CHAPTER 2

LITERATURE REVIEW
LITERATURE REVIEW

The most important pre-requisite for the planning and execution of any research is to investigate the related literature, which prevents duplication, identifies gaps in research and helps in formulating the research questions and problem and formulate essential hypothesis.

This chapter examines the Entrepreneurial Marketing in MSMEs in the industrial clusters. An exhaustive review of the literature was performed on the existing literature to investigate the link between entrepreneurial marketing and how it affects the performance of the MSMEs. Thus based on the review, the researcher has attempted to get the right direction in proceeding with the study..

2.1. Evolution of Entrepreneurial Marketing

The word ‘Entrepreneur’ is originated from the French term ‘Entreprendre’. The meaning of which is “to undertake” (Ronstadt, Dover, 1984; Stevenson and Gumpert, 1985; Cunningham and Lischeron, 1991). In the 16\textsuperscript{th} century, the Frenchmen who arranged and accompanied military expeditions were said to be as “Entrepreneurs”. The term ‘entrepreneur’ was used in business in the early 18\textsuperscript{th} century by an economist Richard Cantillon. Thereafter the word entrepreneur got frequently used describe the one who starts a new organisation taking at own risk or coming up with a new idea, product or service to the society. Entrepreneurial marketing emerged in 1982 at a University conference of Illinois, Chicago, which was sponsored by International Council for Small Business and American Marketing Association (Hills, Hultman et al., 2010).
Entrepreneurial marketing evolution with its year, milestone and impact, which had on the development of Marketing-Entrepreneurship Interface (MEI) are presented with the help of the following table:

**Table 2.1 Evolution of Entrepreneurial Marketing**

<table>
<thead>
<tr>
<th>Author /Year</th>
<th>Milestone</th>
<th>Impact</th>
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<tbody>
<tr>
<td>Hills, 1982</td>
<td>First conference on entrepreneurship and marketing research</td>
<td>Led to the beginning of marketing and entrepreneurship movement within the market</td>
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<tr>
<td>Hills, 1985</td>
<td>In the entrepreneurship research, the first empirical study of the MEI was done</td>
<td>Led to the beginning of empirical research at MEI and the documentation of importance of MEI</td>
</tr>
<tr>
<td>Hills, 1986</td>
<td>The first research took place in marketing and entrepreneurship at University of Illinois at Chicago/AMA</td>
<td>Gave a scope to the marketing scholars a venue to share research on EM</td>
</tr>
<tr>
<td>Dickinson &amp; Giglierano, 1986</td>
<td>First paper published in <em>Journal of Marketing on entrepre&quot;Missing the Boat and Sinking the Boat: A Conceptual Model of Entrepreneurial Risk&quot;</em>,</td>
<td>The first <em>Journal of Marketing</em> article was published which focused on entrepreneurship</td>
</tr>
<tr>
<td>AMA and EM 1989-1991</td>
<td>AMA task force was developed and Special Interest Group was established for the MEI. The first Tracks are developed in 1990 and conference for EM was developed in 1991.</td>
<td>Entrepreneurship got validation for marketing departments</td>
</tr>
<tr>
<td>Carson, Cromie, McGowan, and Hill, 1995</td>
<td>An Innovative approach was taken in marketing and entrepreneurship in SMEs</td>
<td>Helped to establish the content and structure of EM courses</td>
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<table>
<thead>
<tr>
<th>Author /Year</th>
<th>Milestone</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Read, Dew, Saravathy, Song, and Wiltbank, 2009</td>
<td>Marketing Under Uncertainty: The Logic of an Effectual Approach</td>
<td>The article improved the entrepreneurs into the marketing department</td>
</tr>
<tr>
<td>2010</td>
<td>Issues the International Journal of Entrepreneurship and Innovation Management on the EM</td>
<td>Extra features were added into entrepreneurship literature</td>
</tr>
<tr>
<td>2010</td>
<td>Charleston Summit</td>
<td>Reevaluate MEI and offered a hypothetical structure for future researchs</td>
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2.2. Dimensions of Entrepreneurial Marketing used for Study:

Opportunity Focus, Pro-activeness, Customer Intensity, Risk Taking, Innovation, Resource Leveraging, and Value Creation.

Several studies have been done on Entrepreneurial Marketing, but no resembling division for these behaviours was found. Various classifications were used to categorize industry's entrepreneurial marketing behaviours during the investigation. Different classifications were implemented by different researchers, in content as well as in a number of dimensions, with regards to context. Morris et al. (2002) carefully explores the establishment of entrepreneurial marketing (EM) and identified seven important dimensions, namely, opportunity-driven, proactive-oriented, customer intensity, risk management, innovation, resource leveraging and value creation. Shaw (2004) investigated EM in the context of social entrepreneurship and categorised EM behaviours by applying four themes, such as opportunity recognition, entrepreneurial organisational culture, entrepreneurial effort, and networks and networking.

Table 1 describes the definitions of Entrepreneurial Marketing with dimensions identified by different scholars and researchers over the period of time.

