Chapter 7

ANALYSIS OF IMPACT OF CONSULTANCY SERVICES ON OPERATING PERFORMANCE

7.1 Introduction

In Chapter 5, the analysis on determinants of consultancy was presented, mainly based on the survey of the small enterprises. The hypotheses were tested in Chapter 6. Survey used a structured questionnaire, and open discussions to further probe some of the issues on consultancy intervention, managerial competencies of owner-managers and general problems and prospects for small enterprise consultancy.

The analysis and findings based on quantitative methods have successfully brought out the key issues about determinants of small enterprise consultancy. The research methodology chosen provided for analysis based on a combination of quantitative and qualitative approaches. Therefore this chapter presents the impact of consultancy intervention on the performance of small enterprises using case studies. The case study analyses a set of 20 small enterprises among the 60 respondent units. The 20 units were selected randomly. The case studies would present the background of the entrepreneurs, their intentions to start the venture and trace the development from start-up stage to current operation and perceived impact of consultancy on success / failure of units.

Key data assessed pertain to owner-manager as well as the enterprise. Owner-manager’s information seeking behaviour was rated as high / normal / low, depending on the responses to question on information seeking behaviour. Less than 3 sources contacted were considered low, up to 6 sources normal and above 7 was considered as
high information seeking tendency. Sources for managerial competency was measured on a five-point Likert scale (5 = strongly agree, 1 = strongly disagree), for a set of five attributes stated in the question. Similarly on five point Likert scale consultancy usage rate, as well as perceived success rating of the enterprise were measured. These key data were used to assess the usage level of consultancy and overall success / failure categorisation of the unit. The life cycle stage was also identified based on the discussion had with the owner-managers. The analysis led to four types of enterprises categorised as follows:

Type 1: Small enterprises, which used external consultancy services extensively, and performed well and were rated as successful.

Type 2: Small enterprises, which used external consultancy services, but performed not so well and were rated unsuccessful.

Type 3: Small enterprises, which did not use external consultants / had low usage of consultancy, but were successful.

Type 4: Small enterprises, which did not use external consultants / had very low use of consultancy and were unsuccessful.

The overall rating of successful or unsuccessful was based on the perception of the owner-managers, considering their return on equity.

The difference between Type 1 and Type 2 enterprises, as well as between Type 3 and Type 4 enterprises would reflect on the nature of impact of consultancy on performance of the enterprise. The list of units falling under each type is discussed later in this chapter.

The brief case studies of the 20 units are presented as follows:
7.2 Case Study Analysis

Twenty case studies are presented. As the research is for academic purpose the names of the small enterprises and their owner-managers have been changed suitably to safeguard the interest of the respondents.

7.2.1 Modern Pavers

i. Product manufactured : Paver blocks, Hollow and Solid concrete blocks  
ii. Year of establishment : 1987  
iii. Capacity : 24 lakh sq. ft per annum  

Promoter's Background: The chief promoter, Mr Raman is a civil engineer, and had management education. Having 14 years of previous experience in India and Gulf in transport industry as well in construction project implementation and production areas, he launched Modern Pavers, with imported machinery. His previous experience in concrete technology and hydraulic machinery backed him in new venture creation. Mr Raman, hailing from a family having agriculture as occupation, wanted to excel in his own field of engineering and management. He wanted to develop innovative products too. His family members provided support in his venture start up. He also attended a six month training programme on concrete technology.

Owner-manager Capabilities: He was very confident to launch the project for concrete interlock paving blocks and hollow blocks. He contacted several agencies including government departments, banks and Karnataka State Financial Corporation. Information seeking behaviour in his case was high. He had an open mind. His decision-making was based on past experience and facts and opinions.
Paving blocks did not exist in civil construction work in 1987. Therefore Mr Raman had taken calculated risk to introduce a new innovative product i.e., paving blocks. Usage of hollow blocks as a building material had just then begun.

Start-up Stage: The unit was established in 1987 with best of the machines for manufacture of paving blocks and hollow blocks. Presses were imported and other material handling equipment was indigenous. In the initial 3-4 years, the unit had considerable problems, as the products did not find sufficient market. The liabilities mounted. The product concept involving interlocking paving was not known in construction sector. However after break-through in market and quality work execution, the market started picking up. Then onwards Modern Pavers did not have to look back.

Current Performance: The products of Modern Pavers are known in construction industry as quality products, supported by extensive field service for laying. The unit expanded its capacity substantially. Also it promoted a few sister concerns to manufacture hollow block manufacturing machinery, construction work, rock products and floor tiles.

Modern Pavers has grown both in its product range and market coverage. It has functional managers, general managers and managers at operational level. As regards products, interlocked paving block was a new product introduced by Modern Pavers. It continuously improved the product. It received the Best Industry award in Karnataka State and Best Performance and Best Product awards at national level. It has in-house development and testing facility. Quality-wise products were superior and the brand image is strong.
In the main unit it employs 42 persons including 20 in the office. The office is equipped with computers and system, which are used for accounts, finance and marketing data and reporting. The company is professionally managed, and the Managing Director, being himself an MBA, is a visionary leader and successful entrepreneur-manager. The case provides insights about the initial difficulties faced in introducing a new product in building material industry, and how a turn-around and growth were achieved later, due to sustained market expansion and quality.

**Consultancy Intervention:** The promoter's himself was a qualified engineer, and had relevant experience. Hence he took moderate assistance of consultants in start-up stage. He networked with local educational institutes, management schools through out his growth phase to avail assistance for improving product quality, marketing, computerisation, costing and pricing. He keeps active interaction with industry associations and as such was the president of the association for few years. He took keen interest in his employees welfare, besides giving on-the-job training. He is not only a competent manager, but also a leader with clear vision for the future development of group of enterprises. He is a serial entrepreneur, and very successful also.

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7.2.2 Crisp Packaging Industry

i. Product manufactured : Egg-trays (from paper pulp)
ii. Year of establishment : 1994
iii. Organisation : Proprietary
iv. Capacity : 6000 trays / shift
v. Capital investment : Rs 47.25 lakhs

Promoter's Background: Mr Vincent promoted the unit in the year 1994, as a proprietary concern. He was around 32 years of age at that time. Earlier he had been operating a transport service with three buses. He had also keen interest in videography and was engaged in this activity also. After his early years of education in schools and colleges, he started the business activity and managed it for 12 years.

A friend and a businessman of Vincent suggested that manufacture of egg trays from waste paper would be an attractive proposal. Vincent too was thinking of discontinuing the transport service and videography business and to set up a small-scale industry. His father was also an entrepreneur. He had encouraged him and agreed to help financially. Thus the family support and guidance was predominantly observed in this case.

Vincent wanted to establish the egg-tray manufacturing unit with project cost of around Rs 15 lakhs. He contacted Chartered Accountants, who prepared the project report. He did a quick market survey to assess the market demand by contacting retailers and hatcheries. The market potential was not clear. But the word-of-mouth advice by his friend convinced him about market feasibility. A turnkey equipment supplier-cum-consultant from Kerala, furnished him the process details, plant and machinery prices and other technical details required for setting up the unit.
The project was established with term loan from KSFC. The project, after commissioning, unfortunately did not achieve the rated production of around 1400 trays/hour. Drying of the trays was a problem.

This is an over-invested project. The capacity achieved was almost 50% of the rated capacity. It appears that the promoter did not have thorough prior knowledge of the production process or product market, and the investment in plant and machinery appeared to be quite high, particularly for the drying facilities. The employment potential was only for 6 persons.

The unit was facing a few critical problems such as i) low level of production and sales, ii) Accumulated losses, iii) Stoppage of production in rainy season due to lack of drying facilities. The overall performance was below average. Vincent was surrounded by challenges of making the unit viable.

As the unit was operating far below the break-even level, the average sales revenue has been very low. For break even, at least around Rs 40 lakhs sales was required. Regarding competition, there were not many such units in Karnataka.

Consultancy Intervention: The unit faced competition for its product from plastic egg-trays manufacturers. But many poultry farms require paper egg-trays for hatchery eggs. The hatchery egg size is also different. Vincent has been able to produce reasonably good quality egg trays for hatchery eggs. His problem has been cost effective drying, as thermic fluid dryer was costly. He was looking for the help of a technical consultant to solve his drying problem. But his capacity to pay the consultancy fee and investment for modification, if any, was weak. He did not get a solution to the drying problem.
**Owner-manager Capabilities:** Though the owner-manager has previous business experience, he did not have any relevant experience in the venture launched. His information seeking tendency was low. He is highly committed and hard working, despite facing severe operational problems. He lacks managerial competencies. He was not adequately equipped with costing-pricing decisions. Though Vincent has been infusing additional funds to keep his unit surviving, the hurdles before him to revive appear to be tough and challenging too.

This is a case, where the owner-manager faced series of crisis from the inception, but he did not make serious efforts to solve them. His basic problem of low operation level remained. He did not consult any outsiders for help seriously. The unit is considered as a failure.

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**7.2.3 Super Seals Private Limited**

i. **Products manufactured** : Construction chemicals: Waterproof and weather proof compounds.

ii. **Year of establishment** : 1976

iii. **Capacity** : 40 tonnes per annum

iv. **Capital investment** : Rs 15 lakhs (initial)
**Promoters' Background:** late Dr Venu, a research scientist who was a postgraduate in science and a Ph. D, promoted the unit. He was a Senior Research Scientist at a National Laboratory. His wife was also a researcher. The product development idea was germinated during their working career. After 20 years of work experience, Dr Venu resigned, came back to his native place, where he had land and property. Both husband and wife then persuaded the idea to develop construction chemicals (water proofing compounds) and a textile ancillary product (a gum).

**Production Facilities:** The company over the last two decades developed a number of construction chemicals through in-house R&D work. To test its products, initially it used the facilities at local engineering colleges. The test reports certified the quality of products for commercialisation. The company developed powerful and reliable water proofing admixtures with ISI mark. It was successful and today finds wide applications.

