CHAPTER 1

INTRODUCTION
1.1. Background.

Marketing is an important function for the survival and expansion of a firm, and it can be done more effectively if it has an entrepreneurial approach by entrepreneurs. Entrepreneurs are innovation oriented, attracted by new ideas and they can visualise the market.

They focus on the market from the bottom to top, self-selection and consider the advice of customers and other important groups, rather than depending on top to down division, aiming and setting processes. They prefer communicative marketing processes and collect data through informal networking instead of intelligence systems. These methods show the entrepreneurial strengths and define marketing that is more effective in entrepreneurial contexts, rather than the marketing which is done due to resource limits.

Entrepreneurial Marketing (EM) is a thirty-year-old idea which was advanced at the boundary between the two disciplines, such as marketing and entrepreneurship (Hills and LaForge, 1992). Entrepreneurial Marketing (EM) has occurred as a new marketing pattern which helps to function in a rapidly changing environment of business. It incorporates marketing and entrepreneurship through the common concepts shared by the two fields. The rise of EM emphasizes the importance of entrepreneurship in organization business practices. Entrepreneurship supports firms in developing a new idea to cope with the changing environment of the marketplace (Hills and Hultman, 2006). EM is a combined outcome of entrepreneurial orientation and market orientation (Morris, Schindehutte, and LaForge, 2002). The rapid changes in technology and competition in the market has developed an environment in the business categorized by high level of market and technology uncertainty. (Li, Liu, and Zhao, 2006).

1.2. Industrial Clusters and its importance.

According to the previous literature, it was found that in a growing globalized economy, competent local business systems (clusters or manufacturing districts) play a crucial role in the economy (Porter 1998 and Enright, 2000). Clusters are the sectorial and geographical closeness of enterprises.
Small and Medium Enterprises (SME), faced with mutual prospects and threats favour the rise in specialized technical, organisational and financial services; and create an encouraging place for the development of inter-firm collaboration and specialization as well as of assistance among public and private local organizations to encourage local production, innovation and joint learning.

Clusters characterize a new and corresponding means of knowing an economy, organizing economic growth, and setting public policy. Understanding the state of clusters in a location provides important views into the productive potential of its economy and the limitations on its future growth (Porter, 1998). Clusters create a balance between collaboration and competition, which becomes obvious in the higher productivity of the organizations due to their bigger access to inputs, information, machinery, and organizations; and also in the greater invention and venture formation. The cluster influences the entry of new companies or start-ups. The intention is that the new companies will regenerate particular regions where competitiveness has dropped and that entrepreneurship will increase economic growth and improve nationwide competitiveness (Romero Martinez and Montoro Sanchez, 2008).

Industrial Clusters reveal a course of China economic growth since the 1980s, and it is specifically noticed in the rural area of China, which explains the reason behind Chinese organisations competitiveness since the 1980s. It also proposes an effective model for complete growth in China that allows people to highly contribute in and also to get help from (Wang and Huang, 2011).

1.3. Introduction to MSMEs and Industrial Clusters in India

According to report MSME at a Glance(2016) published by Ministry to Small and Medium Enterprises, Micro, Small and Medium Enterprises (MSMEs) sector have proved to be an exciting and energetic sector since last five decades in the Indian economy.

MSMEs in addition to contributing to the job creation at a lower capital cost, also contribute to the industrialization of the country and undeveloped localities, which reduces the inequalities and ensures that the national income and wealth could be distributed equally. MSMEs complements big organizations and participate in the
important production areas. They also have a huge contribution to the socioeconomic development of the country.

Clusters are the prime of the policy taken by the government units and it is proved to be a very strong help for accessing worker, R&D, operations, data from rivals, employee outputs, creating interlinked firms, thus the total productivity and effectiveness of India increases (Indo-German SME forum, 2013).

Since last few years, it has been found that the awareness has increased across the globe regarding the complex nature of the organizations of creative activities, especially focusing the SMEs. The notable contribution of the SMEs in the development of economics has encouraged scholars, policy makers and development practitioners appreciate and encourage this vital sector.

The important concerns are to acquire in-depth knowledge of the similar dominance of elements, like markets, hierarchies, and connections in SMEs. Remarkably, SME clustering has been developed bearing considerable policy involvement. In India, industrial clusters have developed and settled as a center business activity, the contribution of the domestic markets for goods being huge (Das, 2005).

The contributions of small firms of western industrialised societies and in recent industrialising economies of Asia and Africa is not only in job creation, endogenous business growth, renewal of local economics and local creative potential, but also competes in the global market making treasure of foreign currency exchange (Pietrobelli and Sverrisson 2004; Piore and Sabel 1984; Regnier 1990; Pyke and Sengenberger 1992; and Van Dijk and Rabellotri 1997).

According to Marshall (1974), “so great are the advantages which people following the same skilled trade get from near neighborhood to one another. The mysteries of the trade become no mysteries, but are as it were in the air. Good work is rightly appreciated, inventions and improvement in the industries in machinery, in processes and the general organisation of the business, have their merits promptly discussed; if one man starts a new idea, it is, it is taken by others and combined with suggestions of their own; and thus it becomes the source of further new ideas. And presently subsidiary trades grow up in the neighborhood, supplying it with implements and
materials, organizing its traffic, and in many ways conducive to the economy of its material” (p. 225).

