INTRODUCTION

'To study the entrepreneur, is to study the central figure in economics.' according to Arthur Cole (1949)[35]. Entrepreneurship is the prime moving force for the industrial development of any region or country. It is the spirit of enterprise that is responsible for propelling the innovations which create waves of change and progress in their aftermath. Development follows in its wake. Entrepreneurs are the change agents of society and the powerful and dynamic factor shaping the economic progress of the nation.

Schumpeter (1934)[123] and Knight (1921)[78] were responsible for bringing the entrepreneur to the centre stage of economics with their theories of 'creative destruction' and 'risk and uncertainty'. However, the entrepreneur has for long been marginalised from economic theory. Barreto, Humberto (1989)[11] has explained this virtual exclusion of the entrepreneur from mainstream micro-economic theory as an outcome of the development of the equilibrium analysis which is mechanical and self-contained and does not leave room for including entrepreneurial considerations. However, as more and more economists are introducing 'imperfect information' and 'human elements' in economic theory, the role of the entrepreneur is being rediscovered. Diverse strands of thought have been developed and carried further by several economists.

Entrepreneurship, according to Kanbur, (1980)[69], is the phenomenon that is the most emphasised and yet the least understood by economists. The entrepreneur has been vested with diverse roles from undertaker to arbitrageur, uncertainty bearer to organiser.

CONCEPTUAL FRAMEWORK

Entrepreneurship is a subject that lends itself to analysis by every branch of social science and being multi-disciplinary in nature, it is an indomitable task to separate each strand of influence from the other. Economic treatment of the subject, though more than three centuries old, still remains groping and inexact.
Entrepreneurship, is one of the most elusive concepts within the purview of economics, according to Hebert and Link (1982)[62].

The conceptual evolution of the terms 'entrepreneur' and 'entrepreneurship' which first began with the use of the word by Richard Cantillon(1734)[27] between 1730-34, spans a period of 2-3 centuries. Economic theory is resplendent with definitions, concepts and theories attempting to explain the role of the entrepreneur in the economy. An analysis of the functional aspects of the entrepreneur, which has been a major concern of economists, has been presented in 'Taxonomy of Economic Theories on Entrepreneurship'.

The 'entrepreneurial function' as pointed out by Casson, Mark (1982)[28] can be performed by very different kinds of people under different economic systems. In principle, the entrepreneur could be a planner in a socialist economy, or even a priest or a king in a traditional society. In practice though, entrepreneurship is closely identified with private enterprise in a market economy.

The popular connotation of the word entrepreneur fits in with the description by Collins and others (1964)[36] as the enterprising man, a risk-taker, 'a man who braves uncertainty, strikes out on his own and through native wit, devotion to duty and singleness of purpose, somehow creates business and industrial activity, where none existed before.' Schumpeter's (1934)[123] vision of the entrepreneur as a dynamic, innovative, creative destroyer who changes the basic technological and demand parameters of the economy, has proved more appealing to economists over a long period of time.

A Taxonomy of Economic Theories on Entrepreneurship

The existing economic theories on entrepreneurship may broadly be classified into four groups, based on the key functional role attributed to the entrepreneur

Risk and Uncertainty
The most crucial task that the entrepreneur performs is that of risk-taking and uncertainty bearing. This is the basic tenet of most economic theories on
entrepreneurship that has survived more than two centuries of theorizing. The 'risk and uncertainty bearing' role of the entrepreneur has been highlighted by a number of economists, most eminent among whom are Cantillon, Richard (1734)[27], Knight, Frank (1921)[78], Hawley, Frederick (1900)[62] and Cole, Arthur (1949)[35]. In the works of Cantillon, who coined the word 'entrepreneur', the entrepreneur is an undertaker, a speculator, an uncertainty bearer; who 'buys at a certain price to sell .....again at an uncertain price.' His explanation of the entrepreneur's role is that of someone who has the foresight and willingness to assume risk and who takes the action requisite to making a profit (or loss). Thunen (1960)[145] developed a theory of profit that clearly appreciated the trials and tribulations of the entrepreneur and labeled 'profit' as a return to 'entrepreneurial risk' and a return to ingenuity. Mangoldt (1855)[89] too developed a theory of entrepreneurship that was production oriented and risk centered. Hawley (1900)[62] ranked enterprise or 'risk taking' with land, labour and capital, as the basic forces of production. But it is Knight, Frank (1921)[78] to whom we owe, the fullest exposition of the risk and uncertainty bearing role of the entrepreneur. He provided an explicit distinction between insurable and uninsurable uncertainty and dubbed the latter 'true uncertainty'. His theories of profit and entrepreneurship were geared to this proposition.

