Chapter 8
SUMMARY OF FINDINGS AND SUGGESTIONS

This study was conducted in Dakshina Kannada district of Karnataka, to understand the problems and prospects of small enterprise consultancy, attitudes and determinants of consultancy and its impact on enterprise performance. The major findings of the study were: i). There was a positive relationship between use of consultancy and perceived enterprise performance, ii). Complexity of management was one of the main determinants of consultancy intervention, iii). There was significant and direct influence of use of consultancy on managerial competency of owner-managers, iv). Though the owner-managers attitude appeared favourable to engage the consultants, the actual use of the same was found to be moderate, and v). The competency, trust and confidentiality, and the reasonable fee were identified as the key factors for selection of consultants. The other major findings suggestions and directions for future research are presented in this chapter.

8.1 Summary of Findings
Before presenting the main summary of findings, an attempt has been made to present a few relevant findings on the background information of owner-managers of small enterprises studied, and their linkages to consultancy intervention.

Background of owner-managers and their enterprises:
Types of Organisation: Proprietary type of organization was prominent amongst the respondent units, followed by partnership type. In proprietary type units the owner-managers were solo operators and were overburdened with routine tasks. Delegation was
low. Therefore the respondent group of small enterprises exhibited greater potential for intervention of consultants.

**Education Level and Experience at Start-up Stage:** Though the education level of owner-mangers varied from secondary education to degree and postgraduate education, there was no strong influence of level of education on success / failure small enterprises.

As the ventures started were modern small enterprises in manufacturing sector, previous work experience was very relevant. The previous work experience was found predominantly in production supervision, due to which owner-managers had a tendency to manage the operations from the shop floor. However, marketing and financial management are very critical factors for them, consultancy intervention is relevant for their success.

**Motives to Start and Inter-linkages to Growth:** Motives to start the venture were different among entrepreneurs. Urge for improvement in economic status, independency and excel in own field were identified as the major motives. The spirit of enterprise drove such entrepreneurs. It was found that entrepreneurs who had growth motives inherent in them used networking and consultancy intervention during the growth stage.

**External Assistance Availed:** In the start-up stage, major sources of assistance's were banks, govt. agencies, family and friends, CAs, machinery suppliers, KSFC, prospective customers and consultants in the order of their choices. Consultants such as State Technical Consultancy Organisation (TECSOK) and central government sponsored Small Industry Service Institutes (SISI) were also contacted. Least contact was with the previous employers.
Start-Up Stage:

Initial Problems Faced: The predominant problem area was marketing and the next serious problem was in handling legal, regulatory issues, followed by inadequacy of infrastructure. It was found that the entrepreneurs themselves closely planned, implemented and monitored their projects, without seeking assistance from consultants. The small enterprises face major problems in collecting marketing information: Even banks and financial institutions stated the inadequacy in market feasibility data in proposals submitted by entrepreneurs for financing. The legal and taxation issues were seen as most frustrating ones by the entrepreneurs. As solo operators of small enterprises, the entrepreneurs felt that time spent on these compliances was wasteful and highly unproductive. Often services of intermediaries or agents were engaged to attend to these problems. Infrastructure inadequacy was another critical problem both in start-up and later stages. This was mainly due to electric power shortage; power cuts and load shedding often resorted to by State Electricity Corporation.

Assistance Availed: During start-up stage, the assistance sought was mostly for project identification, selection, and feasibility report preparation. Personnel selection, training, general management had less demand for consultants.

Number of Employees: Majority of the units had less than 30 employees. Therefore complexity of managing employees was not seen as a problem. Human resource management related problems were found to be less known in small enterprises. Loyalty and trust in employees were often more important considerations while employing the work force in start-up stage.
Enterprise Performance – Current Issues

Though data for performance measure such as production level, sales revenue and PBIT for past three years were collected. There was considerable hesitation by the owner-managers in disclosing actual data. There was an increasing trend in average capacity utilisation.

Sales Revenue: Around 53 per cent of enterprises had annual sales revenue less than Rs 50 lakhs per unit. The fund base of small enterprises being low and often weak, coupled with its lower bargaining power in matters of receivables, the financial management often proves to be a critical problem area. Services of Chartered Accountants were therefore availed by most of the respondent units.

