CHAPTER II

REVIEW OF LITERATURE

This chapter on the literature review is aimed at exploring the literature available to identify the growth determinants that has impact on the entrepreneurial performance. The chapter starts with understanding of the concept of entrepreneurship and status of women entrepreneurs globally and in Indian scenario. This is followed with review of literature to find out the research work carried out on entrepreneurship in the field of fashion design. The chapter also presents the different methods mapped through the literature to measure the entrepreneurial performance of the entrepreneurs. Based on the exploratory study on the different concepts mentioned, the chapter presents the conceptual model of study to find out the growth determinants that are found to be essential for the improved performance of entrepreneurs. The framework is then translated into hypotheses, which are intended to be studied through this research.

Given that there is a vast amount of literature available on entrepreneurship, the researcher does not claim that this chapter has comprehensive review, but suggests that it merely serves to highlight the important concepts related to the study. The focus of this chapter is to explain the logic of the study that has helped to arrive at the conceptual model for the study and use of the variables of the model in developing the questionnaire used for the research study. To determine the dependent and independent variables to be included for the study, a comprehensive number of text books, research articles, and the published thesis works are explored in the areas of

entrepreneurship development, management, fashion design, small and medium enterprises, women entrepreneurship etc. From the literature review, the researcher could draw up a number of possible growth determinants that have impact on the entrepreneurial performance.

The study is focused under different sections which include the following sequential review of the literature:

Section 2.1 reviews the concept of entrepreneurship and women entrepreneurship

Section 2.2 reviews the fashion entrepreneurship and the creative essentials for the entrepreneurs in fashion enterprises.

Section 2.3 explores the research on growth determinants that are found to be essential for the performance of entrepreneurs.

Section 2.4 brings forward the conceptual model for the study based on the mapping of literature reviewed on management and fashion enterprises. It also presents the explanation of dependent and independent variables of the study.

Section 2.5 is the summary that links the conceptual model to the hypotheses of the research study.

2.1 Entrepreneurship

This section starts with the meanings associated with entrepreneurs and entrepreneurship followed by importance of entrepreneurship. Women entrepreneurs and their status would form the last part of this section.

2.1.1 Entrepreneur and Entrepreneurship

The words ‘entrepreneur’ and entrepreneurship’ are derived from the root word ‘entreprendre’ which means ‘to undertake something’ (Westhead & Wright, 2013). The dictionary meaning of entrepreneur is ‘a person who
organizes and manages a commercial undertaking’. Some of the important definitions associated with entrepreneurs are as follows (Mohanty, 2005; Iversen et.al. 2008; Dana, 2007):

- Marx regarded entrepreneur as a social parasite.
- D.C. McCell and refers to an entrepreneur as a person with high need for achievement.
- International Labor Organization (ILO) defines entrepreneurs as those people who have the ability to see and evaluate business opportunities, together with the necessary resources to take advantage of them and to initiate appropriate actions to ensure success.
- Knight argues that the key role of the entrepreneur is to assume uncertainty whereas Schumpeter leaves the uncertainty bearing to the banker or capitalist.
- Schumpeter argued that an entrepreneur is an innovator – an individual who carries out one of the following five tasks:
  1. The creation of a new goods or a new quality
  2. The creation of a new method of production
  3. The opening of a new market
  4. The capture of a new source of supply
  5. The creation of a new organization or industry

There is no accepted definition of entrepreneurs and in a nut shell an entrepreneur is described as capitalist employer seeking profit, a risk taker, a monopolist, a coordinator, an innovator, and an organizer of means of production. A person of all these attributes in operation may be termed as an entrepreneur. He/she is a person who organizes, operates and assumes the risk of a business venture (Mohanty, 2005).

A few characteristics of an entrepreneur are listed below, based on the various definitions reviewed (Mohanty, 2005):

- Need to achieve
- Independence
• Locus of control
• Perseverance
• Ability to find and explore opportunities: A mindset where one is trained to look for business opportunities from every day experiences.
• Sense of efficacy
• Assertiveness
• Efficiency orientation
• Interpersonal skills
• Innovator
• Leadership
• Business planning
• Self-confidence
• Ability to make decision
• Concern for employee welfare

The definition of the entrepreneurship as given in the National Knowledge Commission Report on Entrepreneurship, 2008, is as follows:

‘Entrepreneurship is the professional application of knowledge, skills and competencies and/or monetizing a new idea, by an individual or a set of people by launching an enterprise de novo or diversifying from an existing one (distinct from self-employment as in profession or trade), thus to pursue growth while generating wealth, employment and social good’.

Some of the definitions of entrepreneurship are as follows (Uddin et.al, 1990; Mohanty, 2005):

• The word entrepreneurship connotes business activities including manufacturing, retailing and service industries.
• Cole has defined entrepreneurship as the purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain or earn profit by production and distribution of economic goods and services.
According to Peter Drucker, entrepreneurship is neither a science nor an art. It is a practice. Knowledge in entrepreneurship is a means to an end. It is not about making money. It is about imagination, flexibility, creativity, willingness to take risk, ability to mobilize agents of production and the capacity to see change as an opportunity.

McClelland identified two characteristics of entrepreneurship; i.e. first doing things in a new and better way, and secondly decision making under uncertainty.

To be more precise: Entrepreneurship (Process) = Entrepreneur (person) + Enterprise (Object)

The characteristics of the Entrepreneurship are as follows (Mohanty, 2005):

- Decision making
- Accepting challenges
- Risk taking
- Building organization
- Skillful management
- Innovation
- Mobilization of resources

We can summarize the definitions of entrepreneurship as follows (Stokes et.al. 2010):

- It is a phenomenon that affects peoples and societies – it is a creative process of social and organizational change
- It involves introduction of new products, services and markets
- It depends on individuals with particular skills, attributes and behaviors – who essentially are called entrepreneurs.

2.1.2 Importance of Entrepreneurship

Entrepreneurship plays an imperative role in the growth of any society; the importance of entrepreneurship in any society comes from the significant
and visible impact of the entrepreneurship in wealth-creation and employment generation (Vasanthagopal & Santha, 2008; National Knowledge Commission Report on Entrepreneurship, 2008). The role of entrepreneurship in economic development involves more than just increasing per capita output and income; it involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output, which allows more wealth to be divided by various participants (Hisrich et al., 2008).

From the perspective of economic functions, three crucial activities of the entrepreneurial activity are: risk taking, innovation, and venturing into new business activity for profit. More specifically, the entrepreneurship contributes to attainment of economic goal (= Profit generation through entrepreneurship) and also social goal (= Creation of mass employment) (National Knowledge Commission Report on Entrepreneurship, 2008; Panda, 2001).

As cited by Charantimath, 2006, ‘the objectives of industrial development, regional growth and employment generation depend upon entrepreneurial development. Entrepreneurs are thus the seeds of industrial development; and the fruits of industrial development are greater employment opportunities to the unemployed youth’. Entrepreneurship is considered as a dynamic activity, which helps the entrepreneurs to bring changes in the process of production, innovation in production, new usage of materials, creator of market etc. (Kumar et al. 2003).

More specifically in India, the importance of entrepreneurship as an ingredient for the economic development has been recognized way back in 1950. The government of free India after Independence had the challenge for speedy growth of the economy for the socio-economic welfare of the nation. The government has since strived to develop the private entrepreneurs for speeding up the wheel of economic growth (Tiwari et al., 2008). The growth of entrepreneurial activity is highlighted in the Global Entrepreneurship Monitor Report (Reynolds et al., 2002) which states that India has emerged as the second most entrepreneurial active nation among 37 participating nations with a Total Entrepreneurial Activity (TEA) index of 17.9 percent. The rise in TEA is
seen with consistent growth from 8.9 percent in 2000 through 11.6 percent in 2001 and 17.9 percent in 2002. In developing countries and in the case of India, entrepreneurship in the small and medium sectors is of crucial importance mainly because it opens up the path to faster economic growth and facilitates the creation of larger employment and career or business opportunities at the same time (Kumar, 2008a).

2.1.3 Women Entrepreneurs

Women entrepreneurship has gained increased attention over recent years in terms of theory, practice and policy with women's contribution to the growth process of a country widely recognized. In this dynamic world, women entrepreneurs are an important part of the global quest for sustained economic development and social progress. Women-owned businesses are one of the fastest growing entrepreneurial populations in the world. They make significant contributions to innovation, employment and wealth creation in all economies (Brush et al., 2006). According to the Global Entrepreneurship Monitor (Reynolds et al., 2002), one in eleven (8.9 percent) women is involved in entrepreneurship across the globe, and India occupies the second position among the 22 countries where 14.1 percent of women have ventured into entrepreneurship. Brush et al., 2010 opines that women in the developed countries are more likely to start the business out of opportunity motivation while those in less developed economies are motivated with necessity (Brush et al., 2010). The Global Entrepreneurship Monitor report (Reynolds et al., 2002) suggests that correlation between the entrepreneurial activity and projected economic growth shows strong correlation between necessity-based entrepreneurship and projected economic growth, but not the opportunity-based entrepreneurship. Thus, it can be inferred that the economic growth would be more in a country like India where the entrepreneurship is more of necessity-based than the opportunity-based.

