Chapter 2
REVIEW OF LITERATURE

2.1 Introduction

The study of literature published in the subject area facilitates the researcher to understand the growth and development of the same. It also helps to identify the grey areas and the areas that need further research. In order to achieve the objectives of the present study an extensive review of literature was carried out focusing on small enterprises management, their problems and sickness, decision-making process, owner-manager's managerial competency, and consultancy inversion and models. The literature published in developed and developing countries have been reviewed.

This chapter presents the conceptual and theoretical underpinning that is relevant to this research study. The first few sections of the chapter discuss on definition and concepts of small enterprises, entrepreneurs, problems and sickness of small enterprises, and enterprise development cycle. The latter sections deal with problem solving and decision-making process, consultancy intervention and models, counselling, and client-consultant relationship. The chapter concludes with identification of gaps in the existing literature and identifying the research problem.

At macro level small enterprises provide a foundation for economic development of the country. But at micro level, a small enterprise has two facets - the entrepreneur and enterprise. The person, who takes the risk of venture creation and the subsequent management, is the entrepreneur. A viable opportunity identified and launched, as a project becomes the enterprise. The entrepreneur could be a single person or a group of persons. These are the persons who not only dream about their ventures, but also know
how to dream. They are the people with vision and leadership, backed by their achievement motivation and drive to succeed.

The success or failure of a venture depends on several factors. These are dependent on the enterprise related causes, external environment, as well as entrepreneur related factors. In small enterprises, often it is difficult to separate the entrepreneur who is the owner-manager from the enterprise. The entrepreneur and the enterprise, by and large, form a shadow of each other. The owner-managers shoulder the responsibility for all the daily routine operations, as well as for planning for growth or expansion. Due to this, they are often over-burdened. Despite problems in managing their units, they may be reluctant to seek assistance of external consultants. They may not be keen to participate in entrepreneurial networks for availing help or guidance. They may have a closed mind and not readily seek information or share their problems and difficulties with others.

2.2 Small Enterprises

To appreciate the nature of problems and prospects of small enterprise consultancy, a basic understanding of the definition and scope of the terminology 'small enterprise' is very necessary.

The definition of a small enterprise varies across countries, industries, agencies and authors. The terminology 'small enterprise' itself is used by different countries by different nomenclatures such as small business, small firm and small industries and so on. Throughout this study the terms small enterprise, small firm and small business are used interchangeably. Vepa (1988) has listed the various terminologies used in some countries as presented in Table 2.1 below:
Table 2.1
Terminologies and Scope of Small Industry in Select Countries

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Country</th>
<th>Terminology</th>
<th>Scope</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Japan</td>
<td>Small Enterprises</td>
<td>Manufacturing, mining, services, trading (wholesale and retail)</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>Small Industry/ Small Enterprise</td>
<td>Manufacturing, repair &amp; servicing</td>
</tr>
<tr>
<td>3</td>
<td>Korea</td>
<td>Small Enterprises</td>
<td>Manufacturing, mines, construction, commerce</td>
</tr>
<tr>
<td>4</td>
<td>USA/Canada</td>
<td>Small Business</td>
<td>Manufacturing, services, trading (limited)</td>
</tr>
<tr>
<td>5</td>
<td>UK</td>
<td>Small firms</td>
<td>Manufacturing, commerce (both retail and wholesale) construction, mining, transport</td>
</tr>
<tr>
<td>6</td>
<td>Indonesia</td>
<td>Small Industry</td>
<td>Manufacturing, servicing.</td>
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</tbody>
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The scope of small enterprises widely varies as shown in the above table. Atkins and Lowe (1997) note that as many as 40 different definitions of small firms have been reported in the literature, and generally there appears to be very little consistency in criteria used to define small enterprises. The criteria are many, such as number of employees, annual sales revenue, value of fixed assets/plant and machinery, and the management structure.

In India, the small industry is defined in terms of investment ceiling. Also the small industry sector enjoys a special reservation policy in terms of items of manufacture. The investment limit ceiling was revised by the central government from time to time, depending on the industrial and economic development and needs of entrepreneurs. The evolution of investment limits of small industries in India is shown in Table 2.2.
Table-2.2
Evolution of Investment Limit for Small Industries

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment limits</th>
<th>Additional condition</th>
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<tbody>
<tr>
<td>1950</td>
<td>Up to Rs. 5 lakh in fixed assets</td>
<td>Less than 50 persons with power or 100 without power</td>
</tr>
<tr>
<td>1960</td>
<td>Up to Rs. 5 lakhs in fixed assets</td>
<td>No condition</td>
</tr>
<tr>
<td>1966</td>
<td>Up to 7.5 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>1975</td>
<td>Up to Rs.10 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>1980</td>
<td>Up to Rs.20 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>1985</td>
<td>Up to Rs.35 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>1991</td>
<td>Up to Rs.60 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>1997</td>
<td>Up to Rs.300 lakhs in plant and machinery</td>
<td>No condition</td>
</tr>
<tr>
<td>1999</td>
<td>Up to Rs.100 lakhs</td>
<td>No condition</td>
</tr>
</tbody>
</table>

Initially there was an additional condition limiting number of persons employed, the same was deleted in 1960. Further, the investment ceiling was linked to plant and machinery only, excluding investment in other fixed assets i.e., land and building. The reason was to define small industry with respect to such investments mainly in productive assets.

The investment limit was raised to Rs.300 lakhs (Rs.30 million) based on the recommendations of the Report of the Expert committee on Small Enterprises, with Dr Abid Hussain as chairman. The report, submitted to the Central Government in July 1997, recommended that the definition of Small Scale Industries (SSIs) be broadened to Small Scale Enterprises (SSEs), and allowing incentives, credit facilities, and promotional facilities to flow to all small enterprises. In line with this, it was recommended that the investment limit of SSEs be raised to Rs.300 lakhs. But later, it was felt that this raise in
investment limit up to Rs.300 lakhs did not truly result in accelerated investments in small enterprises. Large majority of small enterprises still belong to the lower investments up to Rs.10 lakhs. There was also an apprehension that with the increased investment limit up to Rs.300 lakhs, some of the medium scale may roll back to small scale thus bringing in unhealthy competition. Therefore, the investment ceiling was, for the first time in 1999, reduced from Rs.300 lakhs to Rs.100 lakhs.

It was in 1977, Central Government introduced a new category namely Tiny Sector Industries within the small-scale industry category, particularly to provide promotional measures and incentives to such of the small industries having much lower investment limits. The present investment limit for Tiny Sector Industries is Rs.25 lakhs in plant and machinery. For the purpose of this study, the tiny sector is also considered as part of small enterprises.

In United States, the Small Business Administration (SBA), established in 1953, provides financial, technical and management assistance to help Americans to start, run, and grow their businesses. The size standards of SBA define whether a business entity is small, and thus eligible for government assistance reserved for small business concerns. SBA establishes size standards considering economic characteristics, comprising of the structure of industry, including degree of competition, average firm size, start-up costs and entry barrier and distribution of firm by size. It also considers technological change, competition from other industries, growth trends, and historical activity within an industry. As reported in homepage of SBA, America’s 25 million small businesses employ more than 50 percent of the private workforce, generate more than half of the nation’s gross domestic product, and are the principal source of new jobs in the US economy.
Bolton Committee Report in UK indicates that a small firm is defined by number of persons employed, (less than 200 for manufacturing, less than 25 for construction and less than 5 vehicles for transport) and by turnover for retail trade (less than turnover of £50,000) and wholesale trade (less than turnover of £200,000). The Department of Trade and Industry's Small Firm Statistics unit (DTI 1999) indicated that there were an estimated 3.7 million businesses in the UK at the start of 1998.

In Far East countries, Japan has a ceiling of 300 persons employed and Yen 100 million as investment ceiling for small enterprises in manufacturing and mining. Australia has a limit of 50 employees.

According to European Union (EU) approach (Curran James, 2001) the businesses are classified as a micro firms (less than 10 people); small firms (10-49 employees); and medium-sized firms (50-249 employees). Frequently, researchers combine small and medium firms into a single category: ‘Small and Medium-size Enterprises’ or SMEs. Those with 250 or more employees are classified as the large firms.

Besides the statistical definition of small enterprises in different countries, Alkins and Lowe (1997) argue that the structure and decision making process of an organisation should be the primary indicator of a small firm. They explain that statistical definition of smallness such as number of employees or annual receipts may omit significant dimensions of small firms. They refer to the involvement of the business owners in the strategic planning, forecasting, and performance comparison of small firms. Further, Resnik (1988) argues that one of the defining criteria of small firms is the involvement of the owner manager in setting the business priorities, objectives, and standards. This argument suggests that a firm may be classified as small based upon the role of the
owner-managers and the extent to which their direct participation in the management of the business.

Alternatively, the small enterprises can be defined using qualitative approach. Bolton Committee Report (1971) in UK provided one of the best-known approaches. This was in the form of an ideal type combining three elements.