PBIT: The average profit (PBIT), on aggregate basis of 60 units was Rs 10.66 lakhs, Rs 8.86 lakhs and Rs 7.10 lakhs respectively for the three years, starting from the current year. This showed an increasing trend in PBIT. However the financial data have to be interpreted cautiously, because of likely chances of window-dressing being done at the unit level.

Product-Process – Quality: Scope for technical consultancy for new product / process development, design and testing were found. Technology upgradation, modernisation is strategically very important to small enterprises because of increasing competition and globalisation. However the basic problem appears to be the availability of special technical consultants for wide range of products manufactured by small enterprises.

Use of Information Technology: Scope for Consultancy: It was found that use of computers in small enterprises was not very significant. Owner-manager’s usage rate of PCs was also quite low. Thus, in order to reduce employee related costs and to achieve
improved operational performance, there appears to be a vast scope for training owner-managers to introduce computers in their own work and enterprises.

**Current Problems:** Nature of problems does vary with the life cycle stages of small enterprises. The units surveyed were found to be in different life cycle stages. In majority of units, the problems in marketing, financial management and production areas (particularly infrastructure related) were predominant. It was noted that 86.7 per cent respondents indicated marketing as their main problem area. 58.3 per cent respondents experienced problem in finance and accounts.

**Consultancy Availed:** It was observed that 90% of respondent units had used the services of consultants. The major source of help in their problem solving has been Chartered Accountants and legal experts. The trust and confidence, together with client-consultant relation were reported to be extremely strong in this particular case. The owner-managers did not extensively use management consultancy.

**Problem Solving and Decision Making**

Small enterprises face a host of problems during their life stages. In case of severity of problems that remain unresolved, the units become sick. One of the important findings of studies done abroad and in India was that major cause of failure and related sickness was lack of adequate managerial competency of owner-managers. Therefore scope for consultancy is expected to grow in order to reduce the incidence of sickness and closure of units.

**Approach to problem solving and decision-making:** Results of the study were similar to the dominant model, intuitive model and survival model advocated by Chachadi
Of these three models, mainly the dominant and intuitive models were observed. It was found that many owner-managers use both approaches depending on exigencies. Some of them were found to be extremely open-minded / close-minded. From analysis of case studies it was observed that open-minded respondents were very much amenable for external consultancy assistance.

It was also found that owner-managers consulted mainly the CAs for problem solving and decision making as they had considerable trust and confidence in them, as mentors. The client-consultant relation was perceived as an important and sensitive area, effecting success / failure of consultancy assignment.

The study identified a positive relationship between use of consultancy and problem solving and decision making capabilities of owner-managers. This also highlights that the owner-managers attach importance to the managerial skill of problem solving and decision-making. Any deficiency in the skill was perceived to be affecting the enterprise performance.

**Networking:** The owner-managers use their networks such as small industry associations and other organizations to solve their problems. Majority of them were members of small industry associations. Around 50 per cent participated in the networking actively, as members of executive committees of the associations. This showed that seeking support from other organizations and associations were desirable for small enterprise problem solving.

**Small Enterprise Consultancy: Attitudes, Benefits and Dependency.**

**Attitudinal Issues:** The overall attitude of the owner-managers towards small enterprise consultants was positive. Owner-mangers showed highest attitudinal preference for
active involvement of consultants in implementation stage. Consultants were also seen as friends - philosophers - guides. Also 50% respondents had an attitude that consultancy use would improve the performance of their enterprises. Factor analysis indicated competency of consultants, trust and confidence, maintaining confidentiality, and active involvement in implementation as four factors that explain the attitude of owner managers towards consultants. These findings are important as client – consultant relations could be strengthened if the attitudinal issues are understood well and appropriately addressed by the consultants.

**Perceived benefits of Consultancy:** Managerial competency development and strategic planning capability development were the key benefits of consultancy intervention. Owner-managers perceive that management consultancy improves their managerial competency.

**Dependency:** It was found that the marketing strategy, strategic planning, production and financial management were dependent on the consultancy intervention. It was also found that stronger the negative view of owner-manager that he does not require external consultancy, lower will be consultancy usage and vice-versa.

