A diversity of factors encompass entrepreneurship phenomena. An overview of theory and research in the field shows that entrepreneurship covers (1) number of start-up firms, (2) growth of the firm, (3) growth of the industrial economy, (4) individual mobility, and (5) social transformation. This paper tries to advance, through a partially developed formal model, an integration of some of the important aspects of entrepreneurship. Based on nearly 50 case studies carried out in the course of field work over North India, it examines the interplay of resources, opportunities and capabilities in new venture growth. The findings suggest that resource access may itself limit the range of opportunity choice and growth potential. Within these limits, managerial capability, as related to human resources in particular, could be more significant than hitherto recognized. A preliminary effort is made to develop a typology of firms based on the varying proportion of factors influencing growth of a venture. Further, a model of entrepreneurial firm stabilization and human resources is outlined. A path-based typology of new venture growth and human resource management is described. These include the use of family labor or supervisory resources, an empathetic leadership style and the presence of entrepreneurial teams.

The findings in this paper result from a project to document profiles of entrepreneurs who have emerged through interactions with support systems, including entrepreneurship and small business development training programs in India. The states were divided into categories based on per-capita income and level of industrial development or backwardness. A judicious mix of purposive and random selection of cases was used. Criterion for selection included “extent of break from the past,” that is, non-business social origin of the entrepreneur and high-growth rate of the firm. Locationally, cases in a particular state have been selected from a) major urban center, b) smaller, more interior center, and c) small, remote center.

The argument for small new ventures in developing countries lies in their positive employment and
income generating effects. The claim rests on the presumed better efficiency of factor use in small enterprises—(surplus) labor in particular. Since the 1970s and the 1980s in the developed countries, too, new firms are acknowledged as being vital to an economy. The outlook for an individual new firm, however, can vary. High rates of sickness and mortality are also widely reported. Small firm start-ups are thought to play a role in widening the entrepreneurial base of a given society. It is an important expression of social mobility, as well as structural change, in a developing country context. At the micro-enterprise level, limited resources can restrict choice of opportunity to low growth ones. These represent a bad business idea, subsidized by family resources, including labor—the true self-employment cases. There could be a middle ‘growth zone’ where higher investment size widens opportunity choice.

This slab represents the seedbed for firms with high-growth potential and merits the focus of policy makers, promotional agencies and advisory services. The strategic behavior of these firms can provide valuable insights into how ‘sweat equity’ is generated in growth ventures. There is a significantly sharp decrease in the number of firms in the third or highest, investment slab, approaching medium size. At this level, the size of the margin money required from the potential entrepreneur would limit the number of new entrants and their catchment sources. From a social transformation point of view, this may not be the desirable outcome. In the absence of developed markets for venture capital, this would render weak, the case for complete withdrawal of countervailing state assistance in industrially backward or depressed regions, which would favor those already advantaged. © 1998 Elsevier Science Inc.

INTRODUCTION

There is a widening interest in entrepreneurship as a vehicle of transformation and recovery in developing societies as well as post-socialist and market economies. By entrepreneurship we mean the carrying out of new combinations (of the factors of production) and the creation of a new business venture. In a late industrializing economy, these new units may be based largely on the backlog of technologies and products already existing in the global pool. They have thus been described as imitative in nature (Baumol 1988). These new units could nevertheless represent considerable departures from the past, at the local/regional and country economy levels as well as in a social context. Entrepreneurship is an important expression of occupational and social mobility in the structural transformation of developing countries. At the heart of new venture creation is a complex interplay of resources, capabilities and opportunities. These relationships merit a closer examination. More recently, there has been equal concern with managing survival and growth in new ventures.

The right choice of opportunity or project feasibility, is said to be a major part of the battle won in new enterprise creation. The successful exploitation of opportunities however, requires putting capable systems into place. On one hand, resources (usually scarce) are needed for the creation of organizational form, although a rudimentary structure is necessary to generate the resources. This, in fact, is the vulnerable phase of new venture creation. Thus, there is a high degree of ‘simultaneity of causation’ in the venturing process (see Figure 1). The combination of influences on individual firm start-ups would obviously vary. Is it then possible to develop a typology of firms, based on the relative proportion of influences operating on firm start-up and growth? This is the main question that this paper attempts to address.

The classical economists, with varying emphasis, identified three central aspects of entrepreneurship: (a) uncertainty and risk, (b) managerial competence, and (c) creative opportunism or innovation (Herbert and Link 1982). Modern theories of entrepreneurship have ranged from those emphasizing psychological factors to ones describing the sociological dimensions. The former highlight aspects of individual restlessness: the
need for independence, approval, unique achievement or status, the results of material deprivation and the influence of childhood or family experiences. The latter theories emphasize the role of relative social status of certain groups in different societies, the beliefs and values of certain sects or communities and overall social structures, value systems and the dynamics thereof (Kilby 1971). Modern economic theory is concerned with overall macroeconomic factors and the operation of the price mechanism in factor and product markets. This affects the individual firm as a profit maximizing “black box,” and the entrepreneurial aspects are subsumed under “residual factors” (Barreto 1989).

