

## **Chapter 2**

### **Research Design and Methodology**

#### **2.1 Introduction**

Entrepreneurship was developed into a true field of research only during the 1980s [42]. In 1983 the field of entrepreneurship was described as “an intellectual onion”. “You peel it back layer by layer and when you get to the center, there is nothing there, but you are crying” [43].

Entrepreneurship research seeks to explain and facilitate the role of new enterprises in furthering economic progress. The research area of entrepreneurship is eclectic and the broad range of the subject is the strength of this field. In the past decade researchers have distinguished between individual entrepreneurship and corporate entrepreneurship [43].

It is difficult to explain the concept of entrepreneurship due to the diversity of historical definitions and theoretical perspectives. Entrepreneurship is a multi-dimensional concept, the definition of which depends largely on the focus of the research undertaken. So the selection of the appropriate basis for defining and understanding the word entrepreneurship creates a challenging problem for academic researchers [44]. Anybody can use the term ‘entrepreneurship’ in any way he chooses to, so long as he provides some accepted definition [45].

The field of small business research is closely related to the field of entrepreneurship. Researchers interested in studying the process of new venture creation usually focus on small businesses. Small businesses are those, which meet certain investment criteria. Most of small business research focuses on the importance of the manager who is normally the owner in understanding and explaining business performance.

The variables studied by the researcher in the field of entrepreneurship include the individual, the object created viz. the firm or organization, innovation, the environment and the process.

The entrepreneurial process can be understood and appreciated by studying six schools of thought or approaches to entrepreneurship. All research activities in the field of entrepreneurship fall within these schools of thought. A summary of these approaches is presented in Table 2.1.

The studies of entrepreneurship can be classified according to the approaches followed by the researchers from different disciplines and the levels of analysis. In India the studies on entrepreneurship can be further categorized whether entrepreneurship was resources based or opportunity based.

The pace of entrepreneurship or venture establishment depends on both macro and micro components. The occupational choice i.e., entrepreneurial decision made at individual level is often referred to in terms of the risk-reward profile taking into account entrepreneurial opportunities and resources, abilities, personality traits and preferences of the individuals. In deciding a career, the individuals compare their risk-reward profile for entrepreneurship versus for other types of employment.

It has been argued that the study of entrepreneurship is deficient if it focuses exclusively on the characteristics and behaviours of individual entrepreneurs and treats the social, economic and political environment of entrepreneurship as externalities [46]. It has also been asserted that a social system perspective that includes external environmental conditions may be more appropriate for explaining the process of entrepreneurship.

In the past few years' entrepreneurship studies have increasingly focused on individuals and firm level analysis. The focus should also be on the industry, regional and national levels. There have been no studies that combine these levels [20].



The main focus of entrepreneurship studies should be on the emergence of a new firm. Researchers who want to make a unique and worthwhile contribution to researches on entrepreneurship should make an effort to study the process of formation of new enterprises [47].

Researchers in the past have neglected the characteristics of the new enterprise formation process. New enterprises can be studied as a cause or result of the process [48].

## 2.2 Entrepreneurship Studies in India:

In conformance with the global trend, in India, most of the researchers who carved a niche in entrepreneurship research have also shown a strong interest in small business research [49].

A substantial number of entrepreneurship research studies have been carried out in India. These research studies have concentrated on different aspects of entrepreneurship. Table 2.2 provides information on studies on various aspects of entrepreneurship during 1987 and 1993.

**Table 2.2: Research Studies Conducted on Different Topics**

<b>Areas or Topics</b>	<b>Research studies conducted (%)</b>
Entrepreneurial education and training	41.76
Entrepreneurial infrastructure and government regulations	21.98
Sickness	14.29
Personality characteristics	10.98
Management of firms (operations, marketing, finance, strategic management)	8.80
Technology and R&D	2.20

Source: P.K. Sharma and Nageshwar Rao Research Trends in Entrepreneurship and Small Business in India: Directions and Prospects, SEDME XX1 (4), December 1994: 15.

There have been a few entrepreneurship studies carried out at the national level. Table 2.3 lists the focus of these studies.

