

# **Strategic Management of Micro, Small and Medium Enterprises (MSME's): Know your Entrepreneur-KYE (Profile of Entrepreneurs)**

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**Abstract:** In identifying success factors for Strategic management in MSMEs, this concept of entrepreneurial spirit is importantly meaningful since entrepreneurial spirit is characterized in the development of MSMEs. Hence, the study strives for an “entrepreneurship” profile. The major Objective of the Study is to describe entrepreneurship profile of SMEs in Visakhapatnam district, to know the Educational qualification of entrepreneurs and nature of enterprise involved, to know Occupational background of the entrepreneurs and nature of enterprise initiated and to summarize the finding and suggest the measures wherever necessary. The researcher has adopted survey as well as observation method, wherein personal visits to the MSME was done at their work places and the actual operations carried out there along with the work environment of their unit was observed. The relevant information required for the study was collected from these visits through a structured questionnaire. A total of 50 owner-managers of MSME in the Visakhapatnam Region were surveyed. Results were analyzed simple percentage approach. The framework of the study starts with introduction, defining MSME and Entrepreneur, review of literature, analysis and discussion and finding and suggestions. The study highlighted the importance of entrepreneur profile in the successful running of the business and suggested innovative aspects to improve the motivational factors in entrepreneurs.

**Keywords:** Entrepreneur, MSME,

## **Introduction**

Owners of small enterprises exist in all countries of the world, adapting themselves, their products/services and their production processes, to circumstances and opportunities of their times and places by applying “local artisan creativity”. This is the trait that enables them to carry on their business affairs from time immemorial, (Norman 1980).

The indigenous artisan ingenuity continued to experience changes in the modern production process, aimed at consumer satisfaction leading to the process of creative destruction through continuous process reengineering. (Schumpeter 1961)

Small and medium enterprises play a significant role in almost all countries in the world even in the age of liberalization, privatization and globalization. Even the number of SMEs has been increasing rapidly in the present days. Though the strategic management as a field of study typically deals with large and established business enterprises yet the importance of strategic management can in no case be neglected in SMEs. It is observed from a research that Strategic

Management is strongly related to small-business financial performance (Rue and Ibrahim, 1998).

In spite of their many contributions, MSMEs are “plagued by high failure rates and poor performance levels” (Jocumsen 2004, p.659). To ensure sustained development of the sector, it is vital to understand why some SMEs are more successful than others. Comprehensive reviews of existing studies into MSMEs (e.g., Lurie 1987; Schwenk & Shrader 1993; Miller & Cardinal 1994; Hormozi, Sutton, McMinn & Lucio 2002) suggest that, a key determinant of business success lies in the absence or presence of strategic management.

In identifying success factors for Strategic management in MSMEs, this concept of entrepreneurial spirit is importantly meaningful since entrepreneurial spirit is characterized in the development of MSMEs. Hence, the study strives for an “entrepreneurship” profile.

## **Definition of Small and Medium Enterprise**

There is also no universally accepted definition of what a small business or medium business is (Nair, 1999). In addition, the definition of an SME differs from country to country and definitions change



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over time (Gaedeke and Tootelian, 1995). Generally SMEs are defined in many ways based on the number of employees, the amount of capital invested, the value of annual turnover, and/or management by independent owners or part owners (Nair, 1999).

The parliament enacted the MSME Development act, which came into effect oct 2<sup>nd</sup>, 2006. The act has introduced the concept of enterprise as opposed

to earlier concept of industrial undertaking. According to the act, MSMEs are classified into the following: (i) enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the industries development and regulation act 1951 and (ii) enterprises engaged in providing or rendering services.

#### Definition of MSME in India

Type of enterprise	Manufacturing	Services
	<b>Investment in plant and machinery</b>	<b>Investment in equipment</b>
<b>Micro</b>	Does not exceed 25 lakh rupees	Does not exceed 10 lakh rupees
<b>Small</b>	More than 25 lakh rupees but does not exceed 5 crore rupees.	More than 10 lakh rupees but does not exceed 2 crore rupees.
<b>Medium</b>	More than 5 crore rupees but does not exceed 10 crore rupees.	More than 2 crore rupees but does not exceed 5 crore rupees.

**Definition of Entrepreneurship:** For the purposes of this study and keeping in mind its key role in creating value, National Knowledge Commission defines Entrepreneurship as follows:

‘Entrepreneurship is the professional application of knowledge, skills and competencies and/or of monetizing a new idea, by an individual or a set of people by launching an enterprise *de novo* or diversifying from an existing one (distinct from seeking self employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good’.