First, in economic terms, a small firm is one that has a relatively small share of the market. Secondly, an essential characteristic of a small firm is that its owners or part owners manage it in a personalised way, and not through the medium of formalised management structure. Thirdly, it is also independent in the sense that it does not form part of a larger enterprise and that the owner-managers should be free from outside control in taking their principal decisions (1971:1)

Some of the US researchers have used the summary provided by Haksever (1996). Haksever notes that “in case of small firms, the management is independent; usually the owner is one of the managers and reports to no one....” (p.34). The summary of Haksever incorporates the guidelines established by the US Small Business Administration, (Guide to SBA: Definitions of Small Business, 1996) and arguments of Atkins and Lowe (1997). Haksever (1996) defines a small business as one with fewer than 500 employees and exemplifying the following characteristics:

1. Management is independent; usually the manager is also owner.
2. Capital is supplied and ownership is held by an individual or a small group.
3. The area of operations is mainly local; workers and owners tend to be in one home community, although markets need not be.
4. The business is small compared to the biggest units in the field.
Nolan (1998) used the above definition in his doctoral research on small business performance. In Indian context, Chachadi (1988) also adopted similar definition in his doctoral research work on ‘Decision Making in Small Industry’, as it incorporates managerial aspects like ownership and control. The definition of Government of India only refers to ceiling on investment in plant and machinery, which relates to economic aspects, because financial and capital resources of small enterprises are not so abundant, as in developed countries. The definition of Haksever (1996) has added significance to the present study, as it does not ignore local area of operation and local owners and employees.

In an attempt to formulate qualitative definitions of small firms, a key assumption made was that small firms were fundamentally different than large firms. In one of the classics of small business theorising (Penrose, 1959) this assumption was summed up in the analogy that small and large firms were fundamentally different from each other as caterpillars are from butterflies. It was noted that even if one metamorphoses into other, it would not be simply larger version of the other, and in case of small firms the chance of metamorphosis is also is not certain. Many small firms may never grow beyond a small size, as most of the ‘caterpillars’ may never become butterflies (Curran, 2001).

Regarding size, Burrows and Curran (1989, p530) argue as “Size, whether measured in terms of number of employees, turnover, market share whatever, is not sufficiently robust criterion to allow ‘small firms’ to be isolated and analysed as having an economic and social specificity”. These authors continue their arguments that smallness per se is not technically a necessary characteristic of an organisation but a contingent one. Smallness has the same status as other characteristics such as legal form of organization, type of economic
activity engaged, the technology employed, region or local economy, the age, gender, ethnicity and educational level of the owners or workers of the firm etc.

Phansalkar (1996) a consultant to small industries in India argues that there is no firm, indisputable and yet defensible criterion for delimiting terms such as small or large industry. What in India considered to be a giant, say an automobile manufacturing company, may be possibly small in the eyes of a global player in auto industry. He further states that, in Indian situation, basis of categorisation on sales turnover, or investment in fixed assets could also pose problems, because there are instances of one-man show in an oil mill, where the sales turnover could be over Rs.1500 lakhs (150million). Small enterprises may employ a few people, and the management levels may be of simple structure. On the other hand, small enterprises having low capital investment, according to the statistical definition, could be involved in complex business. In his opinion the only possible and defensible ground for categorisation of small, medium and large industry in Indian context is by differentiating their management problems. This means that amount of complexity involved in management of enterprises becomes a key parameter for differentiating enterprises as small or large. Parameters such as sales turnover, investment in fixed assets, or numbers of employees are simply surrogates for complexity. Therefore the paradox that by definition, the small enterprises management ought to be simpler, but seldom it is.

Based on the above arguments on defining the small enterprises, it would be unrealistic to demand uniformity of approach in small business research. While the European Union definition of micro and small firms are widely used, many researchers used the combination of definitions framed by SBA (1996), Atkins and Lowe (1997) and Haksever (1996).
For this study, a broad definition, drawn from definitions for small enterprises from abroad and investment criteria as specified by Government of India, was used. This broad definition exemplifies the following:

1. The ceiling on investment in plant and machinery is Rs.100 lakhs (i.e., Rs.10 million) for small enterprises.
2. Management is independent; usually the manager is owner or one of the owners in case of partnership or private limited type of organisation.
3. The equity capital required is raised by owner(s), either individual or a small group.
4. The area of operation is mainly local and/or regional (neighbouring districts).

The sample frame consists of modern small enterprises (excluding traditional artisan type) located mainly in industrial estates/areas and belonging to manufacturing activities of all items reserved for small enterprises, by Government of India.

2.3 **Entrepreneurs**

The present study is on small enterprise consultancy. In small enterprises, the entrepreneur is the central figure. Therefore a brief overview of theories of entrepreneurship is presented. Richard Cantillon, an Irish man living in France in early 18th century, first identified the entrepreneur and his unique risk-bearing function. He coined the term: the ‘entrepreneur’ who buys factor services at ‘certain’ prices with a view to selling the product at ‘uncertain’ prices in the future. A few decades later, J. B. Say described the entrepreneurial function in broader terms, emphasizing combination of actors of production, provision of continuing management and risk bearing. Later Schumpeter’s work in 1934 put the human agent at the entire process of economic
development. He propagated that entrepreneurs are innovative persons, and innovation is the single constitutive entrepreneurial function. The array of all possible entrepreneurial roles encompass the perception of economic opportunity, technical and organizational innovations, gaining command over scarce resources, taking responsibility for internal management and for external advancement of the firm. Those, working in the field of entrepreneurship, experience considerable confusion surrounding the definition of the entrepreneur. Researchers tend to perceive and define entrepreneurs using their own disciplines. Economists have associated entrepreneurs with innovation, whereas behaviourists have concentrated on the criteria and intuitive characteristics of entrepreneurs.

As far as the early work done by economists such as Cantillon, Say and Schumpeter, it is to be noted that these were on the managerial aspects of enterprises, and business development as the result of venture creation. Schumpeter really launched the field of entrepreneurship, by associating it clearly with innovation. He stated that essence of entrepreneurship was in the perception and exploitation of new opportunities. Besides Schumpeter, Clark (1899), Higgins (1959), Baumol (1968), Schloss (1968) also associated innovation with entrepreneurship. Economists viewed entrepreneur as 'detectors' of business opportunities. (Higgins, 1959; Penrose 1959; Kirzner, 1976), creators of enterprises (Ely and Hess 1893; Schloss, 1968) and risk takers (Leibenstein 1968; Buchanan and Die Piers, 1980). Casson (1982) made an interesting attempt to develop a theory linking entrepreneurs with economic development. He emphasized the aspect of resource coordination and decision-making. Filion (1998) summarises economic trends into two categories of entrepreneurs, as agreed by Baumol (1993): the entrepreneur-business organiser and the entrepreneur-innovator. But the criticism that
can be levelled at the economists is that they have not been able to create a science of economic behaviour of entrepreneurs.

The second major approach to understand entrepreneurs was developed by behaviourists (psychologists, psychoanalysts, sociologists). Max Weber (1930) and David C. McClelland contributed to the understanding of entrepreneur’s behaviour. Max Weber identified the value system as a fundamental element in explaining entrepreneurial behaviour. He viewed entrepreneurs as independent people, business leaders, and having formal authority.

McClelland has found that a particular psychological factor – need for Achievement (n-Ach) – is responsible for entrepreneurship development. He proposed that higher the n-Ach in a person, the better entrepreneur he would be. He further stated that n-Ach was not necessarily in-born, but could be developed or acquired. A number of researchers have studied the need for achievement, but nobody seems to have obtained conclusive results that associated it with entrepreneurial success. (Filion L.J. 1998).

Howard Stevenson, about 15 years ago, set out to advance the field of entrepreneurial studies by focussing on entrepreneurial behaviour. He developed a behavioural model, in which entrepreneurship is seen as way of managing, rather than a specific economic function or in-born personal characteristics of an individual. He proposes that entrepreneurship is a never-ending process involving multiple phases: opportunity identification, resource mobilisation, exploitation of opportunity, and harvesting. In the behavioural model, entrepreneurship is defined as ‘the pursuit of opportunity beyond the resources currently controlled’.
This behavioural model presumes that the entrepreneurial phenomenon should be studied from a variety of perspectives. The most important perspective is of a general manager. The tasks of the entrepreneurial general manager is to create an organisation focussed on identifying new opportunities, marshalling required resources (both inside and outside the organisation), exploiting the opportunity and harvesting the rewards. A number of authors have also shown that entrepreneurs reflect the characteristics of the period and the place in which they live.

The role of entrepreneur as owner-manager, of his small enterprise is very significant. The term ‘owner-manager’ is used throughout in this study to refer to the entrepreneur who manages his / her small enterprise. The effective management of the enterprise depends on his / her owner-manager competencies, which takes front seat. The issues related to managing small enterprise are briefly reviewed further.

2.4 Managing Small Enterprises

Small enterprise had its origin when human beings first began to live in groups, domesticated the animals and performed specialized tasks. Today the popular understanding of a small enterprise is about the activities of individuals or groups who are involved in developing, producing and distributing the goods and services needed to satisfy other people’s needs or desires.

Some authors distinguish between a small business and an entrepreneurial venture. A small business is any business that is independently owned and operated, is not dominant in its field, and does not engage in many new or innovative practices. It may never grow to become large, and the owners may not want it to, as they may like to run their business in a normal way, expecting normal operations, profits and growth.
They enjoy certain degree of freedom and financial independence. On the other hand, an entrepreneurial venture, the principal objectives of the owners are profitability and growth. The business is characterised by innovative strategic practices and/or products.

This research study had its focus on problems and prospects of small enterprise consultancy. The small enterprises studies were of modern type, generally belonging to entrepreneurial venture category. Owners were mostly owner-managers, and were directly managing their employees who may not be necessarily their family members. In small or medium enterprises, the enterprise can be started in any of the levels — unilevel, duo-level, multi-level. In single level, the owner is the manager, directly supervising the workers. In duo-level, the owner may have a factory manager, who in turn supervises the work. In the third category i.e., multi-level, the owner, acting as general manager, has managers, supervisors, and workers at different levels.