**Table 2.3: Entrepreneurship Studies Carried at the National Level**

<b>Researcher</b>	<b>Focus of the study</b>
Andrew F. Brimmer	Impact of the managing agency system on setting of entrepreneurship in India
D.R. Gadgil	Entrepreneurship of seventeenth and eighteenth century in India
Helen B. Lamb	History (evolution of entrepreneurship)
Phiroze B. Medhora	Sociological approach (nineteenth and twentieth century)
Pritam Singh	Entrepreneurship since independence
Global Entrepreneurship Monitor (Mathew J Manimala - India)	Role of entrepreneurship in national economic growth

***Brimmer (1955):***

Studied the effect of the managing agency system on the setting up of enterprises in India [50].

***Gadgil (1959):***

Focused on the origins of the modern business class starting from 1750 till the establishment of factory system in India (i.e. British political and economic influence in India) [51].

***Lamb (1955):***

Analyzed the entrepreneurial participation by the community right from the advent of the factory system in the middle of nineteenth century. The focus was on manufacturing and

banking entrepreneurs in Bombay and Calcutta. The study also focused on three major Indian communities; the Marwaris, the Parsis and the Gujaratis [52].

***Medhora (1965):***

He studied the positive and negative influences on the growth of entrepreneurship in India. He borrowed from Max Weber's analysis of religion, caste system and the family system as factors affecting the emergence of entrepreneurship. He stated that the industrial development in India has gone through three stages. There were very few entrepreneurs in the period of laissez-faire capitalism in the nineteenth century. There was a rise in entrepreneurial activity and development of indigenous industrial development during the period of *Swadeshi*. After independence, and during the period of economic planning, there was a rapid expansion of entrepreneurship both in the public and private domains [53].

***Pritam Singh (1963):***

His study was on indigenous entrepreneurship with an emphasis on the manufacturing sector at the national level. He discussed the impact of the enterprises on economic development. His study had a detailed account of the concept of the term 'entrepreneur' [54].

***Global Entrepreneurship Monitor (2002):***

The Global Entrepreneurship Monitor (GEM) research program was started in the year 1999, as a joint initiative of Babson College and London Business School. The objective was to understand the role of entrepreneurship in national economic growth. It attempted to link the entrepreneurial framework prevailing in a specific country with the projected economic growth of the country. In the initial survey in 1999, 10 countries were surveyed and today, the survey is being carried out in 39 countries.

In India the GEM project has been carried out for the three years 2000-2002 by the N. S. Raghavan Center for Entrepreneurial Learning at the Indian Institute of Management, Bangalore. GEM shows the level of entrepreneurial activity in India has increased

consistently from 8.9% in 2000 to 11.6% in 2001 and 17.9% in 2002. Among the 37 GEM member countries surveyed in 2002, India had the second highest level of entrepreneurial activity [55].

There has been a large number of studies carried out in India to investigate entrepreneurship in specific geographical regions. Table 2.4 provides a list of these regional studies.

**Table 2.4: Entrepreneurship Studies Carried at Regional Level**

<b>Researcher</b>	<b>Topic/ Areas of Focus</b>
A.P. Upadhye	Development of entrepreneurship in the small scale sector in Pune city
B. Sarveswara Rao and V. Lakshmana Rao	Industrial and commercial entrepreneurship in the coastal region of Andhra Pradesh
Bandopadhyay	Entrepreneurship in West Bengal
Bhatia B.S	Origins and problems of new industrial entrepreneurs in Punjab
Birendra Narain Singh	Industrial Entrepreneurship in Uttar Pradesh
Blair K. Kling	Obstacles to entrepreneurship in Bengal
David McClelland	Achievement motivation
H.N. Pathak	Small scale industries in Ludhiana
Howard Spodek	Industrialization of Ahmedabad
James J. Berna	Industrial entrepreneurship in Madras State
James T. McCrory	Latent industrial potential in small industries in a North India town
K L Sharma	Entrepreneurs in Uttar Pradesh
K.P. Sharma	Rise of entrepreneurship in Haryana
K.S Ramswami	Factors influencing industrial entrepreneurship among the tanners of North Arcot district in Tamil Nadu