Contending with uncertainty has been the starting point of many other theories on entrepreneurship in the Austrian tradition. {Menger (1950)[95], Weiser (1927)[151]}. Analysing decision making under uncertainty has also been a major concern of many other researchers: Cole (1949)[35], Evans and Leighton (1949)[47], Shackle (1955)[127], Kihlstrom & Laffont (1979)[73].

**Perception and Adjustment**

'The ability to perceive profit opportunities and to act upon them' is the mainstay of the entrepreneurial role according to Kirzner (1979)[76]. He argued that, in a Misean dynamic economy, where markets are constantly in disequilibrium, the entrepreneurial role assumes importance in striving to remove the maladjustments that bar the return to equilibrium. Kirzner's entrepreneur is essentially an arbitrageur, alert to profit opportunities in the market. Outside the Austrian circle, Leibenstein's (1968)[83] theory emphasizes the existence of entrepreneurial opportunities in the `X
inefficient' world. According to him 'input completing' and 'gap filling' is the critical function of the entrepreneur in a world of persistent slack. Schultz (1975)[122] adopted a human capital approach and redefined entrepreneurship as the ability to deal with disequilibria. The impact of these theories has propelled a fresh attempt to reconcile the entrepreneur within economic theory by expanding the bounds of traditional micro economic analysis.

**Innovation**

The glorification of the entrepreneur as an 'innovator', a 'dynamic agent' and 'an engine of the capitalist economy' was the path breaking contribution of Schumpeter (1934)[123]. For Schumpeter, the energised entrepreneur appears in the market system and sets in motion a revolutionary process of creative destruction. Moreover, everyone is an entrepreneur only when he actually "carries out new combinations" and loses that character as soon as he has built up his business.

In a sense, the stage had been set for Schumpeter's bold innovator by Weber's (1930)[150] sociological theory with its disequilibrating notion and the German historical school which had earlier discovered the 'new leader' who animated the entire economic system via creative innovation. Schumpeter vested economics with a highly dynamic role for the entrepreneur which became the long-enduring basis for further treatments of the entrepreneur in economic development. Zeigler(1985)[156], Segerstrom (1991)[124], Sundbo, Jon(1991)[142], Young and Francis (1991)[155] have based their studies on innovation.

**Organisation and Management**

It was in Say's (1821)[120] works that, for the first time, entrepreneurial activity became synonymous with management in the contemporary sense of the term. He presented the entrepreneur as the principal agent of production, the catalyst, 'the master manufacturer' who takes upon himself the immediate responsibility, risk and conduct of a concern of industry. The entrepreneur manager, according to Say, was an expert at superintendence and administration, whereas the capitalist was a lender of money. The entrepreneur was seen as the person who made production possible by employing labour in the productive process. Others, sharing a
similar perspective, visualized the entrepreneur as the businessman who receives the "wages of superintendence" which is a return for his special skill and ability as a manager. Edgeworth, (1904)[45] recognised the entrepreneur as the central figure in the productive system. Walker (1884)[149] described the entrepreneur as decision-maker and leader, a "captain of industry", a "master" and a "higher" type of labourer, and Clark (1907)[34] saw him as the human agent responsible for the "co-ordination of capital and labour." Harbinson (1956)[59] aptly sums up this entrepreneurial role as a broad organising and decision-making function. The study of this decision-making facet of entrepreneurship has been further carried forward by several researchers viz.: Simon (1959)[132], Baumol and Quandt (1964)[13], Williamson (1963)[153], Machlup (1967)[87] and others.

Entrepreneurship in Developing Countries

Whereas the role played by entrepreneurs in developed economies has since long received a lot of prominence in economic literature and popular business journals, lesser attention has been focused on entrepreneurship in developing economies. The popular misconception of a dearth of entrepreneurial talent in developing countries was dispelled by Lefè (1978)[81]. Consequently, several other aspects of entrepreneurship have recently come to the fore.