Durham University Business School had initiated several studies on small enterprise management issues, growth, and counselling/consultancy needs. The findings suggested that in a small enterprise, the development of the enterprise is synonymous with the development of its owner-manager(s). The growth of the enterprise meant growth of the owner-managers. It was also noted that many owner-managers, though possessing entrepreneurial competencies and vision, were lacking managerial competencies. It was observed that skills required for enterprise launching were often different than those required for operating the businesses.

While examining various aspects of owning and managing small enterprises, the challenges facing the owner of small enterprises are daunting and require sound understanding of concepts and skills of management. Haksever (1996) and Resnik (1988) observe that most small business are either family-owned or closely held by a
small group of non-related individuals, and that owners typically act as the managers of the business. The combination of owner and manager of a firm requires that the concerned individual has to not only provide strategic orientation and financial resources required to operate the firm (Atkins & Lowe, 1997), but also to control the day-to-day operations of the firm in accordance with the strategic focus (Resnik, 1988). Managing the day-to-day operations involve attention to information about the performance of the firm such as production data, inventory, marketing and sales, staffing and logistics. The owner-manager also handles the financial and marketing management functions, unless he has a second line to support within the firm. The multiple task responsibilities place substantial pressure on his time and effort. All these lead to problems in management of the enterprise.

Bauce (1969) explains that while some owners may attempt to function as both owners and managers of their small businesses, the more common practice is "seat-of-the-pant" management. In other words, the owner-manager does not have enough information on performance of his unit, and having responsibility to manage both the financial management and routine operations, he begins to survive from month-to-month basis. Carbone (1980) also argues that, "the underlying cause of most failures appears to be incompetent or inexperienced management" (p.36). Both Bauce (1969) and Carbone (1980) argue that good management of small business requires attention to collecting and analysing data regarding sales value, profits and financial commitment, besides monitoring the working capital.

Management of finances and marketing are the two critical areas, for small enterprises particularly in the Indian contest. A number of local and regional studies conducted by Industry Associational, Banks and Financial Institutions have revealed that
these two areas appear to be very crucial for small business survival and success. Knowledge of the market, market planning, marketing practices, understanding pricing and competition, managing sales and bills receivable, customer relation management are few of the important areas to be attended to by the owner-managers. Financial management particularly managing working capital, cash flow, repayment of debt, costing and pricing and financial indicators of performance, are very key area of small business management.

The third area of importance to owner-managers, specifically in Indian context, is managing and compliance of various governmental sales and regulations and commercial aspects. As reported by a number of owner-managers during informal discussions this area drains out, substantial time of the owner-managers, leaving less time for more important issues in managing their firms.

2.4.1 Management Structure and Style

Regarding the management structure and systems, the small business management structure is relatively of flat type, compared to large organisations. The owner-manager occupies the apex position. Most of the small firms have only two levels: workers and owner-manager. Khandwala (1995) suggests that large organizations need more complex forms of differentiation and integration, and more professional management systems than smaller ones of the same type.

How an entrepreneur, as the chief of his enterprise, functions depends on his managerial style. As in small enterprises, the owner-manager exhibits one-person show of the enterprise and the difference between managerial style and management style are not very relevant. Management style, at deeper levels, relates how certain important functions are performed in the organisation. Khandwala, (1995) describes a variety of functions, the
chief function being decision making, that is, to exercise choice. Style of management is the distinctive way in which the functions are performed. There could be different ways, detailed norms and instructions left to the discretion of the chief, or participative nature of decision-making and so on.

Khandwala (1995) states that management styles have ten building blocks identified by researchers. These are: the conservative mode of management; the entrepreneurial mode; the professional mode; the bureaucratic mode; the authoritarian mode; the intuitive mode; the familial mode; the participative mode and the altruistic mode. Most management styles are distinctive combinations of two or more modes. Of these ten modes, the entrepreneurial mode, the professional mode, intuitive mode and familial mode have some kind of relevance to small enterprises.

It is observed that depending on the management modes, the organisational excellence varies. For the present study on small enterprises, management mode, and the use of experts, or outside consultants are relevant areas of review.

2.4.2 Managerial Roles

Mintzberg (1973) in his seminal book ‘The Nature of Managerial work’ has noted that, based on his extensive empirical study, managers are expected to assume ten different roles. The inference that can be drawn is that effective managers should be able to assume any of these ten roles with equal dexterity. Exigencies of the situation will decide which role the manager will assume Mintzberg’s managerial roles would fall within the purview of contingency approach to management.

The ten managerial roles have been classified by Mintzberg into three categories: 1) interpersonal roles: comprising of figure head, leader and laison roles. 2) informational
roles: comprising of monitor, disseminator and spokesperson roles, and 3) decision roles: comprising of entrepreneur, disturbance handler, resource allocator and negotiator roles. A manager, according to Mintzberg (1973) performs all these ten roles and is able to shift one role to another with consummate ease. In the present study, to assess the managerial role played by the owner-managers of small enterprises surveyed, a questionnaire was used to measure the tendency to perform these roles. The higher the uses of these roles, more effective are the managers, and resulting better performance of their enterprises.

To conclude this section on managing small enterprises, it can be stated that in small enterprises, the owners are mostly engaged as owner-managers in directly managing their enterprises. The importances of areas such as marketing and financial management are often not fully appreciated by the owner-managers. They get overburdened with day-to-day routine operations, and have lesser time for strategy formulation and planning. Their mode of management, as described by Khandwala (1995) decides the way the organisation performs. While managing their enterprises, the process of problem solving and decision making, and need for seeking assistance and/or advice of consultants have been discussed. Also managerial roles and effectiveness of the managers have been dealt with.

2.5 Small Business Development: Five Stages

There have been a number of models developed over the past few years that describe the stages a business passes through from its start-up towards maturity. As the business passes through different stages of growth the problems and challengers also keep clanging. Churchill (1983) has developed a five-stage model of small business. These stages are as follows:
Stage I – Existence: In this stage the problems found are:

i. Getting enough customers, or delivery of products/services.

ii. Expanding from one key customer to a broad customer base.

iii. Acquiring enough financing to cover start-up phase

Stage II – Survival: In this stage business becomes viable. The customers are retained, as the production gets stabilized. The problem shifts from existing to existing profitably. The typical problems in this stage are:

a. Generating enough cash to breakeven and replace or refurbish capital assets.

b. Generating enough cash and cash beyond that to grow to economically viable size or staying at survival level.

Stage III – Success: The business makes economic returns on labour and capital. The key problem is to either exploit the company’s success and expand or stay instead, as stable and profitable enterprise.

Two alternatives are possible at this stage are:

i) Success – disengagement: In this sub-stage owners completely or partially disengage from day-to-day management of the business and turn their energies to politics or leisure or other business. The problems faced if this course of action is chosen are

- Motivating management and monitoring internal performance

- Monitoring the environment and changing company strategy suitably.

ii). Success-growth: In this sub-stage the owners consolidate their company and marshal resources for growth. If this sub-stage is chosen, the problem becomes more intense, as indicated below:

- How does the business get cash to finance the growth?

- Where will we have the people to cause and manage the growth?
- How to develop the organisation and system to manage people and operations?

Stage IV: **Take off**: This is the most challenging stage, and is associated with problems also. These problems are: delegation, cash availability, decentralized organisation, adequacy and availability of resources.

Stage V: **Resource Maturity**: The company finally arrives at a ‘big company’ stage with considerable financial, human and market resources available to it. The key problems are to:

- Consolidate and control the success,
- Not to lose the entrepreneurial spirit that bought the company to where it is preventing it from entering the next stage – ossification.

The five-stage model described above is very useful as it focuses on startup stage to growth and maturity stages. Further, its assumption that a small company must not either ‘grow or die’ is commonly found in, as a company can exist quite a long period in stage III – success disengagement, or at stage II – survival or stage IV – take off. The model helps to speculate the nature of the tasks management performs and critical variables to be managed at each stage.

### 2.6 Performance of Small Enterprises

One of the central questions raised in the study of entrepreneurship in small enterprises are as to why some new ventures perform well to succeed, and others do not. This section reviews the relevant literature that addresses this question, with primary attention to empirical studies.
A better understanding about the factors that affect the performance of ventures is necessary. Factors such as age, educational background, family status, and other characteristics of founders (such as having partners and professional consultants) are associated with performance. However, well-developed theories for thinking about factors, which bear upon new venture success, are yet to emerge, while general framework, reflective of previous research done, is available. Some of the framework for factors associated with new enterprise formulation and success are presented in Table 2.1.

A number of studies have noted that entrepreneurs are more likely to be from families in which the parents owned a business (Cooper and Dunkelberg 1987). Education is one of the widely studied entrepreneurial variables. There have been mixed indications as to whether level of education is associated with becoming an entrepreneur. There was a positive relationship between level of education of entrepreneurs and enterprise performance in 10 out of 17 studies. Kinds of education versus performance also have been examined. It was also noted that level of education had an impact on growth, but not on survival of the firm.

A variety of dimensions of experience have been studied. It was found that greater breadth of experience would lead to higher performance, because of wide range of problems, which entrepreneurs confront. Management experience had positive relationship with firm performance in four of the studies.