#### Objective of the Study

1. The objective of the study is to describe entrepreneurship profile of SMEs in Visakhapatnam district.
2. To know the Educational qualification of entrepreneurs and nature of enterprise involved.
3. To know Occupational background of the entrepreneurs and nature of enterprise initiated and
4. To summarize the finding and suggest the measures wherever necessary

#### Research Methodology

The researcher has adopted survey as well as observation method, wherein personal visits to the MSME was done at their work places and the actual operations carried out there along with the work environment of their unit was observed. The relevant information required for the study was collected from these visits through a structured questionnaire. A total of 50 owner-managers of MSME in the Visakhapatnam Region were surveyed. Results were analyzed simple percentage approach.

#### Review of Literature

There are many profiles of motivation factors of entrepreneurs. According to Longenecker et al. (2000), individuals are pulled toward entrepreneurship by a number of powerful incentives. These rewards may be grouped into three basic categories: profit, independence, and a satisfying way of life.

Nair (1999) described the motivation factors, which prompt people to go into business as independence, financial success, job satisfaction, and being control.

In a more comprehensive and practical approach, Gaedeke and Tootelian (1985) proposed a profile of factors that include (1) personal satisfaction, (2) family operation, (3) independence and power, (4) social activities, and (5) profit expectations.

Strategic Orientation Profile : Bahae (1992) used the term “*strategic orientation*” which refer to “a firm’s particular patterns of behaviors – the tendency of an organization to discover, develop and maintain a set of consistent responses to various environmental events.

In the context of SMEs, the one person often equates the total organization, or at least dominates its decision-making (Morrison et al., 1999). Thus it is necessary to understand the behavioral issues underlying entrepreneurial decision making (Morrison et al., 1999). According to Olsen et al. (1992), *this characteristic requires an examination of the organizational context of task environment, as well as the personal profile of the entrepreneur* for understanding the “strategic orientation”. Such an understanding needs to recognize the interplay of personal and business objectives, and characteristics of entrepreneurial management which often ignore rational economic decision making philosophy (Morrison et al., 1999).

Wheelen (1998) proposed tools for analyzing the

industry or task environment in which an organization operates. This author suggested using the framework of Miles and Snow (1978) for the strategic orientation towards competition and competitive behavior.

According to Miles and Snow (1978), there are two views of seeing the relationships between organizations and their environments. The first view is reactive relationship of organizations to the environments so that directions of organizations' reactions are predictable under specific environmental conditions surround them. As a result, researchers have tended to search for those environmental factors, which shape organizational behavior. Unfortunately, this mechanical, deterministic conception have been disproved overtime. The second view - a *strategic orientation* approach, as Child (1972) called for the recognition that major decisions made by management serve to define the organization's relationship with the broader environment.

Wheelen (1998) argued that "in analyzing the level of competitive intensity within a particular industry or strategic group, it is useful to characterize the various competitors for predictive purposes". According to Miles and Snow (1978), firms within a single industry can be categorized on the basis of their general strategic orientation into one of four basic types. These general types have the following characteristics: Defenders, Prospectors, Analyzers and Reactors

**Entrepreneur's Personal Characteristics:** According to Miller (1983), an individual presents entrepreneurial behavior if that person performs product/market innovation, takes risk, and behaves proactively.

Schumpeter (1934, 1942) highlighted the importance of business innovation. The main point is entrepreneurship consist in the introduction of new combinations causing the dynamic evolution of the economy.

Drucker (1985) described that entrepreneur is often defined as one who start his own, new, and small business. Thus, he pointed out that innovation of products or services is the specific function of entrepreneurship.

Sexton and Smilor (1997) considered entrepreneur, firstly, as the person who pursues opportunities. They insisted that opportunity is customer-, or marketing/market- driven.

Berthon et al. (1999) argued that new products and services born into the market can trigger different responses from customers. They can be very successful and admired, or can disappear quickly.

The environment of the entrepreneur is characterized by ambiguity, inconsistencies, and in substantial knowledge (Morrison et al., 1999).

According to Entrialgo et al., Cantillon, one of the first authors to formally use the term entrepreneurship already indicated in his work published in 1755, that the main factor to differentiate entrepreneurs from employed workers was the uncertainty and risk taken by the former. Since then, risk taking is one of the concepts most commonly used by researchers to describe entrepreneurship. Risk, according to Morrison et al. (1999), happens in the form of financial losses and damages of personal standing and reputation. Therefore entrepreneur is regarded as risk manager rather than risk taker. In reality, this tolerance of ambiguity will affect the choice of strategic decisions such as strategic investment, competitive moves, and so on (Nair, 1999).

