CHAPTER - 2

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK
Chapter - II

Literature Review and Conceptual Framework

2.1. LITERATURE REVIEW

The task of literature review was carried out during the research period (2008-11) covering the available data/literature from various sources. Databases and search engines like INFLIBNET, GOOGLE SCHOLAR, EBSCO, PROQUEST, YAHOO and many others were of very useful, thanks for the ever developing technology. Apart from these database repositories and search engines, many secondary data sources were extensively made used, such as various Journals (both national as well as international), Books, websites of Governmental and Non-Governmental Organisations (NGOs and private organisations), and other materials like reports, training manuals, proposals and some related study materials.

Tracing out of literature directly relating to the research topic/theme was relatively a hard task and a limited literature was available in this context. One of the possible reasons would be that, this research work itself is of unique in nature and primarily tries to integrate research areas like entrepreneurship/entrepreneurship development with the marketing concept as market orientation. Thus, literature review broadly covers research areas such as entrepreneurship, entrepreneurship development, marketing concept, market orientation, value enhancement, relationship marketing (CRM), poverty, poverty alleviation and bottom of pyramid, etc.

2.1.1. Market Orientation

The evolution of the marketing concept can be traced to the works of Drucker (1954), McKitterick (1957), Felton, (1959), Keith (1960). The marketing concept is basically a philosophy of business that places the customer at the centre of organizational
activities. That is, the organizational culture is one that is predominantly customer
focused. As Deshpande and Webster (1989, p.3) state, “the marketing concept defines
a distinct organizational culture…that puts the customer in the centre of the firm’s
thinking about strategy and operations”.

The concept of marketing orientation was developed in the late 1960s and early 1970s
at Harvard University and at a handful of forward thinking companies. It replaced the
previous sales orientation that was prevalent between the mid 1950s and the early
1970s, and the production orientation that predominated prior to the mid 1950s.

A production orientation dominated business thought from the beginning of
capitalism to the mid 1950's. Business concerned itself primarily with production,
manufacturing, and efficiency issues. This viewpoint was encapsulated in Says Law
which states Supply creates its own demand (from the French economist Jean-Baptiste
Say). To put it another way, If a product is made, somebody will want to buy it. The
reason for the predominance of this orientation is there was a shortage of
manufactured goods (relative to demand) during this period so goods sold easily.

The implications of this orientation are:
- Product lines were narrow
- Pricing was based on the costs of production and distribution
- Research was limited to technical product research
- Packaging was designed primarily to protect the product
- Promotion and advertising was minimal

The sales orientation era ran from the mid 1950's to the early 1970's, and is therefore
after the production orientation era but before the marketing orientation era. During
WWII world industry geared up for accelerated wartime production. When the war
was over; this stimulated industrial machine turned to producing consumer products.
By the mid 50's supply was starting to out-pace demand in many industries. Businesses had to concentrate on ways of selling their products. Numerous sales techniques such as closing, probing, and qualifying were all developed during this period and the sales department had an exalted position in a company's organizational structure. Other promotional techniques like advertising, and sales promotions were starting to be taken seriously. Packaging and labelling were used for promotional purposes more than protective purposes. Pricing was usually based on comparisons with competitors (called competitor indexing).

A **marketing oriented** firm (also called the **marketing concept**, or **consumer focus**) is one that allows the wants and needs of customers and potential customers to drive all the firm's strategic decisions. The firm's corporate culture is systematically committed to creating customer value. In order to determine customer wants, the company usually needs to conduct marketing research. The marketer expects that this process, if done correctly, will provide the company with a sustainable competitive advantage.

This consumer focus can be seen as a process that involves three steps. First customer want are researched, then the information is disseminated throughout the firm and products are developed, then finally customer satisfaction is monitored and adjustments made if necessary.

A marketing oriented firm will typically show the following characteristics:

- Extensive use of marketing research
- Broad product lines
- Emphasis on a product's benefits to customers rather than on product attributes
- Use of product innovation techniques
- The offering of ancillary services like credit availability, delivery, installation, and warranty.
"Marketing orientation," may actually encompass several different approaches to the strategic alignment of the organization with the marketing environment. This study develops a marketing orientation tools for the enterprises to have a value enhancement in their businesses. Specifically, firms can decide to focus primarily on either competitors or customers as the situation dictates, or perhaps attempt the difficult task of simultaneously monitoring both with equal emphasis. The proposed matrix includes four distinct approaches to market orientation: "customer preoccupied," "marketing warriors," "strategically integrated," and "strategically inept".

Firms which emphasize customer-focused intelligence gathering activities at the expense of competitor information may be classified as "customer preoccupied". Because the marketing concept promotes putting the interests of customers first, many researchers consider a customer-focus to be the most fundamental aspect of market orientation. Because the marketing concept encourages a business to be forward looking, a customer-focused business is likely to be more interested in long-term business success as opposed to short-term profits.

Firms that emphasize competitors in their external market analyses have been labelled "marketing warriors". Using target rivals as a frame of reference, competitor-focused firms seek to identify their own strengths and weaknesses and to keep pace with or stay ahead of the rest of the field. Because such competitors may frequently alter their strategic emphasis, a close monitoring of competitors is difficult yet important in a hostile environment (Porter 1980).

Firms characterized as "strategically integrated" assign equal emphasis to the collection, dissemination, and use of both customer and competitor intelligence. Many researchers suggest a balance between the two perspectives is most desirable, and
firms should seek to remain sufficiently flexible to shift resources between customer
and competitor emphasis as market conditions change in the short run.

Failure to develop a market orientation, either customer or competitor-focused, may
adversely affect business performance. Consequently, firms that fail to orient their
strategic decision making to the market environment may appropriately be labelled as
"strategically inept".

Literature reveals diverse definitions of the marketing concept. Felton (1959, p. 55)
defines the marketing concept as "a corporate state of mind that insists on the
integration and coordination of all the marketing functions which, in turn, are melded
with all other corporate functions, for the basic purpose of producing maximum long-
range corporate profits." In contrast, McNamara (1972, p. 51) takes a broader view
and defines the concept as "a philosophy of business management, based upon a
company-wide acceptance of the need for customer orientation, profit orientation, and
recognition of the important role of marketing in communicating the needs of the
market to all major corporate departments." Variants of these ideas are offered by
Lavidge (1966), Levitt (1969), Konopa and Calabro (1971), Bell and Emory (1971),
and Stampfl (1978).

Three core themes or "pillars" underlie these ad hoc definitions: (1) customer focus,
(2) coordinated marketing, and (3) profitability (cf. Kotler 1988). Barksdale and
Darden (1971, p.36), point out, however, that these idealistic policy statements
represented by the marketing concept are of severely limited practical value, and
assert that "the major challenge is the development of operational definitions for the
marketing concept . . ." (emphasis added). Hence, though the literature sheds some
light on the philosophy represented by the marketing concept, it is unclear as to the
specific activities that translate the philosophy into practice, thereby engendering a market orientation. Even so, it appears reasonable to conclude from the literature that a market-oriented organization is one in which the three pillars of the marketing concept (customer focus, coordinated marketing, profitability) are operationally manifest.

*Customer focus:* Being customer oriented involves taking actions based on market intelligence, not on verbalized customer opinions alone. Market intelligence is a broader concept in that it includes consideration of (1) exogenous market factors (e.g., competition, regulation) that affect customer needs and preferences and (2) current as well as *future* needs of customers. These extensions do not challenge the spirit of the first pillar (customer focus); rather, they reflect practitioners' broader, more strategic concerns related to customers.

*Coordinated marketing:* Market orientation is not solely the responsibility of a marketing department. It is critical for a variety of departments to be cognizant of customer needs (i.e., aware of market intelligence) and to be responsive to those needs. This stresses on the importance of concerted action by the various departments of an organization. The domain of the second pillar of market orientation to coordination related to market intelligence. This focused view of coordination is important because it facilitates operationalizing the construct by clearly specifying the type of coordination that is relevant.

*Profitability:* In sharp contrast to the received view, however, the idea that profitability is a component of market orientation is conspicuously absent in the field findings. Without exception, interviewees viewed profitability as a *consequence* of a market orientation rather than a part of it. This finding is consistent with Levitt's
(1969, p. 236) strong objection to viewing profitability as a component of a market orientation, which he asserts is "like saying that the goal of human life is eating."

Thus, the meaning of the market orientation construct that surfaced in the field is essentially a more precise and operational view of the first two pillars of the marketing concept—customer focus and coordination. The findings of Ajay K. Kohli & Bernard J. Jaworski (1990) suggest that a market orientation entails (1) one or more departments engaging in activities geared toward developing an understanding of customers' current and future needs and the factors affecting them, (2) sharing of this understanding across departments, and (3) the various departments engaging in activities designed to meet select customer needs. In other words, a market orientation refers to the organization wide generation, dissemination, and responsiveness to market intelligence.

Further, though the term "marketing orientation" has been used in previous writings, the label "market orientation" appears to be preferable for three reasons. First, as Shapiro (1988) suggests, the latter label clarifies that the construct is not exclusively a concern of the marketing function; rather, a variety of departments participate in generating market intelligence, disseminating it, and taking actions in response to it. Hence labelling the construct as "marketing orientation" is both restrictive and misleading. Second, the label "market orientation" is less politically charged in that it does not inflate the importance of the marketing function in an organization. The label removes the construct from the province of the marketing department and makes it the responsibility of all departments in an organization. Consequently, the orientation is more likely to be embraced by non-marketing departments. Third, the label focuses attention on markets (that include customers and forces affecting them), which is
consistent with the broader "management of markets" orientation proposed by Park and Zaltman (1987, p. 7) for addressing limitations in currently embraced paradigms.

Though the marketing concept is a cornerstone of the marketing discipline, very little attention has been given to its implementation (Ajay K. Kohli & Bernard J. Jaworski 1990). The marketing concept is essentially a business philosophy, an ideal or a policy statement (cf. Barksdale and Darden 1971; McNamara 1972). The business philosophy can be contrasted with its implementation reflected in the activities and behaviors of an organization. In keeping with tradition (e.g., McCarthy and Perreault 1984, p. 36), we use the term "market orientation" to mean the implementation of the marketing concept. Hence, a market-oriented organization is one whose actions are consistent with the marketing concept.

As opposed to a business philosophy, a marketing orientation can be described as the implementation of the marketing concept (Wren, 1997). In short, the marketing concept is concerned with how the organization thinks about its products, its customers, whereas a marketing orientation is concerned with the undertaking of those activities necessary to implement the marketing concept (Wren, 1997).

The development of measures of the market orientation construct is attributable to the work by both Kohli and Jaworski (1990) and Narver and Slater (1990). Kohli and Jaworski undertook a literature review and sixty-two field interviews with both marketing and non-marketing managers in industrial, consumer and service industries, with organizations ranging in size from four employees to tens of thousands. Ten business academics at two large US universities were also interviewed.
Based on such interviews, and a review of the literature, Kohli and Jaworski (1990, p. 6) propose a formal definition of market orientation;

“Market orientation is the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it.”

The starting point of a market orientation is market intelligence. Market intelligence is a broader concept than customers' verbalized needs and preferences in that it includes an analysis of exogenous factors that influence those needs and preferences. The generation of market intelligence relies not just on customer surveys, but on a host of complementary mechanisms. Intelligence may be generated through a variety of formal as well as informal means (e.g., informal discussions with trade partners) and may involve collecting primary data or consulting secondary sources. The mechanisms include meetings and discussions with customers and trade partners (e.g., distributors), analysis of sales reports, analysis of worldwide customer databases, and formal market research such as customer attitude surveys, sales response in test markets, and so on. Responding effectively to a market need requires the participation of virtually all departments in an organization—R&D to design and develop a new product, manufacturing to gear up and produce it, purchasing to develop vendors for new parts/materials, finance to fund activities, and so on. A formal intelligence dissemination procedure is obviously important, but the discussions with managers indicated that informal "hall talk" is an extremely powerful tool for keeping employees tuned to customers and their needs. Despite sparse treatments of the effects of informal information dissemination in virtually any literature (for a rare exception, see Aguilar 1967), the importance of this factor is well recognized by managers and it is tapped extensively. The third element of a market orientation is responsiveness to
market intelligence. An organization can generate intelligence and disseminate it internally; however, unless it responds to market needs, very little is accomplished. Responsiveness is the action taken in response to intelligence that is generated and disseminated.

In defining the conceptual domain of market orientation, Narver and Slater (1990) reviewed the literature, concluding that a market orientation consists of the following three behavioral components: Customer orientation, which involves understanding target buyers now and over time in order to create superior value for customers; understanding the economic and political constraints in the channel; Competitor orientation which involves acquiring information on existing and potential competitors, and understanding the short term strengths and weaknesses and long term capabilities of both the key current and potential competitors; and Inter-functional coordination, which is the coordinated utilization of company resources in creating superior value for target customers. Ruekert (1992) developed a measure of market orientation that is similar to that by Kohli and Jaworski (1990) and Narver and Slater (1990). Ruekert (1992) cites Shapiro (1988) who argues that the market driven organization possesses three critical characteristics: Information on all important buying influences permeates every corporate function; Strategic and tactical decisions are made inter functionally and inter divisionally; Divisions and functions make well-coordinated decisions and execute them with a sense of commitment. Ruekert (1992, p. 227) further argues that work by Shapiro (1988), Kohli and Jaworski (1990) and Narver and Slater (1990) shares common characteristics: A market orientation results in actions by individuals toward the markets they serve; Such actions are guided by information obtained by the market place; Such actions cut across functional and
organizational boundaries within the division. Ruekert (1992, p. 228) then defines a market orientation as:

“…the degree to which the business unit: (i) obtains and uses information from customers; (ii) develops a strategy which will meet customer needs; (iii) implements that strategy by being responsive to customers’ needs and wants.”

From the above discussion, it is evident that all three conceptualizations of market orientation are concerned with behaviors, as opposed to philosophical notions. The respective measures are fairly similar in that they focus on obtaining and disseminating information on customers (and competitors) in order to attain a competitive advantage. It is interesting to note that while the respective measures include a focus on the customer, only those by Kohli and Jaworski (1990) and Narver and Slater (1990) acknowledge the importance of a competitor orientation as being a dimension of the market orientation construct. Indeed, of the twenty-three items used to measure market orientation by Ruekert (1992), only two concern competitors or competitiveness.

Recent development of measures of market orientation, (Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Kohli, Kaworski and Kumar, 1993), there has been a renewed interest in both the antecedents and consequences of a market orientation. In general, research findings tend to suggest that organizations should aim to be more, rather than less, market oriented (Mark Farrell, 2002). Wren (1997, p. 49) states that “…practitioners have almost universally adopted the mantra that ‘we must become more market(ing) oriented’ in order to gain a competitive advantage in highly competitive markets”. Given the importance of measuring market orientation for theory testing, and the choice of measures, Cadogan and Diamantopoulos (1995) review the MKTOR and MARKOR measures of market orientation, and argue that
both measures share a similar nomological network. However, they also state that the
two conceptualizations of market orientation capture unique elements of the domain
of the construct (Cadogan and Diamantopoulos, 1995, p. 48). Similarly, Cadogan and
Diamantopoulos, (1995) state that, while the degree of overlap with respect to the
measurement scales is high, there are some differences worth noting. For example, the
items on MARKOR relate to specific activities concerned with intelligence
generation, dissemination and responsiveness. Conversely, the MARKOR scale
contains items that relate to both behavioral activities and attitudinal components.
Given this, Cadogan and Diamantopoulos (1995) synthesize the two
conceptualizations of market orientation, with a view to developing a measure of
market orientation that may be useful in an international context. On this point,
Cadogan and Diamantopoulos, (1995, p. 56) state that development of a new measure
of market orientation should include “…exploratory research …to obtain preliminary
insights into the respecified construct’s domain, and followed by rigorous
development procedures.” In the following section, we turn our attention to measures
of market orientation, with emphasis on those measures developed since 1989.