In the studies, examining process of venture start up particularly on information sources and networking, some common findings were noted. Use of accountants, trade associations, suppliers, bankers (Dunkelberg et. al., 1987), and outside advisors lead to greater success (Hay and Ross, 1989).
Table 2.3
Factors Influencing Performance.

a) Characteristics of Entrepreneur(s)

1. Race and sex
2. Occupation of parents
3. Education
   - Highest level
   - Kind of education
4. Experience
   - Number of jobs
   - Experience within field
5. Psychological characteristics
   - Need for Achievement
   - Locus of control
   - Risk taking behaviour
   - Efforts to control risks
6. Management experience
   - Functional experience
   - Startup experience
7. Entrepreneur's age
8. Goals
   - Opportunities Vs. craftsman
   - Specific goals
4. Information sources and networking
   - Specific sources of assistance
   - Professionals helped with business plan
   - Network characteristics
5. Forming teams
   - Presence of team
   - Size and characteristics of team
6. Starting Vs. purchasing
7. Financing
   - Amount of initial capital
   - Sources of capital
   - Ownership by entrepreneur

c) Environmental characteristics

1. Industry category
2. Industry characteristics
   - Barriers to entry
   - Stage of Life cycle
   - Rural vs. Urban location

b) Process of starting

1. Idea sources
2. Planning process
3. Incubator organisation
   - Size of incubator
   - Relatedness of venture
   - Negative displacement

[Source: Arnold C Cooper and F. T. G. Gascon; Entrepreneurs, Process of Founding, and New Firm Performance]
One fundamental problem may be that the entire stream of research, on founding characteristics of entrepreneurs and performance of their ventures, assumed that there were strong causal relationship between selected variables and new venture performance. This assumption may be unfounded. External factors may determine how many enterprises would be successful. Also, the research work completed hitherto has tended to focus upon variables, which were relatively easy to measure. But important variables concerning behavioural characteristics, such as commitment and determination, and the ability to enlist the assistance of others, may deserve more attention. This study as part of its objectives, attempts to examine the level of assistance availed by owner-managers at project identification, start up and its later operating stages and its possible relationship with performance.

In Indian context, one of the studies on small enterprise performance (Patel and Srivastava, 1978) an attempt was made to explore the entrepreneurial and managerial capabilities in 83 small units in Gujarat, and to relate the findings to enterprise success or failures. Study concluded that no single factor emerged as the most influential in determining the financial success of small enterprises. Regarding basis for final decision to select a project, 100 per cent of the entrepreneurs who had proper verification with the relevant institutes (Banks, State Financial Corporations) were found to be successful, followed by consultants’ studies (75 per cent successful).

Hofer and Sandberg (1987) have concluded, based on their study, that new venture success was not just a matter of luck. Instead they argue that paying attention to three factors – industry structure, venture strategy and the behavioural characteristics of founding entrepreneurs, can influence it.
In a study to understand growth process in small firms, Orser, Scott and Riding (2000) used performance measures, in terms of gross sales revenue for two years, to categorise the performance as growing, declining and other. It was concluded that firm size, sector and management skills be recognized as interrelated aspects of growth. In a study on comparison of method and sources for obtaining estimates of new venture performances by Brush and Vanderwerf (1992) various, measures of performance such as annual sales, number of employees, return on sales, growth in sales, growth in employees were used. Both subjective and objective measures of performance were employed. In, all it was noted that there were more than 35 different measures of performance in their limited survey.

In small business research, obtaining quantitative measures of performance, linked to sales, and profitability often poses problems. Because, the owner-managers are generally reluctant to part with specific data, regarding taxation and other regulatory issues. To identify and substantiate the correlates and antecedents of new venture performance, it is requisite to identify the most relevant performance measures. Results of a study by Chandler and Hanks (1993) concluded that the use of two dimensions of venture performance, i.e., growth and business volume were more favourable. These measures were found superior to satisfaction with performance and performance relative to competition.

Traditionally academic models of new venture performance (NVP) show that success of venture is based solely on the characteristics of the entrepreneur (E) i.e. $\text{NVP} = f(E)$. However Sandberg and Hofer (1987) have rejected this model and suggested a broader model. This model claims that success depends not only on the characteristics of the entrepreneur, but also on the structure of the industry (IS) entered, and the strategy
(S) of the venture involved i.e., NVP = f (E, IS, S). The interactive effects of industry structure, strategy and the entrepreneur had a far greater impact on new venture performance than any of these variables in isolation.

In summary, this literature survey of small enterprise performance examines the relationship between the enterprise performance and its antecedents. It was noted that firm's performance was often considered the ultimate criterion in empirical as well as theoretical studies. Entrepreneurs' demographic, psychological and behavioural characteristics together with technical knowledge and managerial skills were often cited as the most influencing factors related to the performance of small enterprises. The relationship is also affected by other factors such as industrial, environmental, firm-specific characteristics / strategies. Different factors have been found to influence performance to different extents, but some of the results are often inconsistent (Chandler and Hanks, 1994, Cooper 1993) insignificant results were also reported (Begley and Boyd, 1985. Perry ,1988). One of the variables, considered to have relationship with performance is the assistance taken from professionals (consultants) and the network or contacts developed by the entrepreneurs. This relationship is relevant to the present study.

2.7 Problem Solving and Decision Making

This section focuses on nature of typical problems experienced by the small enterprises, and the approaches adopted by owner-managers, for problem solving and decision-making. The nature of problems differs during the life cycle of a small enterprise. Depending on the severity of the problems, the firm may experience a low level of operation, sickness or complete failure. Timely identification and solving of operational problems as well as practice of planning, control and monitoring the business
often lead to success of the venture. Sometimes, severe problems may cause fatal effect in the start-up stage. The nature of problems of growth and maturity are different. Owner-managers’ capability to cope with the problems and related stress, and their ability to make timely decisions are important. In small enterprises, the problems of an entrepreneur are synonymous to the problems of the enterprise, and vice-versa. The managerial functions of the owner-managers are also related the life cycle stages of the enterprise. Managerial aspects such as delegation, power, control, leading and motivating have to be examined with respect to the life cycle stages of the enterprise.

Competency to provide assistance in the analysis of problems and opportunities is one of the key competences of all business advisors / consultants. Therefore the process of analysis of problems and opportunities is discussed.

2.7.1 Problem analysis

Every problem could lead to an opportunity. Behind this expression one can see the positive approach to problem solving. A problem can be best defined as:

“A difficulty, which cannot usually, easily be resolved standing in the way of achieving a certain result”. This definition is as specified by Small Business Centre, Durham University Business School (DUBS). In between the present position of the entrepreneur / owner and his perception on one side, and the desired situation, wherein the problem is removed, lies the causes of problems. Conceptually, thus a problem is an individual’s perceived difference between a current and a desired state of reality (Down, 1967).

As mentioned in DUBS manuals, the problem analysis involves a few steps: 1) identifying the overriding problem 2) identifying potential causes 3) selecting most likely
causes 4) identifying possible solutions 5) selecting most appropriate solutions 6) agreeing actions and priorities 7) monitoring and support.

2.7.2 Classification of Problems

Study on classification of problems encountered by small enterprises is considered useful in serving as a starting point for the conceptualisation and systematic study of distinct problem types. This could also be useful to link the problem types with problem-solving activities. Over 40 years ago, Dearborn and Simon classified organizational problems into three general types: 1) sales, marketing or distribution 2) clarifying the organisational, and 3) human relations, employee relations, or teamwork.

Later, Walsh (1988) suggested that organizational problems could be grouped into five general categories 1) accounting-finance 2) human relations 3) marketing 4) internal management 5) external management.

In USA, M/s Dun and Bradstreet collect data on new business ventures that failed. In one of its earlier studies (1987), it listed the following major reasons for failures. 1) Inadequate market knowledge 2) poor product performance 3) ineffective marketing and sales efforts 4) inadequate awareness of competitive pressures 5) rapid product obsolescence 6) poor timing for start-up of business venture 7) financial difficulties.

Terpstra and Olson (1993) conducted a study to develop a problem classification scheme, to emerging entrepreneurial ventures in the start-up and growth stages, using open-ended approach. Responses were sought from chief executives of 121 firms to state most significant problems during the first year and during the later growth stage. Nine first year problem classes, and 10 growth stage problem classes were noted. It was observed that the first year problem classes and growth stage problem classes were
identical, with exception of one new class (organisation structure / design) in the growth stage. Sales and marketing, and internal financial management were comparatively of higher percentage among the problem classes. The classification of problems, as developed in this study appeared to be more comprehensive and exhaustive than previously developed schemes. The Terpstra and Olson classification of problems were: 1) obtaining external financing 2) internal financial management 3) sales / marketing 4) product development 5) production / operation management 6) general management 7) human resource management 8) economic environment 9) regulatory environment. In case of growth stage problems, besides these nine classes, one more class, namely organisation structure / design was the addition. These nine classes have been used in the present research study also.

These areas, i.e., marketing, human resources and general management are likely to have more problems, as found in the study by Huang and Brown (1998), when they used survey instruments that were similar to Terpstra and Olson (1993). Other studies on problems associated with different stages in life cycle of the organisation suggested that marketing and financial problems characterise the start-up stage, while administrative, managerial, and strategic problems characterises the growth stage (Kuratko and Hodgetts, 1998).

Examining of the characteristics of entrepreneurial success against the decision required at different phases of business's existence – start-up, managing, it during critical, formative periods, maintaining it during its successful years, and then taking it on expansion programme – can help understand the development and demise of small enterprise and entrepreneurial function.
It is also observed that in early stages, the owner's ability to do the job gives life to the business. Small businesses are built on owner's talent; the ability to sell, produce or whatever. The owner's ability to delegate is on the bottom line, as there are few, if any, employees to delegate. As the business grows, this factor gets less importance. Owners must spend less time doing, more time managing. Style of management, which is direct supervision in existence stage, becomes functional at success stage type, and in resource maturity stage. Extensive formal systems will be present, and major strategy will be return on investment.

