Chapter 7

**STUDY LIMITATIONS, CONCLUSIONS AND FURTHER SCOPE**

The study of entrepreneurial behavior is multi-disciplinary in nature, which limits separation of economic issues from others. Accepting this as an inherent limitation of social science research, this study has attempted an exploratory exercise from an economic point of view to closely examine the various decisional aspects of entrepreneurial behavior among urban small and medium enterprises.

### 7.1 Study Limitations

A number of limitations are admitted to, some of which are briefly enumerated as follows:

1. The availability of secondary data regarding small and medium enterprises are severely limited, hence one is constrained to use whatever little is available. Such information has to be retrieved from diverse sources which restricts the comparability to a great extent.

2. An attempt has been made to collect firsthand information from the sample units for having the actual feel of the working of the units and acquire more qualitative information. Data collected in this manner also suffer from some constraints:
   - **(a)** Non-availability of reliable firm level data from other sources have led to the selection of population data from the records of the Chief Inspector of Factories, (CIF) Gujarat. Although this covered information regarding employment, other details (such as capital, assets etc.) were absent. Consequently, the sample drawing had to be based only on two known characteristics viz.: industry group and size of labour.
   - **(b)** Considering the field work to be carried out single-handedly, the sample size was limited to 100 units from the urban areas of Ahmedabad. The sample accounted for 5% of the factory units population. The sample does not claim to be strictly representative; hence no attempt has been made to draw generalisations therefrom. The emphasis has been on deducting as many inferences as possible...
rather than testing specific hypothesis. The aim of the exercise has, therefore, been
to demonstrate a method of examining certain aspects of the objectives under
study.

(c) Both qualitative and quantitative data have been analysed using known
statistical measures. However, the extent of validity of the financial information
(data) was determined more by the willing disclosure of the information by the
respondents. Whereas some respondents were outrightly co-operative, who gave
open access to their records, others were hesitant to give exact figures. Lack of
other sources for verification of such data and the consideration that some
exaggerations as well as understatements would tend to be averaged out, have led
to the presumption that such information (data) so gathered is correct. However,
consistency check was introduced for data validation and information that seemed
doubtful were rejected. The data received on the bias of actual responses were
used for cross comparisons and statistical tabulations by various characteristics.

(d) Since the purpose of the study has been to examine the information regarding
general entrepreneurial behavior among urban small and medium enterprises, the
limitation imposed by the sample size has not been seriously considered. No
control variables/parameters were introduced such as specific industry group, type
of entrepreneur, manufacturing process or otherwise. Such a broadbanding, while
facilitating an overall perspective, reduces the sharp focus which is essential for
testing specific hypothesis. The study, therefore, admits having limitation on this
count.

3. No attempt has been made to assess the profitability and rate the success or failure
of the firms. Although the functional aspects of the units have been highlighted, the
performance assessment of sample units has not been attempted. Neither have
entrepreneurial competencies been tested against success parameters, nor has any
causation model been developed. The study has not dealt with any entrepreneurial
performance grading.

4. Since the factory units population was confined to the records of CIF, it
automatically eliminated the urban informal sector from the purview of the study.
Moreover, the focus has been on the entrepreneurs of urban medium and small
scale sector. The traditional, the village, handloom and khadi units as well as the
tiny sector are excluded.
5. There are a number of aspects to the entrepreneurial functions, the enumeration and analysis of which have been the basic limitation of this study. An attempt has therefore, been made to highlight only those aspects which have been prominently observed in the sample. It is admitted that full justice to some entrepreneurial viewpoints has not been made by this study.

6. The data limitations, in terms of the observed spread of the sample units among different sub-groups of each characteristic, as well as the observed wide variability of some parameters, have restricted the use of statistical measures to the fullest extent.

7. The inferences drawn from the sample observations cover too narrow a sample to be statistically used to accept or reject the known hypothesis. Nevertheless, they have served as cross-checks to verify theoretical contentions and empirical evidences observed elsewhere in comparative terms.

7.2 Conclusions

Various facets of entrepreneurial behaviour are examined in this study in the context of his decision-making process, confined to sample units. The observations have broadly been organised into various chapters for the purpose of detailed analysis. In a wider perspective they give a fair picture of the total scenario. The conclusions arrived at, although confined to the sample, can provide a reference point for comparison with findings of other known studies.