A fourth strand of theory has tried to develop models of firm growth, examining the entrepreneurial and/or managerial competence aspects at different stages of the new venture development process (McMullan and Long 1990).

Thus entrepreneurship appears to be a link between (a) number of start-ups, (b) growth of the firm, (c) growth of the economy, (d) individual mobility and (e) social transformation. However, there are limitations to the explanatory power of each strand of entrepreneurship thought, by itself. The position of the entrepreneur in modern economic theory has attracted considerable dissatisfaction (Barreto 1989). Psychological explanations also break down on application to large samples, despite spirited attempts at validation (McLelland et al. 1987). The influence of psychological factors cannot be denied, but a survey of empirical results is likely to end in equivocal conclusions (Chell 1991). Sociological theories appear to have receded to the background, in the wake of the homogenizing juggernaut of western capitalism since the early 1980s. There is an anecdotal saying in India, about the difficulty of six blind men trying to describe the actual shape of an elephant by touching different parts of the creature. Thus, an interdisciplinary integration of various strands of entrepreneurship thought has eluded the field.
This paper is an attempt, based on empirical observations, to integrate some important aspects of the entrepreneurship phenomenon.

**EARLIER RESEARCH**

Entrepreneurial firms generate ‘sweat equity’ under conditions of resource constraint, in the process of creating new wealth in society. It is recognized that, within society, these firms mobilize dormant material resources and human effort in economic development (Ray 1988). However, the precise patterns along which family or other resource use occurs is less explored.¹

But the precise patterns of human resource use, whether managerial or labor-related, given growth opportunities on one hand, with varying levels of resource constraint on the other, has received less attention from researchers. Sidney Pollard observed that, “the industrial entrepreneur typically must hire a group of men whose labor he must organize and direct” (Pollard 1965, pp. 4–5). Much earlier, Nicolas Badeau (circa 1767) noted that “the entrepreneur is a leader of men, a manager of resources and innovator of ideas, including new scientific ideas.”

Adam Smith treated profit and interest as coterminous and dispensed with the entrepreneurial role, as being no different from that of the capitalist. J.B. Say, in turn, described the uncommon managerial capabilities required of the entrepreneurial function, in addition to risk-taking and coordination. He also separated profit from interest, hence the entrepreneur from the capital provider. Say emphasized the human industry function or the role of labor in the productive process. This was divided into three steps: (a) theory or knowledge, (b) application, carried out by the entrepreneur and (c) execution by manual labor. The entrepreneur in Say’s conception, could originate from any strata of society and was not confined to the traditional divide between the ‘owning and the laboring classes.’ Marshall hinted at the differing capabilities required for business creation and its subsequent continuance, respectively. But the undifferentiated treatment of profit meant, that the entrepreneur was reduced to management: a special variety of skilled labor. Schumpeter distinguished between ‘directed and directing labor’ as well as between entrepreneurship and ‘routine’ management. Directing labor stood higher in the hierarchy of the productive process: ‘this direction and supervision of the “executing labor” appears to lift directing labor out of the class of other labor.’ Further, directing labor “has something creative in that it sets itself its own ends.” Schumpeter accorded directing labor, distinguished by its decision making function, the position of the third fundamental factor of production (Schumpeter 1934, pp. 19-20). From an organization theory viewpoint, too, new ventures are social units (or human groupings) deliberately constructed to seek specific goals. Modern forms of these are marked by division of labor, power and substitution of personnel (Etzioni 1986). New venture creation also involves mobilizing resources and commitment, of stakeholders, to the venture idea.

The importance of managerial slack as a crucial factor in firm growth was recognized early (Penrose 1959). It was observed, that firms are able to grow and develop only when excess ‘managerial services’ are released to exploit the productive opportunity of the firm. Penrose theorized that the managerial limits on firm growth could not be simply overcome by hiring in the market. Growth limits are placed by the time required for organizational learning and social integration, within an extended management or hu-

¹ Whether personnel or working capital obtained through mortgage of bridal jewelry, etc.
There is evidence that limited managerial time and resources constrain a firm’s growth or its capacity to respond proactively to environmental changes (Gibb and Scott 1985). But surprisingly, there is little data on how entrepreneurs could overcome this constraint, as the high-growth ones surely must. What could be the possible mechanisms by which ‘managerial services’ are released, to enable firm growth? This is another aspect of the subject that this paper tries to uncover. The question of the effective leadership style in growth ventures also merits examination here. The human resource aspect has showed up, though tentatively, in a few mailed-questionnaire studies of entrepreneurial firms. One study compared new businesses which grew in the second year of their existence versus those which declined (Dunkelberg et al. 1987). It suggests that entrepreneurs in the first category spent more time on planning and dealing with employees. Whether such activity by the entrepreneur, is a function of growth or is a influencing factor in growth, is however unclear. Discovering the lines of causation is complicated by the inclusion of increase in employee numbers as a criterion for measuring firm growth. Thus, whether growth is influenced by the number of employees, or by an ‘employee system’ being put in place, or is it merely a function of enterprise growth, remains unclear. Another study compared firms that have discontinued after three years with those that have survived. The survivors were more likely to have had full-time partners. Interestingly, these firms were also larger, having more initial employees and more capital (Cooper et al. 1988). The presence of founding teams, has also been observed to be associated with greater likelihood of venture success (Vesper 1980).