Entrepreneurship in India has greatly been a male-dominated phenomenon from the very early age; and while India continues to be a patriarchal society, today there are a number of Indian women entrepreneurs
many of whom are highly educated and run their own business, as well as larger segment of Indian women who are starting their own micro-enterprises through micro-financing schemes (Dana, 2007). The time has changed the situation and brought women as today’s most memorable and inspirational entrepreneurs. Women in India constitute about half of the human resource potential available for economic activities in all sectors of economy. It is pointed out by the Planning Commission of India that the full-fledged participation of women in economic activities is the key to the economic development of the country (Rahman& Thakur, 2009). In India, though women have played a key role in the society, their entrepreneurial ability has not been properly tapped due to the lower status of women in the society. It is only from the Fifth Five Year Plan (1974-78) onwards that their role has been explicitly recognized with a marked shift in the approach from women welfare to women development and empowerment. Women entrepreneurs in India became popular in the late 1970s and now more and more women are emerging as entrepreneurs in all kinds of economic activities (Vasanthagopal & Santha, 2008). The number of women entrepreneurs has increased, especially in 1990s (Charantimath, 2006). It is estimated that women entrepreneurs presently comprise about 10 percent of the total number of entrepreneurs in India, with the percentage growing every year. If the prevailing trends continue, it is likely that in another five years, women will comprise 20 percent of the entrepreneurial force (Saidapur & Saidapur, 2012). As referred by Vasanthagopal & Santha, 2008, ‘emancipation of women is an essential prerequisite for economic development and social progress of a nation’.

Coming to the definition of women entrepreneurship, it is found that there are different definitions available through literature, a few of which are given below:

- Women entrepreneurship can be defined as the process where women organize all the factors of production, undertake risks and provide employment to others (Vasanthagopal & Santha, 2008).
• The Government of India has defined woman entrepreneurship as "an enterprise owned and controlled by a woman having a minimum financial interest of 51 percent of the capital and giving at least 51 percent of the employment generated in the enterprise to women".

• As cited by Charantimath (2006), 'A woman entrepreneur can be defined as a confident, innovative and creative woman capable of achieving self-economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life.'

Literature review on women entrepreneurs and growth suggests that studies about women entrepreneurs comprise less than 10 percent of all research in the field. The result is that we know comparatively little about women entrepreneurs even though they contribute positively to gross national product, jobs, innovation and social welfare globally (Brush et.al, 2010). Surveys demonstrate that women's primary entrepreneurial activity is focused on the small and medium enterprise sector. Approximately 60 percent are small-scale entrepreneurs, 15 percent are large scale manufacturers and remainder consists of cottage and micro enterprises. Small scale enterprises represent an important means of income for women in developing countries. They provide employment and income to alleviate poverty (Charantimath, 2006). The literature review showed very less literature available on what constitutes the growth of women-led enterprises.

2.2 Entrepreneurship in Fashion Enterprises

This section starts with entrepreneurship in creative fields followed by the focus on entrepreneurship in fashion enterprises.

2.2.1 Entrepreneurship in Creative Industry

The creative industries represent one of the most important areas of the twenty-first century's global economy. Since the 1990s, they have been
heralded as one of the fastest growing industry sectors, and are now seen as central to the success of most developing and advanced economies (Henry, 2007). During the period between 1940 and the 80s the term ‘cultural industries’ was considered as oxymoron, for it was believed that the terms ‘cultural’ and ‘industry’ were incompatible and that subjecting art to the external economic rationality undermined the inherent autonomy of the work of the art. It is when income has increased to a level such that basic needs are met, a demand for goods with an ethnic identity is created leading to market differentiation and thus opening opportunities for creative-cultural industries, located in both industrialized and developing countries (UNIDO report, n.d.).

The “creative industries” have been the subject of much discussion in academic, policy and industry circles since the sector’s inception only a decade ago (Bridgstock, 2011). Amongst the many sectors that feature within the category of creative industries, art and crafts, designer fashion, film, theatre and performing arts, advertising, publishing, broadcast media and recorded music would appear to be the most prominent (Henry & Bruin, 2011).

Creativity and creative communities are considered as enduring resources in the developing world. It is considered that if the appropriate policies are adopted, creative industries in developing countries have an important potential for the creation of wealth (UNIDO report, n.d.). Creative industry and its contribution to the economic growth can be argued as the acts of starting a new firm, of producing an artistic event, and of inventing a new process/product all of which are outcomes of creativity that belong to the respectively economic, cultural, and technological realm. Just as the arts and culture, creativity is a multifaceted undertaking which displays economic, cultural, and technological features (Piergiorgio et.al, 2011). Successful promotional activities for creative SMEs are found both in urban and rural development programmes, the most striking examples being the programmes in UK and Thailand. In UK, creative industries comprise one of the fastest growing sectors of the economy employing 1.3 million people, generating £112.5 billion revenue and accounting for 9.2 percent of GDP with exports reaching £10.3 billion, equivalent to 9 percent of revenue (UNIDO report, n.d.).

The usual means of measuring economic value of the creative industry sector is
the contribution of the sector to gross domestic product in terms of its
distribution growth as compared to overall economic growth as well as the
sector’s potential for job creation in terms of employment share in the overall
working population. The percentage share of GDP and the growth rate of
creative industries in different economies vary from 2.8 percent (Singapore’s
GDP) to 7.9 percent (UK’s GDP) and from 5.7 percent (Australia’s growth rate)
to 16 percent (UK’s growth rate) respectively, while employment share varies
from 3.4 percent (Singapore) to 5.9 percent (US) of overall working population
(Henry, 2007). The creative industries sector is currently one of the fastest
growing areas of the economy, expanding at a rate of 16 percent per annum.
Creative industries are ‘those which have their origin in individual creativity,
skill and talent and which have a potential for wealth and job creation through
the generation and exploitation of intellectual property. This sector is
predominantly made up of micro-businesses and small and medium scale
enterprises (SMEs) which have particular characteristics and needs (Ball,
2003)’. Based on the literature reviewed where the prominence of creati-
ues industries is placed at MSMEs, the flagship of entrepreneurship for the
research is micro, small and medium scale enterprises.

2.2.2 Entrepreneurship in Fashion Industry

Creativity (the generation of new ideas) is essentially an individual act,
but one that relies principally on interaction with others operating from within
the same ‘organizational field’ (Powell & DiMaggio, 1991 as cited by Wilson &
Stokes 2005). In creative industries, like the designer fashion industry (DFI),
turning this individual activity into a business requires the creative persons to
diversify their focus so they can exploit their creativity for commercial gain
(Mills, 2012). Creative industries and creative entrepreneurship are in many
terms different from traditional industries and enterprises. Enterprises in the
creative industries are often small, and identified with the owner-entrepreneur
and his or her artistic profile. Hence, many creative entrepreneurs need to
balance between artistic ambitions and business goals (Karhunen, 2011).
Renzo Rosso, creator of Diesel, stated: “Fashion is inspiration, creativity and intuition. But it is also organization, strategy and management. These two apparently contrasting sets of elements have to come together to ensure the success of a business idea”. The challenges of a fashion entrepreneur can be differentiated between specific industry challenges and personal challenges. The fashion design entrepreneur as the heart of the company has to balance creativity and a hard fact managerial approach, as well as consider industry related aspects (Saviolo & Testa, 2002). Innovation is a main factor in the scope of entrepreneurship and is first and foremost important for the fashion industry with its complex economic, cultural and aesthetic dimensions. Fashion design entrepreneurs innovate inside these dimensions with creativity and constant change (Kurz, 2010).

Enterprise development in the creative industries is characterized by a tension between creativity and business processes (Wilson & Stokes, 2005). Like in any other industry, entrepreneurship in the fashion industry combines the creation and management of a venture with the specific aspects of the industry, in this case fashion (Kurz, 2010). Entrepreneurship in the fashion industry represents a great challenge since the fashion business environment consists of many actors who are competing for the same market share. It is dominated by big players of the industries who put upon trends, and drive consumer preferences and the fashion core on a global scale. However, there is a great variety of small actors who compete in the fashion industry and contribute original concepts and ideas into the industry. There is also a strong indication that the creative industries are very much rooted at the local level, that they have a sense of place and that localities are important in fostering enterprise and synergies and in facilitating mutually supportive partnerships and networks (Karhunen, 2011). These entrepreneurs in micro, small and medium scale industries, operated by small players of fashion design fostering the requirements of the customers at the local level become the subject of the research. These entrepreneurs are seen to design and communicate the design to the customers wherein they engage in a collaborative effort to arrive at a mutually accepted set of specifications according to which the garment is
sewn. Since the literature highlights the creative enterprises, especially the fashion enterprises being operated as MSMEs, emphasis would be given to collect relevant literature related to the growth determinants of small enterprises.