**Competencies of Consultants**

The study concluded that the competencies covering experience, qualification and knowledge base, and analytical mind were consistently rated as most important features. Similarly, ability to work with owner-managers was also considered as a more important competency. Other competencies / factors such as negotiation skills, ability to give timely and cost-effective solutions, business contacts and networking capability, and responsiveness and action orientation were also seen as important.
The finding during the field survey was that, prima-facie in Dakshina Kannada district consultants with matching list of competencies were just not available. However, availability of a number of practicing Chartered Accountants in the district was adequate; but small enterprise consultants in management area were very few. The TCO of Karnataka, TECSOK located at Bangalore was mainly assisting new entrepreneurs in identification, selection and project report preparation

Prospects for Consultancy

Though in general the respondents agree (67%) to the usefulness of consultants, it is very interesting to note that 26% of them were indecisive of using consultants to their own enterprises. Regarding mode of engaging consultants, 80% of respondents favoured engaging consultants on case-to-case basis. The remaining 20% of them felt that small enterprises could engage consultants on a retainer basis, particularly for finance and legal issues.

It was observed that majority of owner manager considered Rs 500/- or less per day as a reasonable consultancy fee. This indicated that high cost consultancy might not be generally acceptable. The consultant has to work on need based flexible fee structure.

Marketing and financial management were considered as the key areas of consultancy for small enterprises. Consultants capable of handling consultancy in these key areas have good prospects, provided they are acceptable to the owner-managers based on their consultancy competencies or soft skills. Marketing related consultancy was noted to be having the highest potential.
Key Determinants of Consultancy Intervention:

It was found that the key determinants of consultancy intervention to related to management of complex production process / technological issues, high/risky investments, and product sensitivity to economic/environmental changes. In other words, in small enterprises, higher complexity on account of any or more of these determinants necessitates the need for consultancy intervention.

Interestingly, there is an insignificant correlation between use of consultants and complexity of market. This indicates that consultancy intervention does not appear to be having significant impact on external factors like market complexity. Similarly the size of skilled employees in enterprise may not prompt to seek consultancy intervention.

An important inference was that in the Indian context, despite the small enterprises being defined mainly on the magnitude of investment in plant and machinery, the consultancy intervention does not rest on investment alone. It depends on management involving the complexity of technology / process and environmental / economic changes.

Consultancy and Managerial Competency

It was found that there is a positive relationship between usage level of consultancy and level of managerial competency of owner-managers. In other words the consultancy intervention directly influences the managerial competency of owner-managers.

It could be inferred that in small enterprises, the owner-manager's capability to attend to managerial tasks of planning, organizing, monitoring, controlling and leading remains less developed, because of too much of pre-occupation with day-to-day
operational issues. Intervention of consultants would be therefore beneficial for developing the managerial competencies.

Consultancy and Success of Enterprise

It could be inferred that the consultancy assistance or intervention directly influences the success of an enterprise. This could be interpreted as consultancy as one of the factors for achieving success of the enterprise.

Consultancy and Problem Solving and Decision Making

The study observes that owner-managers who believe in usefulness of consultants in problem solving and decision-making also perceive an overall improvement in enterprise performance. This presents a strong reason interlinking performance to consultancy intervention.

Managerial Heuristics of Owner-Managers

The important finding from the study was that owner-managers regularly assumed role as negotiator, monitor, liaison person, entrepreneur, disturbance handler, while figurehead role was at low level. At interpersonal category, only figurehead role was less assumed, indicating not a very strong role orientation, but a moderate one. For information category roles, the average scores appeared to be higher than interpersonal category. A higher decision role-played by owner-managers. This analysis provides scope for enhancing the roles to be assumed in exigencies, under contingency approach to management.

Management Strategies

It was found from the study that the management strategies of owner-managers were predominantly i) adapting to changes as suggested by customers, ii) customer satisfaction,
iii) customer contact and iv) cost reduction. The least used strategy was SWOT analysis, used for assessing business environment. Involvement of family members in business and employee satisfaction was seemed to be low.

These findings would help in identifying gaps in managerial capabilities and strategic orientation and for suitably providing training and counseling support under process consultancy.