The relationship between initial size—both capital and human resources—and subsequent survival or growth performance has also been examined, with results favoring the larger firms (Cooper et al. 1988, 1994). It has been noted, that initial resources influence the range of choices to be considered by the entrepreneur. It could shape strategies, which turn upon the capabilities that could be developed in the small new firm. Initial resources could cushion the ‘liabilities of newness and smallness’. But how do specific human and capital resources drive performance remains an unanswered question.

The stage model theorists of business development have some valuable insights on view (Churchill 1983). The present paper’s observations, on the stabilization process of nascent firms, are concerned with the first three and half stages of the above schema: ‘existence, success and take-off.’ Our description however, emphasizes the transition processes which may bring a firm to the take-off stage. How does a firm reach the stage of survival from merely coming into existence? How does it go on to the next stage: success? What are the processes by which a new venture is taken to a stage where the entrepreneur can be free from day-to-day operations, as the enterprise is ready for take-off? These are some of the grey areas between neat conceptual stages which the present paper examines. Studies using mailed or telephonic questionnaire-based surveys derived from the existing literature, predominate entrepreneurship research. This may often appear to merely reproduce the limitations of earlier studies, in a modified form, with equivocal outcomes. It may be fruitful to return to the entrepreneur, with the approach of an early anthropologist perhaps, and actually spend time with the phenomenon. In understanding the process of new venture creation, this may help us to answer the question: what do entrepreneurs really do?

**METHODS**

The findings presented here result, in part, from a project to document profiles of entrepreneurs who have emerged through interactions with support systems, including entre-
entrepreneurship and small business development training (ESBDT) programs, in India. All the states of northern and eastern India, i.e., the largest part of the Indian sub-continent, were covered. The states were divided into four categories on the basis of per-capita income and level of industrial development or backwardness. Sample size for each state was determined in proportion to the number of ESBDT programs conducted. A judicious mix of purposive and random selection of cases was resorted to.

Training institutions were asked to identify cases on the basis of several criterion. These included “extent of break from the past,” that is, non-business social background of the entrepreneur and also high-growth rate of the firm. Those belonging to traditional business communities/families were also included, if they were doing something significantly different from the family. Apart from flexibility with regard to size when a new venture was socially relevant, or in the context of a backward region, unique, several criterion have brought in the purposive element. Cases thus included covered professional/employee-turned-entrepreneur, educated-unemployed/underemployed, less educated, low-income group, backward/weaker sections and minorities. A conscious bias in case selection has been kept towards those firms which are relatively ‘bigger’ in terms of current size of capital employed and sales turnover. These could be considered more entrepreneurial, generating significant capital accumulation and employment, as against the merely self-employed or survivors. Smaller cases have also been included where they represent significant departures from the past in a social sense, that is, non-business community and low income/social background of the business-owner or where they are typical backward region cases. Locationally, cases in a particular state have been selected from (a) major urban/industrial/administrative center, (b) smaller/more interior center and (c) small/deep interior/remote center.

Initial data for this study came through field research over a period of more than six months. In-depth interviews around a semi-structured guide are the main source of inferences drawn for this article, apart from observations. Field notes were analyzed for gaps and clues which required clarification and counter-checked with local sources. Field observations and statements of entrepreneurs conveyed some weak signals regarding the subject of this paper. The tentative hypotheses were further discussed with entrepreneurs participating in a management development program. The qualitative data was then subjected to content analysis and tabulation to discern patterns, if any. Pattern matching, replication through multiple case studies and locational spread of cases accounts for sampling (Yin 1984). The cases provide dynamic, ‘context-embedded data’ and form the basis for some generalizations (Eisenhardt 1989). Corroboration of a ‘snapshot’ kind is provided by reference to a national level sample survey covering 657 firms (NCAER - FNSt 1993) and other secondary sources.

As a measure of size and growth, capital employed was felt to be more relevant from an entrepreneurship point of view.2 There are some inevitable inconsistencies in the data reported. For purposes of fiscal and other benefits, government classification uses fixed investments in plant, machinery, land and building as a measure of size. In interviews, entrepreneurs tend to report total capital employed as the current “investment,” including working capital. For a dynamic picture, initial capital employed is certainly relevant. But often units have been started on family owned land or building or rented premises. Further, many have diversified into other product lines or entered new

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2 The utility of capital employed as a measure is anticipated by the World Bank survey, too (Little et al. 1987) and its difficulties noted.
TABLE 1 Size Distribution of Firms by Current Employment

