SYNOPSIS

“INFLUENCE OF MANAGEMENT FUNCTIONS ON ENTREPRENEURIAL DEVELOPMENT – A STUDY OF SMALL SCALE AND TINY ENTERPRISES IN AND AROUND PUNE”

A Thesis Submitted to

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PUNE

For the Degree of Vidyavachaspati (Ph.D.)
(Doctor of Philosophy)
In Management

By
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Under the Guidance of
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1) **Introduction:**

1.1 **Entrepreneur and Entrepreneurship**

The unprecedented growth in Indian manufacturing as well as other sectors has pushed the Indian economy on a growth path. To grow further, there is a strong need for reorganization of few elements such as, financial policies, international trade policies and business incubation. These can provide an additional support in terms of increase in trade activity or international exposure. However, the benefit of these changes may not directly reach the small scale and tiny entities. The large and medium scale entities absorb the benefits as they have sectoral lobbies in the government. Therefore, to nurture the small and tiny industries becomes a job of their respective owners i.e. ‘Entrepreneurs’.

Entrepreneur is a key person and business encircles him. As Vasant Desai states in ‘Dynamics of Entrepreneurial development and management’- ‘An entrepreneur in a developing economy is one who starts an industry, undertakes risk, bears uncertainties, and also performs the managerial functions of decision-making and co-ordination. He also puts the new process based on technological research into operation.’ Technological soundness and leadership qualities are the basic needs to augment the business success of any entrepreneur. It can be said that they are stepping-stones of ‘entrepreneurship’. The stepping stones are depicted in the following figure.
In practice, it is observed that an entrepreneur faces many problems while setting up an enterprise. These problems are divided into two types i.e. internal and external. Small scale and large scale enterprises face almost identical problems. However, scope of this paper is limited to small and tiny entities. During this study, we will not be touching upon the external factors. Thus, internal factors of an enterprise can be summarized as shown

Factors related to functional and other areas:-

1. Organizational structure.
2. Planning.
3. Production management.
5. Quality of product.
6. Marketing
7. Financial planning.
8. Labor availability and competence.
9. Capacity utilization or constraint.

The above mentioned factors indicate that, they are mostly related to the ‘Management Functions’. Thus, a question arises whether properly carrying out these management functions will lead to the success of an enterprise? Besides “risk bearing and innovation”, in the process of managing an enterprise, an entrepreneur is required to perform several management functions such as planning, organizing, directing, controlling etc.

Management functions enable optimum utilization of resources like people, material, equipment and energy.

An entrepreneur has to perform several functions in his daily task. He has to plan the activities of enterprise. He has to forecast future market and technology, then organize the material, financial and human resources for achievement of the planned targets. He has to coordinate the efforts of all employees and direct the activity. He has to keep a close watch on the progress done by his firm from time to time. Supervision and control over all the activities are his constant concerns.
Every entrepreneur always dreams that his small or tiny business will become a big industry. He always takes lots of efforts for achieving this objective. This objective is always in his mind and he tries to visualize it in his small enterprise. Many times he does not find a way out to overcome the existing scenario and constraints. There may be lot of reasons for that, but one thing is very clear that unless and until he establishes his existing business in a very professional way he cannot go for his dream to come true. So the first priority is always to establish the existing activity in a systematic way. How to establish this? And here, we need to understand management techniques in the business i.e. management functions, irrespective of his educational competence. Then only, small and tiny enterprises can be perfect incubators for future growth.

Further, the opening up of the Indian small industry sector to competition as well as the increase in the need to cater to the global market demands fresh approaches to face the radical change in the 20th century. Consequently this sector must change first to survive as well as restructure and change to meet the new challenges through a critical evaluation. This demands entrepreneurial culture, organization structure, employee satisfaction and team building. The organizations which can respond to these changes will be able to survive and retain. Considering the aforesaid, the title for the present research is as follows.

1.2 TITLE:

“Influence of Management Functions on Entrepreneurial Development – A study of Small Scale and Tiny Enterprises in and around Pune.”

1.3 Aims and Objectives of the study:

1. To find out the relation between “Management functions and entrepreneurship growth.”

2. How “Management functions” play a vital role in the success of small and tiny industries.
3. To understand how the management functions regard to Planning, Organizing, Controlling, Coordinating, Directing are carried out in small and tiny industries.