Market Orientation and the other multi-item constructs used by the study conducted
by Bernard J. Jaworski and Ajay K. Kohli (1993) are:

i. Market Orientation (Intelligence Generation)

ii. Market Orientation (Intelligence Dissemination)

iii. Market Orientation (Response Design)

iv. Market Orientation (Response Implementation)

v. Top Management Emphasis

vi. Top Management Risk Aversion

vii. Interdepartmental Conflict

viii. Interdepartmental Connectedness

ix. Formalization

x. Centralization
xi. Reward System Orientation
xii. Organizational Commitment
xiii. Esprit de Corps
xiv. Overall Performance
xv. Market Turbulence
xvi. Competitive Intensity
xvii. Technological Turbulence

*Market orientation* was measured by a 32-item scale. Of these items, ten pertain to market intelligence generation, eight to intelligence dissemination, and fourteen to responsiveness at the business unit level. Of the fourteen responsiveness items, seven tap the extent to which an organization develops plans in response to market intelligence (response design), and the remaining seven assess the actual implementation of these plans (response implementation). These 32-items of market orientation measure along with the items used for the measure of Employees’ Organizational Commitment, Esprit de Corps and Competitiveness are as given below.

**Intelligence Generation**

1. *In our business unit, we meet with customers at least once a year to find out what products or services they will need in the future.*
2. *Individuals from our service department interact directly with customers to learn how to serve their needs better.*
3. *In our business unit, we do a lot of in-house market research.*
4. *We are slow to detect changes in our customers’ product/service preferences (R).a*
5. *We survey end-users at least once a year to assess the quality of our product and service offerings.*
6. *We often share our survey results with those who can influence our end-users purchase such as retailers and distributors.*
7. *We collect industry information by informal means (for example, lunch with industry friends, and talk with trade partners).*
8 In our business unit, market intelligence on our competitors is generated independently by several departments of our firm.
9 We are slow to detect fundamental shifts and trends in our industry such as competition, technology, and regulation (R).
10 We periodically review the likely effect of changes in our business environment, such as regulations and technology, on customers.

**Intelligence Dissemination**
11 A lot of informal talks in this business unit concerns our competitors’ tactics or strategies.
12 We have interdepartmental meetings at least once a quarter to discuss market trends and developments.
13 Marketing personnel in our business unit spend time discussing customers’ future needs with other functional departments.
14 Our business unit periodically circulates documents (for example, reports and newsletters) that provide information on our customers.
15 When something important happens to our major customer market, the whole business unit knows about it within a short period.
16 Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.
17 There is minimal communication between marketing and manufacturing departments concerning market developments (R).
18 When one department finds out something important about competitors, it is slow to alert other departments (R).

**Responsiveness**
19 It takes us forever to decide how to respond to our competitors’ price changes (R).
20 In our business unit, principles of market segmentation drive new product development efforts.
21 For one reason or another we tend to ignore changes in our customers’ product/service needs (R).
22 We periodically review our product development efforts to ensure that they are in line with what customers want.
23 Our business plans are driven more by technological advances than by market research (R).
24 Several departments get together periodically to plan a response to changes taking place in our business environment.
25 The product/service lines we market depend more on internal politics than real market needs (R).
26 If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.
27 The activities of the different departments in this business unit are well coordinated.
28 Customer complaints fall on deaf ears in this business unit (R).
29 Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion (R).
30 We are quick to respond to significant changes in our competitors’ pricing structures.
31 When we find out that customers are unhappy with quality of our service, we take corrective action immediately.
32 When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.

Relationship between market orientation and market share was not found in this study. The study suggests several factors as important determinants of a market orientation, such as, amount of emphasis top managers place on market orientation through continual reminders to employees that it is critical for them to be sensitive and responsive to market developments. Two factors that appear to affect a market orientation are interdepartmental connectedness and conflict.

Employees’ Organizational Commitment

1. Employees feel as though their future is intimately linked to that of this organization.
2. Employees would be happy to make personal sacrifices if it were important for the business unit's well-being.
3. The bonds between this organization and its employees are weak.
4. In general, employees are proud to work for this business unit.
5. Employees often go above and beyond the call of duty to ensure this business unit’s well being.
6. Our people have little or no commitment to this business unit.
7. It is clear that employees are fond of this business unit.

**Esprit de Corps**
1. People in this business unit are genuinely concerned about the needs and problems of each other.
2. A team spirit pervades all ranks in this business unit.
3. Working for this business unit is like being a part of a big family.
4. People in this business unit feel emotionally attached to each other.
5. People in this organization feel like they are "in it together."
6. This business unit lacks an "esprit de corps."
7. People in this business unit view themselves as independent individuals who have to tolerate others around them.

**Competitiveness**
1. Competition in our industry is cutthroat.
2. There are many "promotion wars" in our industry.
3. Anything that one competitor can offer, others can match readily.
4. Price competition is a hallmark of our industry.
5. One hears of a new competitive move almost every day.
6. Our competitors are relatively weak.

The role of market-based reward systems and decentralized decision-making in engendering a market orientation appears to be strong, suggesting that reward systems should take into account the contributions of individuals in sensing and responding to market needs. Additionally, the negative relationship between centralization and market orientation suggests that it may be useful to "empower" employees to make decisions at lower levels of organizations rather than concentrate decision-making in the upper echelons of an organization.
The study conducted by Bernard J. Jaworski and Ajay K. Kohli (1993), suggest that a market orientation is related to overall (judgmental) business performance (but not market share), employees' organizational commitment, and esprit de corps. Above mentioned 32-items of market orientation measure along with the items used for the measure of Employees’ Organizational Commitment, Esprit de Corps and Competitiveness were made use during the research for the assessment of the business performance (excluding the measure for market share) of the entrepreneurs as responds. Finally, they also mention that the linkage between a market orientation and performance appears to be robust across environmental contexts that are characterized by varying degrees of market turbulence, competitive intensity, and technological turbulence. Further suggests for the assessment of the impact of a market orientation on business performance this forms as a research gap for our present research.

With reference to antecedents and consequences of market orientation kohli and Jaworski have given the relation between market orientation and business performance in two views as below.

**Figure 2-01: Antecedents and Consequences of a Market Orientation (Kohli and Jaworski, 1990, p. 7)**

<table>
<thead>
<tr>
<th>ANTECEDENTS</th>
<th>MARKET ORIENTATION</th>
<th>MODERATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SENIOR MANAGEMENT FACTORS</td>
<td>SUPPLY - SIDE MODERATORS</td>
<td>CUSTOMER RESPONSES</td>
</tr>
<tr>
<td>INTERDEPARTMENTAL DYNAMICS</td>
<td>MARKET ORIENTATION</td>
<td>BUSINESS PERFORMANCE</td>
</tr>
<tr>
<td>ORGANIZATIONAL SYSTEMS</td>
<td>DEMAND - SIDE MODERATORS</td>
<td>EMPLOYEE RESPONSES</td>
</tr>
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Antecedents to a market orientation are the organizational factors that enhance or impede the implementation of the business philosophy represented by the marketing concept. Three hierarchically ordered categories of antecedents to a market orientation: individual, intergroup, and organization wide factors were identified and labelled as senior management factors, interdepartmental dynamics, and organizational systems, respectively. There exist environmental contingencies or conditions under which the impact of a market orientation on business performance is likely to be minimal. That is, certain contingencies moderate (i.e., increase or decrease) the strength of the relationship between market orientation and business performance. When companies were forced to initiate research to assess the needs and preferences of the new potential customers, and to develop new products to suit their particular preferences, the experiences suggest that when an organization caters to a fixed set of customers with stable preferences, a market orientation is likely to have little effect on performance because little adjustment to a marketing mix is necessary to cater effectively to stable preferences of a given set of customers. In contrast, if the customer sets or their preferences are less stable, there is a greater likelihood that the company's offerings will become mismatched with customers' needs over a period of time. An organization therefore must ascertain the changed preferences of customers and adjust its offerings to match them. As a consequence, market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization, thereby leading to superior performance. Market orientation provides psychological and social benefits to employees. Market orientation leads to a sense of pride in belonging to an organization in which all departments and individuals work toward the common goal of serving customers.
Where as in their next article in 1993 specifically on Antecedents and Consequence of Market Orientation they illustrate the relationship between market orientation and the business performance as below.

**Figure 2-02: Antecedents and Consequences of a Market Orientation (Bernard J. Jaworski and Ajay K. Kohli, 1993, p. 55)**

Here, the first set of antecedents included in the present study pertains to top management in an organization. Several unless an organization gets clear signals from top managers about the importance of being responsive to customer needs, the organization is not likely to be market-oriented (see Levitt 1969, p. 244; Webster 1988, p. 37). Top management reinforcement of the importance of a market orientation is likely to encourage individuals in the organization to track changing markets, share market intelligence with others in the organization, and be responsive to market needs. A second antecedent of market orientation relates to top managers' risk posture. Responsiveness to changing market needs often calls for the introduction of new products and services to match the evolving customer needs and expectations. But new products, services, and programs often run a high risk of failure and tend to be more salient than established products. The second set of factors that is hypothesized to have an effect on a market orientation pertains to interdepartmental...
dynamics. A particularly salient factor proposed to affect a market orientation is interdepartmental conflict, which refers to the tension among departments arising from the incompatibility of actual or desired responses (cf. Gaski 1984; Raven and Kruglanski 1970, p.70). A market orientation is also posited to be affected by interdepartmental connectedness, which refers to the degree of formal and informal direct contact among employees across departments. Several related streams of research suggest that connectedness facilitates interaction and exchange of information, as well as the actual utilization of the information (see Cronbach and Associates 1981; Deshpande and Zaltman 1982; Patton 1978). Therefore, it can be expected that the greater the extent to which individuals across departments are directly connected (or networked), the more they are likely to exchange market intelligence and respond to it in a concerted fashion (see also Kohli and Jaworski 1990). The third set of antecedents that is proposed to affect a market orientation pertains to organizational structure and systems. Three structural variables—formalization, centralization, and departmentalization, must first be considered. The last antecedent investigated in the study relates to the measurement and reward system that is in place within an organization. Individuals in organizations that emphasize customer satisfaction and market-oriented behaviour as bases for administering rewards will more readily generate market intelligence, disseminate it internally, and be responsive to market needs.

A market orientation is frequently posited to improve business performance. The argument is that organizations that are market-oriented, i.e., those that track and respond to customer needs and preferences can better satisfy customers and, hence, perform at higher levels. The next set of consequences examined in the study focus on organizational employees. The research reported by Kohli and Jaworski (1990)
suggests that a market orientation affords a number of psychological and social benefits to employees. Specifically, a market orientation is argued to lead to a sense of pride in belonging to an organization in which all departments and individuals work toward the common goal of satisfying customers. In the study, three environmental characteristics are included that have been proposed by Kohli and Jaworski (1990) to influence the linkage between a market orientation and performance. First, market turbulence—the rate of change in the composition of customers and their preferences—is considered. Market orientation is likely to be more strongly related to performance in turbulent markets than in stable markets. A second environmental factor that may be argued to moderate the linkage between a market orientation and business performance is competitive intensity. Market orientation is expected to be a more important determinant of performance under conditions of high competitive intensity. The third environmental factor posited to moderate the relationship between a market orientation and business performance is technological turbulence—the rate of technological change. Organizations that work with nascent technologies that are undergoing rapid change may be able to obtain a competitive advantage through technological innovation, thereby diminishing—but not eliminating—the importance of a market orientation. By contrast, organizations that work with stable (mature) technologies are relatively poorly positioned to leverage technology for gaining a competitive advantage and must rely on market orientation to a greater extent.

Lloyd C. Harris (1999), argues that despite of some interesting advances in the area of market orientation, the process of market orientation development is comparatively under-studied and the issues of sustaining market orientation is relatively ignored. The view of market orientation development is found to be compatible with that of Slater and Narver (1995) and Day (1994), in that developing and sustaining market orientation is conjectured to be related to the ‘creation’ of an organisational climate which focuses on the market. However, in contrast to Slater and Narver (1995) and
Day (1994) who concentrated on the formulation of learning or sensing capabilities within the organisation, Lloyd C. Harris (1999) suggests a people-driven theory of sustaining and developing market orientation as below.

The model suggests that internal marketing influences the belief, understanding and commitment to market orientation of employees. In turn it is suggested that belief, understanding and commitment to market orientation of organisational members relates to the development of market orientation interceded by issues of power and control.

**Figure 2-03:** A People focused model of Market Orientation Development (Lloyd C. Harris, 1999 p. 92)

In one of the recent studies, Sanjay K Jain and Manju Bhatia (2007), illustrates the relationship between market orientation and business performance as below.

**Figure 2-04:** Market Orientation and Business Performance—A Schematic Presentation (Sanjay K. Jain and Manju Bhatia, 2007, p. 19)
2.1.2. Measures of Market Orientation

There are several measures of market orientation. In this section, we will review the various measures, paying particular attention to issues of reliability and validity. The first empirical measure of market orientation, post – 1989 is that developed by Narver and Slater, (1990), referred to as MKTOR. This was originally conceptualised as a one dimension construct, comprising three behavioural components, (customer orientation, competitor orientation, and interfunctional coordination), and two decision criteria, (a long-term focus and a profit objective), (Narver and Slater, 1990, p. 22). However, the measures of the two decision criteria exhibited very low levels of Cronbach Alpha, leading Narver and Slater (1990) to subsequently delete these sub-constructs. Although Narver and Slater (1990, p. 33) suggest that future studies should address this issue by developing better measures of the two decision criteria, it is interesting to note that Narver and Slater have neglected to do this in several follow-up studies, preferring the three behavioural component of market orientation, (Narver and Slater, 1991; 1993; Slater and Narver 1994, 2000).

The measure of market orientation developed by Kohli, Jaworski and Kumar, (1993) referred to as MARKOR, is a one-dimensional construct with three behavioural components, (intelligence generation, intelligence dissemination, and responsiveness). The original 32 item measure developed by Jaworski and Kohli (1993) was subsequently refined to a 20 item measure (Kohli, Jaworski and Kumar 1993). However, the final measure is subject to criticism on several grounds, such as the collapsing of the factors of intelligence dissemination and responsiveness into a single factor, (see Farrell and Oczkowski 1998 for a discussion).

Deng and Dart (1994) reviewed the literature, concluding that a market orientation is comprised of the following sub-constructs, customer orientation, competitor
orientation, inter-functional coordination, and profit orientation. They developed a pool of 44 items, drawn from the literature and previously published articles. This was later reduced to 33 items based on pre-test interviews. Validity was assessed with simple correlation analysis, (see Steenkamp and van Tripp 1991, pp. 283-284 for criticism of this approach). In concluding, Deng and Dart (1994) argue that their market orientation scale contributes to the literature in the following ways: (a) it is a four component construct; (b) is relatively concise; (c) encompasses a more comprehensive variable set than previous scales. However, the scale can be criticised on the following grounds. First, is the inclusion of the profit orientation items. There is general agreement in the literature that a profit orientation is a consequence of a market orientation, and not a part of a market orientation. Second, the scale is primarily a derivative of the MKTOR scale, with the addition of several extra items. As such, little theoretical advance is made. The resulting 33-item scale is also cumbersome, and would be time consuming for respondents to complete if part of a study containing several other variables.