**Table 2.4: Entrepreneurship Studies Carried at Regional Level (...contd.)**

<b>Researcher</b>	<b>Topic/ Areas of Focus</b>
Kameshwar Jha	Growth of entrepreneurship in Bihar
Leighton W. Hazlehurst	Entrepreneurship and Merchant caste in a Punjab City
M.U. Deshpande	Small scale industrial entrepreneurship in Marathwada region
R A Gupta	Industrial entrepreneurship in Rajasthan with a focus on problems faced by entrepreneurs
S G Bhansali	Entrepreneurship in the engineering industry of Kolhapur
S S Gaur	Entrepreneurial development in Rajasthan
Sarveswara Rao and Nafziger	Entrepreneurship in small industries in Vishakapatnam city
Small Industry Extension Training Institute	Entrepreneur profile, reasons for starting a small scale unit in Hyderabad and Secunderabad
Subrmanian	Entrepreneurship in Madurai
V Louis	Industrial Entrepreneurship in Coimbatore district

In the following paragraphs an overview of various entrepreneurship research studies carried out in India is presented.

***Berna (1960):***

He carried out a study of light engineering industry in Madras in the year 1957. He focused on the socio-economic background of the entrepreneurs, the origin and growth of their firms, the operational problems of the entrepreneurs and the mobility of the entrepreneurs. He defined an entrepreneur as a person or a group of persons responsible for the existence of a new industrial enterprise. He found that traditional occupation and caste have very little impact on entrepreneurial entry or career decisions. He suggested that economic factors such as access to capital, experience and technical knowledge,

played a greater role than sociological factors like caste and approval or disapproval of the social group. Graduate engineers were involved in large numbers in industrial entrepreneurship during the post World War II period because of the low average salary paid to engineers and high rate of unemployment [56].

***David McClelland (1971):***

He explained the development of entrepreneurship in terms of human motivation to achieve or need for achievement. He proposed that a society with a high level of need for achievement would produce more entrepreneurs. Along with Small Industry Extension Training (SIET), he carried out this research in Andhra Pradesh [57].

***H.N. Pathak (1972):***

Pathak studied the interplay of factors like favourable, timely, and appropriate government policies and found that adaptability of the enterprises was responsible for the all-round development of entrepreneurial talent [58].

***Hazlehurst (1966):***

He studied entrepreneurs in a Punjab city, and analyzed the effect of caste, socio-economic class, kinship structure and social community on the social context in which the entrepreneurial activity was undertaken. The study covered the manufacturing, trading and finance sectors. The displacement of population during the partition in the year 1947 had had a major impact on the structures of entrepreneurship in the areas close to the India-Pakistan border. This had weakened the dominant position of the *Aggarwal Baniyas (a Vaishya caste)* in the trade sector [59].

***K.L. Sharma (1978):***

A study conducted by him found that entrepreneurs in Uttar Pradesh had a higher entrepreneurial orientation but lacked in entrepreneurial commitment and achievement. The low entrepreneurial achievement was due to non-conducive socio-economic environment, non-commitment of workers and shortage of raw materials and capital [60].

***Kameshwar Jha (1970):***

He reported that a favourable economic environment had a positive impact on entrepreneurship [61].

***Kling (1967):***

Kling studied the status of entrepreneurship in Bengal. He also found out the reasons for the Bengali antipathy toward business activities. Marwaris and other non-Bengali business castes dominated trade in Bengal. He found that as there was a lack of entrepreneurial opportunities in Rajasthan, Marwaris began to enter key entrepreneurial positions in trade and finance in Bengal in the nineteenth century. Bengalis viewed business occupations as low in status. In 1880s a number of reputed Bengali firms were defrauded by their British partners, which led many Bengali businessmen to retreat from trade and commerce. On the other hand, Marwaris were able to rise rapidly because of their hard work and business acumen and their family solidarity (which allowed them to mobilize capital). They started as subordinates in British firms and moved to dominant position in diversified industrial economy by the end of World War I [62].

***M.U. Deshpande (1982):***

In his study of entrepreneurial development in Marathwada Deshpande found that the backwardness of the region was mainly due to the absence of the right type of entrepreneurs. The emergence of entrepreneurship was not strictly a psychological or socio-psychological phenomenon but it was also influenced by the political environment, the administrative system and the commitment to economic development [63].