Among small and medium enterprises, the ‘who’ of the entrepreneur-entrepreneurial origins and background - are the primary influencing parameters. The main findings of the study in this direction reveal (See Chapter: 2) the exposure of the entrepreneurs to business in the form of trade or manufacturing through their family background. The supportive urban industrialised setup, alongwith the complementarity of fathers’ business occupation (in 58% of the cases) was seen to have created the right entrepreneurial environment for encouraging enterprise, either in terms of seizing new opportunities, setting up one’s own independent concern or developing / diversifying a pre-established business. This, is corroborated in the findings of Gupta (1987)[56] in Uttar Pradesh, observing two-thirds of his sample entrepreneurs following their fathers’ businesses.
The urban culture is evidenced in the highly qualified profile of the small entrepreneur. 67% of the sample entrepreneurs were graduates. This compares favourably with Rao, Gangadhar’s (1986) [108] findings in Andhra Pradesh, wherein half of the entrepreneurs were graduates. No causal relationship between higher education and higher performance (in terms of output or growth) could, however, be established in the sample studied. Nevertheless, higher incidence of lower education levels was found among entrepreneurs of the sample units having lower output. It was observed that more qualified entrepreneurs were employing more labour as well as capital. This is consistent with the findings of Little et al (1987) [84] and those of Cortes et al (1987) [37] that higher education associates with size of investment.

Most of the entrepreneurs had a high experience background—several being childhood protégés and majority having more than 10 years of managerial experience. Formal managerial training was observed to be marginal and managerial experience was gained mostly by actual working. The mode of decision-making and the functioning of the factory units remained centralised, with the locus of control being in the hands of the owner-manager or shared between partners or family members. Responsibility delegation to others was marginal and professional assistance in decision-making was minimal. This style/mode of decision-making has been a known characteristic of small enterprises. Deb (1993) [39] confirms the limited use of hired managers in SSIs.

Partnership has been the most favoured form of organisation among the sample small and medium enterprises (Chapter: 1, Table: 1.7). This has also been observed by Rao, Gangadhar (1986) [108] in Andhra Pradesh. The sharing of risks and responsibilities in partnerships are factors perceived to facilitate the running of the units by the entrepreneurs of small enterprises.

Entrepreneurs were simultaneously pursuing a variety of business interests such as other manufacturing units or trading activities. This could be a pointer to entrepreneurial flexibility, openness to diversification possibilities, and the existence of linkages between businesses, induced by commercial viability and profitability. (Chapter: 2)
The underlying influence of size considerations is reflected in the entrepreneurial decisions pertaining to resource use (Chapter:3). Typical of small and medium sized factory units, the use of own funds was predominant in the composition of both initial and present capital. Active mobilisation of capital resources from friends, relatives and less from banks or other institutions in the initial stages was noted. Greater access to bank loans in the later stage of development is indicative of the fact that small firms attain formal creditworthiness only sometime after their establishment, hence initial financing requirements are mostly met out of their own private sources. These observations concur with those of Little et al (1987)[84] and Deb(1993)[39] but differ from Gupta (1987)[56] reporting a lower contribution of own funds to initial capital in his study. In the present sample study, however, even in the later stages, the component of own funds and reinvested profits remains higher as compared to external finance. Entrepreneurs of the medium sized sample units (those larger in terms of investment and output) made relatively more use of bank loans compared to others.

In terms of risk-bearing, although many (more than one third) of the entrepreneurs, especially of larger units lamented insufficiency of capital, one-fifth of the sample units were reluctant to go in for further investment. In fact, a few of the smaller units reported over-investment. High capital costs and intermittent market demand were the main restraining factors. Entrepreneurs of private limited companies held higher average capital than others and indicated higher use of reinvested profits. Among smaller sample units, entrepreneurs employed higher average fixed capital than working capital, whereas among larger ones more working capital was needed (Chapter:3).

Those entrepreneurs who decided to take measures to step up capital productivity had stressed increasing mechanisation, quality controls and employment of technically experienced workers, use of advanced technology and other informal, practical measures such as designing modifications in machines used as per specific requirements, better maintenance, immediate attention to removal of technical bottlenecks, specialisation in particular techniques etc. (Chapter: 3, Table: 3.9)
Examining the individual policies adopted by entrepreneurs regarding labour use in the perspective of the macro goal of employment generation via small industry, one fails to discern any preference for enhancement of labour inputs vis-à-vis capital. The technology choice effected is a mix of labour cum capital-intensive one which is dictated basically by the product and market demand. As is obvious, entrepreneurs chose the latest feasible technology within the known constraints of finance and the market competition. It is apparent that disincentives for higher employment are many, hence wherever possible, increasing mechanisation was preferred by individual entrepreneurs. The average employment among the sample units increased from 12.9 workers in their initial year to 20.4 in 1990-91 (Chapter:2). This substantiates the surmise that entrepreneurs generally begin small enterprises in a modest way by employing around 10 workers.