**Relation between Owner-Managers Competency, Managerial Competency and Use of Consultancy**

The study leads to an important finding that apparently there is no direct influence between owner-manager competency and managerial competency, but both are related individually to the use of consultancy. However consultancy intervention has an important role in influencing managerial competency of the owner-managers. In other words, for performance improvement of the enterprise, the development of managerial competency is desirable. For this, consulting intervention plays a key role.

**Performance Measurement - Subjective Factors**

It was found that cash flow, sales growth, sales volume and PBIT measures showed significant influence with success / performance indicator of the enterprises.

The total performance index, based on subjective measures, showed a significant positive influence with success / failure perception of owner-managers. It could be inferred that owner-managers appear to benchmark their success level, and work backwards to achieve a performance level in terms of sales growth, return on sales, cash flow, ROI, net profits and market share.
Impact of Consultancy

In chapter 7, case studies (20 nos.) were presented to find out the impact of consultancy on operating performance of enterprises. Information seeking behaviour, managerial competency scores, consultancy usage scores and performance scores were compared and the success / failure were categorised in to four types. These supplement and support the findings and conclusions based on quantitative analysis. The findings based on these are presented as follows:

1. The positive relationship between the use of external consultancy and impact on operating performance, thus leading to the success of the enterprise, has been supported in 14 case studies. It was also observed that higher managerial competency and a higher usage of consultancy were associated.

2. There were instances where a low / no usage of consultancy were observed, and the units were still successful. This was possibly on account of the strong techno-managerial background of the owner-managers and learning from their own experiences.

3. There were four cases having absence of consultancy usage or very low use of consultancy, and these were unsuccessful. Hence overall conclusion was drawn that consultancy intervention had positive impact on performance improvement, resulting in success of enterprises.

4. Information seeking habit and open mind of the owner-manager facilitates appreciation of use of external consultants.
5. Enterprises were in different life cycle stages. In some cases, the units appeared to drift back from success to survival stage.

6. Small enterprise owner-managers, in general, use services of Chartered Accountants, in whom they have more confidence and trust. Naturally, the use of management consultants or technical consultants was comparatively less. One of the reasons could be non-availability of such consultants in local areas.

Suggestions based on the findings are presented as follows:

8.2 Suggestions

Considering the various findings and conclusions of the study, the following suggestions have been made.

1. Need for certified small enterprise consultants: Small enterprises are dispersed across the country in urban, semi-urban as well as in rural areas also. The products/services offered by them also are diverse. With this scenario, availability of competent consultants in local areas may be limited, particularly in semi-urban and rural areas. To solve this problem, a pool or network of competent consultants could be developed, region-wise or state-wise. Therefore it is suggested that:

"On priority basis, an independent agency for consultancy development could be established under the government, financial institutions, or any non-governmental organisation or industry association. The proposed agency would identify consultancy needs, enlist competent consultants for small enterprises, conduct qualifying examinations, and issue certificates to eligible persons as "Certified Small Enterprise Consultants". A code of
conduct may also be prescribed for certified consultants. Banks, financial
institutions may suggest or insist upon engaging the services of certified
consultants by owner-managers of small enterprises, while they seek
financial assistance (term loan, working capital) for start-up or expansion
of their ventures".

2. Internet and web based Consultancy: With increasing use of Internet, web
based consultancy service is possible, and is becoming increasingly relevant. A
roaster of consultants could be developed, with classification on type of services
provided, expertise available and fee structure. Therefore it is suggested that:

"A quick initiative be taken to launch a website, at least to furnish
data about Indian consultants available on net, to serve the needs of
small enterprises. The website can also network to transfer
available technology / expertise from Indian small enterprises to
developing countries. Government, State Financial Corporations
and Small Industries Development Bank of India (SIDBI), TCOs, and
Industry Associations could support such initiative".

3. Marketing information needs: One of the problems faced by small enterprises is
lack of marketing information. They need updated market information and related
database of specific industry sectors. Scope exists for such database development.

It is suggested that:

"Small enterprise census / sample survey be done more frequently
by central government or state government agencies to build
operating database. The database could be organised through
established institutes and Market Research firms".
4. **Technical and Managerial Consultancy**: As per the findings of the study, there is a potential for technical and managerial consultancy for enterprises. It is suggested that:

"Engineering colleges, management institutes and universities can take advantage of this opportunity to provide technical and managerial consultancy to local small enterprises. Private initiatives from retired professionals could also be considered for this purpose".