To further take up development of a number of allied products, the company promoted a sister concern, for chemicals. This unit manufactures a variety of concrete admixtures, super plasticisers, pumping aids, accelerators, mortar plasticisers, adhesives, bonding agents, curing compounds, and so on. The company has complete chemical processing plant, testing laboratories and R&D set up.

Super Seals is a successful, product technology driven company. But the initial years of early 1980s were difficult ones. While setting up the venture, the procedural formalities and delays in project appraisal and financing stage have left a deep impression and bad experience for the promoters.
Consultancy Intervention: The enterprise had taken consultancy for project formulation, product testing, market development, customer feedback study, taxation and accounting. A high rate of consultant intervention was noticed.

Owner-manager Capabilities: Though the founder is no more, his family members manage the enterprise. High orientation for technology and new product development were observed. The two sons of the founders have professionalised the operations management. Marketing management, good practices in sales, distribution, demand forecasting and so on were observed. Strategic planning was noted. Consultancy services were used. The family members had participated in management training. In a nutshell a professional management was noted in this family owned enterprise.

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<td>→ Overall category : High use of consultancy; Successful; Type 1</td>
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7.2.4 Southern Lighting Industries Limited

i. Product manufactured :
   i) Luminaries for different applications such as motion picture studios, TV studios, video films, theatre lighting and street lighting
   ii) Electronic lighting controls
   iii) Ballasts, transformers and accessories

ii. Year of establishment : 1994 (Public Ltd. Company)
iii. Annual sales : Rs 10 crores
iv. Capital investment : Rs 400 lakhs initially

Promoter's Background: The founder promoters were seven friends at Bombay in 1970s. They come together by contributing Rs 5,000/- each to start Southern Industries, Bombay in the year 1971. Two of the promoters left the unit soon after the start up.

At that time, experimental TV broadcasting had just begun in India, and it was likely to be expanded in the country starting with metros. For this project, specialised studio lights were required. This was the opportunity the promoters decided to pursue. Initially the working capital was a problem. Banks did not support the unit. Machinery was bought on instalments. 1970-71 was a bad year. For shear survival, a few fabrication jobs were taken.

There was a silver line in the firm's operations. During 1972 Government of India floated tenders for studio lighting for four metro studios - Delhi, Madras, Calcutta and Bombay. The tender of Bombay based company was finally approved and orders were placed. Due to contact of promoters, Southern Lighting could execute sub contract work for this job. This was their important and pioneer work done in luminaries.

The second unit at Karnataka was established in 1994 at D.K. district as some of the founders belonged to the district. The well designed layout, and the modern factory buildings and equipment speak high of this professionally managed unit, having profound orientation to quality, excellence and relentless R&D work.

Production Facilities: Today Southern Lighting is in the top position in specialised lighting system design and manufacture in the country. The products manufactured are designed and developed in-house in their R&D centre.
A wide range of luminaries for motion picture studios, TV stations, theatre lighting, street lighting, industrial lighting, sports lighting, electronic lighting system, ballasts, transformers and accessories are manufactured.

The product development work at Southern Lighting is a continuous programme. The unit has entered into collaboration with USA Company for manufacture of sustained RGB lights. The product development was also supported by the marketing team and customer feedback.

In the motion picture production, special effects and day light effects are possible with HMI flicker free lighting which enable 24 frames / second speed of camera. For this, electronic flicker free ballast components were imported. A joint venture was formed with 'Day Light Electronic Pvt. Ltd.' a subsidiary of Southern Lighting with UK based Power Gem, Manchester. The high-tech product is very successful. It is an ISO 9001 company employing around 153 persons at Punaroor plant, working in one shift. Products are manufactured to BIS.

Marketing: The company markets its main products directly and other lighting accessories through distributors. Pricing is competitive and value based. The market is countrywide. Exports have been made to Bangladesh, Europe, Gulf and USA. Regular customer feedback is taken and after sales service is done.

Southern Lighting, a small enterprise has proved itself as an excellent case of high-tech product Development Company in luminaries and lighting designs in the country. It is perhaps the top ranking industrial unit in this field.
Owner-managers’ competency: One of the key promoter currently in charge of the overall management of the enterprise is its chief executive. Though he is a science graduate, he has acquired, over the years, industrial management skills. He is innovative and visionary. He has led the company toward growth, using product development and market expansion route. The enterprise being an ISO company, reflects professional management.

Consultancy Intervention: A very purposeful consultancy intervention was noticed here. The enterprise engaged a small enterprise consultant of Mangalore to prepare feasibility report to set up the project. This consultant was retained on a long-term basis, to take advantage during implementation of project, initial start-up stage, vender development and growth plan. The use of consultancy was high, involving greatly from inception of the enterprise to the start-up stage. Even at growth stage the services of the consultant are regularly taken for production planning and market expansion.

| Key data |
|-------------------|------------------|
| i) Owner-manager   |                  |
| → Information seeking tendency  : Moderate |
| → Managerial competency score      : 4.2 |
| ii) Enterprise       |                  |
| → Consultancy usage score  : 5.0 |
| → Success rating      : 4.0 |
| → Lifecycle stage     : Take-off |
| → Overall category    : High use of consultancy; Successful; Type 1 |

7.2.5 Classic Action Metals

i. Product manufactured : Welding electrodes
ii. Year of establishment : 1994
iii. Capacity : Two tonnes per day
iv. Ownership

v. Capital investment

: Proprietary
Rs 48 lakhs (initial); Rs 68 lakhs (at present)

Promoter's Background: Mr Gopal Bhat, a technocrat entrepreneur, established Classic Action Metals as an entrepreneurial venture. After completing his engineering studies in the year 1983, Bhat went to Bangalore and joined a private limited company as its Promoter Director. The company was engaged in the manufacture of HDPE woven sacks. It was a bad time, and unit did not function to its expected level of operations and soon became sick. The entrepreneurial nature of Bhat pushed him to get into some other line of new product development and manufacture.

While looking for project opportunity, he came across the advertisement of six week of Entrepreneurship Development Programme (EDP) in 1985. After getting selected and participating in the EDP, he had a better understanding of project opportunity identification, selection and formulation. He started looking for viable opportunities, which he could exploit to launch a new project. He finally selected a project for manufacture of welding electrodes. He did his own market survey in D.K., Kerala, Bangalore and other nearby regions to assess the market potential and status of manufacture and supply, price competition and trade practices. He also came across an advertisement about turnkey project assistance including supply of plant and machinery for manufacture of welding electrodes. This came very timely and Bhat contacted the turnkey consultant-cum-machinery supplier to assess the technical feasibility of the project. Later, he prepared the project report himself to seek financial assistance from Karnataka State Financial Corporation (KSFC).

To get term loan assistance from financial institutions he approached KSFC, Bangalore. Thereafter KSFC appraised the project and sanctioned the term loan of Rs 26 lakhs,
against a total capital investment of Rs 48 lakhs. He availed extensive help from the
turnkey consultant-cum-machinery supplier from Coimbatore, besides, Civil Engineers &
Architects, Chartered Accountants and TECSOK during project implementation. Several
agencies thus assisted him in different stages of his venture creation.

He was very confident at the time of start-up and meticulously planned for the project
implementation using bar chart and PERT. He also approached a management consultant
who was experienced in welding electrode manufacture to plan the process layout,
manpower and organisational structure. In August 1993 the civil work for foundation
was commenced and on 23 October 1994 the project was commissioned in 11 months
period.

Production Facilities: The unit has installed all the in-house facilities for manufacture of
welding electrodes using mild steel wires. The equipment includes wire straightening and
welding electrodes manufacturing machinery. Turnkey supplier from Coimbatore who
provided complete services for installation and training supplied the machinery. The
product market improved as the product quality, packing and distribution network got
established.

Full pledged testing laboratory was set up in 1998. The additional investment of nearly
Rs 20 lakhs was made. In this case also he took the assistance of engineering colleges and
consultants to decide upon the instrument for testing laboratory and the machinery. A
consultant from Chennai also was helpful in this matter.

Bhat is continuously looking for product improvement and he is currently developing a
special electrode for hard facing. Thus he wants to add new products. Obtaining BIS
certificate for the unit is his next priority. He systematically plans his production
operations, sales and finance. He has established necessary system in the production, market, accounts and administration. He has appointed production engineers, marketing engineers and a manager to take care of accounts. He uses the computerised system for monitoring the sales and managing the accounts and finance functions. To this extent extensive use of IT service were seen in the unit, including use of accounting packages and e-mail.

Consultancy Assistance, Technology Development: Success of the unit can partially be attributed to extensive technical assistance, management consultancy availed by the entrepreneur during his project start up and operations period. He emphatically indicated that his experience of using outside consultants was very successful. A consultant for process lay out and manpower planning during the project implementation period helped in timely project completion. Another consultant from Tamil Nadu, provided practical consultancy convincingly to tide over the problem of short supply of rutile material. Consultants from institutions as well as individuals helped in quality upgradation and so on. All these had impact on improving the performance of the unit. These consultancy interventions helped in improving decision making capability as well as planning and implementation skills. He kept himself abreast with latest development by going through the technical journals, literature, and web browsing. He attends important training programmes in management and production / operations area. His networking skills are excellent. He is an active member of Kanara Small Industries Association (KSIA). Currently he is the Treasurer. This unit is a clear case in taking extensive use of consultancy to improve its performance.
7.2.6 Flame Proof Industries

i. Product manufactured : Flame proof electrical equipment

ii. Year of establishment : 1991

iii. Capital investment Rs 14.65 lakhs

Promoter's Background: Mr Ram Pai, belonging to coastal Karnataka of the erstwhile D.K. district, is the promoter of this unit. Mr Pai belongs to a family of agriculturist had to migrate to Bombay for higher studies, which he did during his part time employment. At one stage he was working with Toyo Engineering Company of Japan. The work experience was in the related area of electrical switch gear and control gear design and manufacture, particularly those used in the process industries. He later decided to establish his own unit to manufacture flame proof, weather proof electrical switch gears and controls utilising his design and manufacturing experience.