Lado, Olivares and Rivera (1998) also attempt to develop an alternative measure of market orientation. They define market orientation as the extent to which firms use information about their stakeholders to coordinate and implement strategic actions, (Lado, Olivares and Rivera, 1998, p. 34). They state that a market orientation consists of nine components based upon the four market participants, (final customers, distributors, competitors and environment), with what they argue are the two major stages of the market orientation process, (analysis and strategic actions), plus a component that is termed inter-functional coordination. After analysis the final result is a 36-item scale, which achieved strong support for its structural validity, using covariance structure analysis. In general, the scale items focus on
behaviours/activities, as opposed to measuring cultural issues. This is consistent with MARKOR and MKTOR.

A similar attempt to develop an alternative measure of market orientation is that by Gray et al (1998). Clearly they believe that existing measures are poor, given the title of their paper, “Developing a better measure of market orientation”. The aim of their study is to replicate and extend the market orientation research of both Jaworski and Kohli (1993) and Narver and Slater (1990) and “validate what appear to be promising measures and to develop managerially useful and parsimonious scales for measuring market orientation in the New Zealand context”. Their study “utilised parts of three different instruments”, (Deng and Dart, 1994; Jaworski and Kohli, 1993; and Narver and Slater 1990). A total of 44 items were chosen using Cronbach Alpha scores from the original studies. These questions were grouped in constructs from the previous studies, in one section in the middle of the questionnaire. Based upon exploratory and confirmatory factor analysis, they produce a five dimensional model of market orientation: customer orientation, competitor orientation, inter-functional coordination, responsiveness, and profit emphasis.

In a similar study, Deshpande and Farley (1998) empirically examine three measures of market orientation, namely, Narver and Slater (1990), Kohli, Jaworski and Kumar, (1993), and Deshpande, Farley and Webster (1993). Note that the measure developed by Deshpande, Farley and Webster (1993) actually measures customer orientation, and not the broader construct of market orientation. In brief, Deshpande and Farley (1998) asked 82 marketing executives from 27 companies to complete a questionnaire containing the three aforementioned measures of market orientation. As with the study by Gray et al (1998) no mention is made of the problem of order effects in completing the questionnaire. Analysis of the scales revealed that “all appear
interchangeable, and that substantive conclusions reached with each apply generally to the others” (Deshpande and Farley, 1998). Given this, Deshpande and Farley (1998) set out to develop a more parsimonious scale, by factor analysing the items of all three scales together. This resulted in a 10 item scale, that they name ‘MORTN’. However, their measure is criticised by Narver and Slater (1998) on the grounds that the conceptualisation is too narrow. In short, the Deshpande and Farley (1998) measure is primarily composed of items that focus on the customer, ignoring what Narver and Slater (1998, p. 236) call critical behaviours for creating superior value for customers: (1) a business being clear to its value discipline and value proposition; (2) a business leading its targeted customers by discovering and satisfying their latent needs and not merely responding to their expressed needs; (3) a business seeing and managing itself as a service business; (4) a business managing its targeted customers as customers for life.

In furtherance to their work on the relationship between market orientation and business performance, Sanjay K. Jain and Manju Bhatia (2007) exemplify various measures for business performance used in past studies as below.

**Figure 2-05: Business Performance Measures used in Past Studies (Sanjay K. Jain and Manju Bhatia 2007, p. 18)**

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<tr>
<td><strong>Financial Measures:</strong></td>
<td><strong>Financial Measures:</strong></td>
<td><strong>Financial Measures:</strong></td>
<td><strong>Financial Measures:</strong></td>
<td><strong>Non-financial Measures:</strong></td>
</tr>
<tr>
<td>· Overall performance</td>
<td>· Relative (ROA/ROI) to – past year competitors</td>
<td>· Sales growth</td>
<td>· Perceived competitive</td>
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<tr>
<td>· Market share</td>
<td>· Relative ROA</td>
<td>· ROI</td>
<td>ability</td>
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<tr>
<td><strong>Non-financial Measures:</strong></td>
<td>· Relative sales growth</td>
<td></td>
<td>· Customer satisfaction</td>
<td></td>
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<td>· <em>Esprit de corps</em></td>
<td>· Relative new product:</td>
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<tr>
<td>· Organizational</td>
<td>· success to past year competitors</td>
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<td>commitment</td>
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**Notes:** 1. ROI stands for “return on investment”.
2. ROA stands for “return on assets”.

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2.2. CONCEPTUAL FRAMEWORK

This conceptual framework mainly covers the concepts those form a prime basis for the entire research. This conceptual framework includes essentially the following three areas as below.

i. A Glance On Entrepreneurship And Its Evolution

ii. A Discussion On Entrepreneur: Whether Born Or Made?

iii. Description Of Move - Market Orientation And Value Enhancement

2.2.1. Entrepreneurship and its Evolution

Introduction

With the huge competition among economies of different countries of the world and process like globalisation, liberalisation and privatisation, has made a study on entrepreneurship to be one of the most demanded research area. The entrepreneur is the single most important player in a modern economy. Choosing to be an entrepreneur requires an understanding of a variety of business areas. An entrepreneur must possess the ability to combine talents and manage those of others. Hence, Entrepreneurs are individuals who are multi-faceted. Although not necessarily superb at anything, entrepreneurs have to be sufficiently skilled in a variety of areas to put together the many ingredients required to create a successful business. As a result, entrepreneurs tend to be more balanced individuals.

Entrepreneurship is the act of being an entrepreneur, which is a French word meaning "one who undertakes an endeavor". Entrepreneurs assemble resources including innovations, finance and business acumen in an effort to transform innovations into economic goods. This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form
of entrepreneurship is that of starting new businesses; however, in recent years, the
term has been extended to include social and political forms of entrepreneurial
activity. When entrepreneurship is describing activities within a firm or large
organization it is referred to as intra-preneurship and may include corporate venturing,
when large entities start spin-off organizations.

Entrepreneurship is often a difficult undertaking, as a vast majority of new businesses
fail. Nevertheless such undertaking supposes the development of more than just a
business venture. Entrepreneurial activities are substantially different depending on
the type of organization that is being started. Entrepreneurship ranges in scale from
solo projects (even involving the entrepreneur only part-time) to major undertakings
creating many job opportunities. Many "high value" entrepreneurial ventures seek
venture capital or angel funding in order to raise capital to build the business. Angel
investors generally seek returns of 20-30% and more extensive involvement in the
business. Many kinds of organizations now exist to support would-be entrepreneurs,
including specialized government agencies, business incubators, science parks, and
some NGOs. Lately more holistic conceptualizations of entrepreneurship as a specific
mindset resulting in entrepreneurial initiatives e.g. in the form of social
entrepreneurship, political entrepreneurship, or knowledge entrepreneurship emerged.

**Some points focusing on Entrepreneurship are as follow**

- The concept was first established in early 1700’s.
- The term “entrepreneurship” comes from the French verb “entreprendre” and
  German word “unternehmen”, both means to “undertake”.
- Bygrave and Hofer, in 1891, defined the entrepreneurial process as “involving all
  functions, activities and actions associated with perceiving of opportunities and
  creation of organizations to pursue them”.

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Joseph Schumpeter introduced the modern definition of ‘entrepreneurship’ in 1934, as “carrying out of new combinations, we call ‘enterprise’, and the individuals whose function it is to carry them out we call ‘entrepreneur’”.

Benjamin Higgins, in 1959, says “entrepreneurship” is meant the function of seeing investment and production opportunities: organizing an enterprise to undertake a new production process; raising capital, hiring labour, arranging for a supply of raw materials, finding a site, and combing these factors of production into a going concern; introducing new techniques and commodities, discovering new sources of natural resources; and selecting top managers for day-to-day operations”.

Henry H Schloss, in his article titled ‘The concept of Entrepreneurship in Economic Development’, divides function of entrepreneurship into “Schumpeterian” entrepreneurship, financial risk taking, and management.

An illustration of Conceptual History of Entrepreneurial Thought, by Patrick J. Murphy, Jianwen Liao and Harold Welsch.

**Evolution of Entrepreneurial concept**

Entrepreneurial activity existed in ancient and medieval societies. Its success has always depended on overcoming various risks and external constraints (Hebert & Link, 1988: 15). From an anthropological perspective, the earliest forms of entrepreneurial activity involved trading food or inimitable resources for survival purposes across tribes and clans. Eventually, by 50 BC in ancient Rome, avenues for entrepreneurial activity such as tax farming derived similarly within social controls, regulations, and institutions. In turn, the early Middle Ages (500-1000 AD) saw new kinds of entrepreneurship (Baumol, 1991).
From the fall of Rome (circa 476 AD) to the eighteenth century, there was virtually no increase in per capita income in the West. However, with the advent of entrepreneurship, per capita income grew exponentially in the West by 20% in the 1700s, 200% in the 1800s, and 740% in the 1900s (Drayton, 2004). In this historical context, entrepreneurial thought has evolved by way of profound, unpredictable conceptual developments (e.g., international commerce, demand curves, competition as a discovery mechanism, the opportunity construct); each one offering a re-conceptualization of what it means for something to be “entrepreneurial.”

Owned property or social statuses were not a guarantee of success as value generation was pursued frequently through warfare. Innovation manifested itself as implements of war (e.g., stirrups, round castle turrets). Later (1000-1500 AD), church pacification in the West reduced warfare, and architecture and engineering became common as entrepreneurship.

Prehistoric entrepreneurship held a conjecture that experiential or skill-based knowledge was instrumental for remedying inefficiencies and offering solutions, products, and services. It became a way to make a living. However, only a fraction of the populace, usually those belonging to religious orders or craft guilds, had an option to engage in entrepreneurial activity.

Based on Say (1803) and Schumpeter (1936: 74-75), ownership was distinct from entrepreneurship, the latter requiring no tangible resources; not being a production factor, and requiring only knowledge (Kirzner, 1973: 44-45). After somewhere around 1980s, entrepreneurial concept considers more of being socialistic orientation, here it stresses more upon the network building and en-cashing the same for entrepreneurial efforts thus made. The referred article ends with a point that
‘Opportunity is a construct to be explained’, with this point we would like to make a note on the importance of being ‘market oriented’, which is an asking demand from the market to be a more successful entrepreneur.

Patrick J. Murphy, Jianwen Liao and Harold Welsch (2005) discusses regarding the conceptual history of entrepreneurial thought and have come out with an illustration to the conceptual history of entrepreneurial thought as shown in the below diagram. In their work they have divided the entire history into three parts as three bases, prehistoric bases, economic bases and multidisciplinary bases. (Ref.: Fig. 2-06).

Evolution on pre-historical bases:
In this part considered time period is till 1760s. Some of the evolutionary points during this period are as follow:

- Usury, Landholding and Tax farming as a primitive way of entrepreneurship
- Discouragement of innovative activity
- Military activity and warfare as entrepreneurship
- Church pacification; architecture; engineering; farming as entrepreneurship

Evolution on Economic bases:
In this part considered time period is from 1760s to 1980s. Some of the evolutionary points during this period are as follow:

1760s – 1780s
- Supply demand; arbitrage; assuming risk / uncertainty
- Inter-industry competition

1780s – 1830s
- Land, capital, and industry as modes of production; division of labor
- Usage value

1830s – 1910s
- Diminishing returns of profit
- Marginal utility; equilibrium prices
1910s – 1920s
➢ Uncertainty; individual awareness of environmental change

1920s – 1950s
➢ Entrepreneurship as new combinations of existing resources
➢ Equilibrium models
➢ Innovation is destructive
➢ Knowledge is critical to entrepreneurship and randomly dispersed

1950s – 1960s
➢ Competition and imperfect knowledge drive discovery

1960s – 1970s
➢ Psychological traits explain entrepreneurship

1970s – 1980s
➢ Alertness to profit opportunities drives entrepreneurship
➢ Entrepreneurship requires only knowledge
➢ Innovation is constructive; entrepreneurs drive market systems
➢ Error and inefficiency create opportunities

Evolution on Multidisciplinary bases:

In this part considered time period is after 1980s. Some of the evolutionary points during this period are as follow:

1980s – 1990s
➢ Sociological factors explain entrepreneurship

1990s – 2000s
➢ Social value is like financial or market value
➢ Networks provide access to knowledge and information
After 2000s
- Opportunities are patently novel
- Search as well as luck lead to opportunity
- Opportunity is a construct to be explained

After 2010s
- Opportunity lies in catering to demands of the market
- Being market oriented and ability to enhance the value of the customer drives the entrepreneurship

Today, in 2010s there is huge potential for those entrepreneurs who like be more market oriented and concentrate more on catering to Niche markets with their specialised products/service offerings. So, we found that the real opportunity for any entrepreneur lies in catering to the demands of the market, being market oriented and ability to enhance the value of the customer drives the entrepreneurship. “Marketing concept” or its operationalization (termed as “market orientation”) refers to a corporate state of mind which holds the belief that the key to achieving organizational goals consists in determining needs and wants of the target markets and delivering the desired satisfaction more effectively and efficiently than the competitors (Felton, 1959; Kotler, 2002). Market orientation calls for internal systems in an organization to be dictated more by a market review, i.e., an “outside-in” approach, which is diametrically opposed to “inside-out” approach wherein emphasis is laid on building internal strengths such as developing selling skills or attaining production efficiency (McNamara, 1972). With an external and unified focus over the market, market orientation helps business firms identifying and understanding the market opportunities and threats posed by customers, competitors and other environmental factors much better than their competitors. Kohli and Jaworski (1990) rightly state in this connection that “...because a market orientation is not easily engendered it may
be considered an additional and distinctive form of SCA (sustainable competitive advantage)

No doubt marketing department and its personnel carry much of the onus of impacting market orientation for being closer to customers in their dealings, an effective implementation of marketing concept calls for viewing market orientation as a pervasive concept to be embraced by all the departments and personnel in the organization both in philosophy and practice (for a further discussion, see Jain and Bhatia, 1995). The whole idea of organization-wide adoption of market orientation seems to be grounded in the belief that “marketing is too important an activity to be left with only the marketing department in the organization”.

Market orientation is one of the five philosophies or orientations (the other four being production concept, product concept, selling concept and societal marketing concept) that guide the planning and organization of a firm’s activities. In a competitive environment, marketing concept is considered to be a far superior guiding philosophy than the product, production and selling concepts (for a further discussion, see Kotler, 2002; Stanton, et. al., 2003). No doubt societal marketing concept is relatively of a recent origin and constitutes an improvement over the marketing concept, it is the latter which continues to hold a sway over other concepts in both marketing literature and business speeches. For a long time, marketing concept remained enshrined only in terms of customer orientation. But later on, other constructs such as competitor orientation, inter functional coordination and profit focus also got added to it (Houston, 1986; Kohli and Jaworski, 1990; Kotler, 1972; Levitt, 1960; McNamara, 1972; Narver and Slater, 1990). The idea underlying addition of these additional constructs was that unless a firm aims at delivering customer satisfaction in a way
superior to competitors and adopts it throughout the organization, with due regard to profitability of its operations, customer orientation is unlikely to come up as a commercially viable competitive tool to withstand market challenges. Especially, the construct “inter-functional coordination” came to be recognized as an essential ingredient for the successful implementation of marketing concept, with the belief that much of the satisfaction to the customers is unlikely to materialize unless all the departments in the organizations imbibe the spirit of marketing concept and gear up themselves to work harmoniously with other departments for delivering customer satisfaction. Notwithstanding being a key concept in marketing literature, only a lip service has been paid to its implementation due to the reason that the term “marketing concept” has been touted for a long time, largely in philosophical terms. Little guidance was available to the firms as to how to implement the marketing concept and put it into practice.

Efforts made by Kohli and Jaworski (1990) constituted a major breakthrough in providing an operational definition of the concept to facilitate its effective implementation by the business firms. Later researchers like Narver and Slater (1990), Pelham and Wilson (1996), and Appiah- Adu and Singh (1998) joined the research stream and proposed alternative frameworks to operationalize marketing concept. Taken as a whole, these researchers observe that market orientation is the creation of a superior customer value through systematic acquisition and analysis of information and development of knowledge about the target market, consisting of customers as well as competitors and other environmental factors. The collection of market information is to be followed by systematic use of such knowledge for the coordinated creation of sustainable superior customer value. Since Kohli and
Jaworski’s (1990) conceptualization of market orientation appears far more comprehensive and continues to dominate the empirical researches in the area.