Entrepreneurs of almost all sample units had increased employment in comparison to their start-up year, however, less than half of them had experienced growth in labour during the last 5 years. About one-third had remained stagnant whereas one-fifth had reduced employment. Increasing use of mechanisation, previous experiences of labour problems, fluctuations in demand, employing contractual labour or giving job-works to other units were observed as some of the underlying causes of slower employment growth. Increasing mechanisation and adoption of new processes had, however, induced entrepreneurs to increase employment in those sample units where this had culminated in an increase in gross output levels.

Entrepreneurs in majority of the sample units employed more unskilled and semi-skilled workers compared to skilled workers, primarily believing that informal job-training was paying rich dividends to the process of skill formation specific to their product-mix. Workers were expected to learn as they work, either under direct supervision of the owner-manager or under senior workers.

Giving job-works to other units seemed to be a makeshift strategy adopted by many entrepreneurs for added flexibility and cost-saving. One-third of the units resorted to giving job-works in order to meet their production targets of and on.
Measures to increase labour productivity such as financial incentives to boost performance, constant personal supervision, maintaining personal relations and rapport with workers, improving plant efficiency were adopted by the sample entrepreneurs.

Although less delegation of responsibility to workers was observed, almost half of the units had trusted family members (within the unit) working in some supervisory capacity. This reflected the non-professional but family managed mode of organisation within these units.

Small industry in Gujarat has comparatively better labour relations and peaceful work environment. In this sample, however, about half of the entrepreneurs had to face labour problems. These were mainly related to demands for wages leading to strikes, inconveniences due to irregularity and job-hopping between rival units, low productivity, cheating and stealing etc.

The scale of operations become a relevant factor for raw material management. Entrepreneurs of smaller units depend more on agents and private agencies for supplies. Most of the entrepreneurs maintained stocks of raw materials for upto three months supplies. Larger units not only used more of imported raw materials, but also held higher inventories, for longer period. Small units were often at the mercy of raw material suppliers and had to alter their production schedules to suit supplies. Their problems were related more to price fluctuations rather than supply. The larger among these sample units were able to manage their procurement more easily (Chapter:3).

Majority of the entrepreneurs were producing intermediate goods, followed by final and capital goods (Chapter:4, Table:4.1)). Many of these entrepreneurs were supplying inputs such as machinery parts, dyes, chemicals etc. to other units. The inter-industry linkages and interdependence of manufacturing, job-working and servicing units due to the textile, textile processing, machinery, chemicals, electronics and pharmaceutical industries are evident inspite of the slowdown of the textile industry of Ahmedabad.

Majority of the entrepreneurs of sample units had achieved growth in gross output during the reference period. This was attributed to their achievement of better
reputation in the market, better sales effort, improvements in production and creation of niche in the market. Those experiencing a decline attributed it to slack in market demand, labour problems, competition etc. The entrepreneurs formulated their production schedules mainly on the basis of market demand, available production facilities, raw materials and factor-inputs.

More than half of the sample entrepreneurs were satisfied with their capacity utilisation. They attributed under-utilisation to factors such as uncertainty of demand, raw material supply problems, non-availability of technical skill etc. Some had taken measures for better utilisation such as doing job-works for other units, reducing overheads, temporarily shifting to by-products or allied manufacturing etc.

Most of the sample entrepreneurs faced fierce to moderate competition and tried to combat it by introducing product differentiation, product improvement and achieving specialisation. Stressing quality, cost-saving, producing specialised items, maintaining regularity in supplies, establishing goodwill were some of the measures adopted by them to retain and expand their share. Less than one-third of the units had introduced indigenous innovations in some form. (Chapter: 4)

Since material costs and input costs make up the largest component of the cost structure of small units, the focus of entrepreneurial policies in the area of cost control was on minimising the material wastages, improving plant efficiency, removing technical deficiencies etc. (Chapter: 4) Larger units in terms of investment and output experienced highest average costs. Entrepreneurs of the oldest units were paying the least average wages. The component of labour costs in the sample was observed to be proportionately smaller as compared to that reported by Gupta (1987)[56]. This could be a hint to the techniques of rationalisation of labour costs followed by the sample entrepreneurs by resorting to methods such as giving job-works to outside units, employing unskilled labour or using contractual labour as and when required. More evidence, however, would be required to validate such a supposition.