<table>
<thead>
<tr>
<th>No. of Employees</th>
<th>No. of Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5</td>
<td>6</td>
</tr>
<tr>
<td>6-25</td>
<td>26</td>
</tr>
<tr>
<td>26-50</td>
<td>3</td>
</tr>
<tr>
<td>50-100</td>
<td>3</td>
</tr>
<tr>
<td>100&lt;</td>
<td>1</td>
</tr>
</tbody>
</table>

businesses. These complicate the problem of defining the venture, it’s size and growth. Growth in sales turnover—20% or greater increase in sales over previous years reported as extremely fast growth in a national study—is also used as a rough measure, apart from initial capital employed compared with current. The purposive element has brought in a larger number of high-growth firms in our sample (Tables 4, 5, 6). Non-reporting and under-reporting of sales figures in tune with duty-evasion habits meant that rough estimates have been resorted to in certain cases. In a few cases, current worth (market value) has been reported as current total investment, that is, entry cost. Our sample of cases results in an average capital employed figure of Rs.1,431,221 (n = 36), (U.S. Dollars 1/- = approx. Rupees 30/-). This is slightly higher than the national average Rs.1,353,000, reported in a recent national level sample survey (NCAER-FNST 1993). With n = 37, the figure turns out to be Rs.1,554,702. This confirms our conscious bias towards “bigger” small units. The highly skewed structure of the small enterprise sector was apparent even at the time of case selection and shows up in our sample distribution of firms in terms of capital employed and the number of employees (see Tables 1 and 2). There are a very large number of tiny units, in terms of investment as well as employment, and a few big units accounting for a disproportionate share of total production and employment. For our sample a few tiny artisanal/cottage enterprise cases were included for illustrative/insight purposes. Focus was more on the small modern manufacturing units, factory and non-factory type, where accumulation/growth could occur.

FIRM GROWTH PATHS AND HUMAN RESOURCE TYPOLOGIES

Our data and observations, as well as supporting inferences drawn from other surveys, suggest some reasonably distinct typologies of entrepreneurial firm organization and growth. Units in the lowest investment slab typically represent a low growth opportunity subsidized by the use of family labor. The current cost of entry into such businesses would roughly be up to Rs.200,000 in terms of capital employed. These are essentially artisanal/cottage units with five or less employees which are estimated to comprise around 28% (15% in our sample) of all small enterprises. In this slab, output as well as labor productivity is low. It can be inferred that manual production processes dominate in more than 56% of these units and role of the family in decision making is very important: 86.52% (NCAER-FNST 1993). This supports our characterization of such units as a poor business idea—surviving through the help of family labor, i.e., subsidized by family resources. Here, the “entrepreneur” himself/herself is an underdeveloped human resource. It appears that limited investment capacity and low levels of education/skill are combining to determine choice of business opportunity—usually a low growth one. These then are the true self-employment cases. If you can’t sell your product, at least it can be eaten!
TABLE 2  Size of Initial Capital Employed and Distribution of Firms

<table>
<thead>
<tr>
<th>Rupees (000's)*</th>
<th>No. of Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;200</td>
<td>8</td>
</tr>
<tr>
<td>200–500</td>
<td>7</td>
</tr>
<tr>
<td>500–1,000</td>
<td>3</td>
</tr>
<tr>
<td>1,000–3,500</td>
<td>14</td>
</tr>
<tr>
<td>3,500–5,000</td>
<td>2</td>
</tr>
<tr>
<td>&gt;5,000</td>
<td>3</td>
</tr>
</tbody>
</table>

* at current prices

Micro-Enterprise

There is however, enough cause for cautious optimism with regard to micro-enterprise in a developing economy context. Since capital investment is low, if there is sufficient local product demand to sustain sales for a given time period, return on investment can be fairly high (see Case 2 in Appendix A). Net profit as a percentage of total assets by fixed investment is estimated to be 45% for units within the slab up to Rs.200,000 and 35% for the slab Rs.200,000-Rs.500,000 (NCAER-FNST 1993). Thus, sufficient income can be generated from these micro-enterprises to maintain and uplift current standards of living and provide hope of social mobility for a family, by making possible higher levels of education for a family member etc., as illustrated in Case 1. This is apart from indirect effects on the economy. A second path is illustrated by Case 2, where income could be generated for a sufficient period of time to enable accumulation for entry into a similar new business if/when growth or profitability limits are reached in the original business. The possibility of such micro-tiny enterprises developing into small industry in a real sense, or even becoming a stepping stone for the individual to develop into a small industrialist, however, appears remote, particularly in the absence of education/training and capital outreach. High rates of mortality are per se not discouraging as long as start-up rates remain high and multiple start-up capability is internalized in individual cases. Invariably however, poor choice of opportunity as influenced by resource constraint, is much of the battle lost in new venture creation, as far as micro-enterprises are concerned.

Initial Size and Growth Threshold

The second category of firms with 6 to 25 employees (66% of our sample and 67% of the national survey) represents moderate to high-growth opportunities. By initial capital employed in the higher slab of Rs. 1,000,000 - Rs. 3,500,000, 20% of national sample (33% of our sample, excluding low growth cases), these represent the potential 'growth zone.' Non-matching of cross tabulation with employment size reflects inter-industry variations in labor intensity (see Tables 1 and 2). Higher levels of education, matriculate and above, plus significant numbers of entrepreneurs with post-school technical education or college degree, are found in this cluster. The high-growth cases, also report grasp over marketing, via prior experience, training or the 'hard knocks school of discovery.' Thus, individual capability, as a factor, begins to exercise influence in this strata of firms. The social origins of entrepreneurs in this cluster also provide some evidence of sociological phenomenon at play. One set of entrepreneurs, belonging to socially ascribed lower status groups, appears to be motivated by the urge for status enhancement. A
second group consists of entrepreneurs originating from strata traditionally considered to be superior in status. For this group, choice of business careers appears to be a status defense mechanism in the absence or inability to obtain suitable jobs, commensurate with their family or social status in traditional society.