Market Orientation is a well known concept to the marketers and even general managers involved in the business decisions. There has been lots of work done on the development of the concept by many researchers, especially marketing researchers like Kohli, A. K., Jaworski, B. J and others. We use the term "market orientation" to mean the implementation of the marketing concept. Hence, a market-oriented organization is one whose actions are consistent with the marketing concept. More formally, a market orientation refers to the organization-wide generation of market intelligence, dissemination of the intelligence across departments, and organization-wide responsiveness to it (see Kohli and Jaworski 1990).

Recent years have witnessed a renewed emphasis on delivering superior quality products and services to customers. Because customer needs and expectations continually evolve over time, delivering consistently high quality products and services requires ongoing tracking and responsiveness to changing marketplace needs, i.e., being market-oriented. This can be termed as a value enhancement for the product/services offered by a company being market oriented.

Therefore, considering the above point Subhas M S and Vijayakumar A N (2011) have given additional points on scenario existing in 2010s to the original illustration given by Patrick J. Murphy, Jianwen Liao and Harold Welsch (2005). The revised illustration for the conceptual history of entrepreneurial thought is as follow (Ref.: Fig 2-07).
FIGURE 2-06: An Illustrated Conceptual History of Entrepreneurial Thought before the Period 2010s (Patrick J. Murphy, Jianwen Liao and Harold Welsch, 2005)

Prehistoric Bases

Economic Bases

Multidisciplinary Bases
Fig 2-07: An Illustrated Conceptual History of Entrepreneurial Thought with Recent Trends (Subhas M S and Vijayakumar A N, 2011)

Prehistoric Bases  ---  Economic Bases  ---  Multidisciplinary Bases

- **Prehistoric Bases**
  - military activity and warfare as entrepreneurship
  - prehistoric bases

- **Economic Bases**
  - usage value
  - diminishing returns of profit
  - usage value
  - supply demand; arbitrage; assuming risk / uncertainty

- **Multidisciplinary Bases**
  - marginal utility; equilibrium prices
  - innovation is constructive; entrepreneurs drive market systems
  - inter-industry competition
  - error and inefficiency create opportunities
  - social value is like financial or market value
  - alertness to profit opportunities drives entrepreneurship
  - entrepreneurship requires only knowledge
  - entrepreneurship as new combinations of existing resources
  - entrepreneurship as innovative activity
  - usury; landholding; tax farming
  - church pacification; architecture; engineering; farming as entrepreneurship
  - diminishing returns of profit
  - marginal utility; equilibrium prices
  - error and inefficiency create opportunities
  - entrepreneurship as innovative activity
  - psychological traits explain entrepreneurship
  - competition and imperfect knowledge drive discovery
  - entrepreneurship as innovative activity
  - usury; landholding; tax farming
  - church pacification; architecture; engineering; farming as entrepreneurship

- **Entrepreneurship Models**
  - social value is like financial or market value
  - entrepreneurial opportunities drive market systems
  - innovation is destructive
  - entrepreneurship as new combinations of existing resources
  - entrepreneurship as innovative activity
  - usury; landholding; tax farming
  - church pacification; architecture; engineering; farming as entrepreneurship

- **Entrepreneurship and Profit**
  - defending of innovative activity
  - search as well as luck lead to opportunity
  - opportunity lies in catering to demands of the market
  - opportunity lies in catering to demands of the market
  - opportunity lies in catering to demands of the market
  - opportunity lies in catering to demands of the market

- **Entrepreneurship and Society**
  - sociological factors explain entrepreneurship
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value
  - social value is like financial or market value

- **Entrepreneurship and Knowledge**
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value
  - social value is like financial or market value

- **Entrepreneurship and Technology**
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value
  - social value is like financial or market value

- **Entrepreneurship and Environment**
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value
  - social value is like financial or market value

- **Entrepreneurship and History**
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value
  - social value is like financial or market value

- **Entrepreneurship and Culture**
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value
  - social value is like financial or market value

- **Entrepreneurship and Society**
  - sociological factors explain entrepreneurship
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value

- **Entrepreneurship and Knowledge**
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value
  - social value is like financial or market value

- **Entrepreneurship and Technology**
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value
  - social value is like financial or market value

- **Entrepreneurship and Environment**
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value
  - social value is like financial or market value

- **Entrepreneurship and History**
  - innovation is constructive; entrepreneurs drive market systems
  - networks provide access to knowledge and information
  - social value is like financial or market value
  - social value is like financial or market value
  - social value is like financial or market value
2.2.2. Scope for Entrepreneurship at the BoP (Bottom of Pyramid)

The early history of entrepreneurship in India reflects from the culture, customs and tradition of the India people. And many of the international level festivals of India reflect the past glory of International trade. Thus, process of entrepreneurship therefore passed through the potential roots of the society and all those who accepted entrepreneurial role had the cultural heritage of trade and business. Occupational pursuits opted by the individual under the caste system received different meaning of value attached to entrepreneurship, this acted as a basis for the creation of social sections. Vaishyas are considered to venture in to business pursuits. As society grew and the process of business occupation depended and the value work tended towards change and the various occupational role interchanged with non-role group and sub-groups. People from different castes and status also entered into the entrepreneurial role.

The emergence of entrepreneurship in this part of the country got localized and spread effect, took its own time. The concept of growth theory seems to be closely related in explaining the theory of entrepreneurship development as well.

India is a one of the fastest developing country in the world. After China, it is the country with the largest population. GDP of India has crossed a US $ 1-trillion mark and is estimated to touch a US $ 5.21 trillion. This growth has to come from the bottom of pyramid of India whose economy is growing more then 8 - 9 % per year. Developments are happening in Road, Telecom and other essential infrastructural facilities even in rural markets of India. This triggers everyone to look at the scope of developing entrepreneurial activities in this BOP, especially of India. From ‘Fortune at the Bottom of Pyramid, we could note that, India is poised for growth, which, if planned properly, can be leveraged to make innovative interventions better in terms of
being not only socially inclusive, but also rural centric. Professor C K Prahlad’s classic paper on ‘Fortune at the Bottom of Pyramid’ sets the backdrop justifying huge potential for growth in India. But at the same time, it is not going to be easy to tap the fortune at the bottom of pyramid by the large corporations – be it of Indian or Global origin. In this regard we would strongly recommend and suggest India to have its own entrepreneurs operating or catering to the rural India, by which it can find a real fortune at the bottom of the pyramid. From the illustration made in the previous part of this section, it is clear that opportunity lies in catering to demands of the market and being market oriented and ability to enhance the value of the customer drives the entrepreneurship. To conclude this section we strongly recommend the budding of well established entrepreneurs to be more market oriented and focus more on value enhancement of both customers and other stake holders of your enterprise.

**Bottom of Pyramid**

From the article “The fortune at the bottom of the pyramid” by C.K. Prahalad and Stuart L. Hart (2006), we can find the below four tiers of the economy.

<table>
<thead>
<tr>
<th>Purchasing Power (US $)</th>
<th>Global Population (m)</th>
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<tbody>
<tr>
<td>&gt;$ 20,000</td>
<td>75 – 100</td>
</tr>
<tr>
<td>$ 1,500 - $ 20,000</td>
<td>1,500 – 1.750</td>
</tr>
<tr>
<td>$ 1,500</td>
<td>4,000</td>
</tr>
<tr>
<td>&lt; $ 1,500</td>
<td></td>
</tr>
</tbody>
</table>

The BOP proposition can be summarized as follows:
1. There is much untapped purchasing power at the bottom of the pyramid. Private companies can make significant profits by selling to the poor.
2. By selling to the poor, private companies can bring prosperity to the poor, and thus can help eradicate poverty.
3. Large multinational companies (MNCs) should play the leading role in this process of selling to the poor.
Thus, Prahalad argues that selling to the poor can simultaneously be profitable and eradicate poverty. This is, of course, a very appealing proposition and has drawn much attention from senior managers, large companies and business schools.

Conclusion from the article ‘Fortune at the Bottom of the Pyramid: A Mirage - How the private sector can help alleviate poverty’, Aneel Karnani, Stephen M. Ross School of Business at the University of Michigan, April 2007, says that -

‘Private companies should try to market to the poor. However, the profit opportunities are modest at best and I suggest a cautious approach. Large companies that require scale economies should be even more hesitant. The best opportunities exist when the firm reduces price significantly by innovatively changing the price-quality trade-off in a manner acceptable to the poor.

The private sector can help alleviate poverty by focusing on the poor as producers. One way to do this is to make markets more efficient such that the poor capture more of the value of their outputs. Certainly the best way for private firms to help eradicate poverty is to invest in upgrading the skills and productivity of the poor, and to help create more employment opportunities for them. This is the win-win solution; this is the real fortune at the bottom of the pyramid’.

The findings from above referred articles give us a clue on an untapped group in the BOP, which still is not yet begun its involvement or participation in the process of entrepreneurship, even begun it is very much negligible. There is a real potential for the entrepreneurship concept to do much for this group of poor and landless people. In this regard, there are many NGOs and Governmental organisations working on the improvement of livelihood and usage of entrepreneurial approach for the same. But, when observed in many of such projects it is been observed that many of them stress
more on skills development for the poor and getting know them how to produce products for their livelihood, which may or may not involve specialised skills.

Experts’ opinion on Scope of Entrepreneurship at the BOP

Here bellow is the opinion of Shri. Veeranna S. H.7 (2010) with respect to entrepreneurship, entrepreneurship development programs (EDPs) and scope for entrepreneurship in BOP of India.

Shri. Veeranna S. H., explains, Entrepreneurship as a concept which is influenced by surrounding and family environment of a person, it is not so easy to create an entrepreneur, instead it is better to support and help that person who is either self motivated or already somewhere on with the profession of entrepreneurship. Every one of us in one or the other way are entrepreneurs, because, he explains, enterprising ourselves is an essential part of every one’s life, as we need to be profited or benefitted by our activities that we regularly do.

We could see many agencies working on Varity of EDP’s, but still why are we not successful in our effort? The possible reason would be, he explains, we start with some concept with high expectation/calculations that may not essentially be realistic in the field and it is observed that it is possible only to have about 7% of results by these kinds of EDP’s. Further he says that, it is better to support men involved in traditional/rural basic industries {Pottery, Carpentry, Cobbler, Barber, and Smiths (Black/Gold)}, and this would give better results than developing entirely new entrepreneur in a common person.

Sometimes, a person forcefully converted to be entrepreneur by giving up his existing job/work may sometimes lead to a condition like ‘Na ghar ka, na ghat ka – Agasar

7 Director, CEDOK, Dharwad
katte itta manenu serlilla atta hallanu serlilla’. He gives an example of a person from Gadag, who was an onion and potato seller using a cart in a small market in betageri-Gadag. After he attended some such ED programme, he selected and started a food processing unit which was initiated with effective strategic planning considering for issues like proper operation, quality and packaging, but could not have production as planned due to some reasons by which now he has become a big failure in his life. So he suggests that, it is better to find an option for entrepreneurship only in either which is in one’s interest or continue the existing once, even if it is agriculture/farming.

Regarding entrepreneurship and social entrepreneurship, he views it as, there is nothing as social entrepreneurship, instead there is only an entrepreneurship, because, both of them share the same basic objective of being benefited in one or the other way. And far and not far profit concept does not exist when we say it as entrepreneurship. But our EDP efforts if made to reach directly to its end user, then it will be more successful.

He further appreciates the concept of market approach for EDP explained by Mr. Vijayakumar⁸. During this he recalls the works done by IDS and BAIF, and says that a big problem in all such EDP’s is of continuity/consistency of the enterprises even after completion of the time bound project(s). In this regard, he gives an example, in one of the project of about 7 years duration the enterprises were in full swing and very much visible in the selected field/market; but soon after the completion of the project, there was nothing even to search out its left out marks. Finally, he says that, there is a huge potential for the entrepreneurs and entrepreneurship at the bottom of the pyramid, and if care is taken towards developing

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⁸ Management Researcher, KIMS, KUD
and enhancing entrepreneurial activities in the bottom of the pyramid, then certainly no doubt of India being one of the developed nations in the globe.

**Wrapping up:**

We on analysis of the above, infer that, there is something missing vis-a-vis the importance of the market orientation part in the entrepreneurial concept. Presently, in 2010s there is a huge potential lying in store to be explored for those entrepreneurs who like to be more market oriented and concentrate more on catering to Niche markets with their specialised products/service offerings. So, we found that the real opportunity for any entrepreneur lies in catering to the demands of the market, being market oriented and ability to enhance the value of the customer, which drives the entrepreneurship.

The changing face of India, with its infrastructural developments triggers everyone to look at the scope of developing entrepreneurial activities in Indian BOP. India is poised for growth, which, if planned properly, can be leveraged to make innovative interventions better in terms of being not only socially inclusive, but also rural centric then there exist a true fortune at the bottom of the pyramid. In this regard we would strongly recommend and suggest India to have its own local entrepreneurs who are better known to the market and its demands, and these market oriented entrepreneurs can en-cash the fortune at the bottom of the pyramid.

If still poverty is the problem found in the bottom of the pyramid then Public or Private sector or even PPP models can help the poor by focusing them as producers and strengthen their entrepreneurial ability. This could be done either by making markets more efficient such that the poor capture more of the value of their outputs or investing in upgrading the skills and productivity of the poor, and to help create more employment opportunities among themselves. This is the better win-win solution to make out the real fortune at the bottom of the pyramid.
2.2.3. Entrepreneur: Whether Born or Made?

Introduction

Entrepreneur: Whether Born or Made? The question itself is of so critical and many a times been tough to answer. Despite the lack of a definitive list, there does seem to be a set of core attributes that appear to support entrepreneurial success. Some of these appear to be in-born characteristics that serve as a foundation, enabling the entrepreneur to bear-up under the long burden involved in building a new enterprise. These are, however, strictly personal characteristics that are not trainable, nor necessarily derived from experience. These building blocks must exist for a founders’ other strengths to generate any traction. In addition to in-born characteristics, there are important entrepreneurial skills that can be learned. Chief among these is the ability to see and articulate a vision, as well as to build and motivate a team. Unlike in-born characteristics, there are tools used in the application of these skills, such as opportunity identification, evaluation and communication, and consequently they can be learned from others and continually improved. Lastly there are natural talents that may exist in an entrepreneur that can be honed to raise the likelihood of venture success. The most important of these talents appears to be leadership capability and the strength to go it alone, as well as commitment to the venture and integrity. Each of these capabilities can be learned from the examples of others and then reinforced by a variety of support mechanisms. Here in this section we have made an attempt to discuss on this stance and come out with the importance/role of training in Entrepreneurship.

Entrepreneurship is about starting new business. Some people say that you are born an entrepreneur and that it cannot be taught. Many entrepreneurs would argue that to a certain extent this may be true, but many skills, which are needed for success, can
most definitely be learned. The definition of an entrepreneur is somebody who can see
an opportunity and exploit it. Even during times of economic depression, real
entrepreneurs will always find a use for their skills. Entrepreneurs can be found in
every conceivable business sector and industry, so trying to predict some sort of
general trend and therefore future of these business people is almost impossible. One
thing is for sure; entrepreneurs always bounce back no matter whatever happens to
them and to their business, in fact they are long-term visionaries.