Kilby, Peter (1971)[73] argues that the "characterisation of the entrepreneurial function as one of innovation—simply does not fit late-developing countries." As he sees it: In import-substituting, technology-borrowing countries, Schumpeter's innovator versus 'mere manager' priority must be reversed.

Aubrey, Henry (1955)[8] asserts that these countries primarily need not innovation but the 'imitators' who, even in Schumpeter's system are primarily responsible for transforming the forward step of a pioneer into a magnitude of economic importance.

Berna, James (1960)[17] stresses the importance of these humbler entrepreneurs who "...exploit possibilities as they present themselves and mostly on a small scale." According to Berna, 'the entrepreneur is, in concrete, the person who brings in to existence, a new industrial enterprise, either alone or in collaboration.
with others. He is perhaps, a rather pedestrian figure by western standards: an adapter and imitator much more than a true innovator; a man who has much more in common with Marshall's organizer of the factors of production than Schumpeter's creative disturber - but in a poor country attempting to industrialise, a potent change producing figure nonetheless.'

Baumol (1968)[14] argues, that even among advanced developed countries, early imitation is a critical component of economic development and international competitiveness. Several development economists concur that {Ray, Dennis(1988)[113]} the entrepreneurial process begins in less developed countries with the formation of small businesses and a striving for effective management but necessarily shifts to innovative and high-technology entrepreneurship at some point along the development path.

In this context, perceiving new economic possibilities, adapting techniques and organisation, matching ill-fitting factors of production, maximising factor productivities, minimising unit costs, securing working capital finance, finding substitutes to non-available skills and materials - these tasks represent the critical entrepreneurial function in the modernizing economy of the late twentieth century(Kilby). Entrepreneurial activity then inherently consists of taking decisions based on judgements about the future. These decisions are frequently liable to error and hence the importance of accurate perception and capacity to handle uncertainty is emphasized for the entrepreneurs of the developing countries.

Baumol (1988 )[16] alludes that late developing countries suffer not so much from a dearth of entrepreneurial talent as a proper means to channelise this talent into productive outlets. Promotion of entrepreneurship, supported by a plethora of governmental and institutional assistance programmes has been stepped up by many developing countries {Ray, Dennis(1988)[113]}, many of which have been indirectly based on the Indian assistance model.
Brief Review of Empirical Studies

While on the one hand attempts to merge the entrepreneur into the new dynamic micro economic theory persists, on the other hand, economic literature is growing, with countless country and regional studies on entrepreneurship. Such investigation is well justified, to obtain an analytical perspective, in the light of ‘entrepreneurship promotion’ being seen as a low cost panacea to economic backwardness by the late developing world.


Sharma, S.V.S. (1979)[130] made a comparative study of small entrepreneurs and their problems in seven Asian countries and assessed the success and adequacy of governmental policy and organisational setup. Bhattacharya (1983)[20] studied entrepreneurs from eleven Southeast Asian countries and analysed their problems and prospects, to arrive at an entrepreneurial development model for these countries. Little, Mazumdar and Page (1987)[85] in their study on small scale enterprises in developing countries, examined small business entrepreneurial characteristics and their performance in India. Entrepreneurial attributes were analysed in relation to the efficiency, profitability and growth of their firms.

A large number of works in India, have dealt with entrepreneurial origins and the social background of the entrepreneurs, as well as the economics of the entrepreneurial firm. Berna, James (1960)[17] conducted a detailed inquiry into the socio-economic background as well as problems faced by the entrepreneurs in Madras, and studied how the entrepreneurs performed in expanding their firms and improving them technologically. Rac,
Lakshman(1986)[110] from a sample of industrial units in Andra Pradesh, studied the socio-cultural origins of the entrepreneurs and formulated a set of indicators of entrepreneurial efficiency to compare the effectiveness of their decision-making. Rao, Gangadhara (1986)[109] studied 87 entrepreneurs in industrial estates in the coastal regions of Andhra Pradesh. Besides their socio-economic background, he also examined their transition to industry from previous activities, their initial problems and the impact of industrial estates on the emergence and the growth of their units.