These firms are in industries where there is growth in demand and markets are developing, but competition is also becoming more intense. Stabilization and growth of these ventures can occur, provided the requisite managerial skills, ‘directing and directed labor,’ that is, human resource skills and quality of human resources, come into play. Business growth here can take several alternative paths: (a) the firm can remain a one-man-show, with the entrepreneur struggling to stagnate - “running harder to remain where you are” - unable to attend effectively to neither factory nor market, illustrated by Case 3, (b) a more humanistic management style combined with some family supervision as a transitory mechanism, can help the firm stabilize, illustrated by Case 4, (c) a human resource management approach can help stabilize a firm in its vulnerable phase and enable effective exploitation of a growth opportunity, as illustrated by Case 7. Cases 3 and 4 together represent same businesses but different management styles, in similar industrially backward, low-income environments. Cases 4, 5 and 6 together represent same location, different businesses and varying management styles.

A fourth type of firm, in this middle sized investment slab, is where the exploitation of high-growth opportunities has been facilitated by the placement of family members in functional managerial positions, the family management team. Here, too, there are variations. Take the case of Dinesh Shah, in the state of Gujarat in western India:

A chemistry graduate with a knack for experimentation, Shah started a small dye-stuffs unit with a Rs.50,000/- bank loan. With the business doing sufficiently well, he decided to go in for an ambitious new unit for H.Acid. To his dismay, there were some gaps in his technical knowledge. It was a near total loss and he almost went out of business. A chance enquiry brought an export order for 340 metric tons (MT) of black dye to be met in 4 months. The unit’s capacity was only 10 MT/ month. Shah mobilized the workers, his friends and family with the idea that “we either sink or swim together.” In these 3 months, the team actually lived in the factory. There were no holidays and no working hours. The order was executed and repeat orders came. After this, 15 days leave was given to workers and he also took them on an out-of-town excursion. Unlike the traditional approach, Shah feels that employees had to be treated as an asset rather than as a cost. The business depends critically on a core of highly motivated and committed workers, several trained by Shah himself. His retired father looks after office administration. Production is managed by one brother while another who is a practicing Chartered Accountant looks after finance related matters. An in-house R & D cell has been initiated. The firm also sponsors Ph.D. students in the University for research in Chemistry, particularly on non-toxic substitutes. Shah feels that without investment in education, research and training, he would not be able to compete internationally. The total investment is now $1.7 million with a turnover of $8.3 million. The firm is one of the leading exporters of dyestuffs and in 1995 successfully floated a public issue.

This case illustrates an enlightened human resource management approach, combined with family members in management functions. The case of Suneel Baxi, in the state of Haryana in northern India, illustrates high-growth opportunity exploitation with human resource management, without family management:
Baxi, a tool-room technician by training, produces sheet-metal auto components for manufacturers such as Eicher Motors, Maruti-Suzuki and Lucas TVS. Products meeting exacting Japanese standards at a cheaper price have been developed by his unit. The vendor rating is 99% and components have been developed with 0.1% variation in quality. As a manager, Baxi with one glance can see where work has been slow in the factory. He tries to practice an open system of management where everybody is his own boss and the focus is on team work. Except for one person, all the workers are raw recruits. This means spending time and energy on human resource development. When a mistake is made, instead of giving vent to anger or showing his authority, Baxi tries to treat it as a learning opportunity. The results are sincerity, pride in work, quality consciousness, loyalty to the firm and less need for control or supervision. Under the laws in Haryana, if a worker leaves employment on his own, he is not entitled to gratuity. But Baxi has paid workers who have worked in the lean periods also. This generates confidence and a sense of security in the others. He gives a good salary and provides incentives for not taking leave, etc. Monthly schedules are put up on the walls after a participant-driven decision-making process. If there is a fault in a product, they try to discuss the reasons for it. Influenced of course, by the “Japanese” culture of parent companies like Maruti-Suzuki, the workers have learnt to be quality conscious. They are disturbed if a batch is rejected, though there is no punishment for it. Production is now against stable orders. Baxi has set up a second unit. There is a plan to set up a plastic molding unit also, for in-house supply of a sub-component, being purchased from the market at present. According to him, in this line of business those who exploit labor are also the ones who exploit customers by compromising on quality and get orders through bribes. They never grow. Baxi was recently awarded the National Science & Technology Entrepreneur of the Year award and has a current turnover of more than $1.75 million.