***McCrorry (1956):***

He studied industrial firms (using power and not employing more than 20 workers) in two towns in Punjab and Uttar Pradesh in the year 1955. His study recommended policies to improve the utilization of resources in the small industries sector [64].

***R A Gupta (1987):***

Gupta studied the problems faced by entrepreneurs in Rajasthan, particularly the environmental factors that had an adverse impact on the emergence of industrial entrepreneurship in Rajasthan [65].

***Sarveswara Rao and Nafziger (1978):***

Sarveswara Rao and Nafziger studied entrepreneurship in the small industries sector in Visakhapatnam (Andhra Pradesh). The objective of the study was to identify the factors determining the growth and success of industrial entrepreneurship in Visakhapatnam [66].

***Spodek (1965):***

His study focused on the textile industry and the reasons for the clustering of such an industry in Gujarat [67].

In India most of the regional entrepreneurship studies focus on founders, owner-managers and Small-scale Industries. Only very few studies have differentiated between innovative entrepreneurs and small business founders.

The first Entrepreneurship Development Institute of India (EDII) national workshop highlighted that there were not many entrepreneurship studies in India that had studied issues like the existing entrepreneurs, management problems, industrial sickness, business environment and government policies [49].

There has been no study conducted in India that relates personality traits to specific industries, start-ups, financing and venture capital, accounting practices, strategy and growth, international operations, high technology, etc. Very few empirical studies have been carried out on the regional differences in industrial entrepreneurship. As compared to developed countries, India definitely lags behind in the areas like assessing the entrepreneurial climate and its relation to society.

In short, the issues that could be consolidated for further studies include characteristics of entrepreneurs, entrepreneurial culture and environment with reference to social values and attitudes, entry barriers to entrepreneurship, stimulants to entrepreneurship, role of promotional organizations, support facilities and the role of education and training in promoting entrepreneurship.

### **2.3 Methodology Issues**

Entrepreneurship research is viewed as consisting of descriptive studies using simple statistics with few efforts directed towards causal inferences. There have been contradictory recommendations with regard to the use of quantitative or qualitative techniques in carrying out entrepreneurship research. There is a lack of consensus among entrepreneurship researchers with regard to identifying and applying appropriate research methodology. It was found that only seven per cent of entrepreneurship studies were longitudinal studies in which data were collected at two or more points in time along with frequent interviews or multi-year analysis of data [68].

Longitudinal studies are strongly recommended in the area of entrepreneurship research [68]. However, they are difficult to carry out in many countries mainly due to non-availability of time series data of enterprises and the entrepreneurs' refusal to continue to cooperate. Moreover, the original chosen unit of analysis might also undergo changes, which would make it ineligible for further study.

Table 2.5 depicts the research methodology used in various entrepreneurship research studies carried out in India from 1989 to 1993.

Sharma et. al (1994) have shown in their studies that the frequently used and secondary data analysis was the least used in the methodology for carrying out entrepreneurship research in India. Sophisticated statistical tools were seldom used in any of the study. Table 2.6 highlights the usage of research methodologies in entrepreneurship research

topics. It is observed that experimentation techniques are used predominantly in studies concerning entrepreneurship training and education.

**Table 2.5: Research Methodology Used in Entrepreneurship Studies in India**

<b>Research Methodology</b>	<b>No. of studies</b>	<b>Percentage</b>
Survey	35	38.46
Observations	24	26.38
Experiment	20	21.98
Case studies	7	7.69
Secondary data	5	5.49

Source: P.K. Sharma and Nageshwar Rao Research Trends in Entrepreneurship and Small Business in India: Directions and Prospects, SEDME XX1 (4), December 1994:16.

Across the globe, despite potential difficulties with non-response bias, the mail survey remains the commonly used method for collecting data on small and medium enterprises [69]. Researchers reported that in a review of 50 studies where practising entrepreneurs were surveyed, the response rate ranged from 3% to 80% with a median of 33% [70].

***Research Design:***

The present study is a descriptive research, which aims at providing a basic description of the current status of industrial entrepreneurship in Rajasthan. This study is a one-shot case study. However the sampling frame has a further scope to be used for carrying out cross sectional studies in future.