1.4 Hypotheses:

1. Success of the small and tiny enterprises and the entrepreneurship development in that sector is related to the effective implementation of management functions.

2. There is significant correlation between the turnover of the enterprise and adoption of controlling methods, such as
   a) ISO, JIT, ABC analysis
   b) Productivity
   c) Ratio analysis

3. There is significant correlation between the turnover of the enterprise and the following factors.
   a) Staff that controls various production activities
   b) Staff that controls accounting activity

4. There is significant correlation between business growth and the following factors.
   a) Making timely payments to suppliers.
   b) Keeping one’s knowledge updated by reading books, journals, attending qualifying courses.

2) Research Methodologies:

2.1 Primary research:

Present research falls under ‘exploratory research’. In this type of research design, a specific problem is formulated from an operational observation. Such studies are also known as formulative studies.

This design takes into consideration the views and experiences of some selected respondents.
Field Survey:

- The survey carried out was based on questionnaire. The survey of SMEs was carried out in Pimpri, Chinchwad, Sinhagad, Parvati, and Hadpsar which are areas in and around Pune.
- According to data with MCCIA, there are 8500 units in and around Pune, of which 75% are in small and tiny /micro sector i.e. 6375 which is considered as the universe.
- Sample size determination is done by mean method. Thus, Sample size determined is 75 no. Actual data collection is done for 84 respondents, hence sample size considered is 84.

2.2 Secondary research:

Literature Review [Abstract]

2.2.1 Definitions of Micro, Small & Medium Enterprises (MSMED Act 2006):

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

(a) Manufacturing Enterprises- The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery

(b) Service Enterprises: The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, vide S.O. 1642(E) dtd.29-09-2006 are as under:
### Manufacturing Sector

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Investment in plant &amp; machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
<td>Does not exceed twenty five lakh rupees</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>More than twenty five lakh rupees but does not exceed five crore rupees</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>More than five crore rupees but does not exceed ten crore rupees</td>
</tr>
</tbody>
</table>

### Service Sector

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Investment in equipments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
<td>Does not exceed ten lakh rupees</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>More than ten lakh rupees but does not exceed two crore rupees</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>More than two crore rupees but does not exceed five crore rupees</td>
</tr>
</tbody>
</table>

In our further discussion we will adopt definition for small scale and tiny (micro) enterprises as:

### Manufacturing Sector

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Investment in plant &amp; machinery</th>
</tr>
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<tbody>
<tr>
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</tr>
</tbody>
</table>

#### 2.2.2 Small and micro (tiny) sector:

Successful new business venture and economic development do not just happen they are the result of the combination of right environment, planning, effort and innovation. Right combination of this can only be achieved by the entrepreneurs. They provide a clear blue print for stimulating research, technology, finance to help promote matured enterprises. At the same time they grow the eco-system and give boost to economic growth. The factors contributing to economic development are labor, technology, natural resources, capital and entrepreneurship. The key factor in
this development process is the entrepreneur. This is the domain of the entrepreneur whose policies and strategies cover such broad areas as production, marketing, financing, pricing and personal relations. The growth of entrepreneurship largely depends upon effective policies and their efficient implementation.

There are certain characteristics which could be observed with regards to entrepreneurship. They are stated below.

- Development in any walk of life has always depended on individual qualities of entrepreneurship. A study of human history shows ample evidence of the role of individuals in the process of development.
- Industrial development in almost all countries has always started with individual enterprises.
- Even huge multinational and national corporations have mostly received their inspiration from one or few individuals.
- In the case of small industries, the project is usually centered on a single individual.
- Small enterprises are mostly initiated, managed and developed by one or a few individuals.
- Qualities of entrepreneurship constitute one of the major resources in the promotion of an enterprise.
- An entrepreneur is someone who ventures out; prefers change as a means of growth, and is prepared to take calculated risks.
- While taking the risk, the entrepreneur is aware of the possibilities of success as well as the consequences of failure.
- Analyses the pros and cons carefully before making a decision to start the enterprise.
- An entrepreneur is involved in the planning activities before and after the decision to start the enterprise.
- An entrepreneur is motivated by an urge to make a success of the project.
- An entrepreneur proceeds to accept the situation as a challenge.
- An entrepreneur is persistent and full of perseverance for making a success of himself.
• An entrepreneurship is a product of interaction among a number of factors. Some of these factors are in the individual (psychological) and the rest are in the social, cultural and economic milieu.