According to Covey (1989), proactivity means that our behavior is a function of our decisions, not our conditions. Reactive is driven by circumstances. Proactive is "responsible." In business sense, proactivity is related to taking the initiative, anticipating and carrying out new opportunities and creating or participating in emerging markets. While being proactive, companies can importantly gain the first-mover advantages as the best strategy to sustain competitive advantages (Covin and Slevin, 1989). The degree of proactivity of entrepreneur therefore affects the strategic orientation of a firm such as competitive behavior, strategy selection, and so on.

### **Need for the study**

Managing SMEs is a risky business (Bahae, 1992). Of the hundreds of thousands of business ventures that entrepreneurs launch every year, many never get off the ground; others fizzle after spectacular rocket starts (Bhide, 1996). According to Sexton and Smilor (2000), one fundamental characteristic of small firms is that births and deaths are highly correlated. The US Small Business Administration databases showed that the entry and exit rates of establishments are both high – 56% of entry and 45% of exit – between 1980 - 1986.

Understanding what makes SMEs succeed or fail, therefore, has become a focus of many research efforts. The recent focus has been on the nature of strategic planning and its impact on performance (Bahae, 1992). However, Bhide (1996) argued MSMEs are young and less well established; they have many organizational imperfections, lack of coherent strategies, and so on. The implication from the argument of Bhide is that the approach to "planning" was not sufficient to find a more practical and appropriate profile of MSME's success.

## Analysis and Discussion

**Table-1: Category wise Classification of units**

Sl.No.	Classification of units	Total Number of Units	Percentage
1	Food Processing Products and Beverages	6	12
2	Paper and Paper Products	7	14
3	Rubber and Plastics	3	6
4	Chemicals and Chemical Products	5	10
5	Machinery and Apparatus	7	14
6	Hardware and Software	6	12
7	Apparel and Export Units	6	12
8	Service and Repairs	8	16
9	Others	2	4
	<b>Total</b>	<b>50</b>	<b>100</b>

For the purpose of study, the Micro, Small and Medium Enterprises (MSME) are classified into nine categories. They are Food Processing Products and Beverages, Paper and Paper Products, Rubber and Plastics, Chemicals and Chemical Products, Machinery and Apparatus, Hardware and Software, Apparel and Export, Service and Repairs, and Others. Others consist of packing units, homemade foods, etc. A total of 50 units are selected from Visakhapatnam district for this study.

Table 1 summarizes the category-wise classification of the sample units. The sample consists of six units (12 percent) from Food Processing Products and Beverages, seven units (14 percent) from Paper and Paper Products, three units

(6percent) from Rubber and Plastics, five units (10percent) Chemicals and Chemical Products, seven units (14 percent) Machinery and Apparatus, six units (12 percent) Hardware and Software , eight units (16 percent) Service and Repairs, six units (12 percent) from Apparel and Export Units and two units (4 percent) from others.

This speaks that service and repairs dominate, followed by paper and paper products and machinery and apparatus, food processing products and beverages, hardware and software, apparel and export units stand to third in the order.

**Table-2: Location of units**

Location	No. of units	%
Urban	22	44
Semi Urban	26	52
Rural	2	4
<b>Total</b>	<b>50</b>	<b>100</b>

Table 2 tells the location background of the units. The location of units is divided into three categories namely Urban, Semi Urban and Rural. A observation of the table indicates that more than half of the units under study, 26 units (52 percent) are located in semi-urban, followed by 22 units (44 percent), in urban and only two (4 percent) in rural areas.

**Table-3: Age of units**

Age of units	No of units	%
Up to 10 years	25	50
11-20 Years	16	32

21-30 Years	6	12
31 and above	3	6
<b>Total</b>	<b>50</b>	<b>100</b>

Table 3 presents the age of the sample units. The age of the units vary from 3 years to 40 years. The table reveals that a large number of units (25) representing 50 percent of the sample units are below 10 years of existence. 16 units representing 32 percent are in between 11 to 20 years of existence and six units representing 12 percent are in between 21-30 years of existence and only three

units representing six percent are above 31 years of existence. The above analysis thus clearly indicates that the sample units have fairly long years of existence in their relative fields.

It is clear from table 3 that 82 percent of the units are below 20 years of its existence. Only six percent of the units are above 31 years of its existence.