<table>
<thead>
<tr>
<th>Author and Year</th>
<th>Definition</th>
<th>Dimensions Focused</th>
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<tbody>
<tr>
<td>Morris et al (2002)</td>
<td>EM is the proactive identification and exploitation of opportunities for acquiring and retaining profitable customer through innovative approaches to risk management, resource leveraging and value creation (2002; 5).</td>
<td>Identification, Exploitations, Resource Leveraging, Risk Management, Value Creation</td>
</tr>
<tr>
<td>Miles &amp;Darroch (2004)</td>
<td>Entrepreneurial Marketing is composed of a proactive organizational focus on customer satisfaction through innovative and efficient value creation throughout the value chain (2004).</td>
<td>Customer Satisfaction, Value creation</td>
</tr>
<tr>
<td>Author and Year</td>
<td>Definition</td>
<td>Dimensions Focused</td>
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<tr>
<td>Beverland &amp; Lockshin (2004) and Becherer et al. (2006)</td>
<td>Define entrepreneurial marketing as effective action or adaptation of marketing theory to the specific needs of SMEs. Those effective actions should simultaneously solve matters such as restrictions regarding innovation, opportunities, risk and resources.</td>
<td>Innovation Opportunities, Risk and resources.</td>
</tr>
<tr>
<td>Bäckbrö &amp; Nyström (2006)</td>
<td>EM is the overlapping aspects between entrepreneurship and marketing; therefore it is the behaviour shown by any individual and/or organization that attempts to establish and promote market ideas, while developing new ones in order to create value.</td>
<td>Individual behaviour Organizational behaviour, Value creation</td>
</tr>
<tr>
<td>Becherer et al. (2008)</td>
<td>Entrepreneurial marketing describe the marketing processes of firms pursuing opportunities in uncertain market circumstance.</td>
<td>Market opportunities leveraging resources</td>
</tr>
<tr>
<td>Hills, et al (2010)</td>
<td>“EM is spirit, an orientation as well as a process of pursuing opportunities and launching, and growing venture that create perceived customer value through relationship, especially by employing innovativeness, creativity, selling, market immersion, networking, or flexibility.”</td>
<td>Create relationship</td>
</tr>
<tr>
<td>Kraus, et al (2010)</td>
<td>“EM is an organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders, and that is characterised by innovativeness, risk-taking, pro-activeness, and may be performed without resources currently controlled”.</td>
<td>Creating value Communicating value Delivering value</td>
</tr>
<tr>
<td>Jones and Rowley</td>
<td>“Entrepreneurial marketing is (....) strategic direction and involves organizational members’ practice of</td>
<td>Creating superior value Delivering superior value</td>
</tr>
<tr>
<td>Author and Year</td>
<td>Definition</td>
<td>Dimensions Focused</td>
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<tr>
<td>(2011)</td>
<td>integrating customer preferences, competitor intelligence and product knowledge into the process of creating and delivering superior value to customers”.</td>
<td></td>
</tr>
<tr>
<td>Hills &amp; Hultman (2011)</td>
<td>“Entrepreneurial marketing is considered more proactive, more innovative, more opportunity and growth oriented, and more willing to take risks than conventional marketing”.</td>
<td>Proactive, Innovative Opportunity, Growth oriented, Willing to take risk</td>
</tr>
<tr>
<td>Hacioglu et al, (2012)</td>
<td>“We define entrepreneurial marketing as a process with an entrepreneurial spirit (marketing by founder-entrepreneur).”</td>
<td>Process</td>
</tr>
<tr>
<td>Danielai ONITA (2012)</td>
<td>“EM is a set of processes of creating, communicating and delivering value, guided by effectual logic and used in a highly uncertain business environment.”</td>
<td>Creating Communicating Delivering value</td>
</tr>
</tbody>
</table>

### 2.3. Entrepreneur Antecedents - Age, Gender, Educational Qualification, Entrepreneurial Experience, Work Experience, Family and Friends Support.

According to Burns (2011) Values, attitudes and behaviours impact the factors of antecedents. Contradiction to this Storey (1994), mentioned that those factors have no influence in entrepreneurial ventures. As per the study of Burns (2011), it was found that Ethnicity, Social status, type of schooling, and personal behaviour have influences on the entrepreneurship. Chen et al. (1998) focussed on self-efficacy and commented that there is a high level of self-efficacy in prosperous entrepreneurs.
Urban (2010) studied antecedents of entrepreneurship; he focused business regulations, culture, self, and entrepreneurial outcomes and identified important antecedents and results of venture creation. He also found that cultural values were connected to self-concept, perception, and nature. The study admits that there is no proper evidence regarding the link between culture and entrepreneurship.

Carr and Sequeira (2007) studied the influence of prior family business influence in entrepreneurial intentions. To examine the effects, a set of regressions was performed by applying prior family business exposure as forecasted to be strongly related to entrepreneurial intentions.

Bolton and Thomson (2000), commented that higher education may prevent entrepreneurship.

According to Burns (2011), Age, Gender, Period of Experience, Marital status, Children's, and Past salary have a bearing on entrepreneurship. On the other hand personal behaviour which is a part of the locus of control and entrepreneurs mindset to achieve success, is more important than self-confidence.

The notable contribution made by Dolinsky, Caputo, Pasumarty and Quazi (1993): their study used a national longitudinal sample of women for finding the difference for beginning, remaining, and resuming self-employment by people of different educational backgrounds. The study reveals that the possibility of beginning entrepreneurship increases with the increase of educational background. The findings of this study also support the idea that there are fewer chances of less educated women to be an entrepreneur.
On the other hand, Brush and Hisrich (1991) in their study on "Antecedent Influences on Women-owned Businesses", discussed the antecedents influences comprises of personal background, qualification and work experiences, knowledge, and expertise of women entrepreneurs and development of their enterprises.


2.4. Introduction to Industrial Clusters

Industrial Clusters are one of the important tools to cope with the increasing competition of the multinational corporations and large industries. Clustering of industries acts as the engine of business activity. Although it is a group of local enterprises especially SMEs, it includes the large producers and sellers of similar and complementary products and services (UNIDO, 1997). Similar to the firms in developed countries, firms in developing countries are also under constant pressure to ensure that they improve their performance and competitiveness. Besides, competition in markets for labour-intensive manufactures has been intensified due to the entrance of lost-cost producers. The firms in developing countries are expected to meet the challenges, yet sustain returns to both capital and labour from engaging in trade. The
survey of the literature on competitiveness indicates that upgrading the set up of the firms would be a plausible response for making better products, more efficiently and take up more skilled activities (Kaplinsky, 2000; Porter, 1990). Different scholars have different viewpoints, which accentuate the local determinants of competitiveness, such as the ‘new economic geography’, regional research, business research, and innovation research. These research studies are affirmative of the possibility of “strengthening competitiveness through local or regional industrial policy” (Pyke, 1992; Cooke and Morgan, 1998). Further, in a globalising economy, literature contends that in order to have an enduring competitive advantage, it needs to be localised and grounded on tacit knowledge: “the formation of the world market...increases the importance of heterogeneous, localised capabilities for building firm-specific competencies" (Maskell and Malmberg, 1999, p.172). In developing countries, the industrial clusters are developed on these perspectives, riveting on the role of local linkages in creating competitive advantage in labour-intensive export industries. The studies of Humphrey and Schmitz (2002) on the effect of upgrading industrial clusters argues that clusters are included in the global value chain in various ways and it affects the local-level upgradation.