5. **Use of computers**: The use of computers in small enterprises is yet to penetrate and grow. Hence it is suggested that:

"Consultants should organise local programmes systematically to create awareness and training the owner managers on use of computers".

6. **Attitudinal issues**: The perceived attitudes as explained earlier plays an important role selection of consultants. Thus, it is suggested that:

"The consultants should have an appreciation of the attitudinal issues and develop necessary approaches to build trust and confidence, competency and cost-effective solutions. They should be involved in implementation stage also. Relation building and soft skills should be their priority".

7. **Role of management training**: The role of management training of owner-managers of small enterprises is crucial. In absence of local consultants, it is suggested that:

"Small enterprise management centres could be established in identified and committed management and technical Institutes for imparting managerial
and technical training to the deserving owner managers. This could be carried out through management development programmes, continuing education programmes/retraining/part-time and evening programmes. This would help provide managerial and entrepreneurial guidance and assistance to local small enterprises”.

8. **Role of government and development agencies:** The District Industry Centre of the Department of Industries and Commerce, local industry associations and banks play an important role in solving the problems of small enterprises. From the point of view of policy makers, it is suggested that:

“The government agencies and departments should take interest in developing local advisory boards, to deliberate on problems and improvements of small enterprises, and advise/recommend/decide the remedial measures expeditiously. Further, such local advisory boards should necessarily have a strong representation of local small enterprises”. It is also suggested that:

“Nationalised banks, rural and cooperative banks could establish their consultancy wings, or develop a network of consultants to timely assist their clients. This could be the most practical approach to provide consultancy services”.

Further, it would be purposeful to decentralise the development policy decisions and assistance programmes for small enterprise. As suggested above the Local Advisory Body of small enterprises and banks could be empowered to recommend/decide on all critical problems faced by small enterprises in the region. It is expected that these
suggestions, when implemented could lead to growth of and development of small enterprise consultancy. While doing the research the researcher observed some areas, which needs further probing, and some areas which needs to be researched. The directions for future research are presented below.

8.3 Directions for Future Research

The results of this research study encourage several directions for future research. Scope for further research in the following areas have been suggested:

1. The scope for consultancy is wide as discussed in this study. The needs also may vary depending on the enterprise/owner-managers. A further study on consultancy needs of technical and non-technical owner-managers is suggested to examine the nature and scope of consultancy assistance.

2. As noted in the study, most of the small enterprises are proprietary firms. Depending on ownership pattern, i.e., proprietary, partnership and others, further study could be initiated to compare the performances based on ownership patterns, and the consultancy intervention.

3. In-depth study on problems in life cycle stages of on enterprise and the type of consultancy intervention could be an interesting area for future research.

4. Impact study based on a specific type of consultancy intervention e.g., management consultancy, technical consultancy, and IT consultancy and so on, is suggested. This could be targeted to a sector of small enterprises i.e., engineering, chemical, pharmaceutical etc., and will be useful to understand the specific needs of owner-managers.
5. The current study focuses on problems and prospects of consultancy from the viewpoint of owner-managers and their enterprise. Therefore, similar study on perception of consultants on small enterprise owner-managers will be very purposeful to understand consultants’ preferences, purposes and objectives.

6. A study on effectiveness of net-based consultancy for small enterprises can also be initiated, as the results are likely to be very pertinent, and cost-effective.

7. A further study on measurement of performance and success-failure parameters of small enterprises is suggested. The performance parameters are difficult to measure, and under Indian conditions developing suitable measures is very important.

8. The results of the study show that, the perception of owner-managers in use of consultancy is positive. The actual usage was less (except use of Chartered Accountants). The reasons need to be found out by further studies. Studies on alternative modes such as counselling, mentoring and networking efforts could be initiated.

Future research on these suggested topics could be initiated on regional basis or across the country. It is expected that future studies in such important areas would contribute significantly for enhancing the consultancy intervention for small enterprises. This, in turn, may facilitate developing managerially competent owner-managers and successful small enterprises. The ultimate objective would be to achieve a sustainable growth in small enterprise sector.

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