**Table-4: Distribution of Employees**

<b>Distribution of Employees</b>	<b>No. of Units</b>	<b>%</b>
Up to 10	18	36
11-20	19	38
21-50	9	18
51 and above	4	8
<b>Total</b>	<b>50</b>	<b>100</b>

Table 4 reveals the distribution of employees (workers) in the units under study. It can be observed that 19 units representing 38 percent of the units are providing employment Upto 20 employees. 18 units representing 36 percent of the units are providing employment upto 10 employees.. Nine units representing 18percent of the units providing employment Upto 50

employees and one four units representing 8percent of the units are providing employment to more than 51 employees.

Majority of the units provide jobs in between 11 to 50 workers. This clearly indicates the role of MSME in employment generation.

**Table-5: Forms of Organisation**

<b>Forms of Organisation</b>	<b>No. of Units</b>	<b>%</b>
Sole Proprietary	29	58
Partnership	5	10
Pvt. Ltd	15	30
Public Ltd	0	0
Others	1	2
<b>Total</b>	<b>50</b>	<b>100</b>

An attempt was made in the study to know the different forms of organisations that are present in Micro, Small and Medium Enterprises (MSME). Table 5 presents the form of organisation of the sample units. The table reveals that as many as 29 units representing 58 percent of units are Sole

Proprietary ship form, followed by 15 units representing 30 percent are Private limited form, five units representing 10 percent are Partnership form and only one unit representing two percent from others follow Joint Hindu family form. It is amazing to note that there are no public limited

companies in MSME in Visakhapatnam District. Each form of organisation has its own merits and limitations. The suitability of a particular form of organisation may depend upon several factors such as, nature of business, financial requirements,

secrecy required, public contacts etc. This table it clearly indicates that Sole Proprietorship and Private limited company are the most liked forms of organisation for MSMEs.

**Table-6: Religion of principal entrepreneurs**

Religion of principal entrepreneurs	No. of Units	%
Hindu	32	64
Muslim	7	14
Christian	3	6
Others	8	16
<b>Total</b>	<b>50</b>	<b>100</b>

Out of the total 50 entrepreneurs, as many as 48 entrepreneurs (96percent) were males and only 2 (4percent) were female entrepreneurs. The women entrepreneurs were present in one each in Food processing and Beverages and Service and Repairs. In all other industrial segments, all the entrepreneurs were men only.

Table 6 reveals religion of the entrepreneur under study. Out of the total entrepreneurs, 32 entrepreneurs (64percent) belong to Hindu community, seven entrepreneurs (14percent)

belong to Muslim religion, three entrepreneurs (6percent), Christian community and other eight entrepreneurs (16percent) belong to other religion such as Sikh, Jain etc.

It can be inferred from the above table that peoples from Hindu religion form the majority of the entrepreneurs. It is because in the total national population also Hindus represent higher segment.

**Table-7: Age-wise classification of Entrepreneurs**

Age-wise classification	No. of Entrepreneurs	%
21-30 yrs	5	10
31-40 yrs	17	34
41-50 yrs	19	38
51 and above	9	18
<b>Total</b>	<b>50</b>	<b>100</b>

Table 7 depicts the age wise distribution of entrepreneurs. The respondents are in the range of 24 to 66 years. The table reveals that 19 entrepreneurs (38percent) are in the age group of 41 to 50 years followed by 17 entrepreneurs (34percent) in the age group of 31-40 years. There are about nine entrepreneurs (18percent) are in the age group of 51 years and above and five entrepreneurs (10percent) are in the age group of 21 to 30 years.

It can be observed from the table that about 72 percent of the entrepreneurs belong to the age group of 31-50 years. It indicates that a lot of young entrepreneurs who are coming forward to start enterprises to make the economy strong. There is some relationship between age and experience, experience and maturity, maturity and management of enterprises.



**Table-8: Educational Background of the promoters of units under study**

<b>Educational Background</b>	<b>No. of Promoters</b>	<b>%</b>
No Education	2	4
Secondary Level	9	18
Diploma	19	38
Degree	12	24
PG/Others	8	16
Total	50	100

Table 8 exhibits the data pertaining to the educational background of entrepreneurs. Out of the total, two entrepreneurs (4percent) have no formal education, nine entrepreneurs (18percent) secondary level education, 19 entrepreneurs (38percent) Diploma or technical education, 12 entrepreneurs (24percent) Under Graduate level education and eight entrepreneurs (16percent) Post Graduate and Professional education. It is surprising to note that majority of the entrepreneurs do not have technical education,

which is very much necessary for the successful running of organizing a manufacturing units.