His first unit performed well and is in operation even today. The products were sold in Maharashtra, Gujarat and other North Indian states. With this background of successful venture creation and operation at Bombay, he thought about his next unit to be established in Udupi area because he hails from nearby village. He thought that his new
venture would be able to manufacture and supply flame and weatherproof equipment for some of the major as well as mega projects being established in coastal Karnataka. In this location, though Pai had complete knowledge about the manufacture, market was to be established. After establishing the production facility it was found that market did not, and capacity utilisation was therefore low. Pai continued to operate mainly from Bombay works and could not involve fully in market development. It was let to the manager, who did not have technical background.

Product development work has been on going in the unit. It has developed IP66 protection standards for the flame proof, weather proof switch gears, without using neoprene gaskets. This has been patented and has necessary test certification.

Marketing: Main reason for establishing the unit in coastal Karnataka was to take advantage of major process industries being set up in the region. However it was later realised that the product market growth was not as per the expectation. The product quality was good but competition from other suppliers including sub-standard product manufacturers, as indicated by the unit, was a major hurdle. After the completion of major projects in the region the industries were procuring these items for replacement purpose only. Ultimate result was that, in spite of good quality products, sales was low effecting the financial results of the company.

Technical Assistance, R&D Support and Consultancy: Most of the technological development has been done by the promoter himself and with the efforts made at his Bombay unit. However at the product development stage, the unit has been in constant touch with R&D laboratories and design centres to get the product standardisation and testing done. The unit has developed neoprene gasket free, IP66 category flame proof equipment through its own product development work. There was no consultancy taken.
from outside agencies except services of Chartered Accountant. The consultancy need in marketing area was very much needed, as the works manager had limitation. The owner was mainly operating from his Bombay office.

To sum up this venture was started by a highly experienced entrepreneur. The product was unique and proven one. However, the unit did not engage in rigorous marketing efforts and market expansion programmes, neither engaged a consultant to explore the potential market. Therefore the project is operating at very low level.

This is a typical case of managing the second unit by remote monitoring approach due to the absence of owner-manager in the factory location. This resulted in failure.

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7.2.7 Supreme Pipes

i. Product manufactured : Rigid PVC pipes
ii. Year of establishment : 1993
iii. Organisation : Partnership
iv. Capital investment : Rs 75 lakhs.
v. Capacity : 600 tonnes per annum
Promoters' Background: Mr Sundar Bhat, a commerce graduate, and his family members were the founders of six plastic industries in and around Udupi. Of these Supreme Pipes is one. Starting with LDPE pipe and bag plant in 1966, the other units were established between 1972 and 2000.

Mr Bhat, his three brothers, and family members, jointly managed the family business. The vision and top-level managerial capabilities of Bhat has successfully percolated into all the six units. The units are performing well. It is noteworthy that the family members were well-trained to manage any of the six units, in case of urgency.

Production Facilities: Supreme Pipes has plastic extruder of Klockner Windsor make. The plant capacity is 600 tonne per annum on three shifts basis. The plant is operated continuously in peak demand periods. But lean months i.e., during rainy season it is shutdown as required. Material planning, production process, worker skills, inspection and quality control aspects have been interwoven effectively to achieve a high plant operating level of 90% and above. This is the key factor to the success of this PVC pipe manufacturing industry, where cost of raw material forms 75%-80% of the total costs. PVC pipes from 32 mm to 160 mm and blue threaded pipes from 16 mm - 50 mm are manufactured. Inspection and testing facilities have been set up.

Marketing: Marketing is done through distributors and dealers. Average sales revenue has been over Rs 260 lakhs per annum. Profit margin was low at 2 - 3%. Market area was Karnataka.

Consultancy Intervention: The promoters have acquired adequate technical and managerial skills, and shared among the members of close-knit family. Vision and the
leadership of Bhat were the key factors resulting in the overall growth and rapid expansion of the family business.

The promoters had enough experience in project execution, one after another in a span of 20-25 years. Hence the consultancy intervention was low. Only assistance availed was for audit and final accounting work. Bhat also was actively involved in small industry association work. His networking skills were extensive.

The enterprise is successful, and is in its growth path though consulting intervention was low. This was possibly due to managerial capability developed among the family members (6 nos.) from the early stage of their involvement in the business, and the visionary leadership, Bhat being the entrepreneurial-leader. There was practically no incidence of one-man rule and problem solving and decision making involved family members.

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7.2.8 Manipal Ayurvedics

i. Products manufactured : Ayurvedic proprietary medicines
ii. Year of establishment : 1993
iii. Organisation : Proprietary
iv. Capacity
  : 200 ltrs per day of liquid preparation

v. Capital investment
  : Rs 8 lakhs

Promoter's Background: Mr Ganesh Nayak promoted Manipal Ayurvedics as a proprietary concern. Nayak started the venture at a late age of around 49 years, having worked for nearly 30 years after his schooling. He had extensive experience in marketing, i.e., sales and distribution of consumer products and marketing for pharmaceutical products at Eros Pharma, Bangalore. But his life goal to own and successfully manage a small enterprise pushed him to take risk of leaving the job to become an entrepreneur. He decided finally to set up his venture namely, “Manipal Ayurvedics”, in 1994. In the initial years, the sales revenue was low at around Rs 1.7 lakhs per annum but at present with the marketing tie-up with Eros Pharma and another company in Mumbai, the unit has taken turn-around to increase its sales revenue to around Rs 6 lakhs per annum. He keeps in contact with other Ayurvedic product manufacturers and distributors.

Though the unit in the initial period struggled a lot to establish the market, later it developed a few proprietary medicines due to which the operations got stabilised. Nayak hopes that with the marketing tie up the sales revenue of the unit may reach a level of Rs 25 lakhs in a period of 5-6 years. Manipal Ayurvedics have developed proprietary medicines based on in-house development work and clinical trials conducted. The range of medicines includes appetisers, liver tonics, anti-acidity medicines, uterine tonics, cough syrups and so on. These are in syrup base as well as in capsule / tablet form.

Marketing: From the past one year, Nayak has been contacting pharmaceutical companies to avail marketing assistance. Due to this effort made by him, a pharma company from Bangalore and another unit at Mumbai came forward to market Manipal
Ayurvedics products at selected regions. The products have been branded namely, Liver.calm, U.calm and so on. At Manipal Ayurvedics besides developing proprietary medicines they have been constantly looking at reducing the manufacturing cost and alternative packing materials. Recently they started using PET bottles for syrups.

Consultancy Intervention: The start up investment was completely made by the promoter. He did not avail consultant’s help for project formulation or financing. Except part time assistance of Chartered Accountants, the enterprise has moderate intervention of outside consultants and financial institutions. The product manufacture was completely known as many of the medicines was proprietary ones. Awareness of market potential, marketing practices, sales and distribution were key strengths of the owner-manager.

This is a case of an entrepreneurial venture started based on the product selection linked to promoter’s previous marketing experience in pharmaceutical products. However the initial years of operation was not up to the level. But perseverance, hard work and networking skills of the promoter enabled the unit to develop proprietary medicines and establish a marketing tie up with a reputed pharmaceutical company manufacturing allopathic medicines. This was the key to the turn-around of Manipal Ayurvedics. Thus a proprietary ayurvedic medicine manufacturer strategically gets marketing tie-up with an allopathic medicine manufacturer and starts realising market expansion and increased sales. At present it is in survival stage.
7.2.9 Kar Caps Pvt. Ltd.

i. Products manufactured : Pilfer Proof Caps (P P Caps)

ii. Year of establishment : 1998 (takeover of the sick unit)

iii. Organisation : Private Limited Company

iv. Capital investment : Rs 15 lakhs

**Promoter’s Background:** Kar Caps Pvt. Ltd. was set up, after taking over a sick P.P. cap unit. Mr Henry, the present Managing Director of the company, decided to takeover the sick unit in 1998 to give a fresh life to the sick unit. He was aged 48 years when he took over. Henry was a technical person. He worked in India and later in Gulf for long years. Mr Henry did not have previous experience in P. P. cap manufacturing. His brother, a qualified and experienced die maker, helped him to decide about the take-over.

Having decided to take-over, he wanted to explore the reasons for the sickness. One of the reasons was concerning the quality of the product and the other related marketing. He too did not have adequate information about customers but he took his brother’s advice and contacts, which were very helpful. He explored the market by contacting several
customers mainly from breweries, distilleries, pharmaceutical companies and so on. Initially he got negative replies from many of such prospective customers.

To revive this unit, he affirmed that the technical support given by his brother and financial support of the family members were very important. He contacted a bank for working capital. He took assistance of die manufacturers for product development. He was very confident at the time of taking over the unit. For the last 2-3 years the performance of the unit has improved. According to Henry the present performance was good.

The total investment in the project is around Rs 15 lakhs and fixed assets are around Rs 11 lakhs. Henry has invested his own money for acquisition of fixed assets. While his wife looks after office administration, accounts & finance, Henry, supervises production, procurement of pre-printed aluminium sheets and marketing.

The present capacity is around 15 lakhs P. P. caps per month. This amounts to a production rate of approximately 67,000 P. P. caps per day. In case of urgency he operates in additional shifts. The unit engages six employees.

**Marketing:** Production and manufacture of P. P. caps requires close contact with the customers. This is an industrial product and P P cap design and printing has to be custom specific. The sales turnover was Rs 1 lakh when it was taken over, but currently it has reached a higher level. The growth in sales was significant. Henry expressed about further increase in sales revenue by market expansion plan. Marketing performance has been extremely good. His price is higher compared to competitor. He however gets the order because of the quality and timely delivery. He would require additional working capital for increased production levels.
The main problem faced by the unit was availability of skilled labour, competition from existing manufacturers of P. P. caps and incidences of delayed payment. Henry himself handles all the production and marketing functions. With his hard working nature he expects good work commitment from his employees. He believes in close and direct supervision of job. He is also concerned with employee welfare and provides food and facilities for overtime work and extends necessary medical help when required.