Over the years, many models of organizational life cycles have been proposed. The stages in life cycle have been suggested differently, from three stages (Downs, 1971, Mitchel and Sumner, 1985), four stages (Lynden, 1975; Kazazion, 1988) five stages (Churchill, 1983, Galbraith 1982) nine stages (Tobert, 1974) and ten by Adizes (1989). A four-stage life cycle would have 1) pre-launch stage 2) start-up stage 3) sustained operating stage and 4) expansion stage.

The demands of small enterprises for business advices and informational inputs are likely to grow with expansion of the enterprise. Consultancy need could arise in the field of bookkeeping, marketing, pricing, technology and legal issues. Also small enterprises face obstacles to network formation across life cycle, because many of them are by nature independent, atomistic entities, and the antithesis to the collaboration and co-operation underlying the network formation. Network can help the entrepreneur to overcome finance or managerial barriers, technical-know-how and technology transfer and so on.
2.8 Sickness of Small Enterprises: Studies in India

In India, small enterprise development has been given priority by central and state governments. Several promotional measures have been taken to help entrepreneurs to identify and set-up small enterprises. However, it is also noted that there is growing incidence of sickness of small enterprises. Governmental agencies, development agencies, academicians, management institutions and financial institutions and banks have studied the problems faced by the small enterprises. Desai, (1999) in his 12-volume work on ‘Small Scale Enterprises’ lists problems faced by small enterprises both internal and external.

Industrial sickness in small-scale sector has assumed very serious proportions in India. Sickness has been described in different ways. According to one school of thought, a sick unit works below 20 percent of its installed capacity (Desai, 1999). Other view is that, a unit is considered sick when it operates below the break-even point. An expert committee has stated that a sick unit is one, which fails to generate an internal surplus on a continuous basis, as described by the study team of State Bank of India.

In 1987, Reserve Bank of India defined a sick unit as one which had: I) incurred cash loss in the previous accounting year and was likely to incur cash loss in the current accounting year, and has an erosion, on account of cumulative losses, to the extent of 50 percent or more of its net worth and/or ii) continuously defaulting in meeting four consecutive quarterly instalments of interest or two half-yearly instalments of principal on term loan, and there were persistent irregularities in the operation of its credit limits, with the banks. According to revised definition of sickness, by Reserve Bank of India in 1989, a unit is considered sick, if it has, at the end of any accounting year, accumulated losses.
equal to or exceeding 50 percent of its peak net worth in the immediately preceding five accounting years.

Main reasons, as found by survey and studies by universities, committees and individuals were financial difficulties, (34.7 per cent) and marketing problems, non-availability of raw materials and labour problems. The severity of the problems varied with the category of industry, based on the products/services.

In a study of Gujarat Industrial Development Corporation, conducted in 1975 covering 1,320 small units, it was found that 58 per cent of total units had main problem as inadequacy of working capital, 49 per cent had managerial problems and 44 per cent had marketing problems. The study concluded that inadequately rounded managerial experience in the line was the most significant cause of the failure of small units in the first one or two years.

Karnataka State was selected for a study on success and failure of small scale industries by Tewari, Philip and Pandey (1991). Four districts were selected for the study to select 120 sample units. The total number of registered small units in the state was 95,867 in 1988, an increase of 82 per cent over the previous four year. In this study also it was noted that the sick units had working capital shortage, marketing and production problems. It was also observed that proper planning and management i.e., application of scientific methods, materials management, financial planning, demand forecasting, timely decision making were some of the favourable factors for success of units. Planning and management was ranked sixth in the order of importance in case of successful units.

Besides, a number of sponsored studies have been conducted by State Technical Consultancy Organisations (TCOs). In Karnataka, the TCO, TECSOK has been
conducting studies on sickness on small enterprises, since 1980s. State Financial Corporation and banks generally refer studies to TCOs.

So far in this section the work done on problems faced by small enterprises, have been reviewed. The nature of problems, their occurrences in the lifecycle of small enterprises and causes of sickness were briefly reviewed, as these are relevant to the research study. The section on decision-making follows:

2.9 Decision-Making Process

The process of analysis of problem ends with final step of decision making. Theorists are divided as to the degree to which businessmen use scientific decision making tools and techniques. Some feel that managers are "as scientific as possible" (Cleland, and King, 1968). Others say that managers use scientific decision-making only in those parts of their companies, which are stable, designable and can be isolated from environment (Thomson, and James, 1967). Some just feel that scientific decision-making is inappropriate to the vast majority of managerial decisions. There are a few models on decision-making such as rational model of decision-making, and the social model. Rational decision-making revolves around the identification of goals, alternatives and evaluation techniques. But this model is often criticised, as human behaviour does not seem to be "rational" in these areas. Simon (1967, p101) is perhaps one of the strongest attackers of this model. He claimed that because of psychological limitations of a person, any attempt to practice rational decision-making "can at best be extremely crude".

The social model considers open system of decision-making. The open system model provides a rationale that does not require specific goals, alternatives or evaluation techniques. Using this model, the manager seeks satisfactory solutions. In a study of
small business to observe the decision theory relevant to small businessmen, Rice and Hamilton (1979) suggested that multi-factor considerations were important. They observe that the owners of small businesses are deeply involved in day-to-day operations. A small businessman is forced to deal with a wide variety of decision areas simultaneously, and his depth of analysis is limited. He has finite ability to process the information despite availability of information. Most of them are not able to use rational model, but are concerned with 'satisfactory' decision. They were mostly operating on social model, where the goals were often vague or inadequately defined.

In Indian context, the research thesis by Chachadi (1988) on 'Decision Making in Small Industry', has investigated a selected sample of small industries in Hubli-Dharwad location in Karnataka. The operational behaviours of the entrepreneurs studied were classified into three models: 1) the dominant model 2) the Intuitive model and 3) the survival model. He also described how these models deviated from the rational model, which is based on a scientific approach. The dominant model focuses upon the dominance of the entrepreneur in the management of small firm. The intuitive model depends on skill acquired without relevant experience or training to back it up. The level of performance in intuitive model is lower than as reflected in dominant model. The survival model is built based on the characteristics of firms at existence and growth stages. It is based on risk attitude, and the approach is like hit-and-miss type. Besides, it was also observed that small industry management was mostly faced with problems such as one man rule, lack of necessary sources of information and lack of resources necessary to collect and process information and pressure of external environment. Chachadi recommended that institutionalised effort be initiated to provide a corps of certified small business consultants to assist owner-managers of small enterprises.
2.10 Consultancy, Counselling and Networking

Having discussed the various aspects of small enterprise management, particularly on owner-manager characteristics, enterprise related issues, problems in managing small enterprises, the life cycle stages and its implications, and the problems solving and decision making process, it was noted that majority of the small businesses fail because of managerial problems and the incompetence of the owner-managers. Operating on one-man rule, the owner-managers' performance is constrained by their inability to think, plan and act beyond their daily routine tasks. It was suggested in a number of literatures reviewed that an outside intervention of consultants would be helpful to resolve many problems and improve the performance of the firms. Therefore, a review of literature on consultancy, counselling and networking is considered necessary, with particular reference to small enterprises. Each of the terminology, its scope, the process, problems and prospects were therefore studied in details. These are presented as follows:

2.10.1 Consultancy

The consultancy process is generally viewed as any form of providing help on the content, process or structure of a task or series of tasks, where the consultant is not actually responsible for doing the task itself, but is helping those who are in need (Steel, 1975). Consultant is, generally, seen as a helper or enabler, a person who acts in an advisory capacity. The dictionary meaning of consult is 'to ask advice of', 'to decide or act in favour of', or 'to look up for information or advice'.

Consultancy is what happens when someone with a problem or difficulty seeks help to solve the problem or resolve that difficulty, from some one who has special expertise. Consultant is the person providing help. Consultants are change agents. They
are people centred, and possess specialist knowledge. Consultant’s value includes independence, objectivity and integrity.

Yet another view about consultants can be had based on history. History is full of people who possessed tremendous military and political powers – the Roman emperors, the Moghuls, the feudal kings, the Russian Czars and their successors. Similarly Napoleon, Hitler and Stalin had possessed tremendous power, and they were able to wield power. But all the influence of these persons have faded and rejected by following generations. In contrast, history has produced people who left profound and memorable imprint on the world, and there was no power that was used by such people. Gautam Budha, Mahavir Jain, Christ and Mohamed touched the lives of millions. Great people like Socrates, Confucius and Plato, because of their thoughtful writings, are still remembered for their concepts and principles. Nelson Mandela, Martin Luther King, Mahatma Gandhi, Mother Theresa have all influenced the people, across various nations, but without any power to control others. There are many such people, may be great artists actors or religious reformers and world peace emissaries, who are able to influence others without having any power within them.

In a broader sense, all these persons can be considered as consultants, the change agents of history. They had ability to attract people’s imagination. They empowered power, rather than trying to control them. They acted quickly to respond to the needs of the people. They were peopling centred, or client-centred, as consultants.