The fifth type of business venture, which in our view has the maximum growth potential, is characterized by the presence of entrepreneurial teams. Representing 7.6% of our sample (n = 39), these cases have shown spectacular growth. Interestingly, two of these cases are located in two of the industrially most backward, low per-capita income states of India: Bihar and Orissa. Partnership firms have been shown to perform better elsewhere too (World Bank 1993 & NCAER-FNSt 1993). Our cases however, refer to entrepreneurial teams of three or more persons. These ventures with small beginnings have grown into diversified business groups. For example, K.P. Singh, in the state of Bihar in eastern India:

K.P. Singh and six other engineer friends got together with Rs.10,000/, each ($1,500/-) and started two businesses, a Precision Blanking unit, only the second of its kind in India, as well as a housing development company. The second business alone grew to a turnover of Rs.60 million ($2 million). Though the friends have parted ways now, the group turnover is estimated to be above Rs.200 million ($6.75 million). Singh has now purchased a fruit processing unit, apart from his construction/development company. The group built eight residential complexes and a mini-township, in a region where the earlier culture was for individuals to build their own houses.

A similar case is that of J.K. Rath, in the state of Orissa in eastern India:

While still an undergraduate science student, Rath made up his mind to do business someday. He realized that in an industrially backward, low per-capita income state, it would be difficult for an individual struggling alone. He thus teamed up with a

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1 Though it is unclear whether this is because of the presence of a team or a healthier capital base.
friend who was a commerce graduate. Later, two more engineer friends were roped in. On a very small scale, in a small rented room on the outskirts of town, they began manufacture of high-value-added specialized aromatic chemicals. Within 2 to 3 years they captured maximum possible market share at the national level. Moving next into fiber-reinforced plastics (FRP), they developed a market in eastern India, for a wide range of FRP applications: water storage tanks, engine covers, boats, etc. They are now fabricating ocean going steel vessels. The group has also entered the manufacture of electronic telephone exchanges in a joint venture with the state government. Even trainee engineers or managers are recruited with the understanding that they could achieve a stake in the group, or even hive-off independent businesses, should the entrepreneurial zeal be there.

The typology we have attempted to describe above can be conceptualized in the form of a model (see Figure 2). A great number of the micro-enterprises are in the lower left quadrant—low growth opportunity/low human resource. The variation here is that some firms, in a low to moderate growth opportunity zone, can stabilize with the help of family supervisory resources. A moderate to high-growth opportunity can be effectively exploited after stabilization through family members as part of the managerial team (lower right quadrant)—as against family labor or partial/transitory supervisory use of family resources. However, the family management team can also constrain effective exploitation of a high growth potential opportunity beyond a point, due to the need to retain close control, emotional boundaries etc., as is well known. A one-man-show (entrepreneur-owner-manager) combined with human resource management (HRM) practices can have a multiplicative effect, not only in stabilizing the business, but also...
enabling effective growth. The ideal of course, is the entrepreneurial management team (upper right quadrant). Effective division of managerial effort in this case can successfully exploit even moderate growth opportunities, as a base from which to diversify. This particular HRM typology can reduce the problem solving time in operational, day-to-day business matters. It also enables the business organization to behave more strategically, with better scanning of the environment for potential high-growth opportunities, as well as for possible threats to the current business. The difficulty of getting together a team, not to mention an ideal team, as anyone with business experience will testify, means that such an organizational form is found rarely.

The dotted diagonal “G” in the cuboid of Figure 3, can be considered an idealized index of the base potential for growth of a venture, at a given point in time. For a firm characterized by an entrepreneurial management team, base potential for growth is obviously high. Degree of deviation from line G, the ‘corridor of growth,’ will bring variations in growth performance. Extreme deviations from the ‘growth corridor’ indicate non-entrepreneurial zones, or situations wherein human resources or opportunities in isolation, i.e. by themselves, in the absence of resource access, mean nothing. In a dynamic perspective two possible growth paths have been indicated, along which firm’s would cluster (see Figure 4). A one-man-show with the multiplicative effect of a human resource management orientation, can be developed into a dynamic organization approximating the behaviors of an entrepreneurial management team, described above.
A family managed venture can also be developed into a high-growth one, if professionalism can be effectively brought in.

The highest investment slab, approaching medium-sized firms, is a significant threshold. In this third category of firms, it can be inferred that the sheer size of the promoters-own-equity required would deter the number of new entrants. It could significantly discourage the first generation, first-timer new entrant. This has extremely significant implications from the social transformation point of view. At this investment level, resource barriers would favor start-ups from the ‘catchment zone’ of those already privileged, in a given society (Thakur 1991). This is borne out from our sample distribution of cases, the number of firms in the highest size group is significantly lower, both by quantum of investment and number of employees. At this level, financial strength could, to some extent, enable the ‘creation of competencies’ and the relevant management capabilities or systems could simply be purchased, hired or installed.

**Entrepreneurship, Venture Stabilization and Human Resources: A Model**

An entrepreneurial venture in the sector we have examined, in the early stages, tends to be essentially a one-man-show. In fact, 89.5% of small enterprises in a recent national
TABLE 3  Agewise Distribution of Firms

<table>
<thead>
<tr>
<th>Years</th>
<th>No. of Firms*</th>
</tr>
</thead>
<tbody>
<tr>
<td>3–5</td>
<td>23</td>
</tr>
<tr>
<td>6–10</td>
<td>9</td>
</tr>
<tr>
<td>11–16</td>
<td>8</td>
</tr>
</tbody>
</table>

*Excluding less than 3 years old

level survey reported that the “entrepreneur-owner was himself carrying out all the managerial functions,” including routine activities (NCAER-FNSt 1993, p.134). This may of course, simply reflect the preponderance of tiny units within the small enterprise sector at any given point in time. In the absence of firm level growth data, whether the ‘bigger’ small enterprises grow from tiny origins or are relatively larger from the start itself, remains unclear in the survey. These 89.5% of firms are, of course, not necessarily all high-growth firms. In fact, they account for less than 25% of the total production in the small enterprise sector. The purposive element in our study and the sampling bias thereof, has thrown up cases which display a different typology (see Tables 3 and 2). There is evidence that the ‘bigger’ small enterprises tend to be older ones—10 to 15 years old—suggesting that they originate from the middle size slab identified above. Our sample of case studies also provides support for such a view.