Sharma, Krishan Lal (1886)[128] evaluated entrepreneurial performance in the role perspective by identifying core goals and examining the effectiveness of entrepreneurial measures in achieving them. Despande, Manohar (1982)[43] undertook a sample survey of 90 entrepreneurs from Marathawada region to gain an insight into the problems associated with the emergence of entrepreneurship and the functioning of an enterprise. Entrepreneurial performance parameters were examined in association with their socio-economic characteristics and major problem areas defined.

Bhanushali, S.G.(1987)[18] in his study of entrepreneurs from the engineering industry of Kolhapur, developed a merit rating of entrepreneurs based on six performance criteria, to analyse entrepreneurial success by caste, education and parental occupational background.

Moulik, Basu and Patel (1978)[98] examined 100 entrepreneurs in the rural areas of Anand Taluka, Gujarat inquiring into their performance and motivating or constraining factors as perceived by the entrepreneurs.

Jain, Gautam and Ansari, Akbar (1988)[67] analysed 29 self-made, impact making entrepreneurs of 26 enterprises in India, to understand the factors influencing the emergence and growth process of these high achievers. Besides, analysing entrepreneurial parameters, they also identified a set of practices which could be related to the success of these entrepreneurs.
The above studies draw attention to the extensive regional exploration of entrepreneurship that has taken place in India. Leading studies such as that of Berna (1960)[17] in Madras or Staley and Morse (1965)[137] and Rao, Gangadhar (1986)[109] in Andhra Pradesh have been precursors to a steady stream of regional studies of entrepreneurs. The focus of most of the studies has been on the socio-economic background of the entrepreneur, throwing up the entrepreneurial profile of particular regions of the country.

The basic findings in most of these studies, however, are related to the emergence and profile of the entrepreneur or assessment of the state sustenance measures. Economic perspectives on the decision-making of the entrepreneurs and analysis of the actual entrepreneurial practices followed by the existing entrepreneurial firms are thinly spread. The polemic has been on 'who is the entrepreneur' rather than 'what he does'.

**Need for the Study**

This study makes an humble effort to fill this gap by demonstrating a method of examining the 'how' and 'why' of the entrepreneurial decision-making process. An attempt has been made to compare notes with some of the above quoted and other, well documented findings and to evolve a different perspective to examine entrepreneurial behaviour through the in-depth study of these sample units.

The fabric of industrial environment in Gujarat consists of a multitude of such entrepreneurs who according to James Berna, are the humbler entrepreneurs as compared to the Schumpetarian innovators but nevertheless a formidable presence in terms of their contributions to the overall economic development of the region. Irrespective of whether more among them are innovators or organisers, market-makers or price-takers, profit-seekers or employers, understanding their decision-making and tendencies sheds interesting light on the factors influencing the industrial development of the region. This study attempts to analyse the entrepreneurial behavior in initiating and managing their enterprises, within the sphere of small and medium urban enterprises. Crucial decisions in terms of factors of production, investment choices, labour management, raw materials purchased, costs, gross output, marketing
strategies, diversification and development prospects are examined in the perspective of industrial development.

The urban small enterprise sector has been chosen as an area of study with the specific reason that it is in such context that the production choices lie more within the gambit of the owner-manager rather than the organisational pyramids. The crux of the decision rests mainly with the entrepreneurs themselves in such enterprises. Moreover, the very smallness lends itself to better examination, analysis and understanding of the decisions taken and the reasons thereof.

**Objectives of the Study**

Entrepreneurs among modern small and medium size factory units, particularly in the urban set-up, favour certain management practices for developing competitive capability necessary to face the everchanging market conditions. Monitoring the aspects that envisage certain preparedness (on the part of their entrepreneurs) to survive and grow in the existing industrial environment is the central theme of this study. With this purpose in sight, this study has the following objectives:

(a) to understand the factors influencing the decision-making process of the entrepreneurs of small and medium size factory units,

(b) to enlist the dynamic forces influencing the development capability of these units,

(c) to examine the inter-linked structural parameters inducing growth of these units,

(d) to develop a methodology to analyse cross-section details collected through field survey of these units,