2.3 Growth Determinants of Micro, Small and Medium Scale Enterprises

For the purpose of discussion the terms ‘firm’, ‘business’ and ‘enterprise’ are used interchangeably. This section would include the definition of the MSMEs followed by the exploration of the determinants of the growth, and measures of growth culminating in the development of the conceptual model for the study.

2.3.1 Definition of MSMEs

There are various definitions associated with MSMEs varying from country to country. The commonly used criteria at international level to define SMEs are number of employees, total net assets, sales, and investment level. The European Union makes a general distinction between self-employment, micro, small and medium sized enterprises based on the number of employees in the firm (UNIDO report, n.d.; OECD report, 2004). The enterprises are classified as self-employed (0 employees), micro-business (2-9 employees), small business (10-49 employees), and medium-size enterprise (50-249 employees).

Micro, small and medium enterprises as per Micro, Small and Medium Enterprises Development Act (MSMED Act), 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services (Ministry of Micro, Small and Medium Enterprises, 2011). For enterprise like fashion enterprise which constitute service sector, the enterprises are classified into micro enterprise (if it has about 10 lakh investment), small enterprise (if the investment is 2 crore), and medium enterprise (if the investment is 5 crore).
The importance of micro, small and medium enterprises (MSME) sector in India comes from the fact that it contributes significantly to the manufacturing output, employment and exports of the country. It is well known that the MSME sector provides the maximum opportunities for both self-employment and jobs after agriculture sector (Ministry of Micro, Small and Medium Enterprises, 2011).

2.3.2 Growth Determinants

Review of literature on the entrepreneurship brings out many relevant economic studies (Evans, 1987a) and other different studies (Smith, et al, 1987) suggesting a number of hypotheses regarding the relationship between variables and firm growth. To date, there is no unified theoretical model on firm growth. Some firm growth is motivated by external opportunities and some firms are encouraged by internal inducements. Adversely, both internal and external factors may also function as obstacles in growth. As far as external success determinants are concerned, economic environment and government intervention are the major factors in affecting firm growth. Internal success determinants include the characteristics of resources, the features of the firm itself as well as the firm’s business strategies. Generally speaking, internal factors determine the success of the firm in the market structure; whereas, external factors of economic difficulty and government support account for the additional determinants in affecting the firm’s growth (Cheng, 2006).

Teoh et.al, (2007), studied the performance of women entrepreneurs in Malaysia in terms of individual characteristics, management practices, goals and motivations, networking and finally entrepreneurial orientation.

Storey (2006) has extended a broad view of key factors comprising three components in the analysis of the growth of small firms;

- The characteristics of the entrepreneur
- The characteristics of the firm and
- The business strategies associated with growth
Duchesneau & Gartner (1990) as cited by Alasadi & Abdelrahim (2007) identified three categories of factors that were thought to influence the likelihood of SME success, which are more or less similar to Storey's SME's growth factors. These three factors are entrepreneurial characteristics, the start-up behavior, and the firm's overall strategy. Their research disclosed the factors appearing to make greater contribution to successful performance include the following characteristics: the entrepreneur should have prior start-up business experience, effort to reduce business risk, the intention to work for long hours, ability to communicate with various parties, excellent customer response and services, clear and broad business ideas, good planning techniques and flexible participative and adaptive organizational structure.

Papakadi & Chami 2002 takes the citation of Davidsson (1989, 1991) to describe the focus of theories of small business growth oriented towards the continued entrepreneurship. Their analysis is based on decision of an entrepreneur to start the business to that of the decision to growth of the business. The continued entrepreneurship is argued to support the economic theories that take the willingness to grow a business granted for assuming profit maximization. However, empirical evidence as cited by Papakadi & Chami (2002), suggest that small business owners are reluctant to grow even if there is room for profitable expansion and that profitable firms of different sizes co-exist within industries. It is apparent from the citation that the growth is a choice of owner-manager and the profit maximization is one of the possible motives for the growth.

As discussed, there are different viewpoints of firm growth given by researchers highlighting the entrepreneurs operating the business and the strategic choices made in the growth of the business. It is aimed to explore the literature on firm growth and available models determining the growth that would lead to conceptualization of the framework for the research.

2.3.3 Theories of Firm Growth

Theories of firm growth and market structure can be divided into three approaches as given below (Mazzucato, 2000):
1. A static approach, which emphasizes the optimal allocation of scarce factors of production, where and optimum firm size emerges from underlying cost dynamics
2. A stochastic approach, which emphasizes the idiosyncratic nature of firm growth patterns
3. A dynamic approach, which emphasizes technological change and other forms of increasing returns to scale.

The stochastic approach arose because of industrial economists’ dissatisfaction with the strong behavioural assumption underlying the traditional (static) theory of optimal firm size. The dynamic approach arose because of the lack of insight that the other two approaches provide on the role of firm and industry-specific factors in producing increasing returns on scale.

Gibrat’s stochastic model of firm growth led to what is known as Gibrat’s law, which holds that firm growth rates are independent of firm size. Gibrat’s law is often observed to fail, under closer examination because of negative dependence of growth rates on size. Younger firm have higher expected growth rates than the older and larger firms. Given the closer relationship between the firm size and firm age, researchers have also considered the effect of firm age on expected growth rate (Dietrich & Krafft, 2012).

Churchill and Lewis (1983) postulated the five different stages of lifecycle process of growth stages that the small firms have to go through. The five stages include existence, survival, success, take-off and resource maturity as given in the figure 2.1. Each stage is characterized by an index of size, diversity and complexity and described by five management factors. These include: managerial style, organizational structure, extent of formal systems, major strategic goals and the owners involvement in the business.
Figure 2.1 Stages of firm growth

Source: Churchill and Lewis (1983)

Storey (2006) suggests that the stage model of Churchill and Lewis assume that movement from one stage to another are ‘triggered’ by a point of crisis, which has remained an untested – and possibly untestable – hypothesis. Storey (2006) has described the growth of firm as categorized by combining three components which include:

1. Starting resources of the entrepreneurs
2. The firm
3. Strategy

It is suggested that these three components – the entrepreneur, the firm and strategy need to be combined appropriately to achieve the rapid growth of the firm. Figure 2.2 shows the combination of the three components, and it is clear that the shaded area constitutes only a small proportion of the combination of three components. Rapid growing firms have this small proportion of components combined together that helps in the growth. Less rapidly growing or no-growth or failing firms may have some appropriate
characteristics of the components, but only when all the three combine that the fast growing firm is found (Storey, 2006).

Figure 2.2 Growth in small firms

Source: Storey (2006)

Different factors that are listed by Storey (2006) for the firm growth is given in the table 2.1.

Table 2.1 Factors influencing growth in small firms

<table>
<thead>
<tr>
<th>The entrepreneur/resources</th>
<th>The firm</th>
<th>The strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Motivation</td>
<td>1. Age</td>
<td>1. Workforce training</td>
</tr>
<tr>
<td>2. Unemployment</td>
<td>2. Sector</td>
<td>2. Management training</td>
</tr>
<tr>
<td>5. Number of founders</td>
<td>5. Size</td>
<td>5. Market positioning</td>
</tr>
<tr>
<td>7. Family history</td>
<td></td>
<td>7. Planning</td>
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<tr>
<td>8. Social marginality</td>
<td></td>
<td>8. New products</td>
</tr>
<tr>
<td>10. Training</td>
<td></td>
<td>10. State support</td>
</tr>
<tr>
<td>11. Age</td>
<td></td>
<td>11. Customer concentration</td>
</tr>
<tr>
<td>13. Prior sector experience</td>
<td></td>
<td>13. Information and advice</td>
</tr>
<tr>
<td>15. Gender</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Storey (2006)
Report on Growth determinants of micro-business in Canada by Papakadi & Chami (2002), highlights the use of similar framework as given in the table 2.2.

