshold to become an entrepreneur and facilitates starting a new business. Factors behind serial entrepreneurship have gained increasing attention during the last decade.

Westhead et al., (2004) argued that one reason for serial entrepreneurship may be that the entrepreneur is unable to develop his/her original company. On the other hand, Wickham (2001) states that the reason may also be the entrepreneur’s willingness to maximize profit by selling the company. Some studies have suggested that serial entrepreneurs are often cautious and they experience non-specific situations and uncertainty as threatening (e.g. Westhead et al., 2004). On the contrary, Westhead et al. (2005b) suggest that the strengths of a serial entrepreneur are often connected to a certain expertise whereas outside help may be needed in exploiting the market and commercializing the know-how.

A serial entrepreneur is defined both by his/her aspirations and by his/her ability to go ahead and live by them. Employees with past experience as an entrepreneur are more likely to have aspirations to start a business of their own than those without such experience. These results also support the finding that past experiences as an entrepreneur is a significant explanatory variable for the current status as an entrepreneur or for a transition into entrepreneurship (e.g. Carroll and Mosakowski, 1987; Evans and Leighton, 1989; Shane and Khurana, 2003; Henley, 2004).

Serial entrepreneurs and entrepreneurial learning

Starting a new venture can be perceived as an active learning process. The actual learning during this period is the property of entrepreneur regardless of whether or not the venture continues operating (Bates, 2005). An entrepreneur decides to close the company if the opportunity is not worth further exploitation. In this instance, it is interesting to note whether or not the entrepreneur utilizes the knowledge achieved in forming the new company. Unfortunately, in many cases, entrepreneurs do not utilize the favorable experiences of their previous companies in their further entrepreneurial career. This can be the case especially when the entrepreneur’s recent company has failed. Hence negative experiences, such as failure, may have a remarkable influence on entrepreneurial potential. As such failure can also influence to the entrepreneur’s attitudes so that he/she will try to avoid failure at all costs in the future. This is a threat to the entrepreneurial process for many reasons. One extreme example of this can be the complete abandonment of entrepreneurship. Another example is that morbid willingness to avoid failure can act as a failure catalyst (Bratnicki et al., 2005). In other words, when the entrepreneur does not have enough tolerance for risk taking, there is the possibility that the competitors will, for example develop better selling products or services and as a result, the risk-avoiding entrepreneur will lose his/her market share.

Individuals who can learn from the failure are more likely to become serial entrepreneurs. On the other hand, we have to keep in mind that not all serial entrepreneurs face failures. There are also those who exit their previous companies because they see that the current situation is good for selling the company or they just want to experience the excitement of the starting phase again. Thus, pure boredom to the routines in running a company in a mature phase of its life cycle may be the reason for exit. As a result, the traditional view of failure is compared to a newer one, which highlights the willingness to learn from the failure (e.g. Cardon and McGrath, 2001).

Entrepreneurial decisions are functions of instinct and knowledge: i.e. the entrepreneur’s specific knowledge
about the market and his/her general knowledge concerning entrepreneurship (how to be entrepreneurial). According to Minniti and Bygrave (2001), this general knowledge of how to be entrepreneurial is acquired only through learning by doing and by direct observation. However, there are only a limited number of studies concerning the learning available when the phenomenon is approached from the viewpoint of entrepreneurial learning. Although there are many studies published from the viewpoint of organisational learning, they do not necessarily fit very well with the phenomenon of learning in small companies.

Entrepreneurial learning can be described as a continuous process that enhances the development of necessary knowledge for being efficient in starting up and maintaining new companies. Bratnicki et al. (2005) suggest that entrepreneurial learning involves not only ‘knowing’ but also actively ‘doing’ and understanding ‘what it is that works’. Hence, entrepreneurial learning combines knowing, acting and sense making.

Obviously, each entrepreneur has some kind of experience in stock when establishing his/her business. In addition these stocks are, at least at some level, unique. This experience can be achieved through education, work-life, hobbies, etc. In general, the previous experiences shape the individual's ability to learn and consequently, learning can be seen as a path-dependent process that cumulates the knowledge on certain issues (Bratnicki et al., 2005). What is learned in one period builds upon previous knowledge (Minnitti and Bygrave, 2001). In addition, entrepreneurs learn continuously about themselves, the management and/or the industry. Additionally, they learn how to recognize and act on opportunities and how to cope with the liabilities of newness (Cope, 2005).