It is also observed through personal interface that many entrepreneurs do not have functional knowledge of the organization like production management, financial management, marketing management etc.

It is noted that majority of the entrepreneurs (46percent) don't have technical education, which is very necessary for the successfully organizing a manufacturing firm.

**Table-9: Previous occupation of the entrepreneur**

<b>Previous Occupation Of the Entrepreneur</b>	<b>No. of Entrepreneur</b>	<b>%</b>
Unemployed	12	24
Employed	34	68
Agriculture	2	4
Others	2	4
Total	50	100

Table 9 reveals the information relating to the previous activity of the entrepreneur. Of the 50 entrepreneurs, 12 entrepreneurs (24percent) were unemployed before starting this unit. 34 entrepreneur (68percent) were either employed or doing some job before starting this present unit. Two entrepreneurs (4percent) came from agriculture background to start this present unit.

Another two entrepreneurs (4percent) came from other background like family profession or trade.

The occupational background influences the entrepreneur from choosing the type of industrial activity to the profitability of the concern. Previous occupation of the entrepreneur reveals his line of experience. In line past experience makes an entrepreneur to have an edge over the new entrepreneurs.

**Table-10: Reasons for starting MSME**

Reasons for starting MSME	No. of Entrepreneur	%
Lack Of Interest In Previous Occupation	10	20
To Have Gainful Activity	16	32
Technical Knowhow Is Known	11	22
Self Employment	7	14
To Make Use Of Incentive Period To MSME	2	4
Access To Resources	4	8
<b>Total</b>	<b>50</b>	<b>100</b>

**Note: Others include personal interest, parental influence etc**

An attempt was made to know the reasons for starting small scale units leaving their previous occupation. Table 10 shows reasons for starting MSME units. Out of 50 entrepreneurs, 10 entrepreneurs (20percent) have started MSME due to lack of interest in previous occupation. 16 entrepreneurs (32percent) have started to have gainful activity, 11 entrepreneurs (22percent) have

started as they have prior knowledge of technical aspects, seven entrepreneurs (14percent) have started to have self employment, two entrepreneurs (4percent) have started to make use of incentive period, and four entrepreneurs (8percent) have started because they have access to resources.

It is clear from the table that entrepreneur's first choices to start MSMEs is to having gainful activity, followed by lack of interest in previous occupation and have technical knowhow.

**Table-11: Number of products manufactured**

Number of products manufactured	No. of Units	%
Single Product	9	18
Two Products	18	36
Three Products	13	26
Four and Above	10	20
<b>Total</b>	<b>50</b>	<b>100</b>

An attempt was made to find out the number of products, manufactured by the units under study. Table 11 furnishes the data pertaining to the total number of products manufactured by the units. It reveals that, nine units (18percent) produced single product. 18 units, two products, 13 units, three products and 10 units, four or more products. On the whole 80 percent of the units are producing less than four products. It can be concluded that SMEs turnout very low range and limited variety of products in their business. Even if they offer a small range of products, they are all inter related products. In other words SMEs confine themselves to small range of products.

**Major Findings**

[1] 96% of the units are located in urban and semi urban areas. Only 4% of the units are located in rural areas.

[2] 74% of the units are employing upto 20 employees. This shows that MSMEs are average employment generators.

[3] 50% of the units are below 10 years of existence. This shows that relatively half of the units are young and growing.

[4] 58% of the firms are sole proprietary and 30% are private limited companies. This shows that majority is familiar with sole proprietary and remaining prefers private limited companies.

[5] 72% of the entrepreneurs are in the age group of 31 to 50 years which is good sign to earning income group.

[6] 96% of the entrepreneurs are educated. Majority of the entrepreneurs are either graduated or diploma holders.

[7] 68% of the entrepreneurs are employed before starting the present enterprises.



- [8] The major reasons for starting the MSMEs are to have gainful activity, due to lack of interest in previous occupation and technical knowhow is known.
- [9] 50% of the entrepreneurs experienced difficulties while seeking statutory clearances and licenses. Two-thirds faced hassles while filing taxes and 60% claimed to have encountered corruption. Another hurdle was in accessing reliable information on registration procedures, finance and other schemes. 56% claimed that the paucity of quality infrastructure – especially transport, power, and telecommunications – was a critical barrier
- [10] 72% of the entrepreneurs were self-financed, while other sources included banks, venture capital (VC) and state finance corporations. Among those financed by banks, a majority who approached banks (61%) did receive bank finance. Yet there is a widely held perception among entrepreneurs that it is very difficult to get bank loans at the start-up stage while becoming comparatively easier at the growth stage.