2.5. Definition of Industrial Clusters in India

As per the Studies concerned in Indian Context, there is no clear definition of Industrial Cluster. In 1910, the English economist Marshall propounded the concept of the cluster. He researched on Europe’s industrial districts and concluded that the core reason for the localisation industry is due to environmental and physical conditions as climate and raw material accessibility. These factors brought gains in outwardness for firms with them, for example, access to technology, skilled labour,
inputs and marketing benefits. These outwardness benefit the clusters both domestically and internationally (Singh, 2010).

Clusters cover a bunch of linked industries and other components critical for competition. For example, these aspects include suppliers of specialized inputs like machinery, components, and services, and providers of specific infrastructure. Clusters frequently broaden downstream to customers and channels and laterally to manufacturers of products that are complementary and to firms in industries associated with skills, products, technologies, or common inputs. Several clusters, for example, those that belong to the government and other semi/private institutions, such as trade associations, universities, vocational training providers, standard setting agencies, and think tanks, offer specialized training and education in skills, research, information, and technical support.

Rosenfeld (1997) defines clusters as-

“geographically connected neighbouring firms engaged in similar, associated or complementary business, with a live path for business transactions, discussion and information sharing, along with special infrastructure, services and labour markets and also face identical problems and benefits.”

Porter (1998) defines clusters as-

The geographic concentration of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institution (for example, universities, standards agencies, and trade associations) in particular fields that compete but also co-operate (Porter, 1998, p.197).
Regional clusters as defined by Enright (1998) are regional clusters describe industrial districts with small crafts industries, improved technological centers, a collection of business and financial industries in cities, big manufacturers, company towns and supply chains. He also added that clusters must have the features such as density, breadth, innovative capacity, depth, activity, base growth, and potential.

The definition of clusters as is given by UNIDO, as a collection of micro, small and medium firms in a certain geographical area engaged in a similar type of business and they have a similar type of advantages and problems. While defining clusters it is to be noted that large product range and the large geographical area is meaningless in clusters as joint venture benefits cannot be enjoyed.

Studies and evidence found significant diversity in developing countries in the 1990s, clustering and networking assisted small and medium-sized firms (SMEs) to cope with the industry competition. The role of public policy was not clear, which was partially due to the reason that the analysis of clusters (even in developed countries) has come out from various industrial and trade governments. Therefore, arriving at a general idea has become difficult, which is further corroborated by the studies of Nadvi and Schmitz (1994). A similar opinion was held by Humphrey and Schmitz (1995) that purchase of public resources could be increased by networking with organisational groups. The literature search by Schmitz and Nadvi (1999) has revealed that although clustering aid small business to grow and meet the export competitive market, it was seen that these outcomes are not a spontaneous result of clustering. The studies on the topic clusters took refocus during the 1990s due to the researchers from various fields, came up with different definitions of power and persistence of the competitive nature of industrial clusters globally. Due to globalisation and liberalisation, the amount of loss expected did not happen. The role
of macroeconomic policies has become an important topic of research during the 1990s in running the industrial clusters. Apart from liberalising economic policies, a decrease in transport and communication cost also contributed to globalisation. The study of Lawson (1999) focused on the importance of industry clusters and stated “increase in the importance of firm clustering, especially in high technology, information intensive sectors- sectors which, given the enormous recent developments in information technologies, one might have expected to be less sensitive to the need for geographical proximity’.

2.6. Evolution of Industrial Clustering

Industrial Clusters started in India by UNIDO 1996 with the UNDP project (TSS 1). The list clusters identified in the publication written by Gulati (1996) were 138 industrial clusters and 1657 artisanal clusters. The list of Industrial cluster increased during the period from 1997 to 2005 under four UNIDO projects. The idea behind the industrial clusters at the beginning was due to few reasons as closeness to raw materials, the existence of customers and markets; the existence of skilled labour, and the existence of business development or support services.

Clustering process forecasts togetherness and to gain knowledge of economies scale along with achieving the benefits of competitiveness. Clustering also indicated the beginning of the concept of industrialisation. When the member organisation grows, they can work alone, but small organisations need each other’s assistance to be benefited from economies of scale and competitiveness. Developing countries are required to give importance to cluster and encourage this process, by implementing this a country can grow in industrial and economic development.
Small and Medium Enterprises (SMEs) have made a notable contribution to the economy due to their universal presence. SMEs have a significant role in encouraging industrial culture and the method of industrial industrialisation (Bhaskaran, 2000). The industrial cluster has 100 enterprises and a minimum of Rs.100 million turnover both or any one of these.

2.7. Characteristics of Industrial clusters–Geographical Proximity, Related Supported Industries, Labor Availability, Competition.

Lin, Tung, and Huang (2006) elaborates the system dynamics methodologies to search the elements which affect the industrial cluster consequences, which is essential in defining the economic benefits of national and business advantage. This review of the literature finds fewer investigations that use system dynamics to find factors affecting the industrial cluster consequences. The competition in the global business atmosphere is not only between stand-alone companies and supply chains but also among the businesses in regional clusters. The study creates a dynamic model of different elements of industrial cluster consequence through the causal loop diagram, which is also known as the cause-and-effect chain.