2.2.3 Background and Definition of entrepreneur:

Entrepreneurs are generally understood to be the people who work for themselves, or who own an enterprise. The term entrepreneur is derived from the French word ‘entreprendre’ which means to undertake. The entrepreneur undertakes to organize, manage, and takes risk while running the enterprise.

Entrepreneurship in India:

In spite of some favorable factors, growth of entrepreneurship in India has remained slow. India was once rich with resources. It had developed trade relations with number of countries. Indian products were famous for workmanship. However, during British regime, Indian cottage industries had a setback.

We are trying hard for developing our economy. The need and importance of entrepreneurship in economic development is realized by all. Efforts are made in all directions to speed up the entrepreneurial growth.

The most important function of entrepreneurs in India is to ensure the best possible use of available resources. Land and labor are generally available with ease. However, because of lack of facilities limitations are observed. The government is taking firm steps to provide plots with all facilities by developing industrial estates.

The business unit of an entrepreneur is generally small in size. The entrepreneurs in India use local talents and raw materials. They cater to the needs of people in the surrounding areas. The small scale units serve as a balancing factor against the concentration of financial power with a few large industrial houses. Balanced regional development can be achieved and difficulty of means of transport can be relieved as many entrepreneurs concentrate on local market.

Entrepreneurship entails self-employment. The problem of educated unemployment in India can be solved to some extent by encouraging young people to go to independent ventures by providing finance, training and counseling. The successful entrepreneurs can prove to be a source of inspiration to new entrants in business.
Entrepreneurship thus involves boldness, courage, dynamism and preparedness for accepting risks. Schumpeter defined entrepreneur as ‘an individual who carries out new combines of means of production by which there occurs disequilibrium.’ The entrepreneurs according to him were specially talented and motivated class who would grasp opportunity and exploit it.

Higgins explains functions of entrepreneurs as – ‘entrepreneurship is the function of seeing investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labor, arranging the supply of raw material, finding site, introducing new technique and commodities, discovering new sources of raw materials and selecting top managers for day to day operations of enterprise.

Entrepreneur is a key person and business encircles him. As Vasant Desai in ‘Dynamics of Entrepreneurial development and management (2007)states, “an entrepreneur in a developing economy is one who starts an industry, undertakes risk, bears uncertainties, and also performs managerial functions of decision making and co-ordination. Technological soundness and leadership qualities are the basic needs to augment the business interests of any entrepreneur.

Entrepreneurship is a process of exploring the opportunity for starting an enterprise, its planning, establishing, making it operational, expanding and developing the business and accomplishing the objectives and goals and evaluating the performance to take decisions for further growth and development.
2.2.4 Contributions of entrepreneurship:-

Entrepreneurship is used in each and every dimension of life whether it is family, business, government, social group or enterprise. It plays a multi dimensional and multi faceted role in the development of the state and nation. It helps the country to face the problem of unemployment. It reduces the dependence of the people on the government. Following are the few contributions of entrepreneurship in development.

2.2.5 Functions of an entrepreneur:

a) **Innovation:** - Clemence defines innovation as “doing the new things or doing up the things that are already done in a new way.” The success of an entrepreneur lies in his ability of tracing the opportunity and using it in the best possible way. His business practice would involve planning, financing, and marketing, but in all these aspects he will have something unique of his own

b) **Risk bearing:** - An entrepreneur assumes risks of various kinds when he takes the responsibility of running an enterprise.

1. He has risked the initial capital that he has invested because the rate of return and the time for reaching the set-off stage cannot be defined.

2. He bears financial risks as he might have left a comfortable job providing security and post retirement benefits in order to jump into the novel venture.