Table 2.2 Growth determinants of micro-business in Canada

<table>
<thead>
<tr>
<th>Owner-manager characteristics</th>
<th>Business practice characteristics</th>
<th>Firm characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. General background</td>
<td>1. Firms size and age</td>
<td>1. Delegation of day-to-day operations</td>
</tr>
<tr>
<td>a. Gender and age</td>
<td>2. Legal form</td>
<td>2. Innovation</td>
</tr>
<tr>
<td>2. Growth motivation</td>
<td></td>
<td>5. Sources of financing</td>
</tr>
<tr>
<td>a. Entrepreneurial intensity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Desire for independence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Pushed by unemployment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Life style business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Management know-how</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Family who owned a business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Industry specific know-how: Prior paid employment experience in business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. General business management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Use of advisors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Partnerships</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Papakadi & Chami, 2002

Lussier (1995) as cited by Lussier & Halabi (2008) identified 15 variables from literature that have been researched to distinguish business success from failure. These were included as the factors for research as given in the table 2.3.
Table 2.3 Explanation of success variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Businesses that start undercapitalized have a greater chance of failure than firms that start with adequate capital</td>
</tr>
<tr>
<td>Record keeping and financing control</td>
<td>Businesses that do not keep updated and accurate records and do not use adequate financial controls have a greater chance of failure than firms that do.</td>
</tr>
<tr>
<td>Industry experience</td>
<td>Businesses managed by people without prior industry experience have a greater chance of failure than firms managed by people with prior industry experience.</td>
</tr>
<tr>
<td>Management experience</td>
<td>Businesses managed by people without prior management experience have a greater chance of failure than firms managed by people with prior management experience.</td>
</tr>
<tr>
<td>Planning</td>
<td>Businesses that do not develop specific business plans have a greater chance of failure than firms that do.</td>
</tr>
<tr>
<td>Professional advisors</td>
<td>Businesses that do not use professional advisors have a greater chance of failure than firms using professional advisors. A more recent source of professional advisors is venture capitalist.</td>
</tr>
<tr>
<td>Education</td>
<td>People without any college education who start a business have a greater chance of failing than people with one or more years of college education.</td>
</tr>
<tr>
<td>Staffing</td>
<td>Businesses that cannot attract and retain quality employees have a greater chance of failure than firms that can.</td>
</tr>
<tr>
<td>Product/service timing</td>
<td>Businesses that select products/services that are too new or too old have a greater chance of failure than firms that select products/services that are in the growth stage.</td>
</tr>
<tr>
<td>Economic timing</td>
<td>Businesses that start during a recession have a greater chance to fail than firms that start during expansion periods.</td>
</tr>
<tr>
<td>Age</td>
<td>Younger people who start a business have a greater chance to fail than older people starting a business.</td>
</tr>
<tr>
<td>Partners</td>
<td>A business started by one person has a greater chance of failure than a firm started by more than one person.</td>
</tr>
<tr>
<td>Marketing</td>
<td>Business owners without marketing skills have a greater chance of failure than owners with marketing skills.</td>
</tr>
</tbody>
</table>

Source: Lussier & Halabi (2008)
Framework developed by Perren (2000), emphasizes four interim growth drivers that influence micro-enterprise development. These include the owner's growth motivation, expertise in managing growth, resource access and demand. The framework developed is given in the figure 2.3.

Figure 2.3 Empirically verified diagnostic toolkit for micro-enterprise growth

Research on growth determinants in logistic industry done by Cheng (2006) uses the adaption of the Storey model with the following variables used for the study.

\[ \text{GR} = \{ \text{EFB, EPE, EMF, EUP, FAS, FLS, SBP, SMS, STS, SET, EEF} \} \]

Where,

GR = Firm growth represented by annual growth in employment rate
EBF = Founder of business, including age, gender, education background and number of founder
EPE = Founder’s prior sector and management experience
EMF = Motivation programs
EUP = Unemployment push
FAS = Firms age and size
FLS = Firms legal structure, defined as sole proprietorship, partnership and limited company
SBP = Business planning
SMS = Marketing strategies such as niche marketing, costing, product differentiation and innovation
STS = Technological sophistication, represents advance technology and information technology
SET = Employee training
EEF = External factors including economic, environment and government supports
Source: Cheng, 2006

Theoretical framework developed by Indarti & Langerberg (2004) developed in line with the three components highlighted in different research works: the entrepreneur, firm, and business strategy is given in the figure 2.4.
Figure 2.4 Conceptual model for studying the factors affecting business success among SMEs


Literature reviewed highlighting the three important components of growth are the entrepreneur, firm and the strategy. The term strategy is found to be synonymously used with business strategy or business practice characteristics.

2.3.4 Growth Determinants in Fashion Enterprises

Literature on fashion entrepreneurship as term used to explain the entrepreneurs in fashion sector and fashion business is explored by the researcher to study the requirements for the growth in the fashion business. Most of the studies reviewed highlighted the existing literature focused on consumer behavior, marketing strategies, incubation system to support fashion entrepreneurship, retailing business, economics of fashion demand and prediction of fashion life cycles. Attempts are made by the researcher to map
the available literature on business with the growth determinants identified and draw a specific portfolio of skills required for fashion entrepreneur.

Entrepreneurship in fashion industry is a combination of creativity and management of a venture. The fashion designers as highlighted by McRobbie (1998) generate a sense of tension between themselves and the business world. Business awareness and creativity are considered as the prime requirements of the fashion designers to survive in the market. Fashion entrepreneurs requires considering the following factors for a successful venture operation. The recommendations in research by Fatt, 2001 is given in the table 2.4.

Table 2.4 Factors for success fashion ventures

<table>
<thead>
<tr>
<th>Variable</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfy market needs</td>
<td>Extensive market research into the latest trends in the local fashion market must be carried out by the designers.</td>
</tr>
<tr>
<td>Customer goodwill</td>
<td>Having good relations with customers is guaranteed business in the long run.</td>
</tr>
<tr>
<td>Capital</td>
<td>Without sufficient capital, it is almost impossible to upgrade the quality of the clothes designed and satisfy the market needs.</td>
</tr>
<tr>
<td>Know-how</td>
<td>It includes specific know-how associated with the design of an outfit to general business skills.</td>
</tr>
<tr>
<td>Business management skills</td>
<td>These range from purchasing quality material at best price, to motivate staff, marketing and selecting a strategic location for the boutique.</td>
</tr>
<tr>
<td>Education and previous experience</td>
<td>Education and previous experience are required to acquire in-depth knowledge on fashion and business management. Experience is best gained by working for established designers or clothing retailers.</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>A successful fashion entrepreneur should be willing to take risks to achieve the goals of the business.</td>
</tr>
<tr>
<td>Publicity</td>
<td>A certain level of publicity is required to create customer awareness.</td>
</tr>
</tbody>
</table>


Sacrifice and commitment | Total dedication and perseverance are important for the growth of the business. Most of the boutiques are based on commitment of working for long hours.

Quality | Quality of products in terms of standards in their designs is a requirement for fashion entrepreneurship.

Source: Fatt, (2001)

Gobagoba & Littrell (2005) listed the motivations and business practices of entrepreneurs in micro-apparel business in Botswana. The motivation for the start-up of the business is listed as having personal dimensions of motivation in terms of personal skills, working for oneself, establishing a career, controlling the future, and economic dimensions in terms of profit and providing a secured family future. The business practices include human resource in terms of employing skilled labour, providing tangible and intangible incentives, marketing capabilities in terms of market research, costing, limiting the target market, promotional capabilities, and innovation in terms of product design, quality, price, and uniqueness as salient features to the customers.

The skills required for fashion entrepreneurs (Burke, 2008) are given in the table 2.5.

Table 2.5 Essential skills for fashion entrepreneurs

<table>
<thead>
<tr>
<th>Fashion Industry</th>
<th>Entrepreneur Traits</th>
<th>Starting Your Own Business</th>
<th>Small Business Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical skills</td>
<td>Creativity, innovation</td>
<td>Business plans</td>
<td>Source of finance</td>
</tr>
<tr>
<td>Opportunities</td>
<td>Spot opportunities</td>
<td>Registration</td>
<td>Accounts</td>
</tr>
<tr>
<td>Design and manufacturing</td>
<td>Networking skills</td>
<td>Market research, trend research</td>
<td>Small business management skills</td>
</tr>
<tr>
<td>Retail and distribution</td>
<td>Risk management</td>
<td>Marketing and branding</td>
<td>Project management</td>
</tr>
<tr>
<td>Supply chain management</td>
<td></td>
<td>Sales and negotiation</td>
<td>Leadership and teamwork</td>
</tr>
</tbody>
</table>
The portfolio of skills given corresponds to the determinants of growth highlighted in the section 2.3.3.

2.4 Conceptual Model for the Study

The mapping of the variables explored through the management and fashion design books and research paper emphasized that the entrepreneurial performance and the growth of the firm can be studied through three broad categories that include entrepreneurial characteristics, firm characteristics, and business strategies.

The summary of the different variables reviewed in the literature is given in the table 2.6. The details of top five papers reviewed in management and fashion design are given in the table.