The MSME sector of India plays a vital role in job support and upgrading the skills. After agriculture, the second largest employment generator in India is the MSME sector. MSMEs interrelated with private sector entrepreneurs for upgrading skill and the quality of delivery. Big industrial firms, for example, firms in the automotive sector are inclined to be the end-customer for MSMEs.

Big firms co-ordinate with smaller firms to ensure the quality of the product by giving the required skills and to stick to the standard processes. The government and NGOs both help in this venture. The MSMEs in India have achieved success by improving skills, interrelating with bigger firms and access to higher technology. The MSME sector in India produces above 6,000 products, ranging from handloom saris, carpets; soaps and pickles; and machine parts, for big industries intending domestic and international markets (India Brand Equity Foundation, 2013).

1.4. Studies on Industrial Clustering in International Area

Table 1.1 Studies on Industrial Clusters in International Area

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Author</th>
<th>Cluster</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Weijland, 1999</td>
<td>Java cluster</td>
<td>Clustering is not a matter of population density or infrastructure facility, but it is a response to particular marketing and technology problems.</td>
</tr>
<tr>
<td>2</td>
<td>Meyer-Stamer, 1999</td>
<td>Latin American cluster</td>
<td>The study observes three common deficiencies in this cluster-heterogeneity of development level and lack of composite small and medium enterprises; lack of innovative capabilities; low degree of socialization and inters firm co-operation</td>
</tr>
<tr>
<td>3</td>
<td>(Schmitz H., 1999)</td>
<td>Sinos Valley, South Brazil</td>
<td>the enterprises have stepped up co-operation among them in response to intensified global competition in leather footwear</td>
</tr>
<tr>
<td>Sl. No</td>
<td>Author</td>
<td>Cluster</td>
<td>Findings</td>
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</tr>
<tr>
<td>4</td>
<td>Oyeyinka-Banji, 2000</td>
<td>Nnewi cluster</td>
<td>In SME’s trust between employers and employees are critical to its success. Nnewi cluster has their origin in traditional crafts. They have got a longer history of technical apprenticeship provision of real services, credit to firm and training and it was revealed that clusters help for reducing and distributing costs and minimizing risks.</td>
</tr>
<tr>
<td>5</td>
<td>Fontenay&amp; Camel, 2004</td>
<td>Israeli high-tech industrial cluster.</td>
<td>The industries in Israel are close enough together, geographically, to be considered one cluster. The core of Israeli cluster lies behind the information and communication technologies of software, hardware design, and internet technologies. The Israeli information and communication technology clusters comprise of diversified industrial units.</td>
</tr>
<tr>
<td>6</td>
<td>Okamoto, (2005)</td>
<td>Electronic industry Cluster Malaysia</td>
<td>Study explains the current flow of foreign investment into Malaysia’s electronics industry and the extent to which it contributes to the formation of industrial clusters. The industrial competitiveness of Malaysia was examined by using statistical measures such as a market share in major international markets and the RCA index. The study found that Malaysia’s industrial dynamism was not yet lost. It has begun to find a new model of growth combining both hardware and software in the electronics industry.</td>
</tr>
<tr>
<td>Sl. No</td>
<td>Author</td>
<td>Cluster</td>
<td>Findings</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Germany</td>
<td>particular attention to their respective composition in terms of venture capital, basic science institutions, and biotechnology firms.</td>
</tr>
</tbody>
</table>

1.5. **Industrial Clusters Studies in Indian Context.**

The new economic reforms and the liberalisation process in the country necessitate a policy in favor of clusters. When the protectionist policies are not going to be working to safeguard the SMEs it would be better to make the SMEs become internationally competent by way of better quality and technique. Historically large number of clusters have existed in India. Both spatial and sectoral clusters of small firms existed, but the in-depth studies on the internal dynamism of the clusters and the influences of policy intervention on the cluster are rare.

The clusters in India as part of the South Asian cluster, is distinguished as highly group-oriented, male dominated and humane (Taeube, 2004). Cluster studies find an unprecedented dynamism in the industrial clusters of Italy during the seventies turned out to be a major experiment with successful outcomes and suggests that cluster studies in developing countries like India must be based on pragmatic research and not on the excitement generated by the industrial district concept. The important role played by SME clusters for the industrial production and export promotion of Indian economy was examined. Suggesting Italian clusters as a role model for Indian clusters, the study stated the key factor behind the success of Italian clusters as their ability to innovate and modernize and attune to changing market conditions. About 90.57 percent of Indian clusters have developed naturally and remaining 9.43 percent are induced clusters, arise due to the introduction of government policies. Some unanimous historical roots for the origin of Indian and Italian industrial clusters are viewed. Major difference viewed between these two clusters is that Italian clusters are modern technology oriented and is able to face the competition that is created with the globalisation. But Indian clusters are traditional and using outmoded methods (Das, 1995); (Gomes, 2000).
The performance of clustered and dispersed producers were analysed by using the indicators like employment size, employment growth, average monthly sales per workers in 1993, use of family labour, and average monthly wage per worker. Producers in Agra have responded to the common challenge by increasing inter-firm co-operation. Survey results show that vertical inter-firm relationships with suppliers of leather and soles, and with buyers, have been strengthened, while the relationship with subcontractors more often remains unchanged. A performance indicator was constructed based on total output in a number of pairs, sales value, net profits and number of workers. Using Kendall correlation matrix statistically significant correlation was found between the firms that have increased their participation in business association, large firms and strong performers. The study provides empirical evidence on the conduct and performance of both clustered and dispersed SMEs in a developing country (Janvisser, 1999).