Consultancy Intervention: This case is a typical case of revival of a sick unit. Entire credit of revival goes to the owner-manager, Henry. He had the right background and technical and financial support that enabled him to produce quality goods to the satisfaction of the customers. Except for support from his brother and customer identification assistance, the owner-manager initially did not use external consultant to a greater extent. Later for productivity improvement and design, he took assistance of a technical consultant and he took assistance of a Chartered Accountant for accounting, costing and pricing. With his international work experience as a manager, he possessed managerial competencies to function as owner-manager.

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7.2.10 Kon Colours Pvt. Ltd.

i. Product manufactured : Master batches; a colouring agent for polymer processing

ii. Year of establishment : 1989

iii. Capacity : 1000 tonnes per annum

Promoters' Background: The chief promoter was Mr Vasanth, who was a Senior Finance Executive and Management consultant having vast experience. His team developed the product technology for the manufacture of master batch. Since 1989 the unit has delivered quality products that make complete colouring requirements of polymer processors. The promoters have expanded the production facility, after having started the operation in an industrial shed initially.

Production Facilities: Over the years, plastic master batch production plant, i.e., extruder and other process equipment, have been set up to achieve a sound production and quality control. This enabled the company to meet stringent quality expectation of its customers such as BPL, Whirlpool and other white goods manufacturing companies and plastic injection moulding industries. The unit had to face stiff competition from established large industries in Western India, who were market leaders.

The colour range can be matched with latest computer software for colour matching. Polymers and pigments for production are carefully selected to meet product standards, keeping in mind heat stability, light fastness, migration resistance properties.

Special master batches have been developed for washing machines, refrigerators and other customer durable goods. White, black and combined master batches, functional master batches, and functional additive master batches were the product range of the company.
The product development, process know-how, indigenously developed was a remarkable achievement of a small industry engaged in special technology based, high quality products to meet colouring requirements of polymer processors in the country.

**Marketing:** The product has found market all over the country. It is exported also. The company received Export Award. It also had an award for its excellent performance, securing first place among chemical and petrochemical industries for the period 1-4-1999 to 31-3-2000. The only threat the unit faced was the import of the master batches causing price competition.

The company had its in-house personal and development department for new product development / process modifications. The technology developed, used in product strategy, has enabled this innovative company achieve rapid growth and market expansion.

**Consultancy Intervention:** The main promoter was highly experienced professional and management consultant. Though initial stage it had taken assistance of Chartered Accountants and tax experts for their routine account, audit and tax matters, as the company grew, professional managers were inducted for functional areas. Company also encouraged short-term projects by management students to analysis their problems in productions, marketing areas. Additional investments were made to expand the facilities at a second factory. Thus, the external consultancy assistance availed together with in-house professional management practices enabled the company to perform extremely well.
This case is about a small enterprise that developed unique technology product in-house. The technology and professional management capability of the promoters was the key to growth and success.

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#### 7.2.11 Uro Enterprises

i. Products manufactured : Disposables for Urology applications

ii. Year of establishment : 1992

iii. Capacity / sales : Approximately Rs 6 lakhs per month

iv. Capital investment : Rs 10 lakhs (Udupi unit)

**Promoter's Background:** Mr Vijay initially set up Uro Enterprises, a small enterprise, in the year 1992. Vijay was a technical person. He had a Diploma in Mechanical Engineering way back in the year 1970. Initially he had technical training and workshop teaching experience of 10 years. He was also later employed at Gulf for seven years in a construction company. A mixed experience indeed. After returning from Gulf, he decided to become an entrepreneur.

He commenced initially by attending to certain medical equipment repairs at a major hospital. During this time the doctors in the Urology department suggested him to design and develop disposables for Urology applications. This was the starting point for Vijay.
He started the design and development work for the disposable items by establishing a unit, Uro Enterprises. Initially items manufactured were supplied and tested at the hospital and were found to be acceptable, and of good quality compared with imported items.

To start this venture, he had one more partner to support him, who was also working prior at Abudhabi. His family supported him in this new venture idea and doctors extended support and encouraged him. Financial support was available from his partner. Initially at Uro the operations were focussed on new product development activities, manufacture of dies and a few semi finished items. Some of these semi finished items were supplied to a firm in Bangalore, who finished these items, assembled and marketed them as medical disposable items. Therefore these initial operations helped to develop the product specifications.

Later in 1995, the unit was established at Manipal industrial estate with in-house manufacturing facilities. The unit stabilised its operation and manufactured range of disposable products for Urology such as kidney baskets, J hooks, vacuum pumps and other items.

**Production Facilities:** The main facilities required for manufacture of the disposables are die making set up, machine tools and other assembly facilities. Uro had these facilities in-house. Vijay with his vast experience in tool and die design and manufacture was able to take up the basic design and development work for the products. However he faced certain problems peculiar to his unit such as procurement of stainless steel tubes and wires, and nylon / teflon materials. He had some known source of vendors for outsourcing the components from Canada. He often sent the finished dies and got the
extruded components and other parts from abroad. He used Internet and e-mail for sourcing raw materials from abroad.

Over the years Vijay has developed new products for medical application. He was able to indigenous the product hitherto imported and improve the designs. Many of the products had to compete with the imported disposables from far eastern countries. The unit had nine employees.

Marketing: After initial years of the operation, the unit entered into marketing tie-up with a distribution company to market the products on all India basis. Expected turnover of the unit was around Rs 60-70 lakhs per annum. However, at present the distributors have not been able to aggressively market the products in the country. Therefore Vijay started selling through other pharmaceutical outlets and directly to hospitals. The pricing is based on cost plus, as well as on competitive basis. In the domestic market his products were priced 25-30% below the imported items.

Consultancy Intervention: Vijay using his design skills, tool making capabilities and innovative thinking, developed Most of the new products. Though, to begin with, he closely studied the imported products, he improved upon the design, materials used and developed the products to be cost effective. He often consulted and took advice and suggestions of the Urologists and other doctors. In this case, the external assistance taken from doctors was of great help and relevance to the success of the product development work. The open mind of the owner-manager, perseverance, networking, seeking outside help but together contributed to the performance of the unit.

Asked how he rated his performance this year, he replied that the present performance was just successful. Vijay has been able to use his vast technical experience for product
development. In the face of several problems faced, he used his information seeking nature, networking and problem solving skills to resolve the crisis. He is quite optimistic about the market growth for the products.

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7.2.12 Rainbow Industries

i. Product manufactured : Electronic colour sorting machines and tea processing machinery

ii. Year of starting : 1993

iii. Organisation : Proprietary concern

iv. Initial investment : Rs 1.25 lakhs

v. Investment after expansion and modernisation : Rs 90 lakhs

Promoters Background: Mr Venkat established Rainbow Industries in the year 1993. Belonging to a family having business background, Venkat decided to launch his new venture to manufacture electronic colour sorting machines used mainly in coffee curing works. A Bachelor degree holder in Mechanical Engineering, he had work experience as Engineer Trainee, and Design Engineer (4 years) in an engineering establishment. He had job related dissatisfaction and therefore decided to be independent. He wanted to excel in his own field. With this background, he had a strong desire to set-up a venture of his
own, using his knowledge and skills. He also considered that product should be new and technology based.

Venkat received an initial start-up help for the industrial shed. An owner-manager of a small enterprise at the industrial estate came forward to let out a small premises in his factory area to start the venture. This indeed was very timely. He worked hard to develop the design and details for the electronic colour-sorting machine, the product he had by then decided to manufacture. Thus Rainbow Industries was set up as a proprietary concern with very minimal infrastructure. Only certainty Venkat had was regarding the market potential for his product, which was being imported by the coffee curing works hitherto.

**Production Facilities:** Rainbow Industries, having started in a leased premises, installed a few workshop machinery by investing around Rs 1.25 lakhs in the project, of which investment in plant and machinery was around Rs 50,000/-. The promoter himself made the entire investment. Venkat had bright academic career in engineering and he used his subsequent design experience to develop the first product. He identified small enterprises in nearby areas to manufacture and supply, as per design and specifications, the parts and components required for the new machine. The microprocessor required for the machine was also developed. He did avail some outside consultancy of Chartered Accountants and legal experts during the product development stage. He was very confident about the success of his project.

After manufacturing the first machine and selling it, further enquiry started coming in and he wanted to establish a complete manufacturing set up. He moved to another shed in the industrial estate taken on lease and started expanding the operations. He set up a computer aided design facility. He had close interaction with end users and designed the
machinery to their specific needs. The main advantage in his case was price of the machine, which was quite competitive and lower compared to imported machinery. Therefore, being a hi-tech and innovative product, there was a growing demand for the machinery and the critical start-up period of one to two years passed off successfully. During this period he planned for further modernisation and expansion. Later on he set up a modern manufacturing facility at industrial area under his expansion plan.

Expansion / Diversification: In the growth phase of the unit he added other products such as tealeaves processing machinery. This too was quite successful. These machinery not only had domestic demand but also had export enquiries. He has exported tea-processing plants successfully to Srilanka and Indonesia. All through he wanted to keep his product quality excellent. He believed in doing the design, development and critical assembly work in-house. He did not invest heavily in shop floor machinery as he could identify vendors to supply parts and components to his specific needs. He sought advice of banks and Chartered Accountants while planning for growth.

Due to this commitment to R&D activities he was able to develop a range of machinery. The microprocessor based electronic sorting machine is sophisticated one, which includes microprocessor-based controls, optical device such as camera to sort the specific colour grains or seeds, and electro-mechanical device to separate coloured grains from the main stream.