3. He may be required to forego several comforts on account of uncertainty of income. In a way he has risked his personal career, his chances of advancements, and an easy-going life.
c) **Organization and management of resources:**

The entrepreneur develops an organization suitable for his work, directs the activities and solves the problems and maintains the flow of work. The entrepreneur may have efficient subordinates working under his guidance. He has to co-ordinate efforts and controls their activities. On the job supervision is also necessary to maintain discipline and assure quality of work.

He must perform the function of accounting and financial control. He has to maintain his market position. In performing all these managerial functions, his main object is to use all available resources in the best possible way.

**Entrepreneur-Manager:**

The role of manager is different from that of an entrepreneur. Yet an entrepreneur is required to perform several functions, as a manager and at times he is an entrepreneur. Thus he has a dual role as entrepreneur and manager.

Essence of entrepreneurship lies in risk taking and innovative approach. These are basic traits in an entrepreneur. But they are not necessary prerequisites of a successful manager. A manager has a defined authority and the responsibility he shoulders is limited. He has to act in conformance with the basic policies laid down by the organization. He has some freedom as far as his field of activity is concerned but he cannot go against the policies and procedures adopted by the firm. He cannot choose to be his own master in decision making. He has to take in to account effects of his actions on other departments and people.

**Characteristics often attributed to entrepreneurs**

<table>
<thead>
<tr>
<th>Confidence</th>
<th>Perseverance</th>
<th>Energy</th>
<th>Resourcefulness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to take calculated risk</td>
<td>Dynamism, leadership</td>
<td>Optimism</td>
<td>Versatility, knowledge of product, machinery, market, technology</td>
</tr>
<tr>
<td>Creativity</td>
<td>Ability to influence</td>
<td>Ability to get along well with people</td>
<td>Initiative</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Intelligence</td>
<td>Orientation to clear goals</td>
<td>Positive response to challenges</td>
</tr>
<tr>
<td>Independence</td>
<td>Time competence</td>
<td>Quick decision maker</td>
<td>Responsibility</td>
</tr>
<tr>
<td>Foresight</td>
<td>Accuracy</td>
<td>Cooperativeness</td>
<td>Profit orientation</td>
</tr>
<tr>
<td>Ability to learn from mistakes</td>
<td>Responsiveness to suggestions and criticism</td>
<td>Sense of power</td>
<td>Pleasant personality</td>
</tr>
</tbody>
</table>
### Table

<table>
<thead>
<tr>
<th>Egotism</th>
<th>Courage</th>
<th>Imagination</th>
<th>Perceptiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tolerance for ambiguity</td>
<td>Aggressiveness</td>
<td>Capacity for enjoyment</td>
<td>Efficacy</td>
</tr>
<tr>
<td>Commitment</td>
<td>Ability to trust workers</td>
<td>Sensitivity to others</td>
<td>Integrity</td>
</tr>
<tr>
<td>Maturity, balance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[Entrepreneurial management, by Mr. Bhargav and Shivganesh (2008).]

2.2.6 **Success in small industry.**

Every entrepreneur and each unit is working for long term growth through annual, monthly and daily target and achieves success. Some of the important factors that differentiate successful organizations from the unsuccessful ones are as follows-

- **a)** The most important aspect of successful business is leadership. It calls for clear vision, goals and objectives.

- **b)** Ability to derive the best from its Human Resources. This is achieved by proper communication and training.

- **c)** Adequate but well orchestrated control.

- **d)** Constant review of results.

- **e)** Setting and adherence of high standards of quality and performance.

- **f)** Planning, foresight and analysis.

- **g)** Updating technology.

- **h)** Effective marketing.

- **i)** Financial planning, control and proper allocation of funds.

- **j)** Effective production system and control.

Proper implementation of above aspects will definitely lead to a guaranteed success. This success largely depends on the entrepreneurs individual skills and how he functions i.e. his management skills. Hence, there is a need for adequate and well managed control of the unit i.e. industrial engineering functions, production systems and management functions

2.2.7 **Management Functions:**

Peter Drucker says “Planning is a continuous process of making present entrepreneurial decision (risk taking) systematically and with best possible knowledge of their futurity, organizing systematically the efforts needed to carry out these
decisions and measuring the results of these decisions against the expectations through an organized systematic feedback.”