Another study explains the ability of woollen knitwear cluster, Ludhiana, to recover quickly from its twin crisis in the early 1990s the collapse of its primary export market, the former Soviet Union and the greater trade and international competition due to the opening up of the domestic economy. The local firms picked up the knowledge, marketing skills and contracts to enter into more sophisticated markets within a short period (Tewari, 1999). A qualitative transformation which was seen in the pump manufacturing cluster at Coimbatore district, in Tamil Nadu after liberalisation was explained. The study highlights the changes in terms of economic performance; inter-firm linkages; subcontracting networks; commercial links; co-operation and competition between firms and the influence of local institutions of Tamil Nadu (Pillai, 2000). A broad strategic assessment of the experience of rural industrialisation in India was also described.

In Indian development thinking and policy formulation, rural and small-scale industrialisation has got a special place. This privileged position has not derived from a universal consensus with regard to the rationale and policy framework applicable to this sub-sector. The rural and small-scale industrialization is facing a lot of challenges. The study concluded that clustering of small scale industries can become a useful strategy for the development of these industries and for the overall development of the economy (Saith, 2001). Examine technical efficiency variation
across four industrial sectors in India, using a stochastic production frontier technique. The obtained results are comparative to technical efficiency distribution patterns obtained in other countries. The study found that managerial effectiveness significantly influences efficiency and that there are considerable benefits deriving from allocation within established industrial clusters for particular industries. By using cross-section analysis, gross value of the capital stock to circumvent the depreciation issue are analysed. Some of the important sources of growth and competitiveness that are associated with industrial agglomeration and clustering are not yet tapped by Indian industry, unlike successful industrial districts like Silicon Valley (Rodrigoe&Lall, 2001).

Attempts were made to study the nature of trust and institutions in small firm clusters by taking the case of Kanpur Saddlery cluster in India. The main features of trust and institutions included are region, religion, family, language, ethnicity; caste etc. Information is collected by using qualitative methods. The data collected through semi-structural interviews, institutional reports and trade publications, the study concludes that knowledge-based trust can be developed through interaction and in small firm clustering collective actions are through interaction among international institutions and a small number of active entrepreneurs (Dwivedi, 2003). Study of clusters in Andhra Pradesh suggests that created clusters are to be connected by ‘corridors’ of transport and communication infrastructure. The study found that most of the successful clusters in Andhra Pradesh are begun by chance and favorable policies which have propelled growth and consolidation.

Andhra Pradesh has initiated measures to develop smart clusters which combine international best practices, draw upon the experience of industry associations, take consultancy advice and use the experience of working with clusters (Sharma, 2004). The role of industrial clusters in the economic development of an economy, i.e., India’s FDI experience was described from a Korean perspective. The study states that FDI inflows into India are determined by industries and products which are technology intensive and have economies of scale and significant domestic content. As a result of FDI inflows the big companies, Hyundai, LG, and Samsung have developed their industrial clusters in India. Hyundai Motors India could be a good example for the FDI with industrial clusters. FDI is influenced by the relationship
between the investors and host countries (Park, 2004). The evidence from Indian cluster study shows that upgrading of low technology industrial clusters is possible. A large number of people get the benefit of low technology clusters in the form of employment and income for poor (UNIDO, 2005).

The peculiarity of sickness in Indian SSI clusters are focused and recommended for measures to improve the competitive strength of the cluster. Five points are included for research design networking, human resources, communities’ linkages, regional embeddedness and government policy (Kumar S., 2005). Cluster intervention by CDA and SISI in Coimbatore are in an early stage and future agenda of the cluster development initiatives are to include successful implementation of CFC brand promotion, market development initiatives (Padmanand, 2006).

Industrial Clusters (Shridharan & Mathew J Manimala: 1999) have evolved the world over primarily as a response of entrepreneurs to an unstable and uncertain market. In recent years, the success of industrial clusters in 'Third Italy' (Central and Northeastern parts of Italy) with concentration of SMEs (Small and Medium Enterprises) has brought this phenomenon into focus as a viable alternative approach to industrialization. The 'Third Italy' comprises of the districts of Bologna, Florence, Ancona and Venice. These districts are characterized by clusters of textiles, knitwear, shoes, leather products, furniture, tiles, musical instruments, food processing, mechanical-engineering products etc. Nonagricultural employment and value added in this region grew faster in 1960s and 1970s than in the rest of the country. In terms of per capita income, the region overtook the industrialized 'First Italy' in the 1980s, reversing the earlier migratory trends in population. The clusters in the region developed export and niche markets, establishing a strong position in the global market. Though there are variations in experiences, clusters are an important feature of other countries too. For instance, the West Jutland region of Denmark specializes in garments and furniture, Baden-Wurttemberg in Germany specializes in metal works and mechanical engineering, and south-west Flanders in Belgium specialises in carpet weaving, upholstery, clipboards and frozen vegetables. Prominent Asian cases include Ohta (auto parts), Fukui-Ishikawa (synthetic textiles) and Tsubane (silverware) in Japan, and Ulsan-Pusan (auto parts), Taegu region (textiles) and Seoul
(electronic parts) in Korea. In the case of India, Gulati has identified 138 clusters. The major characteristics of industrial districts can be summed up as follows:

1. Geographical proximity: A large number of predominantly small- and medium-sized firms are located in a geographically-bounded space.
2. Sectoral specialisation: The cluster as a whole specialises in a specific industrial sector. Besides, there is significant intra-sectoral division of work, whereby different units within the cluster specialise in specific processes.
3. Close inter-firm collaboration: Close inter-firm linkages substitute for vertical integration of all activities within a firm.
4. Inter-firm competition: Competition among firms is essentially based on innovation rather than lowering wages.
5. Social embeddedness: A socio-cultural identity which facilitates trust, reciprocity and social sanction.
6. State support: Very supportive regional and municipal governments complement the work of active self-help organisations.


1. Nagesha N, M.H. Balasurbrahmanya (2004) Studied barriers in energy efficiency at Belgaum Foundry Cluster and Brick Cluster Malur, the study revealed that the two SSI clusters were considered energy intensive and they consumed different kinds of energy inputs. While brick makers used firewood, eucalyptus leaves and coal, energy inputs of foundries consisted of coke, coal and electricity. The average value of quantum of energy consumption varied between the two clusters and so were their energy intensities and energy consumption per units of labour and capital. Higher energy intensity leads to higher share of energy cost in total variable cost. Brick making was more energy intensive and it accounted for a higher share of energy cost in total variable cost as compared to foundries. There were negative relationships in both the clusters between energy intensity on the one hand and factor productivities, value of output and value addition per unit of value of output, on the other.

2. M.H. Balasurbrahmanya (2005) conducted a study on Energy and Efficiency and labour productivity at Brick Cluster Malur. The study was able to find outs small enterprises where labour productivity was higher and energy
intensity was lower achieved higher returns as compared to those where labour productivity was lower and energy intensity was higher. When technology is similar in a particular small scale industry, improving labour skills and efficiency can be an important strategy for improving energy efficiency, achieving higher returns and enhancing competitiveness.

3. Nagesha, N. P. Balachandra(2006) analysed various barriers for energy efficiency improvements in Brick Cluster Malur and Belgaum Foundry Cluster and they identified financial and economic barrier (FEB) and behavioural and personal barrier (BPB) have emerged as the top two impediments to energy efficiency improvements.

4. Nagesha N, M.H. Balasurbrähmayya(2006) Conducted study on Energy Efficiency at Brick cluster Malur and they analysed that while the need for technology up gradation to enhance Energy Efficiency and hence sustainability of SSI clusters is undisputable, this alone cannot succeed in meeting the goal either. But, human resource, economic, organizational and behaviour issues of SSIs also need to be properly addressed for fruitful results.

1.7. Introduction- Micro, Small and Medium Enterprises

Micro, Small and Medium Enterprises (MSMEs) sector have proved to be an exciting and energetic sector since last five decades in the Indian economy. MSMEs in addition to contributing to the job creation at a lower capital cost, they also contribute to the industrialization of the country and undeveloped localities, which reduces the inequalities and ensures that the national income and wealth could be distributed equally. MSMEs complements big organizations and participate in the important production areas, MSMEs has a huge contribution to the socioeconomic development of the country. In India, MSMEs are defined according to MSMED Act, 2006, by the investment made by them in factories and equipment’s and on the machinery which provides services. (MSME at a GLANCE 2016).
Table 1.2.: MSME Definition: According to Ministry of MSME ACT 2006:

<table>
<thead>
<tr>
<th>Description</th>
<th>INR</th>
<th>USD($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
<td>up to Rs. 25 Lakh</td>
<td>upto $ 62,500</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>above Rs. 25 Lakh &amp; up to Rs. 5 Crore</td>
<td>above $ 62,500 &amp; upto $ 1.25 million</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>above Rs. 5 Crore &amp; up to Rs. 10 Crore</td>
<td>above $ 1.25 million &amp; upto $ 2.5 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>INR</th>
<th>USD($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
<td>Up to Rs. 10 Lakh</td>
<td>Up to $ 25,000</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>above Rs. 10 Lakh &amp; up to Rs. 2 Crore</td>
<td>above $ 25,000 &amp; up to $ 0.5 million</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>above Rs. 2 Crore &amp; upto Rs. 5 Crore</td>
<td>above $ 0.5 million &amp; up to $ 1.5 million</td>
</tr>
</tbody>
</table>