Teaching and consulting are also compared, Chang and Chen (1996) draw a similarity between the profession of ‘teaching’ and ‘consulting’. It was agreed that if the definitions of teaching are examined, it could be one of these: 1) to cause to know a subject, 2) to cause to know-how, 3) to impart knowledge, 4) to instruct by percept,
example or experience, and 5) to provide instruction. These definitions can also apply to the word “consult”. The difference lies in their formality or regularity. “Teach” is more formal, regular and organised than “consult”. It is also observed that many teachers also function as consultants in their area of expert knowledge. The authors refer to the definition of culture, by Hofstede and Bond (1988) as “the collective programming of the mind that distinguishes the members of one category of people from those of another”. Confucius, who could be considered as social political scientist (Chang and Chen, 1996) was probably the first person to link culture, teaching and consulting.

The concept of ‘stranger’ as originally put forward by German philosopher and sociologist, George Simmel, was discussed in the study on consultant-client relations by Pyle (2001) in his doctoral research work. This concept has been relevant in today’s business world, Simmel’s original concept described the ‘stranger’ not ‘as the wanderer, who comes today and goes tomorrow, but rather as the person who comes today and stays tomorrow’. The stranger wishes to maintain a condition of simultaneous proximity and remoteness and does not seek permanence with the host group. The concept of stranger is relevant to business consultants. Consultants, in the cause of performing specific services, enter the organizations, and seek to become integrated within client’s corporate culture. This enables them to perform the work effectively, as the cultural strings get interwoven. However they do not intend to become permanent members of the particular company as a group member. For the purpose of this study, consultants are described as:

‘People who find themselves having to influence other people, or advice them about possible courses of action to improve the effectiveness of any aspect of their operations, without any formal authority over them or choosing not to use what authority they have.’
This description of consultants is broad enough to cover all types of consultancy such as management, technical, accounting, legal/commercial, project consultancy and so on.

2.10.2 Evolution of Consultancy

In developed countries, the consulting profession evolved with the growth and development of education system, emergence of engineering as an applied science, and growth of industries, both small and large scale.

Engineering consultancy emerged as an independent profession during the first half of nineteenth century. With rapid industrialisation, western countries opened up opportunities for construction and engineering consultancy services on a large scale. Consulting associations were also formed.

Post world wars, as organisations grew in complexities, the discipline of business management evolved. Concurrent to the development of management as an art or science, the management consultancy profession evolved. The first management consultants came into being between 1870 and 1914 in USA, and their main role was to help manufacturing companies become more productive and more efficient (Clive Rassom Saddler Philip, 2001). These consultants were called as 'industrial engineers'.

After World War I, management consultants played a major role in development and restructuring of American industry. General Motors retained the services of Arthur D. Little to set up a research and development centre, while the US government bought the services of Booz Allen and Hamilton. In 1920s, because of the work of early motivational and industrial psychologists like Elton Mayo and Mary Parker Follett, the
term efficiency and human factor at work began to be taken a little more seriously. In 1920s the first UK consultancies were formed.

In 1960s behavioural sciences began to impact management thinking and management consultancy, particularly from the wisdom concerning leadership motivation and organizational structures. It was also in this period that management by objectives, as outlined by Humble at Urwick was taken up in a big way. Long range planning, manpower planning fitted well in the management culture.

1980s, a series of development in management thinking affected the world of consultancy. The Japanese companies flourished in world markets in automobile products, consumer electronics, semi-conductors, and computers. In response to this trend, Japanese approach to production involving flexible manufacturing system, quality management became influential areas of consulting. Further the liberalisation of financial markets and internationalisation of business created global corporate and marketing strategies. These resulted in new segments of consultancy, namely culture change management to help management of cultures in international companies.

Porter was the early exponent of the need for 'add value' to the firm. He introduced the concept of value chain and explained that 'A firm gains competitive advantage by performing these strategically important activities more cheaply than its competitors'. Concept of 'business process re-engineering' was the logical next step. Hammers and Champy's book 'Re-engineering the Corporation' (1993), admonishes the managers to focus on processes and not of functions. Such re-engineering provided opportunity to specialist consultants. Core competencies and outsourcing also become active areas of consultancy.
In early 1980s, Information Technology (IT) brought as much as 50 percent of consultancy revenues - that was a tremendous change. In fact impact of IT is seen in almost all issues of management. IT-based consultancies became predominant sector. Later since 1990s, internet has begun to impact on management consultancy. The rise of e-commerce led to new opportunities for management consultancies world over. This has also generated new area for consultancy such as knowledge management, advice and services. All these development and emerging areas of management consultancy call for continuous review of consultancy operations and practices.

To sum up the large and small consultancy firms face tremendous challenges, as seen from the happenings since 1960s. This call for strong knowledge base, in tune with changing consultancy needs. One of the important types of consultancy is management consultancy.

2.10.3 Management Consultancy

In recent years, consultancy has become such an all-embracing pursuit, for variety of reasons, that it is impossible to define consultancy very precisely. Management consultancy is very important to businesses, and there are many definitions as there are consultants. However, the following three definitions sum up what management consultancy is all about:

1. The rendering of independent advice and assistance about management issues. This typically includes identifying and investigating problems and / or opportunities, recommending appropriate action and helping to implement those recommendations.

(Source: - The Management Consultants Association, (UK).)
2. The service provided to business, public or other undertakings by an independent and qualified person or persons in identifying and investigating problems concerned with policy, organisation, procedures and methods, recommending appropriate action and helping to implement those recommendations.

(Source: The Institute of Management Consultants)

3. Management Consulting is an advisory service contracted for and provided to organisations by specially trained and qualified persons who assist in an objective and independent manner, the client organisation to identify problems, analyse such problems, recommend solutions to those problems and help, when requested, in implementation of solutions.

(Source: Greciner and Metzyer: Consulting to Management: 1983)

The three all-encompassing definitions have three important themes:

1) Identifying a problem 2) recommending a solution and 3) helping with implementation. These themes, in turn, shape into three typical roles of consultant as a mentor, a creator and a leader.

Management Consultancy is sought mainly by large enterprises, but scope for the same exists in medium and small enterprises. But the penetration is still low in small and medium enterprises. Consultancy scope exists in other fields besides management consultancy. There are technical consultancies, tax consultancy, legal consultancy. These are briefly presented as follows:

2.10.4 Technical Consultancy

Entrepreneurs and organizations often seek help of technical consultants. The scope of technical consultancy includes engineering and design, project identification and
feasibility report preparation, industrial engineering, logistic design, power generation, I.T. related consultancy (software, hardware and system), technical training and so on.

Service of technical consultants could be availed by small as well as large enterprises. Project identification selection, feasibility studies, pollution control studies are the key areas of assistance to small enterprises, in particular.

2.10.5 Legal Consultancy

To manage the tax and legal issues of enterprises specialised services of tax and legal consultants are retained. These consultants have expert knowledge about the taxation matters that will reduce the incidences of non-compliance, evasion and litigation. Similarly the legal issues are related to various regulatory acts and provisions of employee matters, insurance, payment of wages, accidents and safety, patent laws, property issues and so on.

Tax and legal consultancy needs of small enterprises appear to be, moderate to high, depending on the production process, number of employees, sales revenue imports / exports, contracts entered into and so on.

2.10.6 In-house Vs. External Consultants

Consultants can be external or third party, as well as internal / in-house persons. An in-house or internal consultant may be called to resolve problems, improve performance, or for implementation of plans. He may be a trainer-educator, joint problem-solver, advocate, information specialist, fact-finding process counsellor, diagnostician, system designer and even conflict negotiator (Chang and Chen, 1996). Internal consultants are familiar with the business, its organisational structure, and sources of information. However, in-house consultants may tend to create 'little empires'
around their specialization. They may not get subjected to expert criticism from outside, and may have limited exposure.

External consultants are independent, objective and impartial, and unbiased in the face of internal politics in the client organisation. They can act as devil's advocates by asking penetrating and sometime even embarrassing questions to any one in the organisation. They can cross-pollinate their experience from similar assignments that enables them to identify solutions quickly. As they are not permanent employees, once the consulting is complete, the costs need not be further incurred. Some of the other important advantages of using outsiders are their up-to-date knowledge in specific field, commitment and motivation and wide range of contacts with other experts and subcontractors. Attaching an internal employee with a consultant can be extremely valuable in the client company.

For small enterprises, employing in-house consultants specialised in a field, is observed to be expensive and normally not viable. Need based engagement of outside consultants is generally observed in small enterprises.

2.10.7 Small Enterprise Consultancy in India

In India consultancy for small enterprises originated from various extension services of Government of India, as Government played major role through policy level support and promotional programmes.

Small enterprise development was based on certain concepts such as better utilisation of local resources, employment generation, low capital investment, local consumption of items produced (local self sufficiency), protection, by reservation policy from large industries. The International Perspective Planning Team in 1954 (whose visit
was jointly sponsored by the Ford Foundation and Government of India) recommended setting up of institutions for development of village and small industries. One of the institutions set up accordingly was the Small Industry Extension Training Institute (SIET) at Hyderabad, in 1960. The SIET had the task of training of entrepreneurs and government officials connected with small industry promotion work. Under the policy measures enunciated under Second Industrial Policy Resolution (IPR) of 1956, it was stated that technical counselling to small units was to be extended by state governments to improve their efficiency and viability.

The Small Industry Development Organisation (SIDO) was established by Central Government and was headed by Development Commissioner, Small Scale Industry (DC, SSI). It was the nodal agency for all the policy formulation and advisory work for development programmes for Small industries. SIDO had over 27 Small Industry Service Institutes (SISIs), 32 Branch Service Units, 38 Extension Centers, and Regional Testing Centres, Product Development Centres, Production Centres and host of workshops and field testing stations (Vepa, 1988).