Entrepreneurship and therefore "the entrepreneur", is at the core of what makes an
enterprise succeeds, whether you call it an entrepreneurial firm, a small business, a
family business, a home-based business, or a new business. The entrepreneur
assembles the necessary human, physical, and information resources in an efficient
manner to create a new product or an existing one at a lower or competitive cost. It is
hypothesized that while entrepreneurs differ from specialists who have a comparative
advantage in a single skill, they have more balanced talents that embrace a number of
skills. Hence, entrepreneurs should essentially be the "jack-of-all-trades" of any
business activity. These skills can either be (1) endowed or innate skills by birth or (2)
those acquired skills needed to be an entrepreneur. Hence, depending upon how a
person gets the skills to be an entrepreneur, he will either be born or made one.

The research by Dewan Mahboob Hossain and Mohammad Badrul Haider (2009)
from University of Dhaka, on *Training for Entrepreneurship: An Exploratory Study in
Bangladesh*, concludes that students find a course on entrepreneurship important in
their education. It is mainly because this course opens the door to think about an
alternative career other than having a job. This course can also encourage many of the
students to become entrepreneurs in future. It is because the course teaches them
about the pros and cons of starting and running a business in a particular business environment. Findings from this research stresses on the point that the students as a prospective entrepreneurs are having a positive response to these kind of trainings to make them to be entrepreneurs and thus if same kind of experiment is done to others there is a chance of creation of more number of entrepreneurs to the nation. Despite of this, the success rate of entrepreneurial training in India is comparatively low and is about 7% says Mr. Veeranna S. H. (2010), Director, CEDOK, Dharwad. This again somewhere leaves us in dilemma for the question Whether Entrepreneurs are Born or Made? Whatever is the answer for this mysterious question, this present section discusses on the issue and makes an attempt to provide its opinion with the available supportive data.

**Discussion**

Entrepreneurship is the act of being an entrepreneur, which is a French word meaning "one who undertakes an endeavor". Entrepreneurs assemble resources including innovations, finance and business acumen in an effort to transform innovations into economic goods. The entrepreneur is an actor in microeconomics, and the study of entrepreneurship reaches back to the work of Richard Cantillon and Adam Smith in the mid-16th century, but was largely ignored theoretically until the late 19th and early 20th centuries and empirically until a profound resurgence in business and economics in the last 40 years.

In the 20th century, the understanding of entrepreneurship owes much to the work of economist Joseph Schumpeter in the 1940s and other Austrian economists such as Carl Menger, Ludwig von Mises and Friedrich von Hayek. In Schumpeter, an entrepreneur is a person who is willing and able to convert a new idea or invention
into a successful innovation. Entrepreneurship employs what Schumpeter called "the
gale of creative destruction" to replace in whole or in part inferior innovations across
markets and industries, simultaneously creating new products including new business
models. In this way, creative destruction is largely responsible for the dynamism of
industries and long-run economic growth. The supposition that entrepreneurship leads
to economic growth is an interpretation of the residual in endogenous growth theory
and as such is hotly debated in academic economics. An alternate, description posited
by Israel Kirzner suggests that the majority of innovations may be much more
incremental improvements such as the replacement of paper with plastic in the
construction of a drinking straw.

These clearly indicates that success to entrepreneurship essentially lies in how a
person is innovative and comes out with a right product/service to the needy customer
so as to accomplish the needs/goals of both the persons. But the major question that
hits the minds of people is again how an entrepreneur takes birth, whether is he born
or made. When we say an entrepreneur is born, it implies that the qualities essential
for being a successful entrepreneur are innate in nature and join the person during his
birth itself, no need of learning from the external environment. Whereas, when we say
an entrepreneur is made, it implies that the qualities essential for being a successful
entrepreneur are essentially been taught by the external environment which may
include formal classroom learning or a training programme. Here when we say
qualities essential for being a successful entrepreneur are nothing but those
managerial, risk taking, technical and other personal skills necessary for starting an
enterprise and its smooth functioning so as to achieve the objectives of the enterprise
thus set up.
Entrepreneur is Born

There does exist a set of core attributes that appear to support entrepreneurial success. Some of these appear to be in-born characteristics that serve as a foundation, enabling the entrepreneur to bear-up under the long burden involved in building a new enterprise. These are, however, strictly personal characteristics that are not trainable, nor necessarily derived from experience. These building blocks must exist for a founders' other strengths to generate any traction. The most important of these talents appears to be leadership capability and the strength to go it alone, as well as commitment to the venture and integrity. Attitude of the entrepreneur affects the early success of the venture. The same attitude needs to be present in the firms' employees to continue the entrepreneurial energy that creates competitive advantage in the operation of the business even after it has become a large successful company, hence sometimes its rightly said that, "You hire attitude, everything else can be trained". This attitude is mainly an innate factor of an individual which many a time difficult to change or be trained.

This idea of attitude roots lay in the personal value system of the individual. Although entrepreneurs must be attuned to the importance of money, most are motivated by the internal rewards of creating new ideas that solve real problems, or indeed change the world around them.

"I do believe that you can teach entrepreneurship skills," says Randy Komisar, a partner at Silicon Valley venture capital firm Kleiner Perkins Caufield & Byers, who teaches at Stanford University. Classes, he observes, give students basic tools and reinforce the desire to take risks and question the status quo. But he doesn't totally dismiss nature's role. "For someone without aptitude, I don't think those things can be
taught," he says, "I can't make a librarian into a Broadway performer". This mentions that a real successful entrepreneur is not easily been trained but things/skills should come as a personal traits of an individual.

In this section we discussed how a personal trait like attitude and aptitude plays an important role in preparing a person to be a successful entrepreneur. These special genetically transformed traits cannot be easily taught to anyone and are unique points that support Entrepreneurs are Born, not made.

**Entrepreneur is Made**

"Most of what you hear about entrepreneurship is all wrong. It's not magic, it's not mysterious, and it has nothing to do with genes. It's a discipline, and like any discipline, it can be learned", says Peter F. Drucker (1954), The Father of Modern Management. This quote by The Father of Modern Management, stresses on the point that entrepreneurs can be made easily by proper training and it’s not bizarre that entrepreneurship not associated with Genetics of a person to be an Entrepreneur. Instead, it can be taught to a person that how to be a successful entrepreneur and what things can lead him to reach his entrepreneurial objectives.

Colette Henry, Frances Hill and Claire Leitch in their article *Entrepreneurship education and training: can entrepreneurship be taught? Part I*, despite the growth in entrepreneurship education and training programmes, the paper reports that little uniformity can be found. Attention is drawn to the art and the science of entrepreneurship; with the consensus that at least some aspects of entrepreneurship can successfully be taught.

Scott Shane, a professor of entrepreneurial studies at Case Western Reserve University, and his fellow researchers compared the entrepreneurial activity of 870 pairs of identical twins -- who share 100% of their genes -- and 857 pairs of same-sex
fraternal twins -- who share 50% -- to see how much of entrepreneurial behavior is genetic and how much is environmental. The mathematics behind quantitative genetic modeling are rather complicated, but the upshot was fairly straightforward: Entrepreneurs, the researchers concluded, are about 40% born and 60% made. This study depicts the delicacy or deepness of the current issue, but still supports to majority of the entrepreneurs are made.

In the era of liberalization, privatization and globalization along with ongoing IT revolution, capable entrepreneurs are making use of the opportunities emerging from the evolving scenario. However, a large segment of the population, particularly in the industrially backward regions/rural areas generally lags behind in taking advantage of these opportunities. Therefore, there is a need to provide skill development and entrepreneurship development training to such people in order to mainstream them in the ongoing process of economic growth.

Training is the act of increasing the knowledge and skill of an individual for doing a particular job. It is a short term educational process and utilizing a systematic and organized procedures by which entrepreneur/person learn technical knowledge and skills for a definite purpose. In other words training improves changes, and moulds the entrepreneur/person’s knowledge, skill behavior, aptitude and attitude towards the requirement of the job and organization. It refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization, to acquire and apply the knowledge, skills, abilities and attitudes needed by the particular job and organization. Thus, training bridges the differences between job requirements and employees present specification.

Entrepreneur training is a relatively new concept and courses vary widely between schools. One can learn about return on investment, supply and demand, opportunity recognition, skills for success, competition, cost/benefit analysis, sales and marketing, ethics, e-commerce, and business law and tax. Ultimately, entrepreneur training
should be designed to teach the skills and knowledge to be known before embarking on a new business venture. While the program may not guarantee success, but at least should be able to avoid many of the pitfalls awaiting for less well trained and vigilant contemporaries. One can perceive entrepreneur training initially as a cost in terms of time and money. One’s investment in his education should reward him in the future.

The above discussion strongly argues that Entrepreneurs are not born, instead can be made with proper training. Even though some entrepreneurs acquire some special talents by birth, still each of these capabilities can be learned from the examples of others and then reinforced by a variety of support mechanisms. Unlike in-born characteristics, there are tools used in the application of these skills, such as opportunity identification, evaluation and communication, and consequently they can be learned from others and continually improved.

**Wrapping up**

Entrepreneurship has been considered the backbone of economic development. It has been well established that the level of economic growth of a region to a large extent, depends on the level of entrepreneurial activities in the region. The myth that entrepreneurs are born, no more holds good, rather it is well recognised now that the entrepreneurs can be created and nurtured through appropriate interventions in the form of entrepreneurship development programmes.

On analysis it is found that personality traits like Leadership or risk taking ability, which is innate in nature and one of the essential characteristic of an entrepreneur, can even be made more efficient and effective as well as more professional if suitable training is given to him. This indicates that a person even with some entrepreneurial traits/skills may not be sufficient in making him a successful once, instead as said above an entrepreneur should essentially be the "jack-of-all-trades" of any business activity only then he can succeed well. Hence to achieve this he can go for moulding himself with suitable either managerial or technical skills training. This entire discussion on Whether Entrepreneur Born or Made, finally stresses on the point that Born entrepreneurs may not be much successful and hence entrepreneurs need to be made with proper training so that they become more successful and ever ready for any kind of business environment.
2.2.4. MOVE - Market Orientation and Value Enhancement

Brief on MOVE

MOVE - Market Orientation and Value Enhancement is a bottom-up strategy for micro-enterprises to approach the markets that could potentially be complemented by top-down strategies that utilize sophisticated market expertise. MOVE can be applied in many other contexts, veterinary services, health services, natural resource based products, and many other enterprises can be approached using these techniques for market education. In addition, specific strategies for rural participants to study and penetrate urban or even international markets can be developed.

MOVE is basically a customer-centric approach to business. It is a practical, sustainable, replicable, adaptable, profitable tool that has proven to be a viable alternative to improve livelihoods of the poor. This tool helps in setting up viable businesses or income generating activities based on market needs, thus drastically reducing the failure rate.

Initially, Market Oriented Value Enhancement was designed for landless and assetless women in the peri-urban areas of Hubli-Dharwad, Karnataka, India. Natural resource based interventions leave out the landless as they have no access to land. MOVE helps illiterate landless women understand and access the market through adding value to products and services. To help women assess the demand for products, a new technique called participatory market appraisal (PMA) was created where illiterate women designed, administered and analyzed results using a visual door-to-door products survey. Women choose a product or service for a livelihood based on understanding the demand of several products. The most important lesson from the MOVE experience was that ignoring the market was not an option for small producers and in fact, understanding the market can open up a whole range of
opportunities for the poor. Current programs need to be completely recast beginning with the trainers themselves being oriented to the markets and with policy makers, governments, banks and NGOs understanding the importance of factoring in a market component into income generation programs.

Introduction

Most income generating activities for the poor are not sustainable due to one simple reason, they are not market oriented. Any agency involved in livelihood development for the poor follow a production oriented methodology where the emphasis is on production and markets, and therefore the customer, are the last thing on their mind. This result in a lot of time spent in learning how to produce a product that in the end is difficult to sell.

MOVE (Market Oriented Value Enhancement) was created because it was found that about 90 to 95 percent of the small entrepreneurs fail because they do not understand the markets. It is important that all entrepreneurship development programs have to be market oriented. The Indian market has changed with the opening of the markets. The small producers cannot compete with the larger companies. Therefore they have to be market oriented to have more flexibility and to be able to move laterally. If the entrepreneurs are oriented to the markets then the success rates of the entrepreneurs will be very high.

Of the population there are about only ten percent who are entrepreneurs. This number decreases even more because when they encounter a loss they want to get out of the business. Most people are risk averse and prefer employment where they get a salary at the end of the month rather than start and enterprise. This is more so with the youth. The youth have to get the money from their parents to invest in the business.
The minute they make a loss the parents will put pressure on him or her to stop the business. They do not realise that there are ups and downs in a business and while one day you may make a loss the next few days you make a profit. This is something only people who are in business know. In MOVE we try to make sure that they do not encounter a loss so that they do not give up on their businesses. There are very enthusiastic women who have started businesses and the minute they make their first loss their husbands prevent them from continuing.

The strength of MOVE is that the trainees are market savvy by the end of the training. The trainees have the tools to understand the markets and therefore as the markets shift, they too can shift or tailor their products or services.

*Instigation of MOVE*

Over the last two decades the development community has been trying to address the issue of improving livelihoods for the asset-poor by adopting income generating activities and initiating entrepreneurial endeavours. Unfortunately, the traditional business approaches of both the NGOs and government are outdated, impractical, and frequently, ineffective. This is because, typically, income generating activities have focused on skill enhancement and teaching participants to produce. This type of instruction is dangerously obsolete for many reasons:

- Skill enhancement encourages participants to enter production building a production-centred focus for income generating activities which simply not sustainable in a globalised marketplace.
- Skill training is typically capital intensive, requiring expenditures on machinery, factories, and raw materials to move forward. This imposes a huge monetary risk upon landless, asset-poor participants who can least afford it.
• Skill enhancement focused on a single product making lateral mobility – moving from product to product – virtually impossible. If participants find that the activity they have been trained for is not viable. Therefore, if the product fails to sell, so do the participants.

• ‘Is there a market?’ ‘Who will buy it?’ These questions are central to any business but simply not asked, i.e., participants have committed time, effort, capital, and hope into a business venture without even knowing if people want their product. Countless income generating activities are launched, and fail simply because they have not asked these basic questions. Marketing, markets, and the customer, are the last things on their mind which usually results in the failure of the small business.

In a globalized marketplace, it is almost impossible for rural producers to match the prices and economies of scale that huge multi-national producers can offer. Micro-enterprise programmes ask the poor to invest time, capital, learn how to manufacture a specific product and then leave them to struggle to actually sell it. Most of them fail because the emphasis has been on skills training to produce a particular product and they had no understanding of the market. The producers don’t move with the changing customer’s needs and wants. Conventional training does not address these issues leaving the women without the ability to sustain in the changing market. Large scale industries may be able to produce more at a cheaper price, but the small-scale micro-enterprises can provide doorstep delivery, customized products, and meet other specific needs in ways that huge producers simply cannot. Entrepreneurs should examine the scope of the market first and then activities should be decided upon based on demand. There is a need to orient women entrepreneurs to focus on the customer’s wants to be able to cope with the changing markets.
In an effort of finding way out for the above issues and for improving livelihoods of the asset-poor, the UK department for international development (DFID) set up the natural resources systems programme to commission research into understanding semi-urban interface and how best to manage it, in the areas of poverty alleviation and natural resource management. They chose Hubli-Dharwad in Karnataka as its location in south-east Asia.

Work commenced in 2001, with the project to develop action plans with local peoples in six semi-urban villages, in conjunction with India Development Service (IDS), BAIF Institute for Rural Development, University of Agricultural Sciences, Best Practices Foundation, University of Wales, Bangor and Development Planning Unit (DPU), University College, London. It was found that these action plans did not work for the landless; therefore, the project team pioneered the initiative called Market Oriented Value Enhancement or MOVE. Market Oriented Value Enhancement (MOVE) was developed as a new methodology to teach the rural, landless, illiterate poor how to understand markets in order to improve their livelihoods. MOVE was developed and implemented with six SHGs in the villages surrounding Hubli-Dharwad, Karnataka in 2005 funded by the UK government’s Department for International Development (DFID).