1.8. Contributions of MSME's in Indian Economy:

Table: 1.3. Contribution of MSMEs to Indian Economy
<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Value of Output of MSME Manufacturing Sector (Rs. in Crores)</th>
<th>Share of MSME sector in total GDP (%)</th>
<th>Share of MSME output in total Manufacturing Output (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Manufacuring Sector MSME</td>
<td>Service Sector MSME</td>
<td>Total</td>
</tr>
<tr>
<td>2006-2007</td>
<td>1198818</td>
<td>7.73</td>
<td>27.40</td>
</tr>
<tr>
<td>2007-2008</td>
<td>1322777</td>
<td>7.81</td>
<td>27.60</td>
</tr>
<tr>
<td>2008-2009</td>
<td>1375589</td>
<td>7.52</td>
<td>28.60</td>
</tr>
<tr>
<td>2009-2010</td>
<td>1488352</td>
<td>7.45</td>
<td>28.60</td>
</tr>
<tr>
<td>2010-2011</td>
<td>1653622</td>
<td>7.39</td>
<td>29.30</td>
</tr>
<tr>
<td>2011-2012</td>
<td>1788584</td>
<td>7.27</td>
<td>30.70</td>
</tr>
<tr>
<td>2012-2013</td>
<td>1809976</td>
<td>7.04</td>
<td>30.50</td>
</tr>
</tbody>
</table>


1.9. Growth of MSMEs in Karnataka State:

Table 1.4. Growth of MSMEs in Karnataka State.

<table>
<thead>
<tr>
<th>Year</th>
<th>MSME units (in number)</th>
<th>Investment (Rs. In lakh)</th>
<th>Employment (in numbers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>21021</td>
<td>159614</td>
<td>128387</td>
</tr>
<tr>
<td>2012-13</td>
<td>24206</td>
<td>216851</td>
<td>155551</td>
</tr>
<tr>
<td>2013-14</td>
<td>25966</td>
<td>285056</td>
<td>167347</td>
</tr>
<tr>
<td>2014-15</td>
<td>19721</td>
<td>191905</td>
<td>122286</td>
</tr>
</tbody>
</table>

Source: Department of Industries and Commerce. GoK

1.10. Contribution of Industrial Clusters to GDP:

According to M.R. Narayan (2014) Industrial clusters contributed to India’s economic growth of manufacturing sector (or Indian economy) between 8 to 3 per cent (or between 1 to 0.4 per cent) in 2002–2003 and 2003–2004, respectively.

1.11. Introduction to MSME Entrepreneurial Firms:

Entrepreneurial firms are resource constrained, they need network competence to establish and use relationships with their network partners to get significant resources to develop new products. Entrepreneurial firms are characterised as having the capabilities to find opportunities and exploit the opportunities by creating future
Entrepreneurial firms are characterised by volatile business environments subject to rapid and unexpected changes. The changing environment is a source of opportunity and at the same time a source of threat for the firms (Porter 1985). Entrepreneurial firms are characterised by proactivity, innovativeness and willingness to take risks (Covin and Slevin 1991; Covin and Miller 2014).

An entrepreneurial firm “engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with “proactive” innovations, beating competitors to the punch”.

Thus, in entrepreneurial firms, ownership and decision-making are typically centred on entrepreneurs (Glancey, 1998). Covin and Slevin (1991) suggest that entrepreneurial firms are made up of risk-takers who are innovative and proactive in their environments and behave entrepreneurially at three levels. The first level, top management, is comprised of entrepreneurs who are risk-takers in their decisions regarding investment and its return. In the second level, production, they are innovative in the face of technology changes and have a tendency to be leaders in the market in terms of technology. At the third level, the pioneering nature of the firm, they have an aggressive characteristic against their Competitors in the market.

Entrepreneurial firms often have limited resources that restrict their resilience and ability to adapt. Firm members are new to their roles and relationships with one another, and so are often inefficient and error-prone. Entrepreneurial firms lack “track records” with buyers, suppliers, and other constituents which make it difficult to succeed. We can say entrepreneurial firms have the characteristics of Pro-activeness, Risk Taking and Innovativeness and they try to leverage resources.

According to Shane (2000); Stevenson and Jarillo (1990); and Venkataraman (1997) entrepreneurial firms are distinguished to have the quality of discovering opportunities and utilise the opportunities by developing goods and services for the future. The entrepreneurial firm disregard of the dimension and capital at the national financial level, they still control and have bright future. Stel et al (2005) conducted an empirical study taking 36 countries and found that advancement of entrepreneurial
firms has a significant role in employment and the financial development of the country.

As per the study of Porter (1985), entrepreneurial firms are volatile in nature, which changes constantly, this changing environment gives an opportunity to grow by implementing effectual decision making, on the other hand, it acts as an alarm of threats for the firm. An entrepreneurial firm is required to take advantage of such changing environments by implementing entrepreneurial qualities to utilise and recognise the chance in that situation to be successful.

According to the study of Teece (2007); Teece et al (1997) a firm is required to have a strong capacity which helps the firm to secure its existing knowledge and capital and develop and use the new knowledge and capital against the constant alteration of the environment to exist and acquire competitive advantage in future. For the success of both short term and long term survival of an entrepreneurial firm, both entrepreneurial qualities and dynamic qualities are essential.