SISIs together with their branches provide technical and managerial consultancy to existing and prospective small entrepreneurs. Assistance in the form of project identification, selection, preparation of project profiles and project reports for small units were some of the main achievements of SISIs. They also organised skill-oriented training on production / service areas, and organised a large number of entrepreneurship development programmes. They also operated vendor exchange / subcontracting exchanges facilities. SISIs provided timely and subsidised services. The significant contributions of SISIs for small industry start-up, operation and management have been widely acknowledged (Vepa, 1988).
In 1970s, many State Governments promoted Technical Consultancy Organisations (TCOs) in their respective states particularly to assist small enterprises. The first such TCO was started in Kerala, by name, Kerala Industrial and Technical Consultancy Organisation (KITCO) at Cochin. In 1976, the State Government of Karnataka, in association with Karnataka State Small Scale Industries Development Corporation (KSIIDC) and other development corporations, established the Technical Consultancy Services Organisation of Karnataka (TECSOK).

Later, similar to KITCO and TECSOK, almost all the States in India had set up TCOs to provide technical consultancy services to small enterprises and entrepreneurs. Many of these TCOs are supported by All India Financial Institutions. The services of TCOs are often subsidised and cost effective.

Besides SISIs, NISIET and TCOs, a few more institutes, particularly in the area of entrepreneurship development, are not worthy. Entrepreneurship Development Institute of India (EDII) Ahmedabad, and National Institute for Small Business and Entrepreneurship Development (NIESBUD), New Delhi and State promoted Centres for Entrepreneurship Development have significantly contributed to the growth of small units by providing training and consultancy services.

EDII has done pioneering work in developing EDP modules for special category like women, rural entrepreneurs, science & technology entrepreneurs and so on. Entrepreneurial research work has also been done by EDII. The institute has also helped other developing countries in training the trainers. It has contributed tremendously towards the growth of small enterprises in India.
A number of engineering colleges, Indian Institutes of Technology, Indian Institute of Management (Ahmedabad, and Bangalore in particular) and other management institutes and Non-Governmental Organisations (NGOs) have also contributed for the promotion of entrepreneurship and by providing consultancy services. Many of these Institutes have established Entrepreneurship Development Centres (EDCs) and Science & Technology Entrepreneurs’ Parks (STEPs). Technologies developed at engineering colleges are made available for incubation and commercialisation at STEP\text{s}. Some of the management institutes have focus on entrepreneurship and undertake diagnostic studies for small enterprises, at nominal charges.

During 1977, to provide necessary guidance and assistance to entrepreneurs, the Central Government proposed to set up nodal centres at each district, called as District Industries Centre (DIC). Each DIC, headed by a General Manager, was formed with the main objective of extending single window clearance to small scale units. DIC was also expected to help entrepreneurs in scarce raw material procurement and obtaining working capital from Banks.

Besides professionals such as Chartered Accountants, legal experts and tax consultants provide these institutes and departments the consultancy services to small enterprises. Most of these belong to single person operated category, and are not fully organised.

2.10.8 Need for Consultancy

Despite the high incidence of sickness in small enterprises, the need for consultancy for small enterprises in India has not been perceived by its owners / managers to be very crucial for survival or success. But need for consultancy exists, considering the various problems faced by the small enterprises. The owner-managers of the small
enterprises face several problems in start-up and initial survival stage. The problems are mainly related to marketing and financial areas. In marketing area the problems faced are: lack of information, market potential, segmentation, competition, inadequate sales force, delayed payment of bills, pricing issues, distribution problems, and non-availability of competent sales persons willing to work in small enterprises. Paucity of working capital funds, poor cash flows, bad debts, costing and pricing issues are some of the financial area problems faced by small enterprises. These problems are identified based on the previous experience of the researcher in his professional career in the state level TCO in Karnataka. Yet another major problem experienced among small enterprises was the compliances required to be met with towards a number of governmental rules, regulations and statutory measures.

Besides the major problems indicated above, the enterprises also face problems of inadequate infrastructure support, particularly electric power supply from the State Electricity Boards / Corporations. Employee retention also is one of the problems. But the critical issues that many surveys and studies have pointed out are about management problems and lack of managerial competencies of owner-managers. Due to this reason small enterprise performance was affected and they experienced stunted growth.

In brief, the small enterprise consultancy, particularly in Indian context, is yet to get a firm root, though on a macro view of functioning of this sector indicates latent demand for use of consultants. Having broadly identified the need for small enterprise consultancy, it would be beneficial to review the client – consultant relationship.
2.11 Consultancy Studies Abroad

The definition of small enterprise is varying across countries in terms of sales revenue, employment and capital invested. Therefore, specific observations, or conclusions made in the survey or research studies abroad may generally depict the small enterprise issues relevant to the region or country of study. Generalisation of findings would be difficult. The summary of findings of the studies, specifically done abroad, on small enterprises are presented as follows:

The survey conducted by IBM and London Business School (1994) showed that 70 per cent of small firms thought they performed at world-class levels, when only 2-3 per cent were actually found to be doing so. This shows that consultants can find really effective ways of assisting these companies, to improve their performance to reach world-class level. But consultancy approach and modes may differ compared to those used in large enterprises. Consultancy needs of a small enterprise are immediate and fast moving. There is not much of slack in the system and the priorities can shift suddenly (Loxley and Page, 2001). It is of no use to simply importing consultancy practices developed with larger organisations.

Krentzman and Samaras (1960) while answering the question whether or not small companies use consultants, respond that the answer is two fold: i) the small business executive has host of problems, and ii) consultants represent a source of help. They related the first answer with the post-war failure rates of small business, which reached a peak in 1958. Long back, Dun and Bradstreet (1958) study had reported that “inexperience and incompetence” accounted for 92 per cent of the business failures. The owner-manager of a small firm, constantly under fire, faces a daily barrage of problems.
He stands alone with limited support from staff. Reserves in his time or money are virtually very low; any unforeseen event can disturb the functioning of the firm.

Krentzman's survey, in those years, indicated that only 32 per cent of the surveyed units had ever used consulting services. Smaller the number of employees, less the case of consultancy, 42 per cent of the non-users of consultants, contemplated using services of consultants. Several reasons were found out for rejection of help from consultants. These were the size of the fee to be paid to consultants, fear of admitting failure by owner-managers, competency level of the consultant assigned to the job, competitive fear about use of information given by firms in other assignments, loss of time in fixing the right consultant, hostile feelings about consultants, and so on.

The survey concluded indicating that consultants for small businesses require a 'shirt-sleeves' approach. It requires that the consultant not only act as an adviser, but also to help the manager in executing the plan. He should be willing to maintain a continuous relationship with the owner-manager.

Some of the firms, as reported by Krentzman seek outside help of consultants, friends, bankers and also search literature for information. Small Business Administration (SBA) in United States also helped small firms to gain access to adequate capital and credit to obtain fair share of government procurement and conduct management training programmes. SBA also provides technical and production advice. In USA, an 'Advisor-Board' of specialist has been established. This Board consists of highly competent persons who were specialists and experienced in general management problems. The Board used to meet once a month to criticize and advice the owner-managers.
Freedman, H.S. (1950) argued that while most small businessmen had a high regard for the profitable results of so-called scientific management, they were likely to be in doubt about how to apply it in their own businesses. He suggested that development of inquiring mind was itself one of the more valuable results of trying to apply its principles.

Impact of using consultants during venture formation and, on venture performance was studied by Bayer (1991) based on research accompanying the West German Pilot scheme “Support of News Technology-Based Firms”. It was found that entrepreneurs with less professional experience, aiming at wide market segments, or undertaking a technologically very ambitious project showed a higher than average demand for consultant’s services. It was also observed that consultants did not possess the required methodology to cope with the specific problems associated with the risk. However it was found that sales of the firms, which did use consultants, were consistently lesser in subsequent years than sales of firm, which did not. The results of this study are specific to the sample studied and hence cannot be generalised.

To determine relevant factors in the success strategies of small enterprises Kelmar, and Wingham, (1995), included in their study the aspects of entrepreneurial behaviour, practical management skills and decision-making. They suggested that small firms entering growth stage were so often requiring professional advice to support the specialized knowledge of owners or executives. Stevenson and Sahlman, (1988) maintained that the advice required and often sought was in the area of investment and financing growth.

Bird (1988) identified the use of entrepreneurial management perception in conjunction with the ability to seek and utilise professional assistance as a compound strategy with a high potential for growth. Barton and Mathews (1989) identified the need
for a new paradigm required to add to the ability to use administration skills, to recognise
the need for professional assistance in time.