Table 2.6 Summary of the variables reviewed

<table>
<thead>
<tr>
<th>Variable of Study</th>
<th>Management (Journal Papers and Books)</th>
<th>Fashion Design (Journal Papers and Books)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and training</td>
<td>F</td>
<td>F</td>
</tr>
<tr>
<td>Previous experience</td>
<td>F</td>
<td>F</td>
</tr>
<tr>
<td>Entrepreneurial parental background</td>
<td>NF</td>
<td>NF</td>
</tr>
<tr>
<td>Entrepreneurial motivation</td>
<td>F</td>
<td>NF</td>
</tr>
<tr>
<td>Age of the firm</td>
<td>F</td>
<td>NF</td>
</tr>
<tr>
<td>Size of the firm</td>
<td>F</td>
<td>NF</td>
</tr>
<tr>
<td>Location of the firm</td>
<td>NF</td>
<td>NF</td>
</tr>
<tr>
<td>Capital source</td>
<td>NF</td>
<td>F</td>
</tr>
<tr>
<td>Innovation</td>
<td>F</td>
<td>NF</td>
</tr>
<tr>
<td>Business planning</td>
<td>F</td>
<td>F</td>
</tr>
<tr>
<td>Marketing strategy</td>
<td>F</td>
<td>F</td>
</tr>
</tbody>
</table>
The mapping of entrepreneurial and firm characteristics in both management and fashion literature (as shown in the table 2.6) emphasize similar constructs to be studied. The mapping of business characteristics also emphasize similar constructs with specific emphasis on marketing in fashion design, which includes importance given to the extensive market research to identify the fast changing fashion trends and more specifically on creativity and innovation which could collectively be defined as formal innovation (Bianchi & Bortolotti, 1996). The mapping of the literature culminated with the development of the conceptual research model as represented in the figure 2.5.

Figure 2.5: Conceptual research model and the respective hypothesis
The sub-sections henceforth would emphasize on explanation of dependent and independent variables of the study. It starts with the dependent variables followed by explanation of the independent variables of the study.

2.4.1 Measures of Growth

There is no general agreement on how the growth of an enterprise is measured. A firm’s size may be measured according to its revenues or profits, or by the amount of human and physical capital it employs. Researchers in the field of geography and economics tend to use employment to indicate firm growth because aggregate employment is a key variable with which policy makers are concerned and because the measurement of this variable is relatively simple. Researchers in finance tend to make use of variables drawn from company accounts to measure growth, since this is consistent with the aspects of business with which they are chiefly concerned (Barkham et.al, 2005). In general terms, growth is associated with the creation of value in the form of goods and services for one or more constituencies, employment for the citizens of the country, and a generally positive impact in terms of economic and social development.

The most common method people use to measure business success is financial worth. The more the entrepreneur and business are worth; the more successful the entrepreneur is considered to be. This measure of worth is given great weight by society. Customer satisfaction, whether measured by customer surveys or repeat business is another measure of success. If customers find the products useful and enjoy doing business with the company, the company’s future success, no matter how you measure it, is more likely assured. Employee satisfaction is another measure of success. The great companies tend to have employees who pride themselves in working for their company (Hupalo, 1999).

Dafna (2008), measures the business success in terms of the longevity, turnover from sales and increase in size as measured by the number of employees. Business longevity is addressed by the question – ‘how old is your
business (in years)?; the change in turnover from their businesses sale was measured by the owner’s response to the question ‘Please specify what is change (in percent) of your business revenues (sales) from its startup point till today?; and the growth in business size measured in terms of the current number of employees compared to the number of employees at start-up indicating the growth, stability or reduction in the number of employees over time.

Moore & Fairhurst (2003) list the measures of performance of the fashion retail firms on the basis of return on investment, return on assets, general profitability, sales per square foot, effectiveness of cost control, sales per employee, total sales growth over the past three years, and overall company performance.

Gobagoba & Littrell (2005) use the objective and subjective criteria for defining the success of entrepreneurs in micro-apparel business in Botswana. The success as defined by the entrepreneurs is in terms of meeting personal challenges, receiving recognition, good customer relations and perceived satisfaction in improving the lives of the people in locality by providing employment.

Narayan & Geethakutty (2003), suggest measuring eight entrepreneurial dimensions in terms of profitability and extent of indebtedness, social recognition, consumer satisfaction, product or brand recognition, employee’s satisfaction, quality of products, capacity utilization and diversification of products to measure the success. Based on these eight dimensions, the Entrepreneurial Success is conceptualized as the aggregated score obtained by the individual entrepreneur for the selected eight dimensions. The ESI was worked out using the following formula:

\[
ESI = \sum_{i=1}^{K} \frac{A_i}{P_i}
\]

Where
ESI = Entrepreneurial success index
Ai = Actual score of ith dimension
Pi = Potential score of ith dimension
K = Number of dimensions applicable

Panda (2001) highlights three key indicators selected for defining success, which includes growth in sales turnover (CAGR), growth in profit after tax (PAT) and return on net worth over a period of five years. Industry average of a particular small-scale sector (e.g. small-scale electronics industry average sales and production growth rate) was taken as benchmark for defining a successful enterprise. Any enterprise having a similar or higher growth rate in sales and production compared to the industry average is taken as highly successful; and growing at 50 percent of the industry growth rate is taken as moderately successful. Similarly, less than 50 percent growth rate is taken as a low success. Similar scale measures on other two key indicators were used for defining success of an enterprise.

Cheng (2006) ascertained the growth of the firms in terms of the increase in the employment growth rate of the firm. Total assets turn, total revenue and profit are also used as a measure mainly to consolidate the validity of the research outcome. The research was based on the firms operating from 1998 – 2003 and the employment increase is calculated as 2003 employment minus 1998 employment divided by the average of 2003 and 1998.

The term ‘entrepreneurial performance’ is used in the study to explain the growth. This is in line with the entrepreneurial performance framework given in figures 1.1 and 1.2 of chapter I.

The study addresses the entrepreneurial performance in terms of firms by taking the enterprises, which are in business for a minimum period of three years and defines entrepreneurial performance in terms of employment generation and wealth in terms of increase in turnover.
These measures are taken as dependent variable for the research since it also addresses the importance of entrepreneurship in terms of attainment of economic goal in terms of wealth created and social goal of employment generation.

2.4.2 Explanation of the Independent Variables

The explanation of the different variables in context to management, and specifically to fashion design is discussed in this sub-section. Following entrepreneurial process are highlighted as important factors that help in growth of an enterprise:

- The entrepreneurial characteristics
- The firm characteristics
- The business characteristics.

2.4.2.1. Entrepreneurial Characteristics

In small firms, ownership and control of capital are typically in the hands of one key decision maker, who is able to exert a powerful influence on the way the firm pursues his or her objectives. Hence, the growth performance of an enterprise may reflect the problem solving skills and favorable access to networks associated with the general background of the entrepreneur (Glancey, 1998; Papakadi & Chami, 2002). The growth of a business depends on the ability of an entrepreneur to manage the growth of an enterprise. Several studies on entrepreneurship development highlights the demographic characteristics such as age and gender, and individual background such as education and former experience to have an impact on entrepreneurial intention and endeavor (Ljunggren & Kolveried, 1996; Mazzarol et.al, 1999). Relevant literature on entrepreneurship describes entrepreneurial characteristics such as behavior, personality attitude (Storey, 2006); their capabilities including education and training that create higher expectations in some industry sector (Henry et.al, 2005). Other entrepreneurial factors identified by Storey (2006), are previous management, experience, family
history, functional skills and relevant business sector knowledge. Research by Indarti & Langenberg (2004) studied entrepreneurial characteristics in terms of individual background such as age, gender, education, former work experience and their impact on entrepreneurial intention and endeavor. Research done by Islam, et.al, (2011), highlight the demographic characteristics, such as age and gender, and individual background; e.g. education and former work experience had an impact on entrepreneurial intention and endeavor. Personal qualities and traits, such as self-confidence and perseverance, entrepreneurial orientation, e.g. autonomy, innovativeness, risk taking, pro-activeness, competitive aggressiveness, and motivation are also found to have impact on entrepreneurial intention and endeavor.

Several factors are listed to influence the foundation and growth of a fashion design company, which include individual network, personality, education, personal background, attitude, role and behavior of a fashion design entrepreneur (Kurz, 2010). The research attempts to study the following entrepreneurial characteristics as shown in the figure 2.6 and their association with the growth of the fashion enterprises operated by women entrepreneurs.