### Strategic Suggestions

There is a need to expose perceptions of risk and failure by propagation of best practices as well as documentation of unsuccessful ideas in the entrepreneurial space. Recognition and rewards right from the local up to the national level will energize and encourage new entrepreneurs. Involving entrepreneurial networks and associations will also help in giving visibility and encouragement to Entrepreneurship.

In India, financiers need to be more proactive in assessing the business opportunities generated by Indian entrepreneurs. Innovations in risk management will also reduce information asymmetry and make funding more accessible.

Angel investors, VCs and PE funds are beginning to become more active, particularly in knowledge-intensive sectors, and need incentives for greater involvement. To create incentives for seed capital funding, some steps include the following: establishing a secondary market for smaller companies, creating new instruments for start-up funding and providing financial literacy to start-ups.

Synergies between Education (including modern vocational education training/skill development), Innovation (converting ideas into wealth and employment) and Entrepreneurship should be encouraged.

India's innovation intensity could also improve significantly if more PhD and other research scholars are encouraged by providing a supportive environment for Entrepreneurship. There is also a need to significantly increase Business Incubation

for Entrepreneurship (BIE) by comprehensively exploring policy options to improve access to financing. While valuable work is being done by Indian incubators, there is huge scope for them to become entrepreneurial themselves by providing services such as market data, helping in preparing business models, recruiting skilled employees, etc. Growing the pool of skilled people is a key priority. This entirely depends upon access to quality education. The key challenges in higher education relate to ensuring access, inclusiveness and excellence. In Vocational Education and Training (VET) there is need to completely overhaul and modernize current institutions and practices. Reforms in VET require innovative delivery models, providing incentives for states, ensuring performance-based training and assessment, re-branding, certification, encouraging learning-by-doing, incentivizing English speaking skills, ensuring flexibility of VET alongside the higher education stream, for easier crossover and choice, as critical success factors.

Other suggestions to enhance Entrepreneurship include the following: meaningful implementation of the *Single Window System*; introducing a *Single Composite Application Form* as already done in a few states; introducing a '*Single Unique Company Number*' (for company, tax and social security registrations); creating specialized commercial courts; introducing Limited Liability Partnerships (LLPs); and creating 'one-stop shops' to provide all relevant information needed to start an entrepreneurial activity.

There are a number of websites relating to Entrepreneurship in India. In this regard, NKC proposes to explore the possibility of having an all encompassing website on Entrepreneurship as a one-stop information portal for current and aspiring entrepreneurs. In addition, Entrepreneurship in India will also grow significantly with the spread of e-governance and quality infrastructure development.

### Conclusion

In small firms, entrepreneurs' role is the foundation upon which the other constructs are built. Entrepreneurs' role in small firms can be considered as an organizational culture, a set of organizational capabilities, or pre-dispositional tendencies that focus on innovativeness, proactiveness, and willingness to take risks; and the entrepreneur has an overall positive influence on firm performance. Although both strategy and entrepreneurship theories predict that entrepreneur's role in strategy making has a strong positive influence on firms performance, empirical evidence for this direct relationship is relatively weak. In addition to having direct influence on firm performance, entrepreneurship is also thought to have moderating effect on the influences from

other organizational factors. In explaining performance, strategy scholars have focused on firm's entrepreneurial strategic orientation, leaving its interrelationship with internal characteristics aside.

It is argued by strategy scholars that entrepreneurial orientation captures an important aspect of the way a firm is organized. While knowledge-based resources (both discovery and exploitation of opportunities) are positively related to firm performance, entrepreneurial orientation enhances this relationship (Wiklund & Shepherd, 2003). For example, Porter (1980) posits that the industry within which a firm competes has a critical impact on its performance; particularly, industry munificence, defined as the profitability or growth rates of the industry, has a positive influence on firm performance. In this regard, Lumpkin & Dess (1996) propose that entrepreneurial orientation and industry generosity have separate, independent influences on firm performance, and entrepreneurial orientation and generosity do not interact. Yet, they argue, entrepreneurial orientation has influence and is "contingent" upon industry generosity. Another confusing point is that they propose that the influence of entrepreneurial orientation on performance is also contingent upon the firm's strategy making processes. It appears redundant if the construct of entrepreneurial orientation is captured by the characteristics of a firm's strategy making processes, and it exerts its influences contingent upon strategy.

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