1.12. Introduction and Importance of Entrepreneurial Marketing:
Entrepreneurial marketing occupies the interface between entrepreneurship and marketing, and assists as a roof for many of the growing perceptions of marketing. It is found to have seven features in total, four of the features are proactiveness, calculated risk-taking, an opportunity focus and innovativeness (Miller and Freisen 1983; Covin, and Slevin 1994; Morris and Sexton 1996; Zahra and Garvis 2000). The fifth feature is the resource leveraging in the growing perspectives on marketing, specifically in guerrilla marketing. The last two features, customer intensity, and value creation are constant with the market position of the firm (Jaworski and Kohli 1993; Slater and Narver 1995; Han, Kim and Srivastava 1998).

Further, customer strength has an intuitive and emotional constituent, as reflected in many of the emerging perspectives, as reproduced in many of the emerging viewpoints, most remarkably customer oriented, radical marketing and expeditionary marketing. Moreover, value creation is an important factor among well-known definitions of entrepreneurship (Stevenson, Roberts and Grousebeck, 1989), as an innovative work that does not clarifies market value and absence of commercial potential.
Entrepreneurial marketing is basically an opportunity focused philosophy and taking action properly. This type of marketing approach is different as it returns is the creative approach to marketing. Therefore, the imagination, idea, intelligence, and initially related to entrepreneurial characteristics remain at the base of the perception of marketing, and the features are applied to the complete series of marketing activities, from research on the market and segmentation to the management of the marketing mix.

Entrepreneurial Marketing is a method of marketing which becomes more effective based on the firm’s conditions. Therefore, when demand is confined, competition is passive or absent, suppliers have less negotiating power, no change in the technology, the business faces a very helpful controlling atmosphere, and margins are more and steady, the risks integral in entrepreneurial tasks may not be proportionate with the rewards. The suggestion is that the risk is more and the reward is less for an organization to implement innovative change when conditions are more easy-going. Entrepreneurial perception may still be implemented, but in a lesser degree, as it will be channelled into incremental activities that allow the firm to exploit recent conditions, as opposed to dynamic actions that allow the organization to form new conditions (Morris, Schindehutte, and LaForge, 2002).

1.13. Rationale of the Study:

Marketing is an important factor for the success or failure for any business, as success is finally decided in the market, competing for the target customers. The degree of market orientation of an enterprise influences the overall performance of the business, both in the context of startups and small enterprises and in the process of introducing a new business product. While it is popularly known that entrepreneurs’ behavior is different regarding “traditional” marketing, but some of them are very successful. There is a requirement to create tools, theories, and its application to assist businesses, particularly for startups and small firms to stay and flourish in an increasingly competitive and changing environment.

There is a pressure between market orientation and entrepreneurial inclination in achieving better-quality business performance that could trouble marketers because it could mean that being market oriented is disadvantageous to a firm that is also trying
to be entrepreneurial and successful. The entrepreneurial inclination has not only a positive and direct connection on market orientation but also an indirect and positive effect on market orientation through the reduction of departmentalization. The entrepreneurial tendency's for performance has a positive influence when intermediated by market orientation.

According to India Brand Equity Foundation Report: The Micro, Small and Medium Enterprise (MSME) sector is a major sector of India’s economy. There are 29 million firms in different industries, which create jobs for 69 million people. The sector comprises of 2 million women-owned firms and 15 million rural firms. Among the overall production of Indian industrial output, the MSME sector accounts for 45 percent and 40 percent of exports. Even though 94 percent of MSMEs are unregistered, the role of the sector to India’s GDP has been rising constantly at 11 percent every year, which is more than the total GDP growth of 8 percent. The main factors which constrain the development of the MSME sector are insufficient market connections and poor infrastructure. The biggest challenge which the sector faces is insufficient access to finance. The financing requirement of the sector is based on the size of process, firm, customers, and the development phase. Due to a higher risk and minimum entry of MSMEs to immovable security, financial organizations have limited their exposure with the sector.

1.14. Problem Statement:

MSMEs sector is an important sector in the Indian economy since last five decades. The contribution of the sector is immense in employment creation and to the industrialization of the country.

Entrepreneurial marketing is the process of marketing that helps the firms to run smoothly in a rapidly changing business environment. Entrepreneurial marketing is an essence and desire to pursue business opportunities in a challenging situation. In today’s business environment, entrepreneurial marketing is essential to cope with the rapidly changing environment and technology development.

The academic interest in the improvements of entrepreneurial marketing in MSME’s created a need to investigate the entrepreneurial marketing and MSME’s as it will
help the organization to grow and simultaneously help in the economic growth of the country.

1.15. Research Gap:

In the review of the literature, the intention was to review about entrepreneurial marketing strategies in MSMEs. Various literatures on marketing strategies from Indian and other developing countries were analyzed.

The preceding review of the literature revealed the following gaps in research which the current study will endeavor to fill. Several studies have been done on Entrepreneurial Marketing, but no studies with respect to Industrial Clusters for these behaviors were found. Various classifications were used to categorize industry's entrepreneurial marketing behaviors during the investigation. Different classifications were implemented by different researchers, in content as well as in a number of dimensions, with regards to context.