Boschma, Eriksson, and Lindgren (2009) delved on the effect of expertise collection and labour flexibility on plant performance applying exceptional database which links characteristics of individuals to geographies of plants for the entire Swedish economy. It was found that a collection of connected proficiencies at the level of plant considerably increase development of the plants, compared to plant collections composed of either related or unrelated skill. The study analysed 101,093 jobs, which resulted that entries of expertise that are similar to the existing information of the plant are found to be positive for the performance of the plant, whereas the entries of
new employees with the knowledge already existed in the plant had an adverse effect. The analysis also illustrates that geographical proximity impacts the consequences of diverse skill entries.

There are regions, where industrial conditions have influenced cluster formation. The studies of Porter (2007) have found that innovativeness of a nation makes it competitive in the business. On the other hand, a nation’s innovative experience is based on three combinations of factors: (i) the strength of linkages between interconnected industries, (ii) common innovation infrastructure, and (iii) support of cluster-specific conditions. There are four determinants which are cluster-specific. According to the study of Porter (1999) on the topic “The New Challenge to America’s Prosperity: Findings from the Innovation Index” the first determinant was the fulfilment of positive input conditions, such as an adequate number of highly skilled human resources, would require primary research infrastructures such as universities, good quality information infrastructure and funds for investment purposes.

The second determinant according to Porter (1999) was the rivalry and the context of the firm’s strategy. The firm’s context was influenced by whether investment in innovation was motivated and whether there was a vigorous competition between the local rivals.

The third determinant focused by Porter (1999) was the demand conditions. He stated that when there is a demand from the local customers, the firms should be innovative and aggressive to face future demand.

Lastly, the fourth determinant according to Porter (1999) was the condition of the similar and supportive industries. He asserted that industry clusters and integrated
business had a competitive advantage. Further, Debresson (1996) studied that according to what innovation came into being from normal economic activities and stated that in spite of the economic conditions, time needed to permit the innovative agents and innovative actors to intensify their business movements. Certain innovative agents like government policy and wealth may need time duration to attain certain objectives.

Marshall (2003) holds that advantages of clusters can be achieved from the partnership of firms, as competition was natural. On the other hand, present theories of clusters focus mainly on actions taken together. The study emphasises on the differences between the method of competition and cooperation in the clusters, by analysing various similar literature. The differences have enhanced the applications for the type and measure of public policy.

2.8. Entrepreneurial Theories

Bula (2012) states that the classical and neo-classical theorists could not find a common definition of entrepreneurship, although, they have tried to define entrepreneurship. The definition is based on the effort one makes in the study and understanding the concept. Some scholars perception of entrepreneurship is from the economics point of view, sociology and psychology, and others define it from the management perspective, on the other hand, some view it from the social viewpoint. Therefore, Entrepreneurship definition has many dimensions. The role of the entrepreneur in a static world of equilibrium is to take advantage of the most
favourable economic conditions. The return of investment to the entrepreneur is not raising profits from risk-bearing, rather the payment which results to an insufficient type of labor, the job of the entrepreneur is different from that of the capitalist. Marshall in his "Principles of Economics," focused on entrepreneurs. Along with the management and risk bearing capacity emphasised by Cantillon and Say, and Marshall (1964) added an innovative feature of the entrepreneur by stressing that the entrepreneur continuously looks for opportunities to minimise costs.

Say (1855) states a different explanation of the entrepreneurial activities. According to him, the entrepreneur is the manager of an organisation; an involvement in the production system. As per Say, the entrepreneurs are the core representatives of production in the economy.

2.9. **Entrepreneur decision-making models**

Entrepreneurship has grown due to the independent mentality of individuals. When there are no organization, superiors or processes to control them, they come up with new innovation and big ideas.

It is also seen that organisations select a capable person or team who can independently think and find out new promising ideas which are required for the entrepreneurship to emerge. Although there could be certain elements like resource availability, activities of rivals or internal organisational in the process of entrepreneurial might bring changes in the initiatives of the new venture, but these factors cannot stop the self-confident entrepreneurial processes that initiate a new venture. Organisational players act freely to take important decisions and to progress in the venture.
Barreto (1989) in his theory of “The Entrepreneur in Microeconomic Theory: Disappearance and explanation” statethat the common equilibrium researchers are pure theoretical models of markets which function as a device for resource allocation. With this perception, the economic system is identified by pure knowledge and firms are seen as blackboxes, i.e. a process of converting inputs into outputs. The theory of entrepreneurship is not much required as the job of entrepreneurs is only the coordination of resources, in an equilibrium condition the entrepreneurship is not needed when the resources are already organised and assigned properly. Glancey and McQuaid (2000) reveals that according to the framework of Barreto there is very little chance of finding the action oriented and effective behaviour of the character which is normally found in the entrepreneurs.

The studies of Mador (2000), Mintzberg 1976, and Padakis et al. (1998) in their study on Strategic decision-making process, focused the decision-making process was inclined to a model of decision-making, which is composed of three parts: the environment, the particular features of the decision to be made and as well as the entrepreneur himself. These three components are in constant interaction during the process of decision.

Padakis et al. (1998) reveal that to understand decision-making process in detail, an integrative model, which will be decision specific, environmental and organisational elements are required.

A similar study was done by DeMayer (1991) in his study, “Interpreting and responding to strategic issues” concludes that the factors, which are supposed to have an impact on strategic processes, are the entrepreneurs individual nature, internal organisational context, and environmental features. Therefore, there are three steps of
experiments: the person (the entrepreneur), the situation, and the strategic decision process itself.

Bandura (1986) used similar systematic methods based on the same ‘triadic reciprocity’ procedure, to create his concept of social reasoning learning. Therefore, human capacity is considered as the outcome of a dynamic interplay of personal, environmental, and behavioural impacts.