The marketing / selling practices followed by the sample small entrepreneurs usually consisted of selling directly to buyers or through agents (Chapter: 5). This corresponds
with the findings of Deb (1993)[39]. Those having larger units among them deputed more to dealers or agents. One-third of the products were sold entirely in the local market. Linkages between the local industries were relatively strong in the sense that each one was catering to the requirement of the other either in terms of providing intermediate or final goods.

Characteristically, the market exploration was done by the entrepreneurs themselves with partners or relatives and the goods were sold mainly by prior orders. The core of their marketing strategy consisted of building personal contacts and pursuing orders personally, building a good reputation and establishing some niche in the market. The prime considerations of the entrepreneurs while pushing consumer products were related to competing products, preferences of consumers, price competitiveness etc. Only 15% of the sample entrepreneurs were exporting their products. These entrepreneurs gave high priority to maintaining quality and product specialisation.

Most of the sample units had visualised the need for future developments. The behaviour of the sample entrepreneurs with respect to future goals and the long term perspective is reflected in the planning for developments including programmes for adding products, exploring new markets, improving production techniques, introducing mechanisation etc. (Chapter: 6). In the case of smaller units such plans were generally prompted by the need to survive, whereas entrepreneurs of the larger units among the sample were lured by the prospects of profitability and the desire to scale new heights. The necessity to modernise has become implicit even in the small industry sector, since almost half of the sample entrepreneurs were planning for introducing technical changes. Managerial changes, improving operational efficiency, establishing new contacts, introducing automation and exploring diversification avenues (especially in allied production lines) were some of the improvements sought to be implemented. Most of the resources for such developments were to be capitalised through using own funds.

Some of the entrepreneurs (one-fourth of the sample) had, at some point in the past faced the prospect of closure, but had survived the circumstances. Improvement in market conditions, resolving of labour problems, arrangements for financial assistance,
timely guidance, alternative job-work-were some of the survival strategies that prevented the situation. (Chapter: 6)

Labour welfare measures beyond guaranteeing wages, fixing shift hours and medical aid, remained more or less informal, such as taking general care of workers as family members, offering pay advances, accommodation etc. (Chapter: 6)

Although the rational behaviour of entrepreneurs being profit maximisation and growth, the means to achieve them, as gleaned from this study, were varying among small and medium size enterprises. Their prime focus was maximisation of sales with a small margin, controlling costs, efficiency in co-ordination, expansion of production and taking small risks. This, in essence, has been reflected in the entrepreneurial decisions observed in this study.

7.3 Suggestions for Future Research

The present study leaves much undone, many areas unexplored, many loose ends untied. One admits, in the words of Chell, Elizabeth et al that '.......it is possible to set out with various aspirations, some of which, like good intentions, fall by the wayside, whereas others assume dominance and shape the character of the work.'

Some of the unanswered questions and fresh areas thrown up by this study which could be explored in detail are indicated here.

- A comparative study of factory units from urban industrial centres of other states of India or other developing countries could be undertaken. This could form the agenda for a team project.
- More sample units having divergent backgrounds such as rural-urban, developed-undeveloped etc. could be examined in a comparative framework.
- With better access to data from secondary sources, the differences observed in entrepreneurial behavior and forms thereof could be examined among small, medium and large scale units. ‘Intrapreneurial’ behaviour observed among larger units could be juxtaposed alongwith entrepreneurial behaviour among smaller units.
• Certain explanatory variables to entrepreneurial behaviour thrown up by this study could be separated for in-depth analysis viz. behaviour of first generation entrepreneurs as against others; technically oriented entrepreneurs as against commercially oriented entrepreneurs; examining differential entrepreneurial decision-making among factory units having common product groups. Segregation of entrepreneurial strategies for intensive studies such as resource management strategies, raw material management, risk aversion policies etc.

• This study has left the area of entrepreneurial competencies and success parameters untouched. It would however, be fruitful to develop a success index and relate it to entrepreneurial characteristics. A model of entrepreneurial performance and success could be generated. Such a model would perforce have to borrow heavily from other disciplines such as psychology, sociology, management etc.

• This study is limited to being a cross-section study. A similar study over a time frame - following the progress of each unit over the years could be rewarding in terms of assessing the relevant factors to the growth of the units.

• The interlinkages observed among the small, medium and large units could form the basis of an inquiry designed to examine the specific aspect of entrepreneurial attitudes towards the industrial clustering.

• A comparative study of the performance of assisted and unassisted units (looking into the economic and developmental aspects as well as performance of individual units) should be carried out.

• The heuristics generated in this study could be tested empirically for making valid conclusions through drawing more representative larger samples.

Research is a never-ending exercise and the quest for knowledge and information does not cease. The completion of a project is but a mere convenience, a cessation where there should but be a pause.