1. The present research also attempts to review cluster characteristics to entrepreneurial strategies in MSMEs. Much emphasis has been laid by previous research on the definition of industrial clusters, the evolution of industrial clusters. Moreover, an absence of research was found with special regard to Marketing Strategies based on Entrepreneurial Marketing Dimensions in industrial clusters in India or in Karnataka.

2. Furthermore, an elaborate attempt has not been made so far to determine the Effect of Antecedents on entrepreneurial marketing strategies with respect to Industrial Clusters.

3. There are very limited studies which focus on Industrial Clusters and their characteristics. The studies with respect to marketing strategies and cluster characteristics also are very rare.

4. There are several Studies available on Effectual Behavior Entrepreneurs. But, With respect to Industrial Cluster Context no such behavioral studies are found.

5. There is a need to understand Entrepreneurial marketing, in all its dimensions and its role in the success of MSMEs
1.16. Limitations of the Study:

The Limitations of the study are:

1. The Study is focused only on Manufacturing Firms of Hubli Auto-Component Cluster and Belgaum Foundry Cluster.

2. The Study focused on firms who are the members of the clusters only.

3. It was very difficult to get the contact of entrepreneurs and fixing the appointment for the interview. Some entrepreneurs gave less time to give a response to the interview schedule.

1.17. Objectives and Hypothesis of the Study:

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective 1: To identify and evaluate marketing mix strategies based on entrepreneurial marketing dimensions.</td>
<td>H01: Product Strategy does not differ significantly between MSME Entrepreneurial Firms.</td>
</tr>
<tr>
<td></td>
<td>H02: Pricing Strategy does not differ significantly between MSME Entrepreneurial Firms.</td>
</tr>
<tr>
<td></td>
<td>H03: Place Strategy does not differ significantly between MSME Entrepreneurial Firms.</td>
</tr>
<tr>
<td></td>
<td>H04: Promotion Strategy does not differ significantly between MSME Entrepreneurial Firms.</td>
</tr>
</tbody>
</table>

| Objective 2: To identify and evaluate Antecedents of Entrepreneur with respect to marketing mix strategies. | H0: There is no significant association between marketing mix strategies and Antecedents of the entrepreneur. |
| Objective 3: To relate cluster characteristics to marketing mix strategies.          | H0: There is no significant association between Cluster Characteristics and Marketing Strategies. |
| Objective 4: To examine the impact of effectual behaviour on marketing mix strategies.     | H0: There is no significant association between effectual behaviour and Marketing Strategies. |

1.18. Research Model/Framework:

The research model is a pictorial representation of the relationships between various variables considered for the study. Following research, the model has been developed and examined in this study.
Figure 1.1 Research Model / Framework

Source: Developed by Research Scholar and Guide

The Model Explains following elements:

1. Identifying and evaluating the Marketing mix strategies based on Entrepreneurial Marketing dimensions using one-way ANOVA statistical technique. (Objective 1)
2. Considering antecedents of the entrepreneur identifying and evaluating which are the antecedents that influence entrepreneur and also identifying if there is any significant relationship between entrepreneur antecedents and marketing mix strategies adopted in MSMEs using regression analysis. (Objective 2)
3. Considering Cluster Characteristics, identifying and evaluating which are the characters that influence entrepreneurial marketing strategies and also identifying if there are any significant relationship between cluster characteristics and marketing mix strategies adopted in MSMEs using regression analysis. (Objective 3)
4. Based on the dimensions of effectual behaviour, identifying and evaluating which are the behaviours that influence entrepreneurial marketing strategies in MSMEs using regression analysis. (Objective 4)

1.19. Scope of the Study:

The research work is mainly concentrated on entrepreneurial marketing in MSMEs in industrial clusters. The Study focus on MSME’s of Hubballi-Dharwad Auto
Component Cluster and Belgaum Foundry Cluster. Organizational Profiles are not presented due to ethical considerations.

The study mainly focused on dimensions of entrepreneurial marketing: Opportunity Focus, Pro-activeness, Customer Intensity, Innovation, Resource Leveraging and Value Creation with respect to Marketing Mix Strategies: Product, Price, Place, and Promotion.

The study also describes antecedents of an entrepreneur such as Age, Gender, Type of Family, Educational Qualification, and Geographical origin of Entrepreneurs such as Urban, Rural, Semi-Urban, Work Experience, Family business experience, and Entrepreneurial Experience.

The Study also describes cluster characteristics such as Geographical Variables, Related Supporting Industries, Labour Availability and Competition with in Cluster firms.

The Study also have the scope for identifying the effectual behavior of entrepreneurs, effectual behavior has following dimensions: Starting with means, Affordable loss, Flexibility, Partnership and controlling the future.

1.20. Research Methodology:

The Study is Exploratory in nature. In this study, based on the dimensions of Entrepreneurial Marketing, marketing mix strategies were evaluated and measured to see if there are any relationship between antecedents of entrepreneur and marketing strategies, and evaluating the cluster characteristics and marketing strategies. Impact of effectual behaviour on Marketing Strategies was also evaluated.