Basic management functions are,

1. Planning.
2. Organizing.
3. Controlling.
4. Directing.

**Planning (characteristics)**

1. Planning contributes to the objectives.
2. Planning is basic to managerial operation.
3. Planning is an intellectual activity.
4. Planning is directed towards efficiency.
5. Planning is a continuous process.
6. Planning helps decision making.
7. Planning is an important primary or basic function.
   a. Planning is an expensive process as it takes up a great deal of efforts and time.
   b. Planning is a time consuming process: It involves a good deal of investment in time.
   c. It depends on accurate and reliable data.
   d. It has limitation of several external factors beyond the control of enterprise.
   e. People’s resistance to change is also a limitation of the planning.

**Process of organizing:**

It is a dynamic process which consists the following four major sub-processes.

1. Identification of activities: one has to identify the series of activities to be carried out in order to achieve desire objective.
2. Grouping of activities: once all the activities are identified then the related activities are grouped together. This may also be referred to as departmentation.
3. Assigning activities: The competent personnel/manpower that could carry out these activities are to be identified. This is referred to as staffing.
   Delegation of authority: To carry out any activity one must have enough authority. If the authority is not their one cannot be held responsible for the attainment for the results
Importance of direction:
It is the heart of administration. Effective direction provides following benefits:

1. Initiates action: Direction constitutes the life spark and like an electric current it sets into motion the enterprise. Without direction, planning, organizing and staffing become ineffective.

2. Ensures coordination: Coordination is a necessary byproduct of effective direction.

3. Improves efficiency.

4. Facilitates changes.

5. Assists stability and growth.

6. Effective leadership and communication provides stability in the organization and helps to ensure that its parts work in a harmonious way.

Controlling:
Effective control systems use mechanisms to monitor activities and take corrective action, if necessary. The controller observes what happens and compares that with what was supposed to happen. He or she must correct unacceptable results and bring them upto expectations. Control facilitates delegating activities to employees. Controllers/ supervisors are held accountable for their employee’s performance. The controlling system is needed to set standard guidelines, avoid confusions, development of a model system, to measure progress, preparation for uncalled problems, suitable control system for organization culture and economy of control.

2.2.8 Production Function:
Production process is a very vast subject as it covers all management functions and also engineering functions. It is applicable to all types of industries, small scale and large scale. However, we restrict our scope to small and tiny entities. It is necessary to understand the term “Production”.

In economics, production means creation of utility by the application of man’s mental and physical powers to the materials already supplied by nature. ‘It is important to note that nature gives the natural resources which man changes by dint of his labor to make them more useful to him and for this purpose he changes the form of matter already existing. Production may, therefore, be defined as addition of value.
by moving the articles from one place to another or by changing its form, or by adjusting the time of its use so that it will command a higher value than before.'

View the production function in three angles
1. Production as a system
2. As an organizational function
3. Decision making in production.

**Production system** – receives inputs in the form of materials, personnel, capital, utilities and information. These inputs are changed in a conversion sub system in to desired products and services which are called the out puts.

**Production system table**

<table>
<thead>
<tr>
<th>INPUTS</th>
<th>ACTIVITIES</th>
<th>OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>People service</td>
<td>Planning</td>
<td>Quality customer</td>
</tr>
<tr>
<td>Time</td>
<td>Organizing</td>
<td>Revenue earned</td>
</tr>
<tr>
<td>Money</td>
<td>Coordinating</td>
<td>Revenue saved</td>
</tr>
<tr>
<td>Equipment</td>
<td>Directing</td>
<td>Sales made</td>
</tr>
<tr>
<td>Supplies</td>
<td>Developing</td>
<td>Products made</td>
</tr>
</tbody>
</table>

**Organizational function** - The core of a production system is its conversion sub-system wherein workers, materials and machines are used to convert inputs into products and services. This process of conversion is at the heart of production function and is present in some form in all organizations. It may be stated that every organization irrespective of its purpose, has a production function, where departments and personnel play a central role achieving the objectives of the organization.

**Decision making** – For managing production function, it is required to take a series of decisions. They plan, organize, staff, direct and control all the activities in the process of converting all inputs in to finished products. At each level it is expected to make decision. There are three general categories.

a. Strategic decision.- major, long term, related to product, process, mfg. facilities.
b. Operational. - planning production to meet demands.
c. Control decision. - relating to day-to-day activities of workers, quality of product, production and overheads.