(e) to present a comparative picture of behavioural aspects of different types of managerial decisions taken by the entrepreneurs influenced by the built-in structural limitations, of the small-scale sector,

(f) to cross-check certain presumed notions about the decision-making process among small entrepreneurs with the observed details of small and medium size factory units through a field study, and

(g) to highlight the comparative preparedness of these entrepreneurs for operating in competitive markets in the light of promotional facilities made available by the state level industry development agencies and corporations.
Sphere of the Study: Gujarat

Gujarat has always been a forerunner among the states of India in terms of industrialisation. It has retained and expanded its contribution to the national economy last three decades. It ranks second among the states of India in respect of percentage share of gross value of output. It stood third after Maharashtra and Tamil Nadu, in terms of value added in manufacturing (contributing Rs 94.3 billion) in 1993-94. Not only has the state been a major contributor to the national output, it has also changed and diversified it’s industrial structure in correspondence with the changing economic scenario.

The number of registered working factories in Gujarat increased to 11,821 in 1993-94 from 3,649 in 1960. Around one-tenth of the registered factories in India are in Gujarat, providing about 8-9% of the aggregate employment. It’s share of productive capital has increased steadily to more than 10% in 1993-94 from around 6% in 1970-71.\footnote{ASI 1970-71 to 1993-94 [6]} Its shares in registered factories, gross output and net value added have also increased during the reference period. The value added by large and small scale manufacturing units accounted for 15% of the state domestic product in 1985-86 at 1980-81 prices as against the corresponding all India figure of 9%.\footnote{Locations of Industries in Gujarat State in 1975, 1980 and 1985- Directorate of Economics and Statistics, Government of Gujarat, 1995[53]}

The industrial growth in the state has been accompanied by a gradual change and diversification in the industrial structure. Industries such as chemicals and chemical products, rubber, plastic, petroleum and coal products, machinery, basic metal and alloys, wool, silk and synthetic fibre and food products now contribute to a higher share in value added than the historically developed industries (textiles etc.) of Gujarat. Pharmaceuticals, fertilizers, engineering, electronics, diamond-cutting etc. show indications of faster growth than the traditional industries. Gujarat still retains its third position among cotton textiles at the all India level.

As per the industrial policy of the government, various industry development corporations provide multipronged assistance, particularly to the small scale sector, by

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The private sector industry structure has been the backbone of the industrial
development of Gujarat. Entrepreneurial initiative is the prime motivational force
behind the industrial effort and organisation. The impact of this enterprising spirit is
felt in the quick paced industrial progress achieved by the state. The burgeoning of
multitudinous small units in Gujarat bears testimony to the favourable response these
entrepreneurs have shown to the promotional incentives of the state government for
the industrial growth. The entrepreneurial behaviour and the socio-economic
background under which dynamic entrepreneurs operate have been important
dimensions to the regional industry development which have to be examined in this
context. The small enterprises act as nurseries to the development of entrepreneurial
skill and pave the way to the growth of more efficient, stable, larger enterprises. The
complex decisions undertaken by these entrepreneurs have been testimony of their firm
hold of the changing market conditions under which they are operating. The
comprehensive decision-making processes observed among large number of small and
medium size factory units culminate into growth potentials of the existing industry
structure of the state. This has led to an in-depth examination of these aspects of urban
small and medium enterprises of Ahmedabad in this study.
Ahmedabad district, not only represents a prominent area of the industrially developed region of Gujarat, but has consistently recorded the highest number of small scale industry registrations among all the districts of Gujarat. Moreover, it has been the axis of the textile industry of Gujarat and consequently the centre around which manufacturing activity has developed and spread. These considerations have prompted the selection of the urban area of Ahmedabad as the basis for conducting the sample study.

**Methodology**

It was decided that hard core evidences regarding the decisions taken by the entrepreneurs and their underlying reasons could be satisfactorily gathered only by actually venturing into the field and observing the circumstantial setup and environment within which they operate. Hence, a sample study of 100 entrepreneurs of Ahmedabad was undertaken. With the assumption that the objective of studying the entrepreneurial behaviour among urban small enterprises, would best be served by using a combination of qualitative and quantitative data, it was decided to canvas a structured questionnaire, supplemented by informal open-ended questions, personally to the entrepreneurs. This has not only facilitated tabulation of quantitative data but also afforded an opportunity to acquire an insight into the actual day-to-day running of the factory units.