Figure 2.6: Entrepreneurial characteristics
Education and Training: Education and training are the most important investments in human capital that are considered to be essential entrepreneurial characteristics that help in the growth of the firms. Many factors both internal and external have been found to have impact on small business success including, inter alia, industry structure and competition, entrepreneurial decisions, employee relations, entrepreneurial objectives, organizational culture, education, training and prior experience, and various sub-categories within these areas. These are found to affect the success of a firm (Simpson et.al, 2004; Rose et.al, 2006). Higher education is expected to enhance the ability of the entrepreneur to cope with problems and seize opportunities that are important to the growth of the enterprise (Papakadi & Chami 2002). A positive and statistically significant relationship between the owner’s education and the business outcomes of both genders is highlighted in work done by Fairlie & Robb (2007). In creative industries, human capital is considered as the crucial factor for success that aids in the new ideas and approaches to flourish (Piergianni et.al, 2011). Empirical evidence on the effects of education and training on enterprise performance is mixed. The converse of statement for education and business growth is given by Storey (2006), who cites that nine out of seventeen studies analyzed shows no identifiable impact upon employment growth. However, in eight studies analyzed, some form of positive relationship is established between education of the entrepreneur and the faster-growing firms. Research on entrepreneurial success in Indian context by Panda, 2001, shows that the university and college education does not play a very significant role in delivering successful entrepreneurial quality. Based on the literature reviewed, it is hypothesized that education and training is associated with the growth of fashion enterprises operated by women entrepreneurs.

Previous Experience: Previous experience along with the education is found to have positive relation with the growth of the firms in most of the papers reviewed. The previously acquired abilities and skills, a good vocational skill, have been an even more important factor than the economic resources when the enterprise was established (Goffee & Scase,
Previous work experience in a business whose goods and services were similar to those provided by his/her business; a more general case of acquiring specific business human capital appears to be very important (Prag, 2006). Human capital in terms of previous sector/work experiences of the entrepreneur has been found to have significant impact on the profitability of the business (Brüderl & Preisendörfer, 2000; Chiliya & Lombard, 2012). Some researchers show no relationship between the prior experience and growth of small firms (Dunkelberg et.al, as cited by Storey, 2006) and also found that there was negative impact on business growth. Based on the citations, it is hypothesized that previous sector experience helps in the growth of fashion enterprises.

**Entrepreneurial Family Background:** Different papers reviewed on women entrepreneurs highlight that women entrepreneurs had a higher tendency to have a self-employed parent and are seen as role models for women in business (Aylward, 2007; Lee, 1997). The general entrepreneurial literature suggested that female entrepreneurs are four times more likely to have been subjected to the influence of an entrepreneurial parent than a member of the general population (Watkins & Watkins, 1983 as cited by Lee, 1997). Based on the limited literature available, it is hypothesized that parental background has impact on the entrepreneurial performance of women entrepreneurs in fashion enterprises.

**Entrepreneurial Motivation:** Research on the reasons for the motivations to women's entry into the entrepreneurship have frequently been framed in terms of push and pull factors – the various influences that might drive (push) or attract (pull) women into being entrepreneurs (Dupis & Bruin, 2004; Orhan, 2005). It can also be classified as necessity-push and opportunity-pull motivations (Valencia, 2007). While many of these factors are similar for male entrepreneurs, studies of women entrepreneurs have attempted to isolate those that might impact especially on women (Dupis & Bruin, 2004). Enterprise creation can be considered to be driven by two opposite factors of choice and necessity according to the relative importance given to push and pull factors (Orhan & Scott, 2001). Pull factors are concerned with expectation of being
better off as an entrepreneur. Thus, individuals are often attracted to entrepreneurship with the expectation that it will provide greater material and/or nonmaterial benefits. Push factors take into account the conflict between one’s current and one’s desired state. Push factors are often associated with some level of dissatisfaction (Uhlane & Thurik, 2010). Push-motivated entrepreneurs are those whose dissatisfaction with their current positions, for reasons unrelated to their entrepreneurial characteristics, pushes them to start the venture. Pull-motivated entrepreneurs are those who are attracted by their new venture idea and initiate venture (Amit & Muller, 1995 cited by Kirkwood, 2009). The push and pull factors are found to be significant since business started by entrepreneurs who experienced push motivations are less successful (financially) than those built on pull factors (Amit & Muller, 1995 cited by Kirkwood, 2009). Based on the literature reviewed, it is hypothesized that the pull motivation is associated with the growth of the enterprise.

**Risk Taking:** Risk taking characteristic of the entrepreneur for the study is taken as a part of entrepreneurial intensity, which talks about the frequency with which entrepreneurial events occur or to the extent to which the events are innovative, risky and proactive (Morris, 1998). This research addresses two aspects of entrepreneurial intensity in terms of innovativeness and the risk taking characteristics of the entrepreneur. Innovativeness is dealt in detail as a part of the business characteristics where innovation is described essentially as formal innovation in creative industries, which deals with the introduction of product, improving the quality of the product etc. The details are given in the sub-section 2.4.2.3.

Risk taking characteristic is included as entrepreneurial characteristic since it is found to be an integral part of entrepreneurial behavior and also since it is found to be an important characteristic for the entrepreneurs in fashion enterprise (Burke, 2008; Fatt, 2001). Risk taking as explained by Erasmus & Scheepers (n.d), involves the determination and courage to make
resources available for the projects that have uncertain outcomes, in other words, involve risk.

The level of active risk taking by the owner-manager may also determine how willing he/she is to tap the various resources necessary for developing the firm. Active risk taking is demonstrated by the owner-manager’s willingness to accept personal financial risk (Papakadi & Chami, 2002).

The measure of attitude towards risk taking as explained by Marques & Ferreira (2009) includes the following:

When you undertake new investments or launch new projects, do you have the greatest propensity to:

- run substantial risks
- run some risks
- be very careful with regard to risks
- barely run risks
- be extremely risk-averse

Risk taking is also found to be very important in creative industries. For instance in music industry, risk taking propensity is the core attribute as artists take risks with freshly composed tunes and songs, new interpretations and the creative integration of different types of music formats (Henry, 2007).

The importance of risk-taking can be compared with the citation by Percy (2010), as ‘alertness and creative knowledge lead to action, and because the entrepreneur is dealing with matters that are new in market place, he is involved in risk-taking enterprises. He is not afraid of starting new fashion, of marketing breakthrough and novel design’.

Fashion industry is mainly dependent on the customer demands and expectation. It is apt to mention that when customers in fashion industry demand novelty, risk taking, innovation and flexibility constitute central corporate values (Fayolle & Todorov, 2011). These, in other words, define the
entrepreneurial intensity, which as per Morris (1998) involves risk-taking, proactivity and innovation. A successful fashion entrepreneur should be willing to take risks to achieve the goals of the business (Fatt, 2001).

On the basis of the literature reviewed, it is hypothesized that the risk taking characteristics of the entrepreneur is associated with the performance of women entrepreneurs in the fashion enterprises. Since the fashion industry revolves mainly on the launch of new products and new project, the scale explained by Marques & Ferreira (2009) is taken for measuring risk taking characteristic of the entrepreneur for the study.

The hypotheses on entrepreneurial characteristics are summarized as given below:

H1: There is an association between entrepreneurial characteristics and the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H1a: Education and training acquired by women entrepreneurs is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H1b: Previous sector experience gained by women entrepreneurs is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H1c: Entrepreneurial family background of the women entrepreneurs is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H1d: Entrepreneurial motivation of women entrepreneurs is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H1e: Risk taking characteristics of women entrepreneurs is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.
2.4.2.2 Firm Characteristics

Storey (2006) identified the firm characteristic as one of the important components in analysing the growth of the enterprises. The variables that are traditionally encountered in empirical studies for the growth of the enterprise include enterprise size, age, location, and capital source (Fadahunsi, 2012; Islam et.al, 2011; Papakadi & Chami, 2002). These refer to the key decisions made upon commencing the business, which have an important bearing on the way the business is managed (Fadahunsi, 2012). These refer to the decisions taken during the start-up phase and differ from the business characteristics, which essentially includes the strategic decisions taken after the business has commenced trading. The research attempts to study the following firm characteristics as shown in the figure 2.7, and their association with the growth of the fashion enterprises operated by women entrepreneurs.

Figure 2.7 Firm Characteristics

- Growth of the Enterprise
- Firm Characteristics
  - Age of the firm
  - Size of the firm
  - Location of the firm
  - Capital source
**Age of the Firm:** There is a consensus in the empirical literature about the link between age, size and (proportionate) growth; for any given size, the proportional growth rate of the firms tends to decline with age. At the same time, older firms have a greater probability of survival than younger ones (OECD, 2000). Study on firm growth, size, and age done by Evans (1987b), discloses several interesting relationships as given below:

- The firm growth decreases with firm size and firm age.
- The probability of firm survival increases with firm size and firm age.
- The variability of firm growth decreases with firm age. The relationship between firm growth and firm size is less clear.