“The entrepreneur-manager at the end of the day is left with little or no time to plan ahead, analyze business and monitor it well. The problems are tackled as and when they come up” (NCAER-FNS 1993). Most commonly, in field observations, the entrepreneur himself obtains raw-material supplies, supervises production, goes to the market to obtain orders as well as to collect payments. All this, while interest on the loan is accruing from the day of disbursement. The duration for which credit has to be extended to the buyers, is almost always more than the initial calculations. Initially, raw-materials are almost always obtained against cash payment. Often it is the case that the entrepreneur is unable to attend satisfactorily to any one of these areas. (If you meet an entrepreneur at this stage, you may feel lucky that you have a job!) Not surprisingly, sickness is found to be common in newer firms of up to 3 years old. Factor and product market imperfections unfavorable to the small new firm can present highly adverse thresholds and barriers to mobility (Patibandla 1993). With macro-economic policy favoring heavy-industry led growth, even support programs for small firms can create access barriers to limited resources (Mead 1991). It may also spawn low productivity and ‘leakages’. Imitative entrepreneurship based on technology imports would favor larger established firms too.

Identifying a growth opportunity is said to be a large part of the success in new venture creation (Megginson et al. 1991). However, effective exploitation of growth opportunities requires putting capable systems in place. On one hand, resources (usually scarce) are required for the creation of effective organizational form. Although on the other hand, a rudimentary structure is necessary to generate the resources. This in fact, is the vulnerable phase of new venture creation. In generating the ‘sweat equity’ to bridge this gap, new ventures often fall back on rudimentary structures borrowed from the family and its resources. In its absence, several organizational possibilities present themselves to view. In this phase, it is less a matter of applying management skills and more a matter of discovering the skills required to manage for survival. The classic work of Edith Penrose on the growth of firms clearly recognizes the importance of managerial
slack as a crucial factor in firm growth. How limited managerial time and resources constrain a firm’s growth or its strategic capability is known too. But there is surprisingly little data on how entrepreneurs could overcome such constraints. In the prescriptive literature on small enterprise management, this is described as the “delegation crisis” (Buchele 1967). However, in a developing country context, the term “delegation” is an oversimplification. Entrepreneurs often report theft and fear of theft as a serious problem in going for night shift production, for instance. With large portions of the population below the poverty line, ‘trust’ is not so easily established in the non-traditional idiom of business culture. Whom does one delegate to? A manager, family member, near kin, friend or employee?

To bridge the vulnerable phase of new venture development requires the creation of a self-sustaining enterprise. Mobilizing commitment to a new venture idea, coupled with resources and capability for opportunity exploitation, is the core process. The first task in this, in our observations, is to make the production unit relatively self-managed. This is the first stage in the structural elaboration of organizational form in a growth venture. For the predominant majority of firms managed by the entrepreneur-owner, the crucial aspect here, is that of finding or developing the appropriate human resources and strategies for managing the same. We have found case after case illustrating this phenomenon (see Case 7 in Appendix A).

The familiar practice of poaching workers from other units on payment of transfer costs and higher wages or obtaining them through the machinery suppliers is common. But this is not always a successful strategy, nor one that has worked for long. A more workable solution has been the discovery of the strategy of recruiting raw labor and investing in their training and development. They may also leave, but human resource management skills could make a difference, in retaining and motivating the work force to sustain the enterprise in its vulnerable phase. Even where skilled personnel are required, often it is the fresh diploma-holder who is preferred, despite the lack of experience. The returns on this investment take the form of trust, stability, commitment, a concern for quality and an internalization of the goals of the firm. This may mean working beyond hours, on holidays if required and other ways of facilitating managerial flexibility, including sometimes, delay in wage payments. Other investments include distress aid, advances, loans, gifts, rewards for performance, etc. This is not to paint a tinted picture of labor relations in the small firm or the growth venture, in the parlance of the ‘poor cousins’ and the ‘happy family’ analogy. To be sure, a study of labor turnover (usually high) in small firms reported that only 14% of the sample firms were free of this malady (Rao 1993). The reasons cited were (i) satisfactory wage and salary (ii) sympathetic understanding of employee’s problems and appropriate remedies and (iii) assurance of job security. Interestingly, both employers and workers, in this study, agreed that close supervision was not a solution. Employees stressed the importance of sympathetic and understanding supervisors.