**Sampling frame**

Due to the non-availability of firm level data (for small units) from the known sources and their limitations,3 factory level data regarding small enterprises were made available from the office of the Chief Inspector of Factories (CIF) in Ahmedabad. The Factory Act 1948 covers industrial units employing more than 10 workers. Since CIF data did not give information about investment in plant and machinery, units employing upto 50 workers and using power were selected as the cut-off point for considering them small units whereas those employing between 50-100 workers were retained as medium size units.

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3 Petty shop-keepers and vendors of confectionaries are also found registered as SSIs with the District Industries Centres.
A listing of registered factories with the office of the Chief Inspector of Factories (CIF), was made available, providing unitwise details including industry sector, industry grouping according to National Industry Classification (1987), number of workers employed and addresses. This data has been used as the population for drawing the representative sample. The original data was consisting of 1774 small scale units employing between 10 and 50 workers and using power, as well as units employing more than 20 workers but not using power. The final population of 1688 factory units was considered for drawing the stratified random sample after delisting 43 units not using power; 32 units belonging to the category of miscellaneous units; 8 units belonging to the category of risky units and 3 units having incomplete records. The population distribution of factory units by industry groups and by size groups of workers was taken as the basis for drawing the stratified random sample of 100 units along with a second substitute list of 100 units. Employment (a non-controversial variable) being the only known and available characteristic of these data (of factory units) has been chosen for using its industry groupwise variation as a statistical norm for selecting a sample of units from each industry group. Standard deviation of each size group of workers of the factory units in each industry group has been used as the basis for drawing the sample. Sampling has been done by means of stratified random sampling method using a table of random numbers.

The sample distribution has covered 18 industry groups (as shown in Table:1) and 5 size groups of workers. The overall size of the sample has been 5.63% of the population. Canvassing the questionnaire was constrained by several factors such as non-existence of units, incomplete or wrong information, closed units, change in ownership or product etc. Consequently, several units had to be replaced with others on the basis of the replacement list of sample units prepared as per the sampling technique used for the main list. Care has, however, been taken to retain the composition of the sample distribution in terms of industry group profile, consequently a few units employing more than 50 workers and few others employing less than 10 workers have become part of the sample units. This random introduction of bias has, in a way, enabled to make comparative study of small and medium size factory units.
Table: 1

Sample Distribution of Urban Small and Medium Enterprises:
Ahmedabad: 1992

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Industry Code</th>
<th>Industry Groups</th>
<th>Number of units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>20-21</td>
<td>Food products etc.</td>
<td>8</td>
</tr>
<tr>
<td>2.</td>
<td>22</td>
<td>Tobacco, beverages and related products</td>
<td>2</td>
</tr>
<tr>
<td>3.</td>
<td>23</td>
<td>Cotton textiles</td>
<td>12</td>
</tr>
<tr>
<td>4.</td>
<td>24</td>
<td>Wool, silk and man-made fibres</td>
<td>3</td>
</tr>
<tr>
<td>5.</td>
<td>25</td>
<td>Jute, vegetable fibres</td>
<td>-</td>
</tr>
<tr>
<td>6.</td>
<td>26</td>
<td>Textile products</td>
<td>5</td>
</tr>
<tr>
<td>7.</td>
<td>27</td>
<td>Wood and wood products</td>
<td>4</td>
</tr>
<tr>
<td>8.</td>
<td>28</td>
<td>Paper and paper products</td>
<td>6</td>
</tr>
<tr>
<td>9.</td>
<td>29</td>
<td>Leather and leather products</td>
<td>2</td>
</tr>
<tr>
<td>10.</td>
<td>30</td>
<td>Basic chemicals and chemical products</td>
<td>9</td>
</tr>
<tr>
<td>11.</td>
<td>31</td>
<td>Rubber, plastic and petroleum products</td>
<td>6</td>
</tr>
<tr>
<td>12.</td>
<td>32</td>
<td>Non-metallic mineral products</td>
<td>6</td>
</tr>
<tr>
<td>13.</td>
<td>33</td>
<td>Basic metal and alloys</td>
<td>11</td>
</tr>
<tr>
<td>14.</td>
<td>34</td>
<td>Metal products and parts</td>
<td>7</td>
</tr>
<tr>
<td>15.</td>
<td>35</td>
<td>Machinery and equipments</td>
<td>11</td>
</tr>
<tr>
<td>16.</td>
<td>36</td>
<td>Machinery</td>
<td>5</td>
</tr>
<tr>
<td>17.</td>
<td>38</td>
<td>Other manufacturing n.e.c.</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>All Groups</strong> 100</td>
</tr>
</tbody>
</table>