Marketing: Marketing of the machinery was done mostly directly to the customers and in some areas dealers have been appointed. The pricing is on cost plus basis as well as on value basis. The unit has come out with product brochures and advertisement in journals in the area of coffee / tea processing. There were no showrooms. Majority of the market was in the southern region, mainly plantation companies. The unit had own sales force.
Product Development – Technical Consultancy: The first machine took clearly 8 to 9 months to develop and was sold successfully to a customer. During this product development stage, took technical assistance from a professor at Indian Institute of Science, Bangalore in the area of designing electronic devices. He also contacted a consultant in Bangalore for design work in the area of optics. He has been thinking about getting into joint venture with reputed foreign companies for manufacturing machinery such as roasters. The idea was mooted about five years back and he felt that if he had taken decision at the time it would have been beneficial. However considering the technological issues and equity participation he did not decide to enter into joint venture.

He availed the services of Chartered Accountants, legal and tax consultants to handle the problem areas. He indicated that lack of adequate finance, particularly working capital, and government regulations were the most critical problems faced by the unit at present.

Venkat is planning to get ISO 9001 certification and has already contacted a consultant to start the process. The owner-manager is technically competent, pragmatic and possesses techno managerial competence. These have contributed to the successful startup and accelerated the growth of the company.

When asked what were the key factors for his success, Venkat summed up saying that “Necessity is the mother of invention”. He began the entrepreneurial career by looking for the problems and the related needs of the customers and developed the products to meet customer specifications as well as satisfaction.

However when the enterprise intends to grow further in terms of its product line expansion, diversification and exports, it may require induction of professionals in functional areas. His wife who is an MBA currently assists Venkat. One of the problems
is lack of delegation. Induction of professionals may be required soon to manage the key areas of marketing and finance. He has already taken steps to recruit a senior executive in the marketing area. Enterprise is a proprietary concern. It may have to graduate into next form of organisation, possibly as a private limited company. It may have to also plan for global markets and global partners.

To conclude it can be summarised that high achievement motivation, complete familiarity with the product, cautious start-up with low investment, identification of technology required for the product and extensive development work thereafter, good planning abilities, a market survey done before launching the product, use of external consultants, at all stages, good networking capabilities have all contributed the success. It can be rated as a highly successful enterprise. The managerial competency score at 3.6 was lower compared to his results achieved. This was mainly because of low score on delegation. But his information seeking tendency was high.

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7.2.13 Standard Electricals

i. Product manufactured : Electrical transformers and Welding transformers; Rectifiers.

ii. Year of establishment : 1983
iii. Organisation  : Partnership firm
iv. Capacity  : 100 transformers per year.
v. Capital investment  : Rs 35 lakhs.

Promoter's Background: The main promoter of the unit, Mr Santosh, was a technical person, having a Diploma in Electrical Engineering. He had long years of experience in Hind Rectifiers, Bombay in production area. Later he worked as Director of M/s Star Delta Electronics for a few years. As this firm had problems and it was closed due to financial crisis, Santosh returned to his native district, with an intention to start his own venture. He planned for construction of factory shed for establishing ‘Standard Electricals’, a small enterprise for manufacture electrical of transformers. It was started as a partnership firm with two other partners in 1983.

The production started after a year, but soon the unit, faced problems, major one being the differences among the partners. The unit got closed. But Santosh did not stop his plans. His determination to re-establish the unit yielded good results. After two years, he settled the problem and restarted the unit as a new partnership firm, in 1988. The production was low in the initial years, limited to 5-6 transformers of 250 KVA capacity range. Rectifiers were also manufactured against orders.

Later the unit extended the manufacturing base, by adding machinery such as workshop equipment, welding facility, plate blending machinery, coil winding machine etc. Besides, he added building and storage facility. Santosh, being the key technical person to design and develop the products, had to also look after marketing and sales follow-up. The unit employed around 15 workers. A production engineer who has been fully trained in the design and production aspects supervises the operations at shop floor. Standard Electricals is today a successful unit.
The unit has developed design standards, jigs and fixture and test facilities. All the transformers have to be tested and certified for the rating. The steel stampings required for transformer core and the copper strips for winding are the brought out items. Normally production is based on firm order and advance payment.

Besides HT/LT transformers, unit also manufactures rectifiers. It has developed new products like battery chargers and auto starters for diesel generators set. The distribution transformers manufactured are in the capacity range from 63 KVA and up to 1600KVA. Around 100 transformers per annum have been manufactured in the recent years.

**Marketing:** The marketing was mostly done directly. The unit has established the markets in coastal Karnataka and neighbouring states. There were 2-3 main competitors for the unit in the state. Servicing of transformers of the Electricity Board was also undertaken. The unit has monitors the after sales needs and bills receivable. Its marketing department at Mumbai is active in sales penetration in Maharashtra state.

The annual sales turnover of the unit has improved considerably in last 4-5 years, from Rs 20 lakhs to nearly 4-5 times. The unit gets test certificates and quality control assistance from Central Power Research Institute (CPRI), Bangalore.

**Product Development and Consultancy Availed:** Standard Electricals has been successful in design and manufacture of a wide range of LT and HT transformers. This was possible because of the technical background and experience of the key promoter. It has developed new products such as rectifiers, battery chargers, welding transformers and auto starters for diesel generators. As product technology is considered, it has designed dry type transformer and soon will be introducing it in the market.
Santosh also took technical assistance of Professors of local engineering Institute’s and testing assistance from the research Institute CPRI. Chartered Accountants and tax professionals were assisting the unit in accounts, audit and tax matters. Financial management was noted to be good, as noted from the working capital management. With increase in sales, the unit managed working capital prudentially, by reducing bill receivable period. The overall performance of the enterprise is very good, and the impact of consulting, particularly in technical area was very relevant.

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### 7.2.14 Sunrise Aluminium Industries

- **i. Products manufactured**: Aluminium utensils
- **ii. Year of establishment**: 1987 (Manipal)
- **iii. Organisation**: Partnership
- **iv. Capital investment**: Rs 5 lakhs

**Promoter’s Background**: Mr Ramesh is the main promoter of Sunrise Aluminium. He was a Civil Engineering Diploma holder. He started the unit at an age of 22 years, after about a year of experience in a construction company. He belonged to a family having small business background. His parents encouraged independence. He was dissatisfied with the civil engineering site job, and wanted to set up an enterprise of his own and decided to establish a unit for manufacture of aluminium utensils. The family members...
and friends supported him. One of his friends provided the required help for process
development and machinery selection. Old machinery was purchased.

He did not approach consultants to prepare a project report, as he did not require any bank
finance to start with. The unit was started as an unorganised unit at Udupi in 1979 with
Rs 3000/- with production capacity of 50 kg / day. Later in 1986-87 the unit was
relocated.

To establish relocated unit, it took nearly 18 months. For this unit he availed Rs 3.75
lakhs of term loan from KSFC. His own investment was about Rs 1.25 lakhs. As the unit
had performed well in the initial 2-3 years and established the market, Ramesh did not
face much problems after commencing the relocated operations. Over the years, the unit
has developed a number of household aluminium utensil designs and products.
Concentrating on local / regional market the sales had stabilised.

Ramesh attributed his success to hard work, product quality and product range his unit
offered in the market. He is fully committed to his business and that is one of important
aspect he considers for successful operation of a small enterprise.

Production Facilities: The unit has basic infrastructure of factory sheds, spinning
machinery and raw material godown. Around 110 types of utensils are manufactured.
The capacity of the unit is around was 45 tonnes per annum. The unit works in one shift
basis, having 12 employees.

Marketing: The price is fixed based competitively on weight of the utensils that are sold.
There were three main competitors. The brand name of the product is “Tiger”.
Advertisement was not generally done. Promotional work was through salesmen. Market
was seasonal. The most critical problems faced at present, as per the owner, were competition in marketing, power interruption and taxation issues.

**Consultancy Intervention:** The unit has not availed any major external assistance of consultants or technical experts. However in the matter of accounts, finance and commercial matters the unit avails the service of Chartered Accountants. Ramesh almost manages the unit as solo operator, and has a committed group of shop floor employees. It was noted that the owner-manager had excellent interpersonal roles i.e., figure head, leader and liaison roles. Also he was strong in his decision and entrepreneurial role.

The unit represents a case of a small enterprise starting with no external financing, but with owner’s sweat equity. After initial years of stabilisation, it entered the growth path to develop into a modern production unit for aluminium utensils. The unit is successful because of quality of its products, distribution and sales set up and a committed team of production workers. The owner, totally committed to the business, spends long hours in the factory. He has one or two more projects in mind for growth / diversification. Though the consultancy intervention, other than from Chartered Accountant, is low, the unit is successful. The high managerial competency score of the owner-manager was high at a score of 4.4.

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7.2.15 Vita Energy Foods

i. Product manufactured : a) Vitaminised Glucose-D powder
 b) Pickles

ii. Year of establishment : 1990

iii. Capacity : a) 50 tonnes per annum (glucose powder)
 b) 50 tonnes per annum (pickles)

iv. Capital investment : Rs 15 lakhs.

Promoters' Background: The unit, a partnership firm, had Mr Shankar as the Managing Partner. Prior to establishing the unit, Shankar was working as a marketing manager in an established company selling food and other processed items. He decided to leave the job to start own unit under the self employment scheme of District Industries Centre. The unit could not take-off. Later he came to his native place in Udupi district and established Vita Energy Foods. The unit was later relocated at in an industrial estate in 1996.

The owner-manager has used his marketing experience very well to develop product-market strategy. The products were branded. He understood the importance of management skills for small enterprises. He attended various training programmes, for managers of SMEs. He regularly consulted Food Research Laboratory for process development for pickles and other products.

Production Facilities: The unit has set up facilities for glucose processing, vitamin addition and storage, weighing and packing. Production supervisor was trained. Regular feedback from customers regarding quality, appearance, packaging and taste were gathered and improvements were made. To monitor production data and sales information, the owner uses PC and software packages.
Marketing: The products were marketed mainly in nearby districts as well in major cities and towns in the state. Started with a sale of just Rs 3 lakhs p.a. in 1990. Unit has achieved an average sales of over Rs 50 lakhs p.a. at present. The product glucose has found good market in the region. This was achieved due to aggressive sales and distribution efforts. The unit also tried promotion, advertisement through City Cable, as strip advertisement, and sponsored two-hour live programme on TV. Competition in this product range is also severe as around 36 units are set up in the State. The owner-managers marketing skills were key for the success of marketing operation of the enterprise. He trains the field staff to handle retailers and to collect the bills in time.