The entrepreneurial learning process consists of the three main components. These are the entrepreneur's career experience, the transformation process and entrepreneurial knowledge in terms of effectiveness in recognizing and acting on entrepreneurial opportunities and coping with the liabilities of newness.

The case study focuses on one Indian entrepreneur. His entrepreneurial career includes several different companies and challenges which have taught him different sides of business and hence also influenced him as an entrepreneur.

In this study, the case is considered as unusual, rare or critical thus being suitable for a single-case study.

The case study

The entrepreneur in this case has developed his entrepreneurial experience through the relatively large number of firms he has owned. Different events which he has faced during his career as an entrepreneur have influenced the management of his present company. He has faced many successes and failures which can be considered as efficient sources of entrepreneurial learning. Main emphasis will be given to the entrepreneurial learning process.

Background of the entrepreneurs

a) Dhirubhai Ambani

Dhirubhai Ambani was the most enterprising Indian entrepreneur. His life journey is reminiscent of the rags to riches story. He is remembered as the one who rewrote Indian corporate history and built a truly global corporate group.

Dhirubhai Ambani built India's largest private sector company.

Dhirubhai Ambani alias Dhiraajlal Hirachand Ambani was born on December 28, 1932, at Chorwad, Gujarat, into a Modh family. His father was a school teacher. Dhirubhai Ambani started his entrepreneurial career by selling "bhajias" to pilgrims in Mount Girnar over the weekends. After doing his matriculation at the age of 16, Dhirubhai moved to Aden, Yemen. He worked there as a gas-station attendant, and as a clerk in an oil company. He returned to India in 1958 with Rs 50,000 and set up a textile Company. Dhirubhai Ambani died on July 6, 2002, at Mumbai. He has two sons, Mukesh and Anil.

Reliance was founded as a textile mill in 1966 by Dhirubhai H. Ambani, the founder Chairman of the Reliance group. It continued to be a textile company until the early eighties.

Reliance later started seizing opportunities thrown up by a combination of the growing Indian economy and the opening up of the regulation-driven sectors of the economy. These included petrochemicals and plastics. Beginning with the early eighties, Reliance pursued a policy of backward integration from textiles as well as diversification. It set up world-scale facilities for manufacturing polyester and textile intermediates, plastics and polymer intermediates, detergent intermediates, etc.

He was probably the first Indian businessman to recognize the strategic significance of investors and discover the vast untapped potential of the capital markets and direct it for the growth and development of industry. He was supremely confident that finance would never be a constraint in executing his projects because, as he said proudly, Indian investors would provide him with the necessary resources.

And the investors never let him down. Shri Dhirubhai Ambani succeeded in creating an investor base of historic proportions for the Reliance Group. An unbreakable bond of implicit trust existed between him and the shareholders. They placed their savings in his care and he worked with unflinching sincerity to get them the best returns. He brought happiness and prosperity
into the homes of millions of investors for him, his people were his most important asset. He scouted around for the best and most talented professionals, nurtured them and continuously propelled them to aim for still higher goals. These highly motivated people comprise the core of what he named: "The Reliance Family'. Shri Dhirubhai Ambani visualized the growth of Reliance as an integral part of his grand vision for India. He was convinced that India could become an economic superpower within a short period of time and wanted Reliance to play an important role in realizing this goal.

b) Anil Ambani

Born on June 4, 1959, Anil Ambani did his Bachelors in Science from the University of Bombay and Masters in Business Administration in the Wharton School at the University of Pennsylvania.

Anil Ambani joined Reliance in 1983 as Co-Chief Executive Officer. He pioneered India Inc's forays into overseas capital markets with international public offerings of global depository receipts, convertibles and bonds. Starting from 1991, he led Reliance in its efforts to raise, around US$2 billion from overseas financial markets. In January 1997, the 100-year Yankee bond issue was launched under his stewardship.