The age relationship found in the study by Evans (1987a) are broadly consistent with the Jovanovic’s theory of firm growth in which firms uncover their true efficiencies over time with a Bayesian learning process (Evans, 1987a; Evans, 1987b). Jovanovic's model has a rich set of empirical implications. Young firms have accumulated less information than older firms about their managerial abilities. Consequently, younger firms have more variable growth rates than older firms because they have less precise estimates of their true abilities. For the same reason, it follows that there will be more exits among younger firms, but also that among surviving firms, younger firms will grow faster than older firms. As younger firms also tend to be smaller firms, Jovanovic argues that the same observations hold for small firms as well. Surviving small firms are expected to grow faster than larger firms, and to have more variable growth rates (Papakadi & Chami, 2002). For the present research, it is proposed that the growth of the firm increases with the firm age. If proved, the research would support the deterministic approach of firm growth.

**Size of the Firm:** Theoretical contributions to the determinants of firm size may be divided into stochastic and deterministic approach. The stochastic approach holds that in a world with no ex ante differences in profit, size and market power across firms, all changes in size are due to chance. The deterministic approach assumes, on contrary, that differences in the rate of
growth across firms depend on a set of industry-and-firm specific
characteristics (Becchetti & Trovanto, 2002). The law of proportionate effect or
‘Gibrat’s Law’ states that a firm’s growth is independent of its size. A corollary
of this proposition is that growth is random with respect to size. For the present
research, it is proposed that the growth of the firm increases with the firm age.
If proved, the research would support the deterministic approach of firm
growth.

**Location of the Firm:** The importance of location seems to vary between
countries. According to Levy & Powell, 2005 in the UK, accessible rural firms
grow faster than the urban ones, although less accessible rural firms do not
grow rapidly. This contrasts with the US where urban firms grow faster (Storey,

Islam (1997) points out that urban-based firm in small towns grow faster
than those in outlying areas in the rural region providing the evidence of
external economic benefits of agglomeration.

The report by OECD (2007) shows greater GDP of the firms in urban and
intermediate regions than the rural regions. Apart from the GDP, the urban and
intermediate regions are found to grow rapidly when compared to the firms in
rural regions. Urban higher growth rates are observed in 8 out of 22 OECD
countries while intermediate regions performed best in 10 out of 22 countries.
The rural regions were found to be with faster growth only in Czech Republic,
Germany, Ireland and Slovak Republic. For the study, it is hypothesized that
the firms in urban areas would perform better than the firms located in rural
areas.

**Capital Source:** Although most of the funding of young firms comes from
entrepreneurs' own savings or money borrowed from relatives and friends, the
amount of cash needed to sustain or accelerate growth process usually
exceeds these personal sources. Many growing firms rely on external sources
of finance to accelerate their growth perspectives (Lee et.al, 2001 cited by
Federico et.al, 2012).
Small firms rely almost equally on equity and debt financing with each supplying half of total business financing. Principal owners are found to be the largest single source of financing almost all of which is invested as equity. The smaller firms rely more heavily on equity and principal owner investment, while larger firms use more commercial bank debt and supplier credit (Siedman, 2005).

McMahon (n.d) describes that greater dependence upon external finance is associated with better business growth outcomes and better business performance in terms of profitability. Similarly, work done by Papakadi & Chami (2002), on micro-business in Canada, quote that successful SMEs use more external sources of financing such as financial institutions, venture capitalists and individual investors than do less successful firms.

Traditional bank financing remains the most commonly sought source of finance for women entrepreneurs. In several countries, banks are increasingly concerned with providing women entrepreneurs with financial (and related) services to meet their funding needs, either because they are under pressure to treat women clients’ applications more favorably or because they are eager to tap into new and promising markets (OECD, 2001).

Vasanthagopal & Santha (2008), highlight that in India, financial institutions for many years have been playing a pivotal role in giving financial assistance and consultancy services to women entrepreneurs. Keeping in view the importance of external source of finance for the growth of the business and the availability of such facilities for women entrepreneurs, it is hypothesized that the external source of finance is associated with the growth of the enterprise.

The hypotheses of firm characteristics are summarized as given below:

H2: There is an association between the firm characteristics and the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H2a: The age of the firm is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.
H2b: The size of the firm is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H2c: The location of the firm is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H2d: The capital source for starting the enterprise is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

2.4.2.3 Business Characteristics

Strategic choices of the entrepreneur with regard to the operation of his/her business are expected to have an important impact on the growth performance of the enterprise. Business skills cover all the conventional management areas such as being able to formulate business plans, financial, marketing, operation, human resources, legal communication and management skills (Kunene, 2008). The business characteristics included in the study are given in figure 2.8.

Figure 2.8 Business Characteristics
**Innovation:** The importance of innovation is given in early Schumpeter tradition where it is highlighted that entrepreneurial behavior is innovative behavior. If one is not innovative, one is not an entrepreneur. A narrow technological approach of innovation focuses on product and process innovation often said to be the result of knowledge-intensive entrepreneurship. A broader approach refers to innovation as development of new products, new process, new sources of supply and also to the new markets and development of new ways to organize the business (Szirmai, et.al, 2011).

The work of Josef Schumpeter as cited by Komninos, 2008 has influenced deeply the understanding of innovation. He distinguished five types of innovation:

- The introduction of new goods or new quality of goods.
- The introduction of a new method of production.
- The opening of a new market.
- The conquest of a new source of supply of new materials or semi-finished manufacturing parts.
- Carrying out of some new organizational form of the industry.

Innovation in creative industries differs importantly from innovation in humdrum industries. The nature of innovation in creative activities in blurred by the fact that any creative product that does not just replicate can be defined as innovation (Caves, 2000).

Innovation is a main factor in the scope of entrepreneurship and is first and foremost important for the fashion industry with its complex economic, cultural and aesthetic dimensions. Fashion design entrepreneurs innovate inside these three dimensions with creativity and constant change (Kurz, 2010). A fashion designer is the key person who manages the entrepreneurial process and sets up a business to integrate his/her design ideas into the market place (Burke, 2008 cited by Kurz, 2010).
Fashion innovation and creativity can be described as a process that reflects contemporary cultural phenomena, has a ‘seasonal rhythm’, and engages with business enterprise (Malem, 2008).

Formal innovation as cited by Bianchi & Bortolotti (1996) is decisive in productive fields as those of fashion and design goods. Here, innovation depends much more on intangible factors such as aesthetics, imagination and taste, which are close relatives of artistic creativity. Formal innovation is found to be associated with:

- 58 percent of cases with a structural change in product.
- 36 percent with changes in production process.
- 22 percent with new uses of the same product.
- 14 percent with new materials.

Innovation likely increases the total volume of activity in creative sector because it involves more than the restyling of a constant flow of creative goods to consumers (Caves, 2000).

The fashion design branch as a part of the creative sector in UK consists of a high number of individuals, who set-up a micro business or who are self-employed. 80 percent of creative entrepreneurs are in this category with no ambitions for further growth (Kurz, 2010). While there is no single strategy of innovation that is associated with the growth of the enterprise, the best way is to capture the intention of the fashion entrepreneur with the focus on the innovative methods followed such as introducing new products and improving quality of the products in terms of the structural change in the product. Moreover, the commitment for growth or ambition for further growth gains prominence. Innovation is considered as key to the creative business performance; and hence, it is hypothesized that innovative capabilities of the entrepreneur is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.
**Business Planning:** The business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture (Hisrich et.al, 2008).

‘If you don’t know where you are going, any path will get you there’. This quotation as cited by Hormozi et.al, 2002, illustrates the important role planning plays in determining the degree of success realized by a business. Essential elements to business success are identification of goals, followed by development of strategies to meet those goals. Business plan is an effective tool used by business to organize these goals and objectives into a coherent form, especially for new or small businesses.

Lussier (1995) as cited by Lussier & Halabi (2008) identified that the business that do not develop specific business plans have a greater chance of failure than firms that do. Storey (2006) highlights that 93 percent of the fast-growth firms in the study had a written business plan.

Baldwin & Gellatly (2003) quotes that studies have shown that more successful firms have long-term strategic goals and business plans. The benefits of business plan are many. A written business plan will have a positive effect on the firm’s ability to obtain financing, as it is evidence of capability and long-term commitment to the firm.