Consultancy Assistance: The unit has performed reasonably well and the brand is established. The owner keeps analysing market trends, seeks technical consultancy assistance of Research Laboratory and makes plans for product-market development. Being quality conscious, he did not want to use pricing as a tool for competition; he rather likes to use quality and brand as tools for market development. Working capital inadequacy and market competition are the main problems faced by the unit. Despite competition from multinational companies, the unit has stabilised its operation in the State. Seasonality in production and sales is yet another problem the unit has to tackle in the months to come.

He has not approached any management consultants, but for attending management development programmes. But regularly he keeps in touch with Research Laboratory for process – product technology upgradation and information. As usual, for accounts and audit service of Chartered Accountant was engaged.

He takes interest in industrial estate association activities, besides participations in other social activities. His networking competency appeared to be well developed.
making was almost individualistic. His wife looks after the production supervision while he focuses more on marketing and funds management. Success of the unit was mainly depend on the owner-manager capability and his managerial focus, and consulting assistance availed both in technical and financial areas.

### Key data

**i) Owner-manager**

- Information seeking tendency: Moderate
- Managerial competency score: 4.2

**ii) Enterprise**

- Consultancy usage score: 4.0
- Success rating: 4.0
- Lifecycle stage: Transition from survival to success - growth stage.
- Overall category: Use of consultancy: moderate; Successful; Type 1

### 7.2.16 R. K Uniforms

**i. Products manufactured**: Uniform garments (for schools, colleges and hospitals)

**ii. Year of establishment**: 1996

**iii. Type of organisation**: Proprietary

**iv. Capital investment**: Rs 16.15 lakhs.

**Promoters’ Background**: Mr Radha Krishna, while studying in engineering college, used to wear workshop uniform during practical classes. Being at Manipal, having a number of educational institutes, schools and hospitals, he saw the demand for uniform garments. After completing his engineering, he decided to choose an entrepreneurial career. He belonged to a family of businessmen. It took long years before he established the R. K. Uniforms at the age of 34. Till that period, he attended an Entrepreneurship Development Programme conducted at an Engineering College, did market survey, and got engaged
actively in project selection for his venture. He finally decided on manufacture of uniform garments. He started manufacturing in home scale, while assisting his family business.

The unit engages 30 employees, mainly women. Located in a small town, his labour costs were lower. His performance during past three years was good, and the production capacity is around 15,000 pairs per annum. The unit manufactured mainly school, college and hospital uniforms. The business was seasonal and required heavy working capital.

Consultancy Assistance and Guidance: The owner-manager is highly motivated and committed. His information seeking nature was very visible. Having attended Entrepreneurship Development programme, he availed the follow-up and feasibility report assistance from the training institute. He also had series of discussions, regarding product, pricing and marketing issues with the trainer-motivator. Chartered Accountants assisted him to keep the books of accounts and financial data. His networking and continuous interaction seeking assistance from a local management institute and his trainers, proved to be very useful. Initial 2-3-year period was difficult for marketing the products, as the competition was tough. He used own methods for collecting marketing information on competition, prices and costs. He had keen desire to learn business concepts required for management and attended a few management development programmes. His inter-personal and marketing skills were honed during these programmes. Whenever he faced difficult situations, he did not hesitate to consult his banker, trainer or Chartered Accountant. He is an open-minded entrepreneur. He had adequate support from his bankers, who were confident about his financial dealings.

The unit has moved from break even to successful operations, yielding reasonable EBIT at 8-10 per cent of sales. His capital investment increased from Rs 2.75 lakhs in the beginning to
around Rs 16.00 lakhs in five years. Growth in employment was around 8 times. He believes in being a good human being and maintaining good employee relations.

<table>
<thead>
<tr>
<th>Key data</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Owner-manager</td>
</tr>
<tr>
<td>→ Information seeking tendency : Moderate</td>
</tr>
<tr>
<td>→ Managerial competency score : 3.8</td>
</tr>
<tr>
<td>ii) Enterprise</td>
</tr>
<tr>
<td>→ Consultancy usage score : 4.0</td>
</tr>
<tr>
<td>→ Success rating : 4.0</td>
</tr>
<tr>
<td>→ Lifecycle stage : Success – growth</td>
</tr>
<tr>
<td>→ Overall category : High use of consultancy; Successful; Type 1.</td>
</tr>
</tbody>
</table>

7.2.17 Reliance Solders

i. Products manufactured : Soldering wires
ii. Year of establishment : 1990
iii. Type of organization : Proprietary
iv. Capital investment : Rs 10 lakhs.

Promoter’s Background: The enterprise was set-up by Mr Anand, a diploma holder in metallurgical engineering. He had previous experience of about two years in a copper smelting unit, and a soldering wire manufacturing unit. At the age of around 30 years, he returned to his native district of Dakshina Kannada to become an entrepreneur.

Operations: The unit was established at an industrial estate. He started commercial production successfully. His only problem was inadequate working capital assistance from Bank, due to which even today the unit suffers. According to him, against a working capital requirement of about Rs 20 lakhs, his limit sanctioned was just around Rs 8.5 lakhs. Therefore he had no other way but to cut down production, reduce manpower and operate intermittently.
Marketing: The products were of good quality and reputed companies accepted the products and certified for the quality. Special soldering wire (lead free) for sealing cashew filled tins for exports was developed by this unit. Also the unit received Best Industry award in 1993.

Problems: Despite all these achievements and high sales potential, the actual performance continued deteriorating. This led to a very low capacity utilization of 18 – 20 per cent at present.

Consultancy Assistance: The owner-manager informed that he did not seek any assistance of external consultants to resolve his working capital problem with the bank. It was not very clear, why this happened. A unit, producing quality product was not able to raise adequate working capital required for procuring basic metals such as zinc, lead and tin, besides other materials. Due to the low operating level, servicing of the debt was a problem. Timely revival plan was also not drawn. The out standings were mounting high. The unit needed an independent management study to investigate the problem – financial and management. It appeared that the owner-manager did not look for solution, beyond his own means.

This case represents the situation of a unit capable of producing quality, and cost-effective product, but not able to continue operations, due to working capital paucity. The question is whether the mistake lies with the bank or the owner-manager. But if an intervention of an able consultant were availed to present the financial viability and market potential, the situation would have improved. The unit would have attained a profitable performance. The unit after, 10 years of starting, is operating at a very low performance.
7.2.18 Mangalore Castings

i. Products manufactured : Non-ferrous castings (diversification)

ii. Year of establishment : 1990

iii. Type of organization : Proprietary

iv. Capital investment : Rs 9.5 lakhs

Promoter's Background: Mr Gopal in an industrial shed at, Mangalore originally established M/s Mangalore Castings in early 1970s. The cast iron products manufactured were sold to tile industries. Till 1988 this unit was operating profitably. As the tile units became sick, in turn, demand for products of Mangalore Castings declined, and operations became almost stand still. A diversification project of the unit was implemented for a non-ferrous casting venture at a location about 30 kilometers from Mangalore.

The new unit had complete plant and machinery for non-ferrous metal melting, moulding, and casting. The investment was around Rs 9.50 lakhs. While establishing this unit in 1990, the founder's son Satish, a Metallurgical Engineer, was fully associated with the project. Due to power connection delays, the production was started in 1992. As the promoters had vast experience in foundry operations, the unit performed successfully.
from 1992-1998, and repaid the term loan. But 1998 onwards the orders declined severely, as many established large industries stopped procurement. The payments of earlier supply were delayed for 5-6 months. This was on account of general recession in industries, and the effect of imports of castings at lower prices. Despite the low overheads, it was not able to compete, in prices, with the imported castings from far east and China. This case shows how a small enterprise manufacturing an industrial component or part, becomes vulnerable from global economic changes, liberalisation and resulting cheaper imports.

Marketing thus became a tough and challenging function for the unit. It could not come out of the marketing problems of competition, declining order and delayed payments. The unit slipped from profitable operations to breakeven and even losses. Manpower was reduced. Operations became irregular and uneconomical.

In spite of profitable performance for initial 5-6 years after start-up, the unit faced the marketing problem, which became a major cause of its decline. The promoters have vast experience of three decades in managing foundry business. From the discussions, it appeared that, when business was performing well, future plans for market expansion, customer base expansion, product development activities were not sufficiently attended to. More attention was paid perhaps on current operations and profits. Even short term, i.e., 2-3 years planning could not be done.

The promoters did not take assistance of external consultancy assistance also. Reasons are not known. They were of the opinion that small enterprise consultants could not be found in small towns. If consultants from far off metropolitan areas were engaged, their services would be costly and the assignment may not be timely and cost-effective. The enterprise, thus faced a major problem of marketing the products. With no feasible
solution or hope of revival of the economy, the performance of the unit is likely to further
deteriorate. A consultancy intervention could help the survival of the unit that is much
needed. The managerial competency of owner-manager also need to be improved. The
case reflects the inability of the owner-managers to steer through recessions, as the unit
did not appear to be proactive in early 1988 (cast iron products at Mangalore), as well as
in 1998 (non-ferrous products in the diversification project). Both these situations were
similar and inadequate marketing management function was apparent.

| Key data |
|-----------------|-----------------|
| i) Owner-manager |                |
| → Information seeking tendency : High |
| → Managerial competency score : 3.8 |
| ii) Enterprise    |                |
| → Consultancy usage score : 1.0 |
| → Success rating : 3.0 |
| → Lifecycle stage : Survival |
| → Overall category : No consultancy intervention;
Breakeven to unsuccessful; Type 4. |

7.2.19 Master Concoodss

i. Product manufactured : Cement concrete building products (substitute for
wood)

ii. Year of establishment : 1977

iii. Type of organization : Proprietary

iv. Capital investment : Rs 30 lakhs.(total)

Promoter's Background: Cement concrete building product, a substitute for wood is one
of the unique products of Master Concoods, a small enterprise established in Dakshina
Kannada District. Mr Kumar, the promoter had innovated a number of building
construction items such as door and window frames, door panels, rafters and purlins,
substituting the use of conventional wood. Besides, a few of his important product range
includes various furniture's for offices, schools, colleges and household use, all made of concrete. The sleek looking, wood like finished Concood furnitures were highly cost effective and long lasting. Most importantly, Kumar proudly adds that these products have saved wood, the natural forest resources.