According to Pajares (2002), the way human explains the effects of self-behaviour informs and changes their atmosphere. Thereafter, according to Bandura (1986) in his study “Social foundations of thought and action: A social cognitive theory” states that reciprocal causation, the strategy of the three major elements making the decision-making process are interconnected, and alteration in any of them affects the other.

2.10. Effectual decision-making model.

Dew et al. (2008) suggested a behavioural theory of the entrepreneurial firm, where they have introduced new undertakings from the researches of entrepreneurial expertise to create a structure of a model of entrepreneurial firms behaviour, which stresses on invention of new markets by modifying present realities, instead of continuing with the existing markets. They state that the decisions makers function under the course of the “design” but not on “discovery”. They stress on inventions instead of exploring in existing opportunities, thus they manage and convert their situations.

Additionally, a meta-analysis by Read and Song (2007) investigated by meta-analysis and created notable linkage among three core effectual elements, such as means-orientation, stakeholder partnering and contingency leveraging and new business.
Dew et al. (2006), continued the analysis on entrepreneurial expertise and assured that efficient entrepreneurs proved notable dissimilarities in comparison to control groups, and they also encouraged the concept that factors of effectuation are essential despite personality characteristics.

Subsequently, Harmeling et al. (2004); Sarasvathy and Kotha (2001) and Harting (2004) conducted investigations and revealed that the effectual decision making logic was found in many past events of new ventures.

Sarasvathy et al (2003) stated that the founders of "Ben and Jerry´s"launched an ice-cream shop, with no big investment; the reason was only that they knew how to prepare icecream simply. It was their initial knowledge which helped them to start the business. They had no money to pay their stakeholders; instead, they paid them with coupons for free ice cream. Ben and Jerry launched a new idea of starting a business, they introduced their company with the knowledge of who they were, what they knew and whom they knew, and they created a network of faithful stakeholders interested to cooperate them in their business.

According to Dew et al, Sarasvathy’s analysis of effectuation was pursued by many similar types of research on effectuation. Dew (2003) highlighted new market formation, influenced the procedure model of effectuation, adopting historical and interview data.

The study conducted by Sarasvathy and Kotha(2001) state that in the effectual decision model, entrepreneur give emphasis on, “what we can do”, starting with a what is there in hand and aims to invent new products with the present things. The founders of the popular ice cream brand "Ben and Jerry’s", were successful in their venture, have used non-forecasting plans such as the means-driven principle to create new corner which was successful and profit oriented (Sarasvathy et. al., 2003).

**Figure 2.1.Effectual Decision Making Model:**
2.11. Effectual Behaviour and its dimensions.

The term effectual in entrepreneurship is taking decisions which are productive and effective. The word “effectual” according to Sarasvathy (2001), is the reverse of the word “causal”. Causal reasoning starts with a pre-set goal and with an available set of means and attempting to find the optimal benefits such as quick, inexpensive, most perfect, etc. to attain the goal. The effectual reasoning is just the opposite of causal reasoning which does not begin with a particular goal, rather it begins with a set of means and goals comes which incidental in due course the inventiveness and hope of the entrepreneur and the others with whom they are connected. Effectual reasoning starts with three types of means such as, who they are, which means their capabilities and power; what they know, which means their educational background and specialisations; and, whom they know, this means their networks. Experienced entrepreneurs utilise these means to foresee the possibilities out of these available
means. Normally, they begin with the assets they have in their hand after that they gradually proceed towards their goal without any pre-planning. On the other hand, causal reasoning is what done with a prior planning and then executed carefully, but the effectual reasoning is the method of execution directly. In effectual reasoning, the plans are made by prepared and dismissed and modified by communication and implementation with their networks on a regular basis.

Dew, Read, Sarasvathy, and Wiltbank (2009) studied on effectual logic and stated that effectual logic of entrepreneurs is the thought process that inspires the entrepreneurs to start a venture and gives ideas to face the future problems. Effectuation gives ideas to sell products and services to the right customers. It also helps the entrepreneurs to communicate with the similar people for selecting partners for the venture. Specialists in entrepreneurs implement proven rules that are basic for future decision making. Experienced entrepreneurs have gained the knowledge of difficult ways from the established ventures that were built in an unpredictable and unknown place. In spite of this unpredictable future, they take risks to shape the future. They implement certain methods to minimise the use of prediction and helps them to build the future. The five principles of effectual logic are as follows:

**Bird-in-hand**

Experienced entrepreneurs while taking up a new venture, start with the means that are already available with them, the assets they have, the people they know whom they can take as a partner and their own capabilities. After these, they start looking for other possible options out of these existing means.
Affordable Loss

According to Sarasvaty (2001), experienced entrepreneurs take an affordable loss by considering the loss rather than the gain from the risk, they minimise the risk of failure by understanding how much can lose on the project. Real entrepreneurs do not take huge risks in one step; they are able to calculate their risk. They are always ready to make affordable loss. On the other hand, according to Sarasvaty and Kotha (2001) causator stress on choosing most favourable plans to increase the possible profits.

Flexibility- Lemonade Principle

Sarasvaty (2001) elaborates that skilled entrepreneurs welcome surprises in their projects, rather than translating the possibilities of failures and surprises as an opportunity to build new ventures. This principle talks about the flexibility nature of the entrepreneurs that if one thing does not work look for a new option from that same thing, the entrepreneurs should use the unexpected, unknown options, must not be adamant to do the same thing. According to this theory, the entrepreneurs should be open to accepting the changes which come their way.

Partnerships-Patchwork Quilt

Proficient entrepreneurs make business partners by their own choice, they takes promises in an advance from their partners at the starting of the venture, skilled entrepreneurs minimises the uncertainty and built the new markets with its partners.; these were corroborated by Sarasvaty (2001).

Santos (2014) study is of a similar opinion that entrepreneurs must take the benefits of networking, the result of communication with various people like customers, professionals and others organisations may be beneficial. A better market research
would be possible. A partnership can be beneficial to see the business from a new angle of vision and creating a new business model.