1.21. Population and Sample Size:

The population considered for the study consists of Entrepreneurial (Single Owner Managed Firms) Micro, Small and Medium Enterprises associated with Hubballi-Dharwad Auto-Component Cluster, Hubballi-Dharwad and Belgaum Foundry Cluster, Belagavi. The Size of the total population is 137 Micro, Small and Medium Enterprises associated with two clusters. Data has been collected form 64 Entrepreneurs using Stratified Random Sampling Technique for better Validation.
Statistical Analysis. Due to confidentiality and ethical consideration, the list of entrepreneurs and contact details were not disclosed in the thesis.

**Stratified Random Sampling Technique:** The list of MSMEs collected from both Cluster offices. After Collecting the list, Started contacting the entrepreneurs over telephone this helped to find out the entrepreneurial firms which are available at the cluster. The Total Population of both clusters is 137 and out of 137 Total Firms, Total no of Entrepreneurial Firm are 102. Based on this Data, We Selected 3 Strata such as Micro, Small and Medium Enterprises.

### 1.22. Sampling Unit for Analysis:

The Sampling Unit is Entrepreneur of Micro, Small and Medium Enterprises associated with Hubli-Dharwad Auto Component Cluster and Belgaum Foundry Cluster.

<table>
<thead>
<tr>
<th>Cluster Types</th>
<th>Micro Enterprises</th>
<th>Small Enterprises</th>
<th>Medium Enterprises</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDAC</td>
<td>22</td>
<td>14</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>BFC</td>
<td>21</td>
<td>8</td>
<td>26</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>22</td>
<td>46</td>
<td>34</td>
</tr>
</tbody>
</table>

### 1.23. Data Collection Method:

Primary Data was collected using Structured Interview Schedule, The list of Micro, Small and Medium Enterprises is obtained from both Cluster offices and contacted the
Entrepreneur personally. Out of 102 Entrepreneurs, 64 entrepreneurs responded and the response rate was 64%.

Secondary Sources of Data has been obtained from Mysore University Library Open Access Resources, Articles, Journals, Research Papers, Reports and other various available sources.

1.24. Statistical Tools used for Analysis:

A multi-method data analysis was used on the collected data. Appropriate statistical techniques were used to analyze the data. The focus of the analysis was on the Entrepreneurial Marketing Mix Strategies based on Entrepreneurial Marketing Dimensions Evaluating Antecedents of Entrepreneurs, Identifying the relationship between Marketing Mix Strategies and Examining the impact of effectual behaviour on marketing strategies. Henry Garrett Ranking Technique is used to identify entrepreneur’s responses towards reasons for having Multiple Manufacturing Facility, Outsourcing, Exports and Obtaining Quality Certifications. SPSS based data analysis was carried out, and a host of quantitative techniques was used, which include One-way ANOVA, Linear Regression, Paired sample t-test in testing out hypotheses.

1.25. Chapterisation of the Thesis:

Chapter 1: Introduction:

In this chapter the researcher discusses the industrial clusters and its importance. The chapter also highlights the industrial clusters in India and Karnataka. The chapter focuses the contributions of MSMEs and Industrial Clusters to Indian economy. Growth of MSMEs in Karnataka State. The chapter also highlights entrepreneurial firms, the importance of entrepreneurial marketing and Research Model with Objectives, Hypothesis as well as Research Methodology chosen for study.

Chapter 2: Review of Literature:

This chapter discusses in detail the industrial clusters with its definition and evolution; and also the characteristics of industrial cluster. This chapter in detail presents the entrepreneurial marketing with its definition, evolution, and dimensions. The latter part of the chapter provided insights on entrepreneur antecedents, such as age, gender,
Educational Qualification, Family Business Experience and Industrial Experience, family, and friends support. Information was also provided about the entrepreneurial marketing dimensions, like opportunity focus, pro-activeness, customer intensity, risk taking, innovation, resource leveraging, and value creation. Finally, an insight of effectual behavior on entrepreneurial marketing strategies, such as the effectual logic of entrepreneurs, resources-bird in hand, affordable loss, lemonade principal, partnerships-patchwork quilt and future-pilot in the plane was provided. The research gap is identified and which clearly recognizes the significance of this study from the context of available literature.

Chapter 3: Research Methodology:
This chapter elaborate the research design, sampling design, hypothesis of the study.

Chapter 4: Data Analysis and Interpretation:
This chapter discusses the data collected throughout the survey and the outcome of the statistical analysis related to the same. The first part of the survey questionnaire was designed to collect demographic information about the enterprise name of the enterprise, type of the enterprise and address of the enterprises. The second section contained registration details, entrepreneur’s details, and legal form of the business. The third part of the survey was designed to collect entrepreneur’s personal details such as gender, type of family they belong and occupation of the main the wage earner. The next section of the questionnaire related to geographical origins such as urban, rural and semi-urban. In the next sections, the questionnaire is prepared related to the product portfolio, employee details, and competitor's details. The final section of the questionnaire related to loans taken by the entrepreneurs, regarding entrepreneurs, industry experience, regarding clusters and networking etc.

Chapter 5: Summary of Findings, Conclusion and suggestions:
This chapter represents the findings by analyzing the objectives of the thesis raised in Chapter 1.