Kumar, a post-graduate in civil engineering, established Master Concoods in the year 1977. He served for one year as a lecturer. A strong desire to be independent and to excel in his own field through innovation pulled Kumar to become a successful technical entrepreneur.

Which product did Anadkumar choose? The obvious choice was building materials and related items, because these products were the outcome of the vision and the entrepreneurial activities initiated by his father. He wanted to use the product development and planning capabilities internalised from his father, and combine it with his innovativeness to setup his own venture. So Master Concoods was promoted as a proprietary concern in 1977. He was just 26 years old then.

The strong research orientation possessed by him encouraged him to develop many innovative products. Door and window frames were developed as cast concrete products with steel wire-mesh and steel bar reinforcement. Kumar, being a very practical engineer, did everything to take the feedback of customers to improve the products. There was no advertisement. He called these products as 'Concood', a substitute for wood by using concrete. Word of mouth spread and order started pouring in as the Concood door and window frames were cheaper by about 40% compared to wooden items, and were strong and durable.
Kumar started his work in 1977 with a financial assistance from Syndicate Bank. Out of the sanctioned and assistance of Rs 52,000/-, he availed only Rs 42,000/- from bank. His main investment was in land of 2 acres area. He purchased some used structurals to put up his shed. Total investment in the project was around Rs 1 lakh.

He contacted friends, teachers and prospective customers at the time of startup to seek their assistance and guidance. Initial years saw financial problems. As the business picked up, cash flow problems were faced. After the startup period, his products got market acceptance. Started with two workers only, the unit had a turnover of less than Rs 1 lakh per annum. He was confident about his product. He took assistance of his teachers, from engineering colleges for product development. Customer focus was very strong. He did not compromise on quality. Over the year business has grown. He invested later in 1990s around Rs 30 lakhs, after availing term loan from Karnataka State Financial Corporation (KSFC) to construct sheds required for expanded activities and acquiring welding machines. Workers were trained. His current worker strength has increased to around 200 including site supervisors. His sales increase in many folds, sales volume growing by 5-10% per annum.

Regarding problems faced in operations, Mr Kumar pointed out that governmental regulations, controls as well as sale tax, excise and Factory Acts were causing a lot of problems. He had to spend too much of his time in compliance on these. He strongly felt that these regulations should be done away with to pave the way of level playing.

The overall achievement of the unit can be rated as highly successful. Even today he keeps in touch with engineering colleges and encourages student projects. On welfare front, he has provided housing facility for workers, provides own canteen facilities and other benefits.
Regarding his managerial function, he had developed second line of technical and administrative persons to take care of the operation of the unit when he is not in town. Technically qualified engineers (3 nos.) have been employed who are on production supervision and product development and R&D work regularly. He mainly managed marketing. His decision-making involves analysis of situation, collecting relevant information, generating alternatives and deciding on the optimum solution. He also talks to his staff and workers and takes their view. Customer feedback was his important source for product improvement and marketing decisions.

**External Consultancy:** Regarding use of external assistance or consulting, being himself a civil engineer, he did not seek much of technical help from outsiders. He did not use internet and e-mail facilities. But for accounts and commercial issues, he has retained the services of consultants.

Master Concoods is a standing example of a technical entrepreneur’s commitment to innovate and pass on benefits to the society. This is a typical case of a highly innovative technical entrepreneur. The success of the unit is attributed to technological advantage of the product, continuous new product development, cost-effectiveness and extremely good group of committed supervisors and workers. Kumar leads them with his vision and motivation. His managerial competencies, learnt through his own experience and observations are noteworthy, though he did not possess an MBA. Success can be mainly attributed to his technical and managerial competencies.
Key data

i) Owner-manager
- Information seeking tendency : High
- Managerial competency score : 4.4 (high)

ii) Enterprise
- Consultancy usage score : 4.0
- Success rating : 5.0
- Lifecycle stage : Success – growth
- Overall category : Use of consultancy: moderate; Highly successful; Type 1.

7.2.20 GURUCHARAN INDUSTRIES

i. Product manufactured : Plastic extrusion machinery
ii. Year of establishment : 1996
iii. Type of organisation : Proprietary
iv. Capital investment : Rs. 15.0 Lakhs

Promoter’s Background: From rags to riches is the journey of Mr Jayakar, the proprietor of Gurucharan Industries, Baikampady, Mangalore. Jayakar has designed and manufactured a twin die head extruder, a high speed mono layer film plant. This was a great success as it saved around 60% power, and required less space. The productivity of the machine claimed by him was higher at around three times over the single head die machine. It was a great success. He has not only manufactured and supplied over 50 film plants but also developed other machines such as flexographic printing machines, polypropylene transparent blown film plant, straw and refill plant, scrap grinder successfully incorporating several improvements. Recently in 2001, he exported a film extruder plant to Mauritius.

He has vast experience of over 25 years in plastic processing, particularly in extrusion process, acquired during his working in plastic industries from his young age of 12 years...
onwards. As a boy, studied up to fourth standard only, his family could not support his
continuation of schooling. He joined 'Rajat Plastics', as an assistant with the help of some
friends for low wages. He took keen interest in the job and learnt the job skills with the
help of a fellow operator. He worked there up to 1982 and acquired considerable work
experience.

With the help of the Chartered Accountant of the factory where he later worked, he could
change the job to an established company industrial estate, engaged in plastic product
manufacture.

This paved his way for honing his skills to take calculated risk in design and development
of plastic packaging and processing machines, with the encouragement and support of the
company. He was encouraged to repair the machines at the factory. He was encouraged
to develop plastic bags required for packing cereals and other items in grocery shops. For
the first time in the country, he could successfully develop and produce special plastic
bags for grocery shops. In 1990, once again he developed a machine with twin extruder
barrels to manufacture plastic bags having strips, called as Zebra bags.

He worked in this company for nearly 12 years. This was the prime period in which he
consolidated his job skills, innovativeness, persistence, and achievement orientation. He
worked hard with great commitment. He did not have any higher education, leaving aside
technical education; but he could conceptualise the process, analyse the operating system,
visualise the machine design framework, and work on manufacturing details. He
improved the extruder screw design for better mixing of the molten plastic within the
extruder panel. The extrusion dies were positioned vertically for vertical take off savings
layout space. The gearbox was design as helical, instead of conventional warm reducer.
Thus the machinery developed had several superior features was efficient and cost-
effective. The machine designed by him and manufactured at the company found ready market.

At this stage a turning point came in his career, when his entrepreneurial spirit, hidden inside, rose to full bloom; he decided to quit his job and establish his own venture. On July 14, 1996, Jayakar established his new venture - Gurucharan Industries, for manufacture of plastic processing machines. At Gurucharan industries, he put in his best efforts to develop twin die head plastic film making machines. Compared to single die operation, twin die connected to an extruder, increases productivity by three times as claimed by him.

By 2001, he had manufactured and sold over 50 machine in India, all through word-of-mouth publicity he had from his customer, mainly located in Karnataka, Goa and Kerala. He has exported one single die film plant to Mauritius, based on website enquiry received. He proudly says that his website generated many enquiries from northern India and middle-east countries.

This self-made operator turned plastic machinery designer and manufacturer has provided job opportunities for over 50 persons in his units. At the age of 40, he is a satisfied entrepreneur.

Gurucharan Industries and Jayakar are inseparable and managing the enterprise is reflected in his total commitment. Except accounting, office work, e-mail and internet related work, all other work of inventory, design and production, as well as marketing tasks are attended by himself. There is no second line. His workers have been well trained by him. They have acquired multi-skills and were loyal to him. He did not
intend to add workforce for increased production requirements. Instead he prefers overtime work.

Consultancy Assistance: He has not taken any consulting / counselling assistance so far from technical and management consultants. He appears to have developed personal network with owners of the company where he worked for long years, as well as with other plastic manufacturers. He is a member of the Executive committee of Kanara Small Industries Association, Baikampady. He works almost for long hours from morning 8 A. M. to late night 10 P. M. in his factory. On Sundays he works for at least half a day.

As of today Jayakar's going is good. But he does not want to grow beyond a limit. He does not intend to recruit technical persons or managers. It would continue to be an owner centred and owner-managed unit. He says he stores everything in his mind, be it new product development details, design, improvement or costing for the products. His managerial capabilities may pose problems for growth. But whatever he had achieved in his own venture since 1996 is very impressive and his economic status has been lifted from rags to riches.

Success of Gurucharan Industries hinged entirely on Jayakar. He and his enterprise appear to be inseparable. Right time for stabilising and planning for growth has arrived, but with a clear plan to develop a second line in his organisation to take care of marketing, and finance functions. Market planning, costing and pricing, working capital management are some of the areas he can consider taking help of outside consultancy or services of Chartered Accountants.

This is a typical case of an extra ordinary success of an entrepreneur, hailing from rural family having low economic status. He no technical education, but was able to acquire
the practical skills to design and develop innovating machines for plastic extrusion. His ex-employer provided considerable encouragement and acted as mentor. No external consultant helped, but for accounting work. His understanding of business and its management is fully self-learnt and native. But outcome was an impressive result a growing successful enterprise.

Unless Jayakar employs professionals for his enterprise management, further growth may be detrimental. The solo-operator style cannot continue. Until now the cost effective, innovative product has driven the performance.