Market Oriented Value Enhancement (MOVE) has come out as a system of teaching poor, asset less, illiterate audiences how to understand the market so they can adapt to changes and create sustainable enterprises. The key to MOVE is an inversion of the traditional livelihood enhancement strategy which emphasizes skill enhancement first and then makes only cursory attempts at marketing, if at all. MOVE begins with a strong emphasis on understanding and researching the market through participatory methods as a basis for choosing an enterprise. After beginning business,
entrepreneurs undergo a continuous process of soliciting customer feedback and tailoring their businesses to customer needs.

Since its inception, MOVE has been adopted by the Government of West Bengal for state-wide replication at a Rs. 15 crore budget for 24,000 women, CARE made use of MOVE to help tsunami affected communities rebuild their livelihoods in Tamil Nadu, and MOVE has been presented by the DFID for global upscaling to 15 national governments in Asia. There have been several requests for upscaling or tailoring MOVE to different contexts, especially for the service sector.

Concepts of MOVE

There are two main concepts of MOVE. The first, and most important, is market orientation. The customer has to be the centre focus of any business. If it is not, then it will fail. The second is value enhancement. Value enhancement is when the product or service is continuously evolved, based on the needs of the customer, to meet more specific needs of the customers.

*Market Orientation* - Instead of starting any small business or income generating activity based on natural resources available or skills known, participants undertake a business venture according to customer demand. This ensures success and sustainability of small businesses or income generating activities. Participants are trained to first ask, “What does the customer want?” and then, “How do I deliver it?”

*Value Enhancement* – is the process of continuously evolving new products and services, (moving up the value chain) to cater to customer needs and demands. By moving up the value chain and adding value according to the customers’ wants, trainees can service specific markets which generate higher sales. They can also identify niches that larger producers cannot cater to.
The main concept in MOVE is that any business has to be customer oriented. The key to the success of any business therefore, is the customer. The customer has to be the core or the bull’s eye. The entrepreneur has to first understand the customer thoroughly, their needs and wants. It is only after this can the entrepreneur then move forward. Once the customer’s needs and wants are understood the entrepreneur should then see if it makes business sense. The customer may want a lot of things, but if it does not make business sense then the entrepreneur should not start that business. It is only after these two have been identified does the entrepreneur looks at other aspects of the business such as finance, human resources and production.

Traditionally, income-generating activities are approached in the opposite way. The entrepreneurs are taught to first look at the skills and resources they have and then start production. They think about the markets only when the product is ready to be sold. At this point they find that their product does not sell and they go into loss. The first loss a poor woman makes is the turning point. She will drop out and never come back. Even if they do survive for more than a few months they are not sustainable and are not able to make profits. They continue the activity only because they have gone through intensive skills training and also because they do not have the tools to shift to other products or services.

MOVE gives the entrepreneur to understand the markets even before they decide what business they want to start. It provides the tools to not only understand the customer but to also understand the competitor. MOVE also inculcates a sense of flexibility in the entrepreneurs. It allows them to move with the markets and not get attached to any product or service. Marketing starts even before the business starts and ends much after a product is sold or a service rendered. Therefore, it is very important for the entrepreneur to keep the markets as the focus of any business. The entrepreneur has to
understand the customer so well that they have faith that they will never make loss. They will never make a loss because they are giving the customers exactly what they want.

**Scope and importance of MOVE**

While people in rural and peri-urban areas tend to diversify their livelihood, access to market has now been recognized as an essential vector for them to do so by providing “an enabling environment for start-up non-farm activities, or reducing barriers to trade and mobility, or reducing licensing equipments for small businesses” (Ellis *et al.*, 2001, p.445). Major interventions need to be done to favor poor people’s access to markets in terms financial services, skills, education, social contacts” (Barrett *et al.* 2001). Initiatives have been developed to understand the role of market in development and its potential in poverty reduction. “Making Markets Work for the Poor” developed by Ferrand *et al.* (2004), emphasis the fact that making markets accessible to the poor can be achieved by acting on one or the three components of market:

- The core market which is understood as the basic transactions occurring in the market place. Those transactions depend on the local offer and demand of market regulated by the local conditions of supply. Action can be taken to ensure the poor positions well on this context by having an adequate production, targeting niche sectors and/or innovative sectors. It is the core idea behind MOVE.

- The institutions that regulate the market and can have an action on prices and on the terms of exchange. Those regulations take place at the international as well as the national and local level. It is of the willingness and the power of governments to ensure “pro-poor growth” rules which will be translated in increased access to goods
and services for the poor at the local level with direct effects on his well-being. In terms of regulations, as addressed by Tacoli (2002) and Shaw (2004), poor people lack the necessary connections to access the market. For example, some activities require permits or licenses from local authorities to be practiced (selling of mobile credit cards or having stalls to sell food or tea). Without the right connection, there is a risk that the poor remains excluded.

- The services and infrastructures that “lubricate markets”. Support can be provided through those institutions to the poor. The remoteness of some villages or simply bad access to the city villages sometimes implies high transaction costs which the poor cannot afford (Killick, 2001; Tacoli, 2002; Van de Walle, 2004). Therefore, they entirely depend on intermediaries - who are the ones who fix the prices- to sell their products and as a consequence, producers do not always make the most of their products (Mulla and Tuson, 2003; Tacoli, 2002).

Providing the adequate infrastructures would be a first step to be taken while ensuring the access of the poor to the market. The lack of regular supply of water and electricity has also been identified as a break to efficient access to market as some activities necessitate their regular provision (Tacoli, 1998 and 2002). Then the weakness of governments and public organizations to provide efficient and reliable market information has been recognized, while at the same time, informal networks happen to provide it much more efficiently (Tacoli, 1998). Markets happen to be “social institutions” regulated by actors who have the power to grant or prevent the access to the market for some groups (Tacoli, 1998). In this context and because they do not necessarily have the time or do not have the education or the social status that would make of them the elite, poor people lack the social connections (retailer, intermediaries, local policy officers) in those informal networks that would provide
them with the market information are therefore remain excluded (Killick, 2001; Mulla and Tuson, 2003; Tacoli, 2002; Ferrand et al. 2004; Badgi, pers. comm.).

Thus, for making markets accessible to such poor people in rural and peri-urban areas by adopting a market centred approach has been adopted in the MOVE business training for micro-enterprise development. Though a very limited study has been carried out on this concept, there exists a study conducted by Carla Annick Barlagne (2007), in the form a dissertation submitted in partial fulfilment of the requirements for the degree of Master of Science (MSc) in International Natural Resource Development, Master Degree in Agricultural Practices (Clermont-Ferrand, France), University of Wales, Bangor. In her study she makes an attempt for the evaluation of MOVE - a Business Training Program for the Peri-urban Poor.

The study found that the training increased the marketing intelligence of people but no link could be established between the amount of marketing intelligence of entrepreneurs and the degree of success in business. The tool that was used to measure the marketing intelligence of the trainees was not helpful in revealing differences between entrepreneurs regarding to their marketing intelligence. The training also contributed to build the capacities of the participants who albeit little financial capacity were willing to take part in the initiative. Finally, it concludes as, no formal evaluation of the impact of the MOVE training has been done that permitted to draw clear cut conclusions about the latest because trainees were still in the training stage, and mentions that, such an evaluation is needed to learn from previous errors and correct them in the further up scaling phase of MOVE.

Mª José Sanzo, Mª Leticia Santos, Rodolfo Vázquez, and Luis I. Álvarez (2003), in their study on in depth industrial buyer-seller relationships find that, a buyer firm’s cultural market orientation acts as an indirect antecedent to the degree of loyalty
shown to its main supplier. They propose a theoretical causal model in which the cultural market orientation that buyer firms show appears as a conditioning factor of their loyalty towards a supplier as below.

**Figure 2-08: Theoretical Model Relating Market Orientation and Business Dyadic Relationships (Sanzo, Santos, Vázquez, and Álvarez, 2003, p. 85)**

By the results obtained they points out that, managers of business firms should promote a culture of market orientation. The values and norms of this philosophy stimulate the loyalty of their customers, but also contribute to reinforce the relationships with their own suppliers and strengthen the network links. These values, however, must be translated into specific actions to be able to reach a competitive advantage.

Relationship Marketing is looked as a process to identify and establish, maintain and enhance, and when necessary, also terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and this is done by a mutual exchange and fulfillment of promises’ (Grönroos, 1990). In this regard considering societal context, ‘exchange processes are embedded in a dense fabric of social relations and economic exchange is rarely able to rid itself on non-economic exchange baggage such as social exchange, kinship and friendship and sociological elements not liable to be reduced to the standardized metric of money. If firms continue to buy and sell from each other because their culture match or because of the
Ronald E. Giachetti (2009) explains enterprise architecture as a process for designing an entire business from the bottom up. The promise of enterprise architecture is that it provides a high-level design to show how all these systems should work together to deliver business value. The benefits of enterprise architecture are:

- To provide a model that lets all stakeholders understand and communicate the overall business design
- To provide a high-level, holistic design of the business indicating how all the subsystems will interoperate and coordinate their work.
- To express the architectural principles of a long-term vision of the enterprise and the governing principles of the enterprise to guide all other projects.
- To ensure legal and regulatory compliance.

According to them, following are the 10 things to know about EA - enterprise architecture:

1. Enterprise architectures are blueprints for systematically and completely defining an organization’s baseline or desired state. They are essential for evolving technological advances, developing new systems and optimizing their value measured against a strategic plan.

2. Business processes and their supporting technologies become modules that can be reused for efficiency and recombined for agility. Does your organization know which processes should be local to specific business units and which should be standard across the enterprise and the architecture that supports the mix?

3. Standard platform technologies, wherever possible, use one or two PC configurations, a standard database technology for all departments, or the same type of hardware for all servers.
4. Standardized business processes allow the business to be viewed holistically. Information technology and strategic planning go hand in hand for business operations.

5. A good enterprise architecture model will display what the organization is today and map various views of the future. These views must incorporate both technology and business processes.

6. Business models should possess the ability to scan the internal and external environments quickly for signs of risk. Clear priorities must then be set. Scenarios and impact of break-up potential must be addressed before moving forward with a new strategic plan or major alteration in the existing plan.

7. Enterprise architectures highlight opportunities for building more quality and flexibility into applications without increasing cost.

8. A chief architect directs the enterprise architecture program. Her core competencies should be expertise in strategic and technical planning, policy development, capital planning and investment control, change management, systems engineering and architectural design, business process engineering and large-scale project management.

9. Other key players should include a risk manager, who identifies, monitors, controls and mitigates program risks in light of environmental factors, and the configuration manager, who assumes responsibility for tools of the enterprise architecture against an engineering baseline.

10. The architecture team should include business analysts, data analysts, security specialists and systems programmers.

Lloyd C. Harris (2002), favours the view that market orientation is best conceived as a continuum (see Kohli and Jaworski 1990; Narver and Slater 1990) and that therefore
market orientation can only be examined in terms of its susceptible to 'development' or 'improvement'. The results of the case study of twelve organizations and 260 field interviews revealed that management approaches to market orientation development differ along five main dimensions, with each firm typically emphasising a dominant issue (although not exclusively so). The five differences uncovered were variances in terms of emphasis on; Hearts and Minds, behavioural and emotional display, customer relationships, the extent of political activity and imitation. When viewed in the light of existing research, these findings indicate a series of interesting implications for strategic marketing practitioners and theorists.

Selection of MOVE Trainees

It is equally important to select the right participants for MOVE training. All the trainees should:

- Be keen on running a business
- Be a member of a group with savings and have access to banks and credit.
- Be eligible for business loans
- Have support of the family to do business
- Be between 18–50 years old.
- Not be involved in other livelihoods training or activities of other agencies.

MOVE training is conducted in a way that even the illiterate can understand and gain from it. However, the results are better when the trainees have at least a 10th standard education.

The ideal Self Help Groups of which trainees are part of should:

- Be at least 2 years old.
- Have a good track record of savings and credit activities for at least 2 years,
- Be capable of providing loans at the time when the trainees need the money to start business during the course of MOVE training.
- Be eligible to receive loans from relevant agencies (banks, schemes, etc.)
- Have undergone capacity building training for leadership, group strengthening, gender and empowerment.
**Time frame for MOVE Training**

For better results, the training program should be spread over 9 months involving weekly evening sessions for trainees coupled with handholding between sessions and business nurturing for 3 months after businesses begin. For later modules especially, the time mentioned only demonstrates how to build one or two businesses in each session. The trainer will need to spend additional time with each trainee to work on their individual businesses between training sessions – an activity referred to as handholding.

**MOVE - Methodology**

This MOVE consists of 12 modules broadly classified into several sections - motivation and management games; field visits; experiential learning; group learning; analysis; survey methods; skills training; and business plan development. MOVE begins by motivating participants to set goals, understand co-operation, team work, and the importance of the customer. It progresses to basic concepts on buying and selling, building customer focus, identifying profitable businesses through market visits, and providing an understanding of the larger marketplace. Trainees are taught simple methods to survey and understand the demand for a product or service in a chosen market. They are taught to understand competitor products, how to position their product or service, package it and brand it. Finally they decide on the marketing strategy and the business plan. By the end, trainees are empowered to enter the market confidently as independent players.

The modules go through various processes such as team building exercises and motivational games, market visits and so on. The Participatory Market Appraisal (PMA) is where women create visual surveys to understand the total size of their market, the amount of potential profit, the key factors (product and performance attributes) that influence a customer buying the product, and other relevant data that
will point to a product with a high demand and a high profit. By using the process of
PMA the participants capacities are built to research the market themselves whenever
necessary without relying on the expertise of an outside source. After researching
which product has the highest chance of success in their market, the participants begin
retailing or small scale production, sample selling, and gradual upscaling. After a few
sales cycles they conduct in-depth customer feedback sessions and adjust their
products accordingly. As they develop a customer base, they continue to solicit
feedback to find out potential avenues for value enhancement. Finally, the
participants draw up a business plan that incorporates a vision for future expansion.
Thus far, every group has seen an immediate return of profits to their businesses.
These 12 Modules of MOVE are as given below.

