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.

![Stepping stones of entrepreneurship](image)

**Figure No. 1.1**
Stepping stones of entrepreneurship
Entrepreneurship according to Schumpeter is essentially a creative or innovative function that might include introduction of new product, new production method, developing new market etc. However, in Indian market, entrepreneurship does not necessarily include innovation. It can very well be ‘adoption and following the best practices and products’. According to Desai, small-scale industries are perfect incubators for fast growth and development of entrepreneurship.

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 the radical change in the 20\textsuperscript{th} 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.

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 entities 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

A) **Problems related to functional and other areas:**

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

B) **Solution for Problems :-**

Every entrepreneur and each industry 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-
1. The most important aspect of successful business is leadership. It calls for clear vision, goals and objectives.

2. Ability to derive the best from its Human Resources. This is achieved by proper communication and training.

3. Adequate but well orchestrated control.

4. Constant review of results.

5. Setting and adherence of high standards of quality and performance.

6. Planning foresight and analysis.

7. Updating technology.

8. Effective marketing.


10. Effective production system and control.

   The above mentioned A)-Problems and B)-Solutions indicates 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 the “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.

   As the definition of entrepreneur suggests, they are the initiators of the business. An entrepreneur combines the factors of production and puts them to appropriate use. At the stage of incorporation, the entrepreneur performs the tasks of workers, managers and the owners in unison. As the enterprise starts growing and stabilizes in terms of production, revenue, profit, the entrepreneur is required to chalk out the future plans for the enterprise. At this point, the entrepreneurs role as a worker diminishes and proportionately the manager’s role takes more importance.

   An entrepreneur has to formulate a plan of his venture. He has to build financial and material resources. The entrepreneur may have efficient subordinates working under his guidance. He has to co-ordinate their efforts and controls their activities. During production, supervision is also necessary to maintain discipline and assure quality of work.

   The entrepreneur must perform the function of accounting and financial control. He has to handle marketing of his product. He has to keep watch on the
business environment. The legal, social, economic environment influences his decisions in the field of manufacturing, financing and marketing.

The 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 a time he does not get a way out to overcomes 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 and only then a small and tiny enterprises can be a perfect incubator for future growth.

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 observed in small and tiny industries.
1.4 Hypothesis

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.

1.5 Research methodology:

1.5.1 Primary research:-

1. Sampling/ Purposeful sampling:- For formulating a sampling design following steps were taken:
   a) The whole source of data from whom the information to be collected that is the universe was specified.
   b) Once the universe was identified, total numbers of respondents adequate enough to represent the universe were selected.
   c) Preparing a source list – list of enterprises from Pune industrial directory published by Mahratta Chamber of Commerce, Industries and Agriculture was referred. It was found in their survey that there are nearly 10500 units in and around Pune. Out of which 8500 units are into manufacturing operations. Within this group 6375 no. of units are small scale and tiny units. So, the universe is 6375 no. of units, and the sample size selected is 84 no. of units.
The method adopted in going ahead in conducting the survey is fixed. Data collection is the pivotal task.

2. **Questionnaire:** In order to systematic collection of the primary data, questionnaire was designed. It was used for the purpose of interview and collection of data directly.

3. **Data collection:** Data collection work was carried out with the questionnaires and from 84 respondent.

4. **Analysis:** Collected data was analyzed.

### 1.5.2 Secondary research:
Secondary research is based on the following sources of data.

- Published information and reports by central and state Government on small and tiny industries.
- Technical and professional journals.
- Books on entrepreneurship.
- Biographies or autobiographies of entrepreneurs.
- News periodicals.
- Newsletters.
- Internet.

### 1.5.3 Analysis of data and findings:
All responses to the questions were analyzed and following are the main 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.

1.5.4 Validation of Hypotheses:-

Validation of Hypotheses is done by following methods.

1. Each question is analyzed by using SPSS. Output given by SPSS, i.e. descriptive statistic, frequency table, histogram, bar chart are studied.
2. By chi-square test to group of questions under each hypothesis.
3. By using multiple regression analysis.
   The hypotheses that validated are accepted.

1.5.5 **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.

1.5.6 **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.

1.5.7 **Recommendations for further study:**

   Following subjects are recommended to scholars for further study of small and tiny industries.
   1. Decision making in small and tiny industries.
   2. Managerial functions for growth of small and tiny industries.
   3. The entrepreneurial ‘growth challenges’ in coming era.
   4. Constraints in modernization of small scale units.