<table>
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<tbody>
<tr>
<td>i) <strong>Owner-manager</strong></td>
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<td>→ Information seeking tendency : Moderate</td>
</tr>
<tr>
<td>→ Managerial competency score : 3.8</td>
</tr>
<tr>
<td>ii) <strong>Enterprise</strong></td>
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<tr>
<td>→ Consultancy usage score : 2.0</td>
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<tr>
<td>→ Success rating : 5.0</td>
</tr>
<tr>
<td>→ Lifecycle stage : Success – growth</td>
</tr>
<tr>
<td>→ Overall category : Low consultancy; Very high performance; Type 3.</td>
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### 7.3 Impact of Consultancy

The analysis of these 20 units reveal about the information-seeking tendency, managerial competency of the owner-managers. Also the enterprise level data use of consultancy, and perceived success or failure of the unit were noted. As mentioned earlier, the twenty units were classified into type 1, 2, 3, and 4, considering the use of consultancy and the perceived success / failure. The results are presented in Table 7.1
Table 7.1
Analysis of Case Studies: Managerial Competency / Consultancy / Performance / Success category

<table>
<thead>
<tr>
<th>Sl. #</th>
<th>Name of Unit</th>
<th>Product</th>
<th>Information seeking</th>
<th>Managerial competency</th>
<th>Consultancy intervention</th>
<th>Performance</th>
<th>Success category (Type)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mangalore Castings</td>
<td>Nonferrous castings</td>
<td>High</td>
<td>3.8</td>
<td>1.0</td>
<td>3.0</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Crisp Packaging</td>
<td>Egg Trays</td>
<td>Low</td>
<td>3.6</td>
<td>2.0</td>
<td>2.0</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Flame Proof</td>
<td>Flame proof electronic equipment</td>
<td>Low</td>
<td>2.8</td>
<td>2.0</td>
<td>2.0</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Supreme Pipes</td>
<td>PVC pipes</td>
<td>High</td>
<td>4.4</td>
<td>2.0</td>
<td>4.0</td>
<td>3</td>
</tr>
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<td>5</td>
<td>Reliance Solders</td>
<td>Soldering wire</td>
<td>Low</td>
<td>3.2</td>
<td>2.0</td>
<td>3.0</td>
<td>4</td>
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<td>6</td>
<td>Gurucharan Industries</td>
<td>Plastic extrusion machine</td>
<td>Moderate</td>
<td>3.8</td>
<td>2.0</td>
<td>5.0</td>
<td>3</td>
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<td>7</td>
<td>Modern Pavers</td>
<td>Hollow Blocks</td>
<td>High</td>
<td>4.2</td>
<td>3.0</td>
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<td>8</td>
<td>Manipal Ayurvedics</td>
<td>Ayurvedic formulation</td>
<td>Low</td>
<td>4.0</td>
<td>3.0</td>
<td>3.0</td>
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<td>9</td>
<td>Kar Caps</td>
<td>PP caps</td>
<td>Moderate</td>
<td>4.6</td>
<td>3.0</td>
<td>4.0</td>
<td>1</td>
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<td>10</td>
<td>Sunrise Aluminium</td>
<td>Aluminium vessels</td>
<td>Moderate</td>
<td>4.4</td>
<td>3.0</td>
<td>4.0</td>
<td>1</td>
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<tr>
<td>11</td>
<td>Super Seals</td>
<td>Chemicals (water proofing)</td>
<td>High</td>
<td>4.4</td>
<td>4.0</td>
<td>4.0</td>
<td>1</td>
</tr>
<tr>
<td>Sl. #</td>
<td>Name of Unit</td>
<td>Product</td>
<td>Information seeking</td>
<td>Consultancy intervention</td>
<td>Managerial competency</td>
<td>Performance</td>
<td>Success category</td>
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<td>12.</td>
<td>Kon Colours</td>
<td>Colouring agents</td>
<td>High</td>
<td>4.2</td>
<td>4.0</td>
<td>4.0</td>
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<td>13.</td>
<td>Uro Enterprises</td>
<td>Disposables for urology</td>
<td>High</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
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<td>14.</td>
<td>Rainbow Industries</td>
<td>Electronic colour sorting machine</td>
<td>High</td>
<td>3.6</td>
<td>Moderate</td>
<td>4.0</td>
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<td>Standard Electricals</td>
<td>Transformer (HT)</td>
<td>High</td>
<td>4.4</td>
<td>4.0</td>
<td>4.0</td>
<td>1</td>
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<tr>
<td>16.</td>
<td>Vita Food</td>
<td>Glucose powder &amp; food items</td>
<td>Moderate</td>
<td>4.2</td>
<td>4.0</td>
<td>4.0</td>
<td>1</td>
</tr>
<tr>
<td>17.</td>
<td>R. K. Uniforms</td>
<td>Uniform garments</td>
<td>Moderate</td>
<td>3.8</td>
<td>4.0</td>
<td>4.0</td>
<td>1</td>
</tr>
<tr>
<td>18.</td>
<td>Master Concoods</td>
<td>Cement concrete housing components</td>
<td>High</td>
<td>4.2</td>
<td>4.0</td>
<td>5.0</td>
<td>1</td>
</tr>
<tr>
<td>19.</td>
<td>Southern Lighting.</td>
<td>Luminaire (lighting)</td>
<td>Moderate</td>
<td>4.2</td>
<td>5.0</td>
<td>5.0</td>
<td>1</td>
</tr>
<tr>
<td>20.</td>
<td>Classic Action</td>
<td>Welding Electrodes</td>
<td>High</td>
<td>4.6</td>
<td>5.0</td>
<td>4.0</td>
<td>1</td>
</tr>
</tbody>
</table>
It was found that perceived success was noted where the owner-manager had higher managerial competency. (examples: Modern Pavers, Classic Action, Kar Caps, Kon Colours, Standard Electricals, Sunrise Aluminium, Master Concoods)

It was also found that all the 14 units that availed moderate / high consultancy assistance were largely successful. It was also noted that wherever the consultancy scores were generally above 4.0, this supported the hypothesis no H3 (Chapter 6). The interrelation between managerial competency and use of consultancy and perceived success of the enterprise are graphically represented in fig.7.1.

![Diagram showing Relationship of Consultancy Intervention, Managerial Competency and Performance](image.png)

7.4 Summary

The background of the entrepreneurs, and the type of products varied. Hence any attempt to generalise will not be appropriate. Some of the specific findings presented are as follows:

1. Entrepreneurs seek information from various agencies, including consultants while deciding about the project to be selected. Such information-seeking tendency was found to be low, normal, and high. Higher this tendency, it was
observed that problems in project launching and start-up stage were lesser. Entrepreneurs need to develop information seeking habit, as new venture launch involves uncertainty and risk.

2. Despite the technical skills and previous experience, it is necessary to develop managerial competency among owner-managers to successfully manage their enterprises.

3. The typical assistance taken by most of the units were in the areas of accounts, audit and legal matters. They engaged Chartered Accountants and legal experts. Incidence of use of technical consultants and management consultants was comparatively less. Networking tendency was also observed. A clear case of mentoring was observed in the case of Gurucharan Industries. All such interventions were one of the several factors that helped owner-managers in their performance improvement, as indicated during the discussions with them. Thus the impact of consultancy on performance of the enterprise was observed as positive.

4. Enterprises were in different life cycle stages, from start-up to resource-maturity. In some instances, the units appeared to have drifted back from success to survival stage (Mangalore Casting, Uro Enterprises, Flame Proof).

5. The perception of owner-managers on the successful performance of the enterprise has relationship with many variables. One of the variables studied was intervention of external consultants. It was noted from the case analysis that owner-managers who had availed consultancy assistance experienced an impact on operating performance, leading to success (e.g. Classic Action, Rainbow, Standard Electricals).

6. There were specific cases, wherein, despite low / moderate intervention of consultants, the enterprise had shown higher success (e.g. Supreme Pipes, Modern
Pavers, Sunrise Aluminium, and Gurucharan Industries). However this does not lead to conclusion that no / low use of consultancy is any reason for achieving better operating performance.

7. There were also cases where there were failures, and external consultancy assistance sought was also lacking (Mangalore Castings, Crisp Packaging, Reliance Solders, Flame Proof).

8. Four classifications were observed based on success level Vs consultancy intervention as a variables. The results of these classification are as follows in Table 7.2:

Table 7.2
Classification of Enterprises on Use of Consultancy and Successful Performance

<table>
<thead>
<tr>
<th>Classifications</th>
<th>No. of Successful Units</th>
<th>No. of Unsuccessful Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Small enterprises that used external consultancy extensively / moderately</td>
<td>Type 1 (14 nos.)</td>
<td>Type 2 (nil)</td>
</tr>
<tr>
<td>ii) Small enterprise that did not use consultant / had low usage of consultants</td>
<td>Type 3 2 nos.</td>
<td>Type 4 4 nos.</td>
</tr>
</tbody>
</table>

It was observed that **Type 1 units > Type 2 units** there by indicating that all the units, which had higher consultancy intervention **Type 1**, were successful. The number of such units (14) was clearly more than unsuccessful (**Type 2**) units, which happened to be zero.

i) **Type 4 units > Type 3 units** indicating that units that did not use / had very low usage of consultants were more prone to failures. **Type 4 units** were 4, where as only 2 units of **Type 3** types emerged that were successful. Success
of Type 3 units could be attributed to the higher managerial competency scores.

The consultancy Vs impact on performance has been shown in Figure 7.2

Figure 7.2
Consultancy Vs Impact on Performance

<table>
<thead>
<tr>
<th></th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Type 3 (2)</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>Type 4 (4)</td>
<td>Type 2 (0)</td>
</tr>
<tr>
<td>Use of consultancy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Both the above results show that intervention of consultancy is one of the factors for improving performance of the enterprises.

The last chapter presents the summary of research findings, suggestions and direction for future research.