Table. 2-01: Modules of MOVE

<table>
<thead>
<tr>
<th>Module No</th>
<th>Subject</th>
<th>Module No</th>
<th>Subject</th>
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</thead>
<tbody>
<tr>
<td>Module 0</td>
<td>Trainee profile</td>
<td>Module 7</td>
<td>PMA Analysis</td>
</tr>
<tr>
<td></td>
<td>a) Demographic Data Sheet</td>
<td></td>
<td>a) Preparation of Master Sheet</td>
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<tr>
<td></td>
<td>b) Modified Motivation</td>
<td></td>
<td>b) Analysis (Size, Segment)</td>
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<tr>
<td></td>
<td>Instrument</td>
<td></td>
<td></td>
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<td></td>
<td>c) MIQ/ Any other suitable</td>
<td></td>
<td></td>
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<tr>
<td>Module 1</td>
<td>Motivational Games</td>
<td>Module 8</td>
<td>Marketing Strategy</td>
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<td></td>
<td>a) Goal Setting Game</td>
<td></td>
<td>a) Market Map</td>
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<td></td>
<td>b) Tower building Game</td>
<td></td>
<td>b) Matching Demand and</td>
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<td></td>
<td></td>
<td></td>
<td>Supply</td>
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<tr>
<td>Module 2</td>
<td>Simulation Games</td>
<td>Module 9</td>
<td>Skill Training</td>
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<tr>
<td></td>
<td>a) Wedding Card Game</td>
<td></td>
<td>(Technical and Soft)</td>
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<td></td>
<td>b) Buying and selling Game</td>
<td></td>
<td></td>
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<tr>
<td>Module 3</td>
<td>Market Visit</td>
<td>Module 10</td>
<td>Piloting and Customer Feed</td>
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<tr>
<td></td>
<td>a) Format Free Market Visit</td>
<td></td>
<td>Back</td>
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<tr>
<td></td>
<td>b) Formatted Market Visit</td>
<td></td>
<td>a) Pilot Product/ Service</td>
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<tr>
<td>Module 4</td>
<td>Needs, Wants and Flowers</td>
<td></td>
<td>b) Customer Feed Back</td>
</tr>
<tr>
<td></td>
<td>a) Needs and wants for products</td>
<td></td>
<td>c) Branding for Product/Services</td>
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<tr>
<td></td>
<td>b) Flower diagram for Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>c) Identify 5 Products/ Services per Group</td>
<td></td>
<td></td>
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<tr>
<td>Module 5</td>
<td>Service Simulation</td>
<td>Module 11</td>
<td>Business Plan Development</td>
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<tr>
<td></td>
<td>a) Eatery Game</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>b) Eatery Game Analysis</td>
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<tr>
<td>Module 6</td>
<td>PMA Preparation and Survey</td>
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<td></td>
<td>a) Survey for Design</td>
<td>Module 12</td>
<td>Full Scaling</td>
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<tr>
<td></td>
<td>b) Piloting</td>
<td></td>
<td>a) Draw up Full Scale Business Plan</td>
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<td></td>
<td>c) sample Plan</td>
<td></td>
<td>b) Linking with Financial Institution</td>
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<tr>
<td></td>
<td>d) Survey</td>
<td></td>
<td>c) Linking with Markets/Institution</td>
</tr>
</tbody>
</table>
The first module begins with basic team building exercises and motivational games. The next module asks participants to create imaginary production companies and compete. Participants also attempt retailing by setting up a hypothetical grocery shop. They also experience the running of a service business through the eatery game. Next, participants are taken on format-free (FFMV) and formatted market visits (FMV) to observe the dynamics of different types of shops and the sales of different products.

In a format free market visit trainees behave as customers and tend to negotiate prices. But in the formatted market visit, through informal interviews with business owners, participants obtain details on profit margins, daily sales, seasonal sales, wholesale prices, and other strategies for selling different products. With this information, the group short lists five to six products or services for collecting further information. Products are then analyzed in terms of 4Ps: Product, Price, Place, Promotion, and Distribution strategies; while Services are analyzed in terms of the 4 Ps above as well as Physical evidence, People and Process.

After this analysis the group is ready to use a new innovative tool called the Participatory Market Appraisal (PMA). Like Participatory Rural Appraisal, PMA uses the same method of employing visual symbols so illiterate participants can conduct empirical market research themselves. The PMA allows the participants to estimate the total size of their market, the amount of potential profit, the key factors that influence a customer buying the product/service, and other relevant data that will help them decide between businesses. By doing the research through the PMA, participants enter business with their eyes wide open to the potential scope and profitability of selling certain products/services. The key difference is that the PMA provides a grassroots approach to market research. At every point, participants themselves are the ones who collect information from the market, prioritize potential products/services to research, design, conduct, and analyze the results of the PMA.

By using the PMA process participants’ capacities are built to research the market themselves whenever necessary without relying on the expertise of an outside agency. After researching which product/service has the highest chance of success in their market, participants begin retailing or small scale production, branding, packaging, sample selling, and gradual up-scaling. After a few sales cycles they conduct customer feedback sessions and adjust their products accordingly. As they develop a
customer base, they continue to solicit feedback to find out potential avenues for value enhancement. Finally, participants draw up a business plan that incorporates a vision for future expansion. After they capture the market through sample sales, only then do they go on scale.

The various modules of MOVE in due course were revised / customized in accordance with the field experiences and as a result revised modules of MOVE are as given below. This concept of MOVE and its various modules would be considered for the developing of a new Business Development Model, which would be the main contribution of this study being undertaken (Ref. Chapter No. VI).

Table. 2-02: Recent Modules of MOVE

[Diagram of MOVE modules]

Source: MOVE Training Manual (2011), by Dr. M. S. Subhas and Best Practices Foundation
Projects List of MOVE

There were mainly three projects of MOVE being sponsored by different agencies and operational during the tenure of the research. Those three projects are as listed below.

1. To improve livelihoods of quarry workers through health education and Market training in Mandihal village, sponsored by Deshpande Foundation
2. Poverty alleviation through new livelihood innovations at Lakshmisinganakeri-Dharwad, Mugad, Kalker and Kyarkop, sponsored by Sir Dorabji Tata Trust
3. Market Oriented Value Enhancement for Small Scale, Medium Scale, and Large Scale Enterprises in Districts of West Bengal

Project 1

Title: To improve livelihoods of quarry workers through health education and Market training

Funding Agency: Deshpande Foundation

Area of operation: Mandihal Village, Dharwad District, Karnataka, India.

Time Period: April 2008-March 2010

Summary: Improving Livelihood of quarry workers in Mandihal – 50 members were trained on MOVE in three batches and 25 businesses are running successfully in Mandihal village. Out of 25 businesses 5 of them are earning Rs. 4000/- to 5000/- per month, 10 businesses are earning Rs. 2000/- to 3000/- per month and 10 businesses are earning less than a 1000/- Rupees per month. The major businesses are Chilly pounding unit, Floor mill, Wood carving, Bangles and vegetable selling. The rest of the businesses are Tailoring, Mobile repair, Driving, Flowery culture, Kirana shop and Fashion Designing. Still one person is trying to get Bank loan to setup Automobile unit. Due to a smaller village more businesses are little difficult. We feel that at least 15 businesses will earn more in the coming years.
This project started in April 2008, aims to improve the health and livelihoods of quarry workers through health education and Market training. In the first year (April 2008-March 2009), 58 people were trained in three batches. 19 of these availed skills training; and totally 25 decided to start business, of which 16 worked out their business plans.

Second year (April 2009-March 2010), the follow up of all those 25 businesses started and completed MOVE training was undertaken. Further, Value Enhancement (VE) modules were developed, 15 underwent VE training and 11 trainees added value or up-scaled their business.

**Project II**

**Title:** MOVE (Market Oriented Value Enhancement) for Services, a New Livelihood Initiative

**Funding Agency:** Sir Dorabji Tata Trust

**Area of operation:** Lakshmisinganakeri-Dharwad, Mugad, Kalkeri and Kyarkoppa of Dharwad District, Karnataka, Inida

**Time Period:** April 2009-March 2010

**Summary:** Target was to train 40 women and 40 youth (20girls and 20 boys). It was assumed that there will be drop outs after some modules but, out of 78 women 65 attended all the modules. Young girls’ batch was started with 26 and out of this 22 attended all the training modules. Similarly, Youths’ group was started with 20 and 17 were undergone all the training modules. Totally 124 people enrolled and 104 attended all the modules regularly.

After the PMA analysis they have selected the services and in PCA identifying the skills needed for their services. They have selected tailoring, Kasuti, computer,
driving, mobile repairs, poultry, detergent powder, incense stick, dairy, photography
machine embroidery and beauty parlor which are needed the skills training and also
they have selected some activity like vegetable selling, fruit selling, selling of grains,
rotti selling, cloth selling which are needed little exposure to the market to observe the
business. In accordance to their choices almost all varieties of businesses except in
place of rotti selling we find new business Flour Mill and Carpentry have taken birth
and doing well in their market(s). Finally, 104 people attended all the modules
regularly and out of these 75 have started their businesses.

**Project III**

**Title:** Market Oriented Value Enhancement for Small Scale, Medium Scale, and
Large Scale Enterprises in Districts of West Bengal

**Funding Agency:** GoWB – West Bengal

**Area of operation:** Selected Districts of West Bengal, India.

**Time Period:** March 2008-May 2009

**Summary:** MOVE was implemented in a pilot phase in one district Amta – 1 with
four federations. During this, Approximately 45 MOVERs, 200 women from 40
groups (assuming a drop-out rate of 50%) have also been trained on MOVE towards
the goal of starting businesses. Then, after one year of implementation it was planned
to be up scaled to 20,000 participants in three districts, Jalpaiguri, Birbhum, and
Medinipur of West Bengal.

As a result of pilot phase in Amta 1, over 53 new businesses were started. Some of the
varieties of business thus started include Paddy Processing, Bangles Selling,
Readymade garments, Chili Powder and Turmeric powder, Moori, Snacks, Ghugni,
Soyabean and Bori, Rice, Vegetable Selling, Timber & cow dung cakes, Potato,

Above summaries of three different projects of MOVE gives us a glance over significance, potentiality, methodology and uniqueness of the concept MOVE. Apart from all these three projects, even though researcher was in closely associated and actively involved in each of these projects, with respect to the scope being preset, only the first two projects those were experimented in the state of Karnataka are considered for the present study.

2.3. Conceptual Definitions

Some definitions of certain conceptual terms related to Entrepreneurship given by NSSO (National Sample Survey Organisation), Ministry of Statistics and Programme Implementation, Government of India, are as below.

**Enterprise**: An enterprise is an undertaking engaged in the production and/or distribution of some goods and/or services meant mainly for the purpose of sale, whether fully or partly. An enterprise may be owned and operated by a single household or by several households jointly, or by an institutional body.

**Household Enterprise**: A household enterprise is one which is run by one or more members of a household or run jointly by two or more households on partnership basis irrespective of whether the enterprise is located in the premises of the household(s) or not. In other words, all proprietary and partnership enterprises are household enterprises.
Non-household Enterprise: Non-household enterprises are those which are institutional i.e. owned and run by the public sector (Central or State Government, local self-governments, local bodies, government undertakings, etc.), corporate sector, co-operative societies, other type of societies, institutions, associations, trusts, etc. Non-household enterprises covered under public sector were not included in the current survey.

Own-account Enterprise: An enterprise, which is run without any hired worker employed on a fairly regular basis, is termed as own account enterprise.

Establishment: An enterprise which employs at least one hired worker on a fairly regular basis is termed as establishment. Paid or unpaid apprentices, paid household member/servant/resident worker in an enterprise are considered hired workers.

Perennial Enterprise: Enterprises, which usually operate more or less regularly throughout the year, are called perennial enterprises.

Seasonal Enterprise: Seasonal enterprises are those which are usually run during a particular season or fixed months of a year.

Casual Enterprise: Casual enterprises are those which operate occasionally (may be disjoint periods of time throughout the year) but total number of days operated in the last 365 days is 30 days or more. 3 “fairly regular basis” means the major part of the period during which operation(s) of an enterprise are carried out during a reference period.

Servicing Enterprise: A servicing enterprise or service sector enterprise is engaged in activities carried out for the benefit of a consuming unit and typically consists of changes in the condition of consuming units realized by the activities of servicing unit
at the demand of the consuming unit. It is possible for a unit to produce a service for its own consumption provided that the type of activity is such that it could have been carried out by another unit. Some examples of changes that a producer of service brings about in the condition of consumers of service are:

a) Changes in the condition of consumer’s goods: the producer works directly on goods owned by the consumer by transporting, cleaning, repairing or otherwise transforming them;

b) Changes in the physical condition of persons: the producer transports the persons, provides them with accommodation, provides them with medical or surgical treatments, improves their appearance etc;

c) Changes in the mental condition of persons: the producer provides education, information, advice, entertainment or similar services;

d) Changes in the general economic state of the institutional unit itself: the producer provides insurance, financial intermediation, protection, guarantees, etc.

**Financial enterprise**: A Financial Enterprise is an enterprise that is principally engaged in financial intermediation or in auxiliary financial activities which are closely related to financial intermediation. Financial intermediation is a productive activity in which an institutional unit incurs liabilities on its own account for the purpose of acquiring financial assets by engaging in financial transactions on the market. The role of financial intermediaries is to channel funds from lenders to borrowers by intermediating between them.
Reference Period: The reference period for recording details of various items depended primarily on whether the enterprise under survey could provide information from their books of accounts, or they could provide information orally.

Reference Year: This was the last completed accounting year of the enterprise under survey, which in most cases was the accounting year 2005-06. If books of accounts for 2005-06 were not finalised, data were collected for 2004-05. However, during fourth sub-round (April, 2007–June, 2007), if the books of accounts for 2006-07 were available for any enterprise, data were collected for the accounting year 2005-06. Various receipts, expenses, value added as well as employment, emoluments, rent, interest, net additions to fixed assets owned, for the enterprises were recorded for the last completed accounting year.

First/ last date of reference year: For some of the items like value of fixed assets, amount of loan outstanding, etc., this reference period was used. It was last date of the ‘Reference Year’. For items like opening stock of semi-finished goods manufactured, opening stock of goods traded, the beginning of the first date of the reference year was the point of reference.

Worker: A worker is defined as one who participates either full time or part time in the activity of the enterprise. The worker may serve the enterprise in any capacity - primary or supervisory. He/she may or may not receive wages / salaries in return to his / her work incidental to or connected with the enterprise activity. A worker need not mean that the same person is working continuously; it only refers to a position. Persons working for less than or equal to half of the normal working hours of the enterprise on a fairly regular basis are considered as part time workers. Those who work for more than half of the period of normal working hours of the enterprise on a
fairly regular basis are considered as **full time workers**. Two part-time workers in an enterprise are counted as 2 and not 1.

**Working Owner**: The owner who personally works in the proprietary or partnership enterprises on a fairly regular basis is called working owner. In fact, in most of the own-account enterprises the owner himself/herself manages all activities of the enterprise without the help of anyone (on a fairly regular basis). In the case of partnership enterprises, if only one partner or some of the partners or all the partners work in the enterprise on a fairly regular basis then they are considered as ‘working owners’.

**Hired Worker**: A hired worker is a person employed directly or through any agency on payment of regular wage/salary in cash or kind. Apprentices, paid or unpaid, are to be treated as hired workers. Paid household workers, servants and resident workers of the enterprise are also considered as hired workers.

**Other Worker / Helper**: This includes all persons belonging to the household of the proprietor or households of the partners who are working in or for the enterprise without regular salary or wages. Persons working as exchange labourer in the enterprise without salary or wages will also be covered in this category. All unpaid household workers/helpers who are associated with the activities of the enterprise during the reference month are considered in this category.

**Mixed Activity**: There are enterprises that carry out a number of activities simultaneously. For example, a bakery may also sell cold drinks, a rice mill may sell sugar, a factory may run a hospital in its premises, etc. Each such activity was treated as a separate enterprise if information for them was separately available. If the accounts were not separable then the data pertained to the enterprise as a whole and
the enterprise was classified as having mixed activities and the activities of such enterprises are a mixture of NIC’s. The activities may be mixed at any level of NIC, but for the present survey an enterprise was considered to have mixed activities if its activities were different at 2-digit level of NIC-2004. The appropriate NIC in such cases was determined on the basis of major activity. Major activity refers to the activity which yielded maximum income/turnover/employment. The above criteria were applied in the given order, i.e., income first, then turnover and then employment, to determine the major activity.

**Multiple Activity**: Since many of the entrepreneurs belonging to the unorganised sector operate at small or marginal levels, the phenomenon of carrying out more than one activity simultaneously or at different points of time is quite prevalent. If the activities were carried out at one point of time at the same location and the information was not separately available, then it was taken as “mixed activity”. Carrying out of more than one economic activity by the entrepreneur during the reference year is called multiple activities. It differs from mixed activities in the sense that former is with respect to the entrepreneur whereas the latter is with respect to the enterprise.

However, an entrepreneur of a manufacturing enterprise manufacturing woollen garments before winter and cotton clothes before summer will not be considered as carrying out multiple activities.