Entrepreneurs are influenced by the attitude of society and the prevailing institutional framework. These variables could vary from region to region, even within a country. Hence, research studies which focus on specific regions have to be conducted. The present study is carried out for all the regions of Rajasthan intending to fulfill this objective.

***Method of data collection:***

*Sources of Data:*

This study is based on data collected from both primary and secondary sources. Primary data were collected from entrepreneurs, the general public and a few experts in Rajasthan. Secondary data were collected mainly from various published reports and documents available at the Commissionarite of Industries (Government of Rajasthan), Bureau of Investment Promotion, Directorate of Economics and Statistics (Rajasthan), Rajasthan Chamber of Commerce and Industry, District Industries Center (Rajasthan), Entrepreneurship Development Institute of India (EDII) and National Council for Applied Economic Research (NCAER).

*Survey Instrument:*

Structured questionnaires were used to collect data from entrepreneurs, non-entrepreneurs and experts. The data from entrepreneurs in Rajasthan were collected through mail questionnaires. The data from general public were collected through personal interviews. For projecting the future state of entrepreneurship in Rajasthan an expert opinion survey was conducted. Secondary data were collected through desk research.

For collecting data from non-entrepreneurs a bilingual questionnaire was used. With the help of experts the initial questionnaire in English was translated into Hindi, and pre-tested. In order to clear the ambiguities or peculiar terminologies Hindi responses were re-translated into English.

### ***Target Population:***

There were three groups of people from whom the data were collected for this study. They are entrepreneurs, general public and experts.

Entrepreneurs were identified from the directory listings of businesses established in the state of Rajasthan. The term ‘businesses’ refers to all those firms, which are registered and involved in manufacturing.

Experts refer to those individuals who had expertise or special knowledge or were associated with industry, entrepreneurship or businesses in the state of Rajasthan.

### ***Sampling frame:***

The following paragraph discusses the procedure followed for identifying the target population, and the sampling method used for collecting the data.

### ***Entrepreneurs:***

For collecting data for the present study, there was a need to identify the addresses of the existing enterprises in Rajasthan. These included only those companies, which were registered either as a village and cottage industry or small/ medium/ large scale industry. Three major sources were used to identify these enterprises.

1. Bureau of Investment Promotion
2. District Industrial Center (Commissionarite of Industries, Government of Rajasthan)
3. Directories: Directory of Manufacturers (Rajasthan Business Pages), Rajasthan Industries’ Directory (Rajasthan Chamber of Commerce and Industry), Directory –2002 (Udaipur Chamber of Commerce and Industry) and Kothari’s Industrial Directory 1996-97.

From the above sampling frame, enterprises were identified randomly and questionnaires sent in four stages, the details of which are discussed in Chapter 3.

*General Public:*

Quota sampling technique was used for identifying the general public. Out of thirty-two districts in Rajasthan data were collected from sixteen districts. The criteria for selecting these districts and methods of data collection are discussed in Chapter 4.

*Experts:*

In order to project the future state of entrepreneurship in Rajasthan, an expert opinion survey was conducted. Thirty experts were identified. These experts were from industry, government, academia and non-profit organizations. Since there was a poor response, this approach had to be dropped. Later on, time-series data were obtained and a trend analysis was carried out for projecting the future state of entrepreneurship in Rajasthan.

*Sample size:*

The details of the sample size of entrepreneurs, non-entrepreneurs and experts and the response rate are discussed in detail in Chapter 3, Chapter 4 and Chapter 6 respectively.

*Data Analysis:*

*Editing and Coding:*

Data collected from entrepreneurs were edited for completeness and to improve legibility. Open-ended questions were coded and classified appropriately. The details of the same are provided in Chapter 3.

The responses obtained in Hindi were translated into English with the help of an expert.

*Statistical Analysis:*

The collated data were entered into a spreadsheet for carrying out the data analysis. Various descriptive statistical tools like frequency tables, average, percentage and trend analysis were used for this purpose.

(More detailed descriptions of the research methodology have been provided appropriately in each chapter for the facilitation of the readers.)

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