**Controlling the Future-Pilot in Plane**

Sarasvaty (2001), elaborates skilled entrepreneurs concentrates on the tasks in which they have their control and also they knows the expected outputs. A successful result is deep rooted in their belief system that the future of the venture is neither pre-determined or nor established, but on the other hand created.

**2.12. Entrepreneurial Marketing Strategies in MSME**

The MSME sector is the beginning of entrepreneurship, which is formed due to the creativity and innovation of the individual. In Indian economy, the most overlooked and underestimated sector is the SME sector.

Marmullaku and Ahmeti (2015) studied the marketing strategies, in their literature “Factors Affecting Marketing Strategies”, stated that although there are various factors which are essentials for developing marketing strategies, the common strategies found depends on Pricing, Advertising Strategies and Channel Structure, which are very important elements to connect with customers and to create a continuous business strategy.

Njanja and Pellisier (2011),studied “The Integrated Effects of Various Management Strategies in the Performance of MSMEs”, by selecting different management strategies, which are the head of the department (proprietor, manager strategies), management, technical staffs, financial, marketing, and entrepreneurial along with social and factors related to nature, where profitability was considered to determine performance.
Armstrong (2006) in his study on performance management to find out the link between performance with behaviour and results, elaborates that the behaviour and results, both are considered as performance. This definition of Armstrong depicts accomplishing the targeted levels and also planning aims and analysing. In the performance scale, victory and defeat are at the two ends.

Narayana (2004), did a study on the “Determinants of Competitiveness of Small Scale Industries in India”. He analysed both primary and secondary data, did a sample survey by taking 373 SSIs in Bangalore regions and outside of Bangalore in the state of Karnataka, and declared that there is almost no competitiveness in India.

Competitiveness is important for SMEs as it will prove the capacity of the Small-Scale Industries (SSIs) for producing earnings/returns and managing employment in the competition of country or globally. Similarly, due to the absence of competitiveness, there may be a situation of the shutdown of the company. The study also highlights the expenses and quality of infrastructure and environment of the business and its impact on the competitiveness of SSI.

The study by Kerry and Flores (2002), suggested that integrative effects on the performance of the organisation. The study focussed on main decisive sectors and the ways they are linked to organisation strategy and structure.

Brenner (1998), in his literature on “Marketing Identities”, states that marketing should be implemented in the entire business. The biggest problem for any business organisation, could it be big or small business is to combine the regulation of marketing.
Drucker (1954), elaborates the meaning of marketing as marketing is the core of a business, having a powerful sales department is not enough, but to assign marketing to it. Marketing not much different from sales, it surrounds the entire business activities. It is to see the whole business output from the customer’s point of view.

2.13. Variables used to measure Entrepreneurial Firm Performance:

**Expenditure in R&D:** Janet and Ngugi (2014) conducted a study to explore the effects of entrepreneurial marketing strategies on the development of SMEs in Kenya. In the study, data analysis was used to find the important elements and connection of data and to infer from the study finding patterns of performance and specific style. R&D expenditures can be utilised to expand the production in the future. Kotabe, Srinivasan and Aulakh in their study “Multinationality and Firm Performance: The Moderating Role of R&D and Marketing Capabilities”, including business heterogeneity by analysing the multinationalperformance relationship. In the study, they have used the advertisement as the strength of replacement in the marketing strength of the multinational business. The findings of the research recommended that the influence of multinational on the performance of the firm is not clear. On the other hand, the influence of multinational on the performance of the business relies on different firm-specific elements. R&D intensity and marketing intensity are the two elements which moderate the link. Another study conducted by Krishna et al., states that sales promotion has become an important device for marketers and its value increasing gradually. As per the formation given by Economic Times, 2003 in India, the advertising expenditure by different marketing business enterprises was found to be Rs 5,000 crore and the importance of advertising of the Indian industry has risen by 500 to 600 percentages in the past 3 to 5 years as per the ad spends.
According to Narula (2004) in his study on “R&D collaboration by SMEs: new opportunities and limitations in the face of globalisation”. Globalisation forced firms to adopt innovation. At the beginning, it started by using non-internal technology development, both by important connections and by outsourcing, and also the goods became multi-technological. Usage of the internet in firms gradually increased. This initially benefitted SMEs. Due to this development, the SME firms were in benefits as well as in threats.

SMEs continuously enjoyed the benefits of flexibility and fast response, but there is a possibility of disadvantage due to their small size, the disadvantages may increase with the ever changing technology and with the increase in competition.

Yin and Zuscovitch (1998) conducted an investigation and found that big firms mostly prefers to depend on internal factors like formal R&D and collected technology, on the other hand, according to Lee 1995 small firms tend to trust more on external connections with customers and suppliers for their inventions. Subcontracting connections of SMEs to large enterprises (LEs) are the crucial origin for transfer of technologies, which leads to the inventive contribution of SMEs (Rothwell, 1991).

**Total Sales:** As per the studies of Keasey and Watson (1993); and Storey et al (1987) there are different definitions of size of a small company. On the one hand some define the size of small firm by the number of employees, and some study while defining the size of a firm uses both numbers of employees and annual sales (or income). Similarly, a different study defines the size of the firm in terms of the department where the firm is functioning. The general definition of the SMEs chosen at the international level is the number of employees, total resources, total sales and
the Commonly used criteria at the international level to define SMEs are the number of employees, total net assets, sales and capital level. Therefore, it can be concluded that there can be any two structures in MSMEs a formal or a central structure. Almost all the MSMEs consists of a formal structure which contains six main operational areas, such as R&D, Sales, Marketing, Customer Service, Finance and Administration (Upadhayay, Jahanyan, Dan (2011))

**Total no of Employees:** According to World Bank Group, IFC and MIGA defined SMEs which satisfies any two of the three criteria, such as firms having employees above 10 and less than 300; having total sales between $100,000 and $15 million, and possessing resources between $100,000 and $15 million. The MSMEs in China can have the total employees from 1 to 3000. Whereas, in EU countries and MSMEs have total employees up to 250 in an enterprise. An enterprise which produces petroleum products is an MSME who employs less than 68 workers. (MSME Definition in India: The Present State and the Imperatives, 2014. Retrieved from:fcci.in).