Production management refers to the application of management principles to the production function in a factory that is planning, organizing, directing, and controlling. First is the development of factory system of production.

At this juncture, one can not overlook the industrial and systems engineering.

2.2.9 Industrial Engineering Functions:

Industrial engineering functions are essentially management functions for controlling and managing any activity. Industrial engineering involves the application of a set of techniques to analyze, design and control a productive system (i.e. productive system is the system employed to produce goods and services). According to Mr. S. Chand, “Industrial Engineering and Production Management” (2008); major tools of industrial engineering are:

- Method study.
- Work measurement.
- Motion economy.
- Financial Incentives.
- Organization and methods.
- Layout.
- Capacity planning.
- Production planning and control.
- Inventory control. (etc.)

2.2.10 Importance of financial information for entrepreneurs.

In today’s competitive environment it is necessary for any entrepreneur to be proactive in his approach towards the growth of his business. In earlier chapters we have seen the effects of various management aspects on business, but this chapter aims at throwing some light on facets of financial information which is necessary for entrepreneur to be proactive in his actions and finally succeed in his aim providing best products or services. Financial analysis is defined as the process of discovering
economic facts about an enterprise and/or a project on the basis of an interpretation of financial data.

2.2.11 Psychological analysis of entrepreneurship

Here we have discussed various motivational theories from entrepreneur’s point of view.

Needs Theory:

Need for achievement:

The most important and perhaps the only psychological factor which has been researched in relation to entrepreneurship is n-achievement. McCleland (1961) and McCleland and Winter (1969) have proved adequately that achievement motive is a critical factor that leads an individual towards entrepreneurship.

Psychologists have found that entrepreneurs by and large are people with high drive and activity level. They constantly struggle to achieve something which they could call as their own accomplishment. They always like themselves to be different than others and want to accomplish the things which are not easy to accomplish. It is also observed that they (entrepreneurs) do not make efforts to achieve the things which are almost impossible to achieve. Such people (entrepreneurs) work very hard to achieve their goals.

Need for influencing others:

The entrepreneur after building up his organization has to increasingly deal with people of his own organization. In order to be able to deal with people effectively entrepreneur must have drive to influence them. He must have the ability and skill to sell them (i.e. to sell to the people in the organization) his own ideas and to lead them in the process of establishing and expanding his organization. The drive to influence the people and lead them may also be called need of power.

Goal Setting Theory:

The goal setting theory of motivation is useful for motivating individuals. It is also useful for motivating the groups. The entrepreneur sets goals for enterprise. The entrepreneurs use participatory methods such as consensus seeking, meeting, sharing, working in team, interaction, validating and like to help the employees to set the individual and team goals and decide strategies to achieve them.
2.2.12 Entrepreneurial Company in the 21st century:

The trend toward globalization, the advent of new technology, and the information movement are all examples of forces in this new millennium that are causing firms to examine their cultures, structures and systems for flexibility and adaptability. Innovation and entrepreneurial thinking are essential elements in the strategies of growing ventures.

In order to bring about the necessary transition, the entrepreneur must carefully plan and then gradually implement the process. Hofer and Charan have suggested a seven step process,

1] The entrepreneur must want to make the change and must want it strongly enough to undertake major modifications in his own task behavior.
2] The day-to-day decision making procedures of the organization must be changed. Specifically participation in this process must be expanded.
3] The two or three key operation task those are primarily responsible for the organization success must be institutionalized. This may involve the selection of new people to supplement or replace ‘indispensable’ individuals who have performed these tasks in the past.
4] Middle level management must be developed.
5] The firm’s strategy should be evaluated and modified, if necessary, to achieve growth.
6] The organizational structure and its management systems and procedures must be slowly modified to fit the company’s new strategies.
7] The firm must develop a professional board of directors.

