ABSTRACT

Management of micro, small and medium enterprises in India:
A study of the regional-cultural determinants
of entrepreneurial performance

The long term economic significance of micro, small, and medium enterprises (MSMEs) in the development of emerging countries is widely acknowledged. MSMEs drive modern economies through their multifaceted contributions in terms of technological innovations, employment generation, export promotion, and so on, and are inspired by individual initiative and creativity. They stimulate private ownership and entrepreneurial skills; they are flexible and can adapt quickly to changing market demand and supply situations.

The performance of MSMEs in various countries of the world has been closely linked to factors unique to the respective regions, namely, macro environmental factors, firm specific factors and entrepreneurial factors. The diversities triggered by a given region’s historical, geographical, religious, economic, political and cultural aspects can affect the performance of the MSME entrepreneurs. It is often observed that both the entrepreneurs and the enterprises reflect the characteristics of the country or region of origin and are often representative of the diversity of the region or environment from where they emanate.

The influence of macro environmental and firm specific factors on Indian MSME has been well researched and documented. The other dominant factor that influences enterprise performance, namely, the entrepreneurial competence, could be further influenced by the culture which the entrepreneur inherits from the environment and the social systems innate to the country or the region that she/he hails from. The nature and extent of this influence of a region’s culture on the competence and performance of Indian entrepreneurs in managing MSMEs in that region have not yet been largely researched or documented. This research work attempts to fill that gap.
A review of literature and study of various frameworks of studies led to three research questions. These questions attempt to find answers to 1) whether there are any variations in the performance levels of MSME entrepreneurs across the various segments; 2) whether there are any variations in the influence of cultural dimensions of Indian MSME entrepreneurs across the various segments; 3) whether the cultural dimensions of entrepreneurs influence the performance of MSMEs across the various segments.

It was observed that the six dimensions of national cultures identified by Hofstede and his associates are the most appropriate for this study. Hofstede defined culture as collective programming of the mind and proposed that people differ on the extent to which they endorse six dimensions of values, namely, power distance (equality vs. inequality), collectivism (vs. individualism), uncertainty avoidance (vs. tolerance), masculinity (vs. femininity), temporal (pragmatic vs. normative) orientation, and indulgence (vs. restraint). Since Hofstede developed this theory through an etic or global perspective it was necessary to look at the relevance and validity of these dimensions in the Indian context through an emic or insider perspective. A qualitative survey of experts was done with a view to finding out the validity and relevance of Hofstede’s dimensions. The study while endorsing the validity of Hofstede’s cultural dimensions stated that these dimensions varied across regions of the country. They also suggested that there could be one more dimension called Ethnic Orientation which arises from the specific ethnic origin and grooming of a person. A survey questionnaire was developed using the validated cultural framework across two states of India, namely Kerala and Maharashtra. These states were selected on the basis of their ranking and on the level of contribution of the respective State-level MSMEs’ Gross Value Added to the respective Gross State Domestic Products.

The subsequent analysis of the questionnaire responses came out with interesting results. The performance variable was observed to vary significantly across various MSME segments, namely, State, location type, enterprise type and business type and the interactions thereof. The cultural dimensions (except pragmatic orientation) were found to be significantly varying across the various MSME segments. It was also observed that certain level of correlation exists between some of the dimensions across given segments. The performance of MSMEs was also found to be dependent on cultural factors across the various segments. The nature and extent of the influence
were observed to be further dependent on the region or state of operation, and within each state, the enterprise type, business type or location type, or the various combinations of these factors.

**JEL Classification:** D21, L25, M11, R32

**Key Words:** MSME, Hofstede’s cultural dimensions, etic, emic, ethnic orientation, ANOVA, step-wise regression, performance variable. Kerala, Maharashtra, India,