2.14. Theoretical framework

2.14.1. Antecedents of entrepreneur with EM

Strangler, Spulber(2013) focussed the effect of age-related demographic variations in the United States may influence the entrepreneurship and suggested possible policy responses. It is assumed that aged people are less interested in entrepreneurship and new ventures. Elderly people are not interested in new entrepreneurship, they are expected to have less tolerance to risk and opportunity cost is high in them. On the other hand, there lie the possibilities of increase of entrepreneurship. According to the analysis, it was found that almost all empirical studies revealed that approximate age of entrepreneurs is found to be in the thirties and forties.
Parker (2009) states that in the mid-career, entrepreneurship is given preference, that is in between the age of thirty-five and forty-four, individuals take up the new venture. This has shown that the old belief which assumed that entrepreneurs are normally young, imaginative, risk taker, is baseless.

The longitudinal survey of Kauffman Firm Survey (KFS), of 5,000 companies which were established in 2004, have concluded that among KFS founders, the mean and median age was 45 years, and the first time founders age was found to be in the late thirties and early forties.

Moren and Minniti (2006) delved upon the effect of ageing on entrepreneurial behaviour, empirical evidence of the study shows that younger people are more enthusiastic to start a venture than the older ones. Therefore, the age distribution of individual might be an important factor for establishing a firm. The study matches with existing literature on the motivations of entrepreneurial behaviour and analyses the probable suggestions on individual’s age. In 2001, the median age of the CEOs of rapidly growing American private companies was found to be 34 years and 32 years in 2000 (Inc. 500, 2000, 2001). Research performed by Reynolds et al., 2002 addressed that younger individuals are more enthusiastic in new firm establishment than older ones.

Verhuel, Uhlaner, and Thurik (2005) studied the connection between business achievements, gender, and entrepreneurial self-perception. The findings of the research support the descriptive power of Business Accomplishments to predict Entrepreneurial Self-Image, similar to Bem’s self-perception theory. The main part of the variation in Entrepreneurial Self-Image can be evaluated by the participation of the respondents and business tasks. Gender is found to be weaker in its descriptive
power, similarly found to provide an extra explanation of the model, and evidently a different straight influence on Entrepreneurial Self-Image, but also with a possible indirect influence (by Business Achievements). There is a possibility that women also prioritise the business accomplishments in a different way from how men do, whereas the study could not conclude the range of the third gender influence, although, in some, the gender effect is less in entire terms.

The study conducted by Syed, Burke, Acar, Pines (2010) on “Gender differences in entrepreneurship: equality, diversity and inclusion in times of global crisis”, aims to explore the effects of the global crisis on women’s entrepreneurship, from the angle of equality, inclusion and diversity.

The paper reviews the past literature on gender differences in entrepreneurship, which concentrated 2007 and 2008 Global Entrepreneurship Monitor (GEM) researchers which evaluated the number of entrepreneurship in 43 countries. The results from the findings have revealed that the number of women entrepreneurs are less than men. Moreover, the number of women entrepreneurs are more in certain countries where the general income per capita is less and women have no options to earn for living.

According to Wilson, Kickul, Marlino(2007) delved in the interlink between gender, entrepreneurial self-efficacy, and entrepreneurial intentions were surveyed for two sample groups, such as adolescents and adult master of business administration (MBA) students. Identical gender influences on entrepreneurial self-efficacy and career intentions. Furthermore, the influences of entrepreneurship education in MBA course on entrepreneurial self-capacity is found to be stronger in women than their
counterpart. According to the study, women have a major contribution in entrepreneurship in all over the world.

The study by Estes (1999); Jalbert(2000) provides that in progressive market economies, women are seen to be the owner of 25% of all businesses and the number of women entrepreneurship are increasing rapidly in Africa, Asia, Eastern Europe, and Latin America. In the United States, the 6.7 million private businesses owned by women accounts $1.19 trillion in sales and creates jobs for 9.8 million people. Besides, the women-owned business development is remarkable (Women-Owned Business, 2004).

Kaur and Kirandeep(2011) elaborated on “Entrepreneurial orientation: the role of parenting, personality and entrepreneurial exposure” and revealed that since past two decades entrepreneurship has entered rapidly, entrepreneurial organisations helped millions of people from every part of the society to be engaged and get economic success in spite of age and gender. The experiment by Linan et al., 2005; Wilson, Kickul&Marlino, 2007 investigated that influence of demographic and contextual elements like age, gender, work experience, and job satisfaction in activating entrepreneurial behaviour.

Rodermund(2004) revealed that there is no connection between gender and students’ entrepreneurial capabilities and interest. The study concluded that the early entrepreneurial skill has a strong positive influence on entrepreneurial awareness which also effects on entrepreneurial potential.

DeMartino and Barbato(2003) performed a longitudinal study of twenty years graduates from a renowned U.S. MBA course and discovered gender differences in motivations for an entrepreneurial profession. Comparison was more effective,
astheir sample had identical educational backgrounds. The study concluded that women were more motivated to continue entrepreneurial occupations, to keep a balance between family and career, but men are motivated by huge earnings and career growth. The gender differences increase when women get married and had children, as women who have dependents gave more priority to family and responsibility. On the other hand, men have no differences with any obligations on motivation to pursue an entrepreneurial career.

Caputo and Kolinsky (1998) analysed that women choose to take entrepreneurship when they have small children. Bailyn(1993) explored that male entrepreneur's goals are concentrated in the external world but women entrepreneurs goals are circled around the family.