2.2.13 Emerging trends and expectations:

Technology not only enhances present competitive strength but also creates opportunity for future growth for any organization. Below is the comparative chart which is self explanatory for understanding emerging trends and expectations.
## New and old economy

<table>
<thead>
<tr>
<th>Issue</th>
<th>Old industrial economy</th>
<th>New knowledge economy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Markets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Development</td>
<td>Steady and linear, quite predictable</td>
<td>Volatile - extremely fast change, with explosive upsurges and sudden downturns and chaotic the direction of the economy’s changes is not perfectly clear</td>
</tr>
<tr>
<td>Market changes</td>
<td>Slow and linear</td>
<td>Fast and unpredictable</td>
</tr>
<tr>
<td>Lifecycle Products and Technologies</td>
<td>Long</td>
<td>Short</td>
</tr>
<tr>
<td>Key Economy Drivers</td>
<td>Large industrial firms</td>
<td>Innovative entrepreneurial Knowledge based firms</td>
</tr>
<tr>
<td>Scope of Competition</td>
<td>Local</td>
<td>Global hyper-competition</td>
</tr>
<tr>
<td>Competition: name of the game</td>
<td>Size: The big eats small</td>
<td>Speed: The fast eats the slow</td>
</tr>
<tr>
<td>Enterprise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pace of Business</td>
<td>Slow</td>
<td>Appreciably faster than ever rising customer expectations</td>
</tr>
<tr>
<td>Emphasis on</td>
<td>Stability</td>
<td>Change management</td>
</tr>
<tr>
<td>Business Development Approach</td>
<td>Strategy pyramid - vision, mission, goal, action plan</td>
<td>Opportunity driven dynamic strategy</td>
</tr>
<tr>
<td>Success Measure</td>
<td>Profit</td>
<td>Market capitalization</td>
</tr>
<tr>
<td>Organization of Production</td>
<td>Mass production</td>
<td>Flexible and lean production</td>
</tr>
<tr>
<td>Key Drivers to Growth</td>
<td>Capital</td>
<td>Resources: people, knowledge, capability</td>
</tr>
<tr>
<td>Key Sources of Innovation</td>
<td>Research</td>
<td>Research, systematic innovation, knowledge management, integration, new business creation, venture strategies, new business models</td>
</tr>
<tr>
<td>Issue</td>
<td>Old industrial economy</td>
<td>New knowledge economy</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Main Sources of Competitive Advantage</strong></td>
<td>Access to raw material, cheap labor and capital for conversion; cost reduction through economies of scale</td>
<td>Distinctive capabilities: institutional excellence moving with speed; human resources; customer partnership; differentiation strategies and competitive strategies</td>
</tr>
<tr>
<td><strong>Scarce Resources</strong></td>
<td>Financial capital</td>
<td>Human capital</td>
</tr>
<tr>
<td><strong>Decision Making</strong></td>
<td>Vertical</td>
<td>Distributed</td>
</tr>
<tr>
<td><strong>Innovation Process</strong></td>
<td>Periodic, linear</td>
<td>Continuous, systemic</td>
</tr>
<tr>
<td><strong>Production Focus</strong></td>
<td>Internal process</td>
<td>Entire value chain</td>
</tr>
<tr>
<td><strong>Strategic Alliance with Other Firms</strong></td>
<td>Rare, “Go alone” mindset</td>
<td>Teaming up to add complementary resources</td>
</tr>
<tr>
<td><strong>Organizational Structures</strong></td>
<td>Hierarchical, bureaucratic, functional, pyramid structure</td>
<td>Interconnected subsystems; flexible, devolved, employee empowerment, flat or networked structure</td>
</tr>
<tr>
<td><strong>Business Model</strong></td>
<td>Traditional: command and control</td>
<td>New refocused on people knowledge, and coherence</td>
</tr>
<tr>
<td><strong>Work Force</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Leadership</strong></td>
<td>Vertical</td>
<td>Shared: employee empowerment and self leadership</td>
</tr>
<tr>
<td><strong>Work force characteristics</strong></td>
<td>Mainly male, high proportion of semi-skilled or unskilled</td>
<td>No gender bias; high proportion of graduates</td>
</tr>
<tr>
<td><strong>Skills</strong></td>
<td>Mono-skilled, standardized</td>
<td>Multi-skilled, flexible</td>
</tr>
<tr>
<td><strong>Education Requirements</strong></td>
<td>A skill or a degree</td>
<td>Continuous learning</td>
</tr>
<tr>
<td><strong>Management-Employee Relation</strong></td>
<td>Confrontation</td>
<td>Cooperation, teamwork</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>Stable</td>
<td>Affected by market opportunity/risk factor</td>
</tr>
<tr>
<td><strong>Employees Seen as</strong></td>
<td>Expense</td>
<td>Investment</td>
</tr>
</tbody>
</table>

[Technological change and manpower development, by Mr. Bhattacharyaa, 2008]
2.3 Analysis of data and findings:-

All responses to the questions were analyzed and following are the main findings.