c) Mukesh Ambani

Mukesh Ambani is the face of new emerging India. Mukesh Ambani was born on April 19, 1957 in Mumbai. His father Dhirubhai Ambani was then a small businessman who later on rose to become one of the legends of Indian industry, Mukesh Ambani did his Bachelors in Chemical Engineering from University of Bombay and Masters in Business Administration from Stanford University, USA. Mukesh Ambani joined Reliance in 1981 and was the brain behind Reliance's backward integration from textiles into polyester fibres and further into petrochemicals. During the process of backward integration, Mukesh Ambani led the creation of 51 new, world-class manufacturing facilities involving diverse technologies that raised Reliance's manufacturing capacities manifold. World's largest grassroots petroleum refinery at Jamnagar is the brainchild of Mukesh Ambani. He was also the incharge of Dhirubhai's dream project Reliance Infocomm. But after the split in the Reliance Empire, Reliance Infocomm went to his brother Anil Ambani. Mukesh Ambani is now planning to enter retail sector in a big way. He has plans to establish big retail stores all over the country. Recently, he also entered into an agreement with Haryana Government to establish a Special Economic Zone (SEZ) with an investment running into thousands of crores. Mukesh Ambani has many achievements and honours to his name. Mukesh Ambani was chosen as the ET Business leader of the Year 2006. He was ranked 42nd among the World's Most Respected Business Leaders and second among the four Indian CEOs featured in a survey conducted by PricewaterhouseCoopers and published in Financial Times, London, November 2004. He was conferred the World Communication Award for the Most Influential Person in Telecommunications in 2004 by Total Telecom, October, 2004. Mukesh Ambani was also conferred the Asia Society Leadership Award by the Asia Society, Washington D.C., USA, Company from Scratch created an equity cult in the Indian capital market. Reliance is the first Indian company to feature in Forbes 500 list. Assisted by his two sons, Mukesh and Anil, Dhirubhai Ambani built India's largest private sector company, Reliance India Limited, from a scratch. Over time his business has diversified into a core specialization in petrochemicals with additional interests in telecommunications, information technology, energy, power, retail, textiles, infrastructure services, capital markets, and logistics. Dhirubhai Ambani is credited with shaping India's equity culture, attracting millions of retail investors in a market till then dominated by financial institutions. Dhirubhai revolutionised capital markets. From nothing, he generated billions of rupees in wealth for those who put their trust in his companies. His efforts helped create an 'equity cult' in the Indian capital market. With innovative instruments like the convertible debenture, Reliance quickly became a favorite of the stock market in the 1980s.

FINDINGS

In 1992, Reliance became the first Indian company to raise money in global markets, its high credit-taking in international markets limited only by India's sovereign rating.

Reliance also became the first Indian company to feature in Forbes 500 list. Dhirubhai Ambani was named the Indian Entrepreneur of the 20th Century by the Federation of Indian Chambers of Commerce and Industry (FICCI).

A poll conducted by The Times of India in 2000 voted him "greatest creator of wealth in the century".

DISCUSSION

It is obvious that previous successes of the entrepreneur influence the development of entrepreneurial knowledge. Based on Ambanis versatile experiences, we can assume that his strengths as an entrepreneur are his courage, his opportunity-seeking skills related to sales and his marketing know-how. In addition, he is able to
analyze his career and learning processes by himself. We can also assume that his academic background may have a positive impact on his analytical abilities.

Ambani seems to be an exceptional serial entrepreneur due both to his academic background and to the number of the businesses he has already owned at his young age. Ambani’s also has some characteristics that challenge findings of the previous serial entrepreneurship studies. For example it is obvious that Ambani is not afraid to take risks. This is in contrast to some earlier studies that suggest that serial entrepreneurs are often risk averse and they experience non-specific and uncertain situations as threatening (e.g. Westhead et al., 2004). In addition, Westhead et al. (2005b) argued that serial entrepreneurs may need help in exploiting the market and commercializing the know-how, whereas they usually have know-how related to some particular industry.

However, Ambani’s know-how is clearly based more to the sales and marketing skills than some industry-specific skills. Ambanis seems to enjoy challenges related to the establishment of new businesses in whole new industries. It seems that he is able to think ‘outside the box’, and hence to innovate. In other words, when starting up in a new industry, Ambanis is adapting skills he has learned from his former companies. Because he is not familiar with the business concepts traditionally used in the industry, he acts more innovatively than many of his competitors. Indeed, highly inventive individuals do not specialise in one particular field, they tend to be generalists, often pursuing two or three fields simultaneously, permitting them to cross boundaries and bringing different perspective to each (Root-Bernstein, 1989).

Ambani’s case is a good example of attitude change taking place in India. It may be that Ambanis, with his background and adventurous attitude, is a forerunner of a new generation of entrepreneurs who see entrepreneurship more as an opportunity than as a risk.

REFERENCES