2.14.2.Cluster characteristics and EM

The study conducted by Feldman, Francis and Bercovitz(2005) argues that entrepreneurs are the main factor to form clusters. Entrepreneurs play an important role to build clusters as complex adaptive systems, in which the outside capitals linked with clusters are created gradually. Entrepreneurs who can manage both the situations, such as constructive crises and new options, can enhance their business benefits and therefore, contribute to the growth of the external capitals.

Appold(2000) focussed on the control of high-skill labour and entrepreneurship in the early US semiconductor industry, Environment and Planning, and indicated that models of development of regional economies have overlooked individual change agents contribution to the development of regional economics, similar opinion is of Boschma and Lambooy 1999 that the models of regional economies have ignored the role of entrepreneurs’ interaction and effort in shaping the local environments. They
focussed on entrepreneurs’ role of cluster formation and the competitive advantages of the region. Entrepreneurs take collective steps to improve the local environments by building organisations which help in the growth of their venture. The literature also elaborates that the processes of innovation are not due to forecastable linear system, rather depends on the adaptability, entrepreneurs’ individual organised behaviour. Entrepreneurs depend on the contribution of local environment and capitals from government.

Fieldman and Martin (2004) argued that although individuals tend to imitate the existing competitive benefits of the industrial cluster, while, these enterprising systems cannot be reproduced, rather it requires creating unique and original assets and talents.

2.15.3. Effectual Behaviour of Entrepreneurs and EM

Schluter, Schmitz, Brettel, Jarke, Klamma (2011) studied “Causal vs. Effectual Behaviour-Support for Entrepreneurs” The study highlights that effectuation is a new method which determines the success and failure of a venture taken by the entrepreneurs. Unlike traditional “causation” method, they do not plan the goal and focusing how the resources help to attain the goal, rather they analyse on the resources, choose their partners with context to the future achievement. They adapt the goals to the choices they make and their chosen partners. The study performed an agent-based simulations, the findings of which proved that the concept of “effectuation” is reasonable. While the simple simulations did not highlight all the relevant factors such as “affordable loss” or more clear analysis of the concerned
connections is required. A similar study was conducted by Ionita(2012) on “Entrepreneurial Marketing: A new approach for challenging times”.

The objective of the study was to clearly define entrepreneurial marketing by contracting with all the views of marketing, management and entrepreneurship. The study applied through review of the important articles from various international marketing and entrepreneurship journals. It was found from the study that four different methods were created in due time on marketing and entrepreneurship. The first method concentrated on commonalities among marketing and entrepreneurship. The second method highlighted on “entrepreneurship in marketing” which was dependent on a marketing framework on which the factors of entrepreneurship are presented, or a particular context like SME marketing. The common thought is that marketing science is to be created for start-ups as well as all companies which were start-ups at the beginning of the venture. The third method is “marketing in entrepreneurship”, which concentrates on marketing problems, for example, introducing a new product, confined in entrepreneurship field. The fourth method is just the reverse of the first method it means it does not depend on the commonalities between the marketing and entrepreneurship, whereas on what is unique.

According to Also, Clausen, Hytti and Silvoll(2016)focussed on the topic “Entrepreneurs’ social identity and the preference of causal and effectual behaviours in start-up processes”, the study investigated the effect of the social identity of an entrepreneur on their behaviour when involved in a new venture development.

Fauchart and Gruber (2011) conducted a study on “Darwinians, Communitarians, and Missionaries: The Role of Founder Identity in Entrepreneurship”, focused on social identity theory, the identities, behaviours, and actions of 49 entrepreneurs in the sports
equipment firm. The investigation recommends three types of identities of the entrepreneurs and highlights the influence of these identities in shaping the important decisions to form a new venture. The findings are created in a typology which emphasizes the different meanings that entrepreneurs link with the new venture creation and enhance the knowledge of important differences between creating a firm and the results of it.

Based on the typology created by Fauchart and Gruber (2011) the study by Also, Clausen, Hytti and Silvoll (2016) verify the connection between the social identity of the entrepreneur and entrepreneurial behaviour by applying a mixed-method approach. The study was conducted by interviewing the entrepreneurs of six start-ups in the tourism sector and on past literature, three hypothesis were created regarding the connection between entrepreneurial identity and entrepreneur behaviour, such as causation and effectuation. The hypothesis was implemented by using an investigation among a group of entrepreneurs who started a new business in 2013. Therefore, by using a mixed method approach, the study gets the advantage from and participates in the communication of qualitative and quantitative data in entrepreneurship study.
2.15. Conclusion

This chapter provided a brief review of literature relevant to the current study by focusing on the entrepreneurial marketing in industrial clusters in Karnataka. Accordingly, an overview was provided of industrial clusters in India and the factors like Geographical Proximity, influences of related supporting industries and labour which have an effect on industrial clusters.

This was followed by entrepreneurial firms as micro, small and medium enterprises, by providing a definition of MSME with sales in R&D, and a number of employees. The chapter proceeds to provide an insight on entrepreneurial firm and entrepreneurial marketing, with its definition and dimensions, the evolution of which was followed by a comparison of entrepreneurial marketing and traditional marketing. The latter part of the chapter provided insights on entrepreneur antecedents, such as age, gender, EQ, FBE, family and friends support. An overview of entrepreneurial theories is provided, followed by entrepreneur decision-making models, effectual decision-making model and effectual behaviour with its dimensions. Information was also provided about the entrepreneurial marketing strategies, like opportunity focus, pro-activeness, customer intensity, risk taking, innovation, resource leveraging, and value creation. Information was also provided about the product, price and promotion. The latter part of the chapter provided understandings on entrepreneurial marketing strategies in MSME. Finally, an insight of expenditure in R&D, total sales, and a total number of employees in entrepreneurial marketing is highlighted.

In the next chapter, research methodology adopted for the study, sampling design and hypothesis developed for the study is discussed.