The definition of small scale enterprises has repeatedly changed according to the varying criteria of industrial classification policy of the governmental defining authority. The ceiling limit first adopted by the SSI Board in 1955, was

'A unit employing less than 50 persons, if using power, and less than 100 persons without the use of power, and with capital assets not exceeding Rs 5 lakhs.'

and became since 1960, a limit in terms of the original value of plant and machinery only, of Rs 60 lakhs for SSI units and Rs 75 lakhs for ancillary units. (The limit has recently been raised to Rs 3 crores.) Led by considerations of universal comparability - since 50 workers is the cutoff point for censuses in most countries and due to limitations imposed by the availability of reliable survey data from secondary sources, the original definition (less than 50 workers with power) has been adhered to in this
study. Moreover, the definition of small scale factory unit used by the Directorate of Economics and Statistics, Government of Gujarat (1995) [51] specifies,

'A registered factory using power and employing less than 50 workers or a factory not using power and employing less than 100 workers is treated as a small scale factory.'

This is the definition used as a field guide for the purpose of presenting first-hand information of the entrepreneurial behavior, pattern of factor use, structure and conduct of the enterprises observed.

A pilot study of 10 factory units was made for testing the questionnaire and getting the feel of the responses. This was followed by personal interviews of the entrepreneurs covered by the sample. The questionnaire / checklist was designed to extract as much information as possible covering entrepreneurial origins as well as decisional aspects of various economic parameters related to the functioning and development of the enterprises. Several open-ended questions were asked and responses other than the structured replies were also invited. These were classified as 'others' in the tabulations. The sample data was transferred, coded and consistency check conducted before detailed tabulation. The units were categorized into various size groups by 7 major characteristics - capital investment, number of workers employed, ownership, gross output, age of the unit, age of the entrepreneur and number of shifts worked. Survey data have been tabulated under these major characteristics for analysing the decision-making process among the small and medium factory units. The findings have been broadly analysed according to the decisional parameters with the help of tables showing percentages and averages.

For the readers who want to probe into these results, a word of caution beyond what has already been stated is necessary. In all tables showing percentages of corresponding variables, percentages are with respect to the sub-groupwise distribution of factory units among different characteristics. Thus these percentages are row-wise. In any given question / inquiry, each factory unit (responding entrepreneur) may provide response to more than one alternative, which being mutually not
exclusive, the corresponding percentages do not tally with the aggregate percent - they are above or below 100 percent as the response may be.⁴

The interpretation of the percentage distribution has therefore, to be done with respect to observed response to a given alternative of the question / inquiry. In doing so, the observed response to a given alternative has to be interpreted alongwith observed responses to other alternatives of the same question / inquiry. This is implicit in all the similar tables.

The study is exploratory in nature and an attempt has also been made to approach the managerial aspects and the varying decision-making processes of these entrepreneurs by drawing entrepreneurial heuristics from the sample(See Appendix: 2). Recent research on decision-making processes has recognised the relative importance of heuristic and judgemental types of decisions. These non-programmed decisions or rules of the thumb, developed by the entrepreneurs/managers, are based on the judgement, intuition and the creativity of the decision-makers. Based on Manimala's study of managerial heuristics, an experimental exercise has been done to examine the managerial heuristics seen to be followed by the entrepreneurs of the sample units.

The strategies adopted by the entrepreneurs shed some light on the internal policies and decisions taken in small and medium enterprises in the urban industrial setup. Most of these entrepreneurs have evolved strategies enabling them to make a niche for themselves in the market, to maximise their market share and operate at minimum cost within the alternatives available to them. This study is an attempt to understand these decisions and highlight the factors influencing their development strategies.

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