The Technical Consultancy Organizations (TCOs), 13 in number established
between 1972 and 1979 in India were studied, it was noted that the TCO's performance
was quite impressive. TCOs concentrated on project identification, industrial potential
surveys preparation project profile, feasibility studies and project reports, identification
and training of potential entrepreneurs, monitoring of projects and project appraisals. The
performance of TCOs was impressive, based on the study, on several counts: 1) volume
and pattern of activities; 2) quality of technical assistance and 3) commercial and
financial viability. While comparing TCO assisted units with non-assisted units, there was
not much difference between the two with regard to their nature and characteristics. The
analysis of age, origin, education and past experience of entrepreneurs differed in the two
categories. The major part of assistance sought was related to project reports (89 per
cent). TCOs assistance, qualitywise, was satisfactory. About 75 per cent of the TCO
assisted enterprises were fully satisfied. Regarding comparison of performance of the
TCO assisted and un-assisted categories, though required profitability figures could not
be gathered, it was possible to get some significant indicators of profitability such as
capital productivity (output per unit of capital), labour productivity and capital intensity
(fixed capital per unit of labour). Capital intensity was higher by about 30 percent in
assisted group of enterprises. In both capital intensity-wise and labour productivity-wise
assisted group did perform much better than un-assisted groups. It appeared that the
technical advice offered by TCOs improved the efficiency of the assisted enterprises by
reducing costs on one hand, and improving productivity of both equipment and labour on
the other (Bhatt, 1981, p17).
According to a study (Szarka, 1990), it appeared that 45 per cent of firms made no use of external assistance in 10 years and 55 per cent that used was not regular. It was also observed that larger firms had highest propensity to use paid consultants, and small firms the lowest. Use of consultants was more common in best performing firms. Also propensity to use consultants was more in science and technology based firms. External assistance from banks and accountants was the third most common overall source used by small firms. The study suggested for development of a comprehensive and integrated network of business support services. These findings were very relevant in the present research study.

2.12 The Client-Consultant Relationship

A successful consultant must understand the soft reasons behind the intentions of a client seeking assistance, and must be able to respond to those concerns. Human interaction is dynamic, highly contextualised and fluid. Understanding the client-consultant relationship is important to evaluate the effectiveness of consultancy intervention.

There are two major aspects to any consulting relationship, the analysis and solution of the problem, and the relationship between consultant and client (Kubr 1976). But not much work has been done on the facets of the relationship between consultants and the clients. Consultancy is seen both as a science and an art. It involves relational process, (being an art) an expression of belief and values, and act of emotional exploration within the limits of a social relationship. As science it provides knowledge, models to enhance understanding and diagnostic and measurement tools. A middle path, combining both the art as well as science, is better for a consultant.
Relationship is critical aspect of consultancy, and McGivern (1983) suggests that the relation between consultants and clients and its relevance to the achievement of successful outcomes are subjects to which a serious attention is desirable. He argued that an inter-dependent relationship was likely to be an important factor in successful consulting work. He identified seven facets of this type of relationship. These were: need for trust, high levels of interaction and contingent methods, degree of interaction, extent of requirement for interpersonal skills, the clarity of focal problem/issue, client and practitioner values, and the influence of power.

The McGivern study showed that, given the context of three cases examined in the study, success in consultancy from the client's angle was on account of the results of the relationship being characterised by certain qualities. It was found that in the particular cases studies, the personal commitment was an important factor, rather than the technical expertise or problem solving possessed by the consultants. There was a lack of emphasis on results. A number of qualitative factors mattered in the relationship. The extreme focus on consultants' personal commitment and skills also raised a further question as to whether consultant help was a means of dealing with practical problem or a form of therapy.

Trust is most frequently regarded, as the prime requirement and its existence seem to derive from unambiguous or authentic behaviour of the consultant. Rogers (1961) agrees that clients, regardless of the specific or technical orientation of their helpers, are likely to experience attitudinal factor in the relationship as having been primarily responsible for any benefits they report.

One of the problem in client-consultant relationship is the inadequate or lack of personal experience of the culture of the client organisation. Though clients may find it
easier to share details of a problem with an outsider, the outside consultants may have to build effective consultancy relationship, in spite of their proven track record and expertise.

The nature of expertise the consultant offers or the client requires significantly influences and shapes the relationship. Management consultancy requires expertise in different areas: economic, financial, marketing, information technology, personnel management and organisational development and so on. The expertise possessed by the consultant may focus primarily on the task or process. Task oriented consultants tend to focus on the task or the problem and minimize the people and relationship aspects. The key question directs towards 'what' needs to be done. Process oriented consultants, generally tend to focus on people and relationship. Consultants may find it necessary to use both these types in an assignment.

Client-centred consultants are presumed to have sufficient expertise in their own discipline, may be technical, management, social science, health, safety, training and development, system analysis, learning methods and so on. In addition they possess extra competence in the process of consultation. Cochran (1992) indicates special capabilities found in client-centred consultants include a high level of self-awareness and a wide range of professional and inter-personal skills and a real understanding of the helping process. In client-centred consultancy the consultant leaves the client with the option to change or not, as the consultancy intervention is designed to bring about a charge.

2.13 Models of Consultancy

Having reviewed the issues related to client-consultant relationship, it is appropriate to review the work done on the process of consultation.
Consultation process can be distinguished by looking at the assumption made about the clients, nature of help, and the role of consultant. Three basic models have been identified (Schein, 1990):

1. The Purchase of Expertise Model: This model is suitable when the client knows what kind of information or service is necessary. Expert information or an expert service is purchased. Consultant can seldom learn enough about any given situation or organisation to really know what better course of action could be suggested. He has to know the values, perceptions, traditions and assumptions of the owner-manager of the enterprise and other employees. In short the organisational culture. The owner-managers, at later stage, could be encouraged to learn how to identify and analyse the problems.

2. Doctor-Patient Model: In this model consultants are called to check the people or system to discover if there are any areas that are not functioning properly and might need attention. Consultant, based on his checking, prescribes remedial measures. This model appeals to consultants as they enjoy a great deal of power in this case. The difficulty in this model is getting accurate diagnostic information about the ‘sick’ unit or area due for non-cooperation or reluctance of persons concerned to reveal the information. Information distortion could take place during interviews or survey conducted by the consultant.

3. Process Consultation Model: Process consultation is essentially a joint effort of client and consultant. The consultant facilitates problem identification and analysis by the concerned owner-manager or subsystem. He also should pass on the skills of how to diagnose and fix the problems.
Process consultation is a set of activities of the consultant that help the client perceive, understand and act upon the process events that occur in the client environment in order to improve the situation, as defined by the client.

The important points to note are the attitudes and philosophy that underlie the consultation behaviours vis-à-vis the client. Consultant gives help. But how does he go about doing it and what assumptions he makes about giving such help? He may provide information, use diagnostic tools to analyse information, help identify and/or analyse the acute problems faced by the enterprise.

So far, having discussed most of the aspects related to consultancy, it is also appropriate to briefly review the process of counselling and networking, as these two are effective processes for small enterprise intervention.

2.14 Counselling

Counselling can be used as 'software assistance along with training, advice, consultancy and information provision (Moron P. 1992). For small enterprises assistance can be more effective through counselling intervention. Gibbs (1984) points out that counselling role differs from a consultancy role in working 'through' and 'with' the client rather than 'for' the client. Reddy (1987) had generally described counselling as a set of techniques, skills and attitudes oriented towards helping people manage their own problems using their own resources. Key role of the counsellor is the transfer of knowledge and experience to the client.

Udai Parek (1995) uses helping and counselling interchangeably. Counselling is a dynamic process establishing a relationship of trust through effective communication with
a view to influencing the client. Entrepreneurs being creative individuals, often experience stress at various stages of the development of their enterprise. On such occasions, counselling is a beneficial intervention. Counselling involves three phases: rapport building, exploration and action planning. Counsellors need to know their clients with empathy. Counselling and consultancy are different. Business counselling is not consultancy. A consultant primarily provides solutions to previously identified problems. He rarely provides learning opportunity. In consultancy solution, advice and information are offered as a package, whereas in counselling the signs and symptoms are explored, cause-effect are identified, alternatives developed by the client, prioritized and action oriented plan worked out. Counsellors need to possess /develop analytical skills, interpersonal skills and acquire environmental knowledge and have a wide frame of reference. Egan’s (1982) ‘development model’ is a systematic and ideally suited for business purpose counselling’. Small enterprise consultant, Chartered Accountant, Cost Accountant can effectively use counselling intervention for effective business counselling.

2.15 Network

The term ‘network’ denotes the relationship of entrepreneurs and their small businesses with the outside world. It is defined as a specific type of relation linking a defined set of persons, objects or events (Nelson 1988, Szarka 1990). Characteristics of the entrepreneur and enterprise have important role in the network scene. Determinants of network are social, communications and business. Links in networking can be informal/formal, direct/indirect and centralised / decentralised.

Two types of networking process have been observed: 1) extended network associated with organizations, and 2) the informal, personal networks associated with the
individual. Taken together, these two processes effect the fate of entrepreneurs and their enterprises. Dubini, and Aldrich (1991) have identified two strategic principles that apply to personal networking: systematically plan and monitor network activities; and attempt to increase network density and diversity. Internet communication has stimulated formation of loose inter-personal networks because it is effective to get various people together spontaneously. In future, Internet will be an important facilitating device (Akizawa and Kijima, 1999). Entrepreneurs have used networking effectively at start up, growth and maturity stages (Larson, 1990).

2.16 Summary

In conclusion, this chapter presents the review done on small enterprises, the definition related aspects, the tasks and competencies of owner-managers, the problem arising in life cycle stages, problem solving / decision making process and performance related issues. Besides, research work done both internationally and in India were reviewed to understand the nature and types of consultancy, its needs and importance, client-consultant relationship issues, attitudinal issues and small enterprise promotional aspects.

While reviewing the literature, it was noticed some gaps such as attitudes of owner-managers towards consultants, the factors influencing their decision to use consultants, relationship between managerial competency and consultancy intervention and operating performance. These gaps motivated the researcher to undertake in-depth research study to understand problems and prospects of small enterprise consultancy, focussing on the above cited issues. The research methodology adapted to study the problem is described in the next chapter.