2.3.1 FINDINGS

Findings

1. a) Turnover of the small enterprises is not dependent on capital investment alone.
   b) Turnover of small enterprises depends more on market conditions.

2. Entrepreneurs of small scale and micro enterprises are found less innovative in developing new products. They copy products developed by competitors.

3. Entrepreneurs prefers to develop personal contact with customers.

4. Entrepreneurs are interested in improving their quality of the products and also they prefer to accept changes in their product for their sustainable growth in the market.

5. Conversion of business leads into actual execution of orders is very important and entrepreneurs make efforts towards the same.

6. Entrepreneurs of small and micro enterprises like to take calculated risk in business.

7. Short term business targets are determined in terms volume of sales or work orders.

8. Entrepreneurs have to strike a balance in making payments in to suppliers, labor and creditors.

9. A large majority of respondents were aware of industrial engineering but had constraints to implement.

10. Productivity and other controlling techniques such as ISO, just in time, ABC analysis, ratio analysis are utilized only to small extent.

11. Entrepreneurs were found to be less aware of layout planning of the unit.

12. In small and micro scale units majority of staff is deployed on production activity. Controlling coordinating and accounting activity found weak as manpower is not made available/adequate.

13. Employees in the small scale units accepts entrepreneurs as leader. However his lack of managerial skills as times affects his business.
14. Motivation in small scale enterprises depends more on the leadership quality of 
the entrepreneur, which is found weak.

15. Entrepreneurs are found lacking in professional approach.

16. Entrepreneurs in small and tiny enterprise are weak in decision making. 
   Entrepreneurs are required to gain command on managerial qualities for efficient 
   business control and decision making.

17. Entrepreneurs take enough efforts for recovery of receivables.

18. Small scale entrepreneurs generally comply with all legal or government 
   requirements for smooth running of the unit.

19. Entrepreneurs in small and tiny scale units are finding problems in managing 
   business activity.

2.3.2 Validation of Hypotheses:-

Validation of Hypotheses was done by following methods.

1. Each question was analyzed by using SPSS. Output given by SPSS, i.e. 
   descriptive statistic, frequency table, histogram, bar chart were studied.

2. By applying chi-square test to group of questions under each hypothesis.

3. By using multiple regression analysis.
   All the hypotheses are validated and accepted.

2.3.3 Major conclusions:-

- Entrepreneurs of small and tiny enterprises do not effectively employ 
  management functions such as – Planning, Organizing, Controlling, 
  Coordinating, Directing.

- Entrepreneurial functions are not adopted effectively in small and tiny 
  businesses, such as innovativeness, organization and management resources, 
  risk bearing, and leadership.

- Controlling methods have significant association with turnover of the 
  enterprise.

- Management staff [controlling staff] and accounting staff also, have 
  significant association with turnover of the enterprise.

- Business growth is predicted by variables such as, - making timely payments 
  to suppliers and keeping ones knowledge updated by various means.
Entrepreneurs of small and tiny enterprises do not effectively adopt managerial role.

2.3.4 **Key Recommendations:**

- ‘Entrepreneur – Manager’ balance should be achieved by entrepreneur.
- Management deficiencies in small enterprises should be minimized by proper adoption of planning, organizing, controlling, coordinating, leading and directing.
- Improving managerial skills by leaning through training programs and by qualification.

An entrepreneur should always be mindful of the following:

1. Leadership.
2. Remaining updated in current technology [Professional].
3. Decision making.
4. Ability to observe and adapt.
5. Enthusiasm.
6. To learn from feedback.

And develop these qualities to be successful.

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**Sudhir Pande**
Research Scholar

**Dr. Dhananjay Keskar**
Research Guide