Some examples of multiple activities are: i) a person providing computer services during day-time as an own account worker and also providing tuition in the evening, ii) A household servant is making paper envelopes in free time iii) a person carrying
out agricultural activity at sowing / harvesting season and doing carpentry at the same
time or at other times, etc.

**Working on Contract:** The enterprises in the unorganised sector are mainly small
units. In many cases, the enterprises are seen to be working as per orders from a
bigger unit. In such cases, certain conditions are put on the servicing unit by the
contractor or master unit. Conditions may pertain to sale of products, supply of raw
materials, mode of payment etc. In many cases, the contractor specifies the design of
the product to the servicing unit e.g. garment manufacturing, shoe manufacturing etc.
If the surveyed enterprise had undertaken any work on contract during the reference
year, it was considered as ‘enterprises working on contract’.

**Fixed Assets:** Assets held for the purpose of producing or providing goods or services
and not for resale in the normal course of entrepreneurial activities are classified as
fixed assets. These cover all goods, new or used, that have a normal economic life of
more than one year from the date of purchase.

**Land and Building:** Land means the land on which the enterprise is accommodated
together with the surrounding area, which is used for the enterprise. This also includes
improvement to land. However, if only a portion of the land belonging to the
residence of a household is utilised for the enterprise, only that portion of the land is
considered as capital assets for the enterprise. Land owned with permanent heritable
possession with or without right to transfer the title comes under this category. Land
held on long-term lease, say, 30 years or more, is also treated as land owned. Building
is the structure, where activities of the enterprise are undertaken. This also includes all
other structures like shed, house, portions of a house or other structure, building under
construction and other conveniences in which the activities of the enterprise are
carried out. This also includes other constructions such as passage, wall, water tank, sewerage, tube-well, etc.

**Plant and Machinery:** Plant generally means an assembly of machinery / equipment / devices installed for the operation of entrepreneurial activities. Machinery means an implement or mechanical device used in the entrepreneurial activities. These are assets of durable nature and can be easily identified.

**Transport Equipment:** All vehicles, power-driven or man / animal-driven, used for transporting persons, goods and materials by the enterprise in connection with its activity are covered in this category. Animals, if used for drawing vehicles or carrying loads, will be treated as part of transport equipment.

**Tools and Other Fixed Assets:** Tools refer to small loose implements, generally held in hand for operation and having normal life of more than one year. Other fixed assets refer to other durable equipment which are used for the entrepreneurial activity either directly or indirectly. These include furniture, fixtures, laboratory equipment, office equipment etc. Livestock used in oil-mill is also covered under this category.

**Net additions to fixed assets during the last 365 days:** Net addition to fixed assets was obtained by subtracting depletion of assets from the additions made during the last 365 days. Addition to the fixed assets could be made through purchase (new or used) or through own construction. Improvements on land, new construction of building, shed, structure, as well as assets produced on own account during the last 365 days were considered as additions to the fixed assets. Depletion of assets was obtained by considering the assets sold and discarded during the last 365 days. The value of assets disposed of in any manner other than sale, were treated as value of
assets discarded. Besides obsolescence (gone out of use) of an asset, this included loss due to theft, damage, accident etc.

**Investments:** An enterprise can purchase shares, debentures and other securities to earn interest and dividend. These shares, debentures and other securities are called investments. If securities are purchased and sold at regular intervals to make gains using market values of the securities, then these investments are called investments for trade. Otherwise, it is called investments (other than trade).

**Financial liability:** Financial liability is the total liability incurred by the enterprise as on a particular date (generally the last date of the accounting year). It includes capital deployed by the partners of an enterprise, share capital, reserve and surplus amount noted in the balance sheet, long-term loans and also all short-term commitments for payments like unpaid wages etc. With regard to loan, any borrowing in cash or kind to be repaid in cash or kind was treated as loan. Loans taken for the purpose of utilising the same in the entrepreneurial activities of an enterprise were considered even if such loans were used for other purposes. On the other hand, loans taken for other purposes but ultimately used in the enterprise were excluded.

**Merchant banking:** A Merchant bank is a bank which works as a financial intermediary, offering such services as takeover and merger assistance and placing of new share and bond issues. Merchant bank is an agency retained by a company to advise and assist in capital structuring/restructuring and its mobilisation within the prescribed and regulatory framework. Thus the role of merchant bank can be institutional in loan syndication, institutional placements, and advisory services including merger/acquisitions/alliance and primary market.
Merchant Banks mainly offer financial advice and services for a fee, while commercial banks accept deposits and lend money. When merchant banks do function as commercial banks, they function essentially as whole-sale banker rather than retail banker. It means they deal with selective large industrial clients and not with general public in their fund based activities. Basic function of a merchant bank is marketing corporate and other securities, i.e guaranteeing sales and distribution of securities.

**Underwriting:** Underwriting is the process by which investment bankers raise investment capital from investors on behalf of corporations and governments that are issuing securities (both equity and debt).

If new issues of capital made by companies are not successful, expenditure plan and reputation of issuing companies gets adversely affected. The financial practice in all countries to ensure the success of new issues is known as 'underwriting'. The need for and the nature of underwriting transactions depends upon the state of the capital market, the response of investors to new issues, the reputation of promoters, and the nature of the project. Thus underwriting is a process by which an underwriter brings a new security issue to the investing public in an offering. In such a case, the underwriter will guarantee a certain price for a certain number of securities to the party that is issuing the security (in exchange for a fee). Thus the issuer is secure that he will raise a certain minimum amount from the issue, while the underwriter bears the risk of the issue. The word "underwriter" is said to have come from the practice of having each risk-taker write his or her name under the total amount of risk that he or she is willing to accept at a specified premium. In a way, this is still true today as new issues are usually brought to market by an underwriting syndicate in which each firm takes the responsibility (and risk) of selling its specific allotment.
Underwriting is an undertaking by a party/institution to take up the shares specified in
the agreement of underwriting if the public or other person fails to subscribe for them.
The part of public issue which is not subscribed by the general public is taken up by
underwriters. The agencies from which the underwriting services are available are
brokers, private insurance and investment companies, commercial banks and term
lending institutions. The underwriting of issues by prestigious institutions is supposed
to generate confidence among investors and improve their response to those issues.
An underwriter commits its own capital to purchase the shares from the issuer and
resell them to the public. An issue is underwritten by a single investment-banking
firm or by a group of them referred to as a syndicate. The underwriter may receive a
fee from the issuer in return for arranging the issue and marketing it to potential
investors.

**Bill Discounting:** Bills of exchange are similar to cheques and promissory notes.
They can be drawn by individuals or banks and are generally transferable by
endorsements. It is a non-interest-bearing written order used primarily in international
trade that binds one party to pay a fixed sum of money to another party at a
predetermined future date. The future date may be either fixed or negotiable.

As per Negotiable Instrument Act 1981, Bill of exchange is an instrument in writing
containing an unconditional order signed by the maker directing a certain person to
pay a certain sum of money only to, or to the order of, a certain person or to the bearer
of the instrument. The difference between a promissory note and a bill of exchange is
that this product is transferable and can bind one party to pay a third party that was
not involved in its creation. If these bills are issued by a bank, they can be referred to
as bank drafts. If they are issued by individuals, they can be referred to as trade drafts.
A bill of exchange must be in writing and signed and dated. Bill discounting is a
major activity with the banks. Under this type of lending, Bank takes the bill drawn by borrower on his (borrower's) customer and pays him immediately deducting some amount as discount/commission. The bank then presents the bill to the borrower's customer on the due date of the bill and collects the total amount. If the bill is delayed, the borrower or his customer pays the bank a pre-determined interest depending upon the terms of transaction. The transaction is practically an advance against the security of the bill and the discount represents the interest on the advance from the date of purchase of the bill until it is due for payment.

**Financial Lease:** A lease is the right to use or occupy personal property or real property given by a lessor (i.e owner of the property) to another person (usually called the lessee) for a fixed or indefinite period of time, whereby the lessee obtains exclusive possession of the property in return for paying the lessor a fixed or determinable payment.

A Financial Lease is a means of financing capital equipments. It is a contract between the lessor and the lessee for the hire of a specific asset selected from a manufacturer / supplier of lessee's choice in keeping with the lessee's requirements. The lessee has possession of the asset and uses the same on payment of installments comprising a capital repayment component plus interest calculated on the basis of the anticipated terms of the agreement, while the lessor retains ownership of the asset. All the risks (major or minor) and rewards of ownership are normally transferred to the lessee and the obligations are non-cancellable. The lessee is to bear the costs of insurance, maintenance and other related costs and expenses for the leased equipment. A Financial Lease also known as capital lease or full pay-out lease. The leased asset remains the property of the leasing company/lessor for the duration of the lease
agreement. A financial lease is usually non-cancellable and must be fully paid out over its term.

On expiration of the lease, the lessee may renew the lease, exercise an option to buy the leased property or return it to the lessor. The “leased property” is defined as any real property and movable durable property (including the accessory technologies) other than natural resources. Examples include (i) equipment, machinery and instruments; and (ii) vehicle, vessels, aircraft and space shuttles. The financial lease rent shall be determined by the cost of the leased property plus the reasonable profit of the lessor, unless otherwise agreed by the parties. When the lessee possesses the leased property, any damages, losses and risks to the leased property shall be the sole responsibility of the lessee, unless otherwise agreed upon by the parties.

**Self-Help Group:** A Self-help Group (SHG) is a voluntary gathering of people who share a common problem, condition or history. By coming together, members share and support ideas on how to cope and live a more productive and fulfilling life. Membership is usually free, on-going and open to new members. These groups are formed at local level mostly by under-privileged persons with the idea of developing financial stability and money management capacity through internal loaning of their own savings. SHGs also play an important role in health care system. Members take responsibility for each other in self-help groups.

SHG’s are generally formed with 10 to 20 members. All the members contribute equally (say 1 or 2 rupees each day) to form a monthly corpus. SHG’s with some proven track record of stability can also approach banks or other financial institutions for loans in the name of the group, which can also be used as corpus of the SHG. This corpus is lent to one or two members (many-atimes by rotation) who pay back this
loan amount with a certain amount of interest. The interest component can be divided by the members among themselves. The member/members who contract the loan can use the amount for any purpose, household or enterprise. It may be noted that in these cases, the activity of the SHG is confined to providing loans to the members and the members can pursue any activity of their choice. Such SHG’s were considered as engaged in financial intermediation. If such a SHG was registered as a cooperative credit society, then it was treated as a cooperative credit society and not a SHG. Thus all such SHG’s and co-operative credit societies were considered as financial enterprises and data were recorded in the same manner as for other financial enterprises.

Non-profit Institutions (NPIs): Non-profit institutions are legal or social entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them. In practice, their productive activities are bound to generate either surpluses or deficits but any surpluses they happen to make cannot be appropriated by other institutional units. The articles of association by which they are established are drawn up in such a way that the institutional units which control or manage them are not entitled to a share in any profits or other income which they receive. For this reason, they are frequently exempted from various kinds of taxes.

The objectives of NPIs created by other institutional units - whether persons, corporations, or government – are varied. For example, NPIs may be created to provide services for the benefit of the persons or corporations who control or finance them; or they may be created for charitable, philanthropic or welfare reasons to provide goods or services to other persons in need; or they may be intended to provide health or education services for a fee, but not for profit; or they may be intended to
promote the interests of pressure groups in business or politics; etc. Although they may provide services to groups of persons or institutional units, they are, by convention, deemed to produce only individual services and not collective services.

NPIs may be financed and controlled by government agencies or non-governmental agencies. An NPI which is mainly financed and controlled by non-governmental agencies is called a Private NPI.

**Compensation of employees:** Compensation of employees is the total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the employee during the accounting period. It is recorded on accrual basis, i.e. measured by the value of remuneration in cash or in kind which an employee becomes entitled to receive from an employer in respect of work done during the relevant period, whether paid in advance, simultaneously or in arrears. Self employed persons (like working owners or unpaid family workers) receive mixed income and not compensation of employees. However, the books of accounts of some enterprises show salary payment to one or two working owners. In such cases, these payments were recorded as compensation to employee. Compensation of employees has two main components, i) wages and salaries payable in cash or in kind and ii) value of social contributions payable by the employer. Wages and salaries also included goods or services provided to employees as remuneration in kind instead of, or in addition to, remuneration in cash.

**Taxes on Products:** Taxes are compulsory, unrequited payments, in cash or in kind, made by institutional units to government units. A tax on a product is a tax that is payable per unit of some good or service. Tax on product may be a specific amount of money per unit of quantity of a good or service, the quantity being measured either in
terms of discrete units or continuous physical variables such as volume, weight, strength, distance, time, etc. or it may be calculated *ad valorem* as a specified percentage of the price per unit or value of the goods and services transacted. Some examples of taxes on products are VAT, excise duties, general sales tax, service tax, export duties, turnover tax, taxes on financial and capital transactions (mainly inheritances and gifts), etc.

**Taxes on Production:** *Taxes on production consist of all taxes that the enterprise incurs as a result of engaging in production.* It is payable irrespective of the profitability of the enterprise and consists of all taxes except those included under ‘Taxes on Products’. Some examples of taxes on production are recurrent taxes on land, buildings or other structures, business or professional licence fees, road tax and registration fee of vehicles, taxes on pollution, taxes on international transactions such as travel abroad, foreign remittances, etc. Stamp taxes on sale of specified products, which relate to per unit of product sold (e.g., per unit of alcoholic beverages) will be considered as taxes on products, but other stamp taxes (e.g., stamps on legal documents or cheques) will be considered as taxes on production.

**Subsidies:** Subsidies are current unrequited payments that government units, including non-resident government units, make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods and services which they produce, sell, import or export. Subsidies can also be received by an enterprise for achieving a particular type of efficiency in production (e.g., getting ISO certification, implementing pollution control measures, repaying interests in time, etc.).
Subsidies are equivalent to negative taxes on production in so far as the impact on the operating surplus is in the opposite direction to that of taxes on production. Subsidies can be on production or on interest. Various types of subsidies are back-end subsidies on interest, export subsidies, duty drawback, etc. Subsidies do not include grants that governments may make to enterprises in order to finance their capital formation, or compensate them for damage to their capital assets, such grant being treated as capital transfers.

**Transfers**: A transfer is a transaction in which an institutional unit provides a good, service or asset to another unit without receiving from the later any good, service or asset in return. A cash transfer consists of the payment of currency or transferable deposit by one unit to another without any counterpart (or return). A transfer in kind consists either of the transfer of ownership of a good or asset, other than cash, or provision of a service, again without any counterpart (or return).

Transfers may be either current or capital. A transfer in kind is capital when it consists of the transfer of ownership of an asset, other than inventories. A transfer in cash is capital when it is linked to, or conditional on, the acquisition or disposal of an asset (other than inventories) by one or both parties to the transaction. Current transfers consist of all transfers that are not transfers of capital. Capital transfers tend to be comparatively large, infrequent and irregular, whereas current transfers tend to be comparatively small and often made frequently and regularly. Three main types of current transfers are a) current taxes on income, wealth etc. b) social contributions and benefits) other current transfers.

**Operating Expenses**: The total value of services purchased and other expenses incurred during the reference period by an enterprise on raw materials, electricity,
fuel, lubricants and auxiliary materials consumed; cost of maintenance, etc was considered as ‘operating expenses’.

**Receipts:** The sale value of services produced together with the value of services rendered to other concerns and other receipts incidental to entrepreneurial activities including the value of products and by-products manufactured, if any, by an enterprise during the reference period was considered as ‘total receipts’.

**Gross Value Added:** Gross value added is taken as additional value created by the process of production of an enterprise to the economy. Gross value added is calculated by deducting ‘total operating expenses’ from the value of ‘total receipts’ during the reference period.