In Facing the Future survey (as cited by Karami, 2007) of fast growing business (turnover growth in excess of 10 percent p.a. over three years) from a variety of industry sectors found that almost one-third (32 percent) of respondents had no business plan at all. The underlying problem appears to be an overall lack of strategic approach, beginning with an inability to plan a strategy to reach the customer and ending with a failure to develop a system of controls and evaluation to keep a track of performance. Despite the benefits associated with the business plans, most entrepreneurs begin to develop a business plan because it is an external function – a medium to obtain outside financing since it is the primary tool looked by a lender to evaluate the potential of a business (Hormozi et.al, 2002).
While a good business plan will not guarantee success, it can go a long way towards reducing the odds of failure (Crawford-Lucas, 1992 as cited by Hormozi et.al, 2002). Thus, it is hypothesized that enterprises with well-defined business plan, which emphasizes the long commitment of the entrepreneur is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

**Marketing Strategy:** Kotler & Armstrong, (2008) defines marketing as ‘a social and managerial process by which individuals or groups obtain what they need and want through creating and exchanging products and values with others’. It is argued that the definitions of marketing may not necessarily apply to the small firms due its unique characteristics. The characteristics of SMEs influence the ways in which they informally implement the marketing planning process. They have the advantage of having closer contact with customers and are more flexible, responsive to change and more innovative than larger firms (Moriarty et.al, 2008). Within the complex reality of an SME’s environment, marketing is influenced by a number of critical factors such as customers, markets, trends and competitors whose interaction helps SMEs develop a distinctive marketing style (O’Dwyer, 2009). As cited by Nwankwo & Gbadamosi, (2011) promotion and market research are the areas of marketing, which are found to be frequent areas of problem in SMEs. The commonly highlighted reasons include limited resources, lack of financial resources to employ specialist and limited cash flows. These dynamic forces (internally and externally) affecting SMEs create a very different environment in which marketing activities take place in comparison with larger and often long-established stable businesses. Yet, despite the widespread acceptance of the importance of the marketing concept, the precise marketing activities and competencies that contribute most strongly to business performance must be identified for small and medium-sized enterprises (SMEs) (Walsh & Lipinski, 2009).

Scholars have identified significant differences between large and small sized organizations. Large organizations tend to use a structured framework with a clear hierarchy in decision making. On the other hand, small firms tend
to feature processes that begin with and highly involve the entrepreneur or owner (Walsh & Lipinski, 2009). Pursuit to understanding the link between entrepreneur orientation and marketing orientation in small firms has led to establish the new paradigm ‘entrepreneurial marketing’ (Moriarty et.al, 2008). Entrepreneurial marketing as cited by Gilmore (2011) is developed by the individual person, who will adapt traditional marketing frameworks to suit the specific situation of his/her firm. They will have a product and/or service to offer to the market place, at a price and they will promote and deliver this using an affordable method and medium. Marketing is considered as a derivative of business strategies followed by the entrepreneur in the growth of the firm.

Relationships with customers and word-of-mouth are the key aspects of promotion within the marketing mix, and marketing intelligence relies strongly on business and trade networks (Moriarty et.al, 2008). Word of mouth is seen as one of the most influential ways of promotion; it suits well with limited resources and it supports slow build-up, in that it does not bring so many customers at once (Reijonen, 2010). Further, customers become the pivot around which the entire operation of business revolves that could be termed as ‘Marketing concept’ (Singh, 2006). A precept of the marketing concept contends that business achieves success by determining and satisfying the needs, wants, and aspirations of target markets (Walsh & Lipinski, 2009).

Marketing in India is the least developed part of the economy, and this is considered to be the main factor that keeps the economy underdeveloped. The marketing concept emphasizes that marketing should be regarded as something more than a business function. An implementation of new concepts and techniques of marketing including merchandising, marketing research and promotion will greatly benefit our business firms (Singh, 2006).

The implementation of these new concepts as cited by Singh (2006) finds similarities with the literature on fashion marketing where focus is more on the combination of target market, location and retail mix marketing. Four contexts of marketing capabilities examined by Moore & Fairhurst (2003) in retail
industry includes customer service capability, store image differentiation, external knowledge and promotional capabilities.


The fashion designers as highlighted by McRobbie (1998) generate a sense of tension between themselves and the business world. Business awareness and creativity are considered as the prime requirements of the fashion designers to survive in the market. Among the different factors for success fashion venture (Fatt, 2001) as given in table 2.4, the marketing capabilities include extensive market research into the latest trends in the local fashion market, good relations with customers and business management skills.

No aspect of marketing is as uncertain as the acceptance of new products, particularly those with a fashion element. Based on the literature reviewed, the following contexts of the marketing capabilities (as highlighted by Moore & Fairhurst, 2003), which are equally emphasized in the literature collected on SME marketing and fashion marketing are considered essential for fashion sector and are examined in this research:

1. Customer service capabilities include the importance given to the delivery of quality service, providing quality products and handling of customer complaints.
2. Store image differentiation includes the importance laid on external store image and merchandise image.
3. External (market) knowledge in terms of the industry trends.
4. Promotional capabilities include the importance given to differentiating stores through advertising and promotion.

Most of the studies reviewed highlighted the existing literature on fashion marketing focused on consumer behavior, marketing strategies, incubation system to support fashion entrepreneurship, retailing business, economics of fashion demand and prediction of fashion life cycles. This research highlights
the attempts made by the researcher to identify the marketing capabilities of entrepreneurs in fashion enterprises that fulfill the constructs of marketing in SMEs and marketing literature available in fashion industry to draw a specific portfolio of marketing skills required for fashion entrepreneur. It is hypothesized that marketing strategy with equal emphasis on customer service, store image differentiation, external market knowledge and promotional capabilities is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

**Financial Management and Record Keeping:** Thoroughness in financial management and record keeping is seen as critical to the success of a small firm. Deficiencies in these areas lead to improperly kept books, resulting in loss of control over revenues and costs. The consequence of poor financial management is overextension of credit to clients, which in turn leads to failure of repay liabilities (Baldwin & Gellatly, 2005).

Lussier (1995) as cited by Lussier & Halabi (2008) suggest that businesses that do not keep updated and accurate records and do not use adequate financial controls have a great chance of failure than the firms that do.

The findings of a study by Tushabomwe-Kazooba (2006) revealed that poor record keeping is a major contributor to small business failure in Africa. In most of the cases, this is not only due to the low priority attached by new and fresh entrepreneurs, but also due to the lack of the basic business management skills. Most business people, therefore, end up losing track of their daily transactions and cannot account for their expenses and their profits at the end of the month. The persistent lack of proper records has seen the closure of some businesses, thereby making it a significant issue of business success. Thus, it is hypothesized that financial management and record keeping ability is important construct for the performance of women entrepreneurs in fashion enterprises.
Human Resource Management: As a small business grows, its owners must begin to increase their staff and learn how to develop and implement human resource management (HRM) policies. The faster the growth experienced by the small firm the more likely it will experience HR problems (Mazzarol, 2003).

Human resources management practices such as recruitment and training are critical to a business growth and sustainability. Small organizations often tend to overlook recruitment and training practices in comparison with larger organizations (Greendige et.al, 2012).

Informal preferences are followed in the training and human resource strategies of most micro-business owner/managers. Typically, training needs are evaluated informally, mainly on the basis of personal perceptions and expectations (Matlay, 1999).

Successful firms are committed to their workforce and they strive to attract and retain employees. Firms those are not able to do this, whether it is because they do not offer the going wage rates for skilled workers or because of a lack of skilled workers in their geographic area are more likely to fail (Baldwin & Gellatly, 2005).

The process of recruitment in the micro-firms followed word-of-mouth. Small firms’ ability to attract, motivate and retain employees by offering competitive salaries and appropriate rewards is linked to firm’s performance and growth. Small firms tend to opt for informal practices. (Barrett & Mayson, 2007)

The following findings of Greendige et.al, (2012) describe the human resource management in small firms:

- Small firms prefer to use a more informal approach to recruitment and training, which suggest that the HR practices of larger firms may not be applicable to smaller firms.
• Small firms are inclined to use informal training methods such as on-the-job training.

Thus, from the literature reviewed, it is hypothesized that the employee training is associated with the growth of the enterprises.

The hypotheses for business characteristics are summarized as given below:

H3: There is an association between the business characteristics and the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H3a: Innovativeness of the women entrepreneur is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H3b: Having a well-defined business plan is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H3c: Marketing strategy exhibited by the women entrepreneur is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H3d: Financial management and record keeping by the entrepreneur is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

H3e: Training employees as a means of human resource development is associated with the entrepreneurial performance of women entrepreneurs in fashion enterprises.

2.5 Summary

The chapter started with a brief review of importance of entrepreneurship in global scenario, focusing on the importance of the same in creative industries. The review aided in identification of the variables essential for the growth of the enterprises. These variables included the entrepreneurial
characteristics, firm characteristics and the business characteristics. The mapping of the management and fashion literature aided for listing the contextual business characteristics that are essential for entrepreneurs operating fashion business. The different variables of the study are summarized as given below:

Entrepreneurial characteristics:

- Education and training
- Prior sector experience
- Entrepreneurial parental background
- Entrepreneurial motivation
- Risk taking

Firm characteristics

- Age of the firm
- Size of the firm
- Location of the firm
- Capital source

Business characteristics

- Innovation
- Business planning
- Marketing strategy
- Financial management and record keeping
- Human resource management

The next chapter on research methodology would present the detailed research model followed to find the association between the variables listed and the performance of women entrepreneurs in fashion enterprises.