Field observations and pattern matching of case data suggest, that the leadership style in the stabilized growth firm is characterized by an approach which incorporates a modicum of human ‘empathy’ in workplace relations and outside of it. This essentially means sensitivity to the individual’s needs, at both the physical and psychological levels. This style may be characterized as having shades of both, what has been called the ‘consultative’ type as well as that of the ‘benevolent autocrat,’ in the organizational behavior literature. Encountered as the archetypal ‘elder brother’ figure in the Asian context, it can also be described as the ‘nurturant task leader’ style (Sinha 1981).
It is only with production requiring relatively less direct supervision, that the entrepreneur is ‘released’ to devote more attention (time) to selling, market development and following up on payment collections (resources). These are strategic areas of enterprise management from the point of view of survival and stabilization. In fact, the liquidity crisis commonly reported as the primary cause of sickness in small entrepreneurial firms is partly certainly due to inadequate availability of working capital finance. But it is also in our view, partly a crisis of general management, manifesting as cash flow problems. The creation of a smoothly functioning business system is a somewhat more complex task than the term “delegation” may indicate. Effective human resource management to deal with ‘routine’ business tasks in ways that do not require frequent conscious direction, is only one aspect. One can extend the meaning of human resource management, to include mobilizing commitment to organizational goals from persons outside the enterprise as well. This implies bringing the new venture to a stage where stable boundary relationships have been built up. This makes it possible for the entrepreneur, without constant interventions, to ensure a smooth cycle of inflow of raw materials, orders and cash. This is what is meant by a relatively stabilized self-sustaining enterprise (see Figure 5, center).

Two levels of activities or decision-making which typically occur in an entrepreneurial firm have been traditionally identified: the tactical or the ‘routinized’ operational level and the ‘entrepreneurial’ or strategic level. The first, refers to activities involving the day-to-day operations of an enterprise. The second, refers to activities which may take the form of a fundamental or structural response with a bearing on the long-term prospects and identity of the firm. At the pre-start-up stage, entrepreneurs typically engage in activities classified as being strategic in nature. The exploration of various
opportunities and their examination from the viability point of view, is an illustration of such activities, which are more conceptual in nature. Subsequent activities could be called tactical. These include securing of finance, location, purchase or construction of physical facilities, ordering machinery, contacting raw-material suppliers, developing the prototypes, etc. Effective managerial capability, with regard to human resources in particular, could determine at this stage, the extent to which the entrepreneur can move from the tactical to the more strategic areas of activity. In as much as entrepreneurship comprises ‘directing and directed labor,’ firm growth is a question of the effectiveness with which the entrepreneur co-ordinates the movement between the strategic and tactical arenas of enterprise management. In a sense, the entrepreneur has to separate the managerial aspect of his role and engage it in operations. Role clarity and stress is, thus, an important dimension of firm growth in a typical one-man-show unit. The option is to establish complementary managerial mechanisms of the kind described in the human resource typologies above. Directing labor has to direct its own labor, too!

Initially, from the survival point of view, strategic considerations may mean looking at marketing, developing the appropriate sales and distribution networks and managing adequate cash-flows. With sustainability established, such strategic activities may engage the entrepreneur, which may take the venture on a high-growth path and allow for possible diversification. These activities may include, capture of significant market share, exploration of greenfield markets, expansion of production capacity, infusion of better technology, expansion of product range and diversification of business itself. In the course of new venture development, the human resource aspect may seem strategically less important to the casual observer. But in our observations of the entrepreneurial firm, in fact, it appears as the central feature—that which enables a strategic perspective top be maintained—facilitating stabilization and creating conditions for growth to occur. It could determine the extent to which an entrepreneur can bring a venture to a self-sustaining stage, taking it across the ‘gulf of vulnerability,’ as it were, to create the conditions necessary for growth (see Figure 5). It is through such mechanisms of ‘stretch and leverage’ that the entrepreneurial role, as a bearer of uncertainty and concomitant risk, is ‘released’ for information gathering and growth. However, this is not to overemphasize the supply side of new venture management. At least one case was found, of a pharmaceutical salesman-cum-entrepreneur, who, with markets and customers in hand, was simply hiring out production from the excess capacity of established manufacturers. This is not the common case however, and it is specific to the regulatory regime for an essential commodity. Of course, a disaggregated analysis would reveal, at the industry level, the influence of factors on the demand side, on firm growth. The role particularly, of inter-firm linkages and the nature of competition could be significant. This however, is beyond the scope of this essay at present, as the data is under process, although the substratum of explanatory logic for venture growth remains that of opportunity choice.

POLICY IMPLICATIONS

The argument for small new ventures in developing countries lies in their positive employment effects, in terms of both the entrepreneur, earning more than the average lower middle class wage, and the labor he or she may employ. The claim rests on the presumed better efficiency of factor use in small enterprises, (surplus) labor in particular. Since the 1970s and the 1980s in the developed countries too, new firms are acknowl-
edged as being vital to an economy. The outlook for an individual new firm, however, can vary. High rates of sickness and mortality are also widely reported. Are these firms however, to represent merely alternative employment for the entrepreneur and labor, creating indirect effects in the economy, but rarely becoming the locus of significant new wealth creation in society? Small firm start-ups are thought to play a significant role in widening the entrepreneurial base of a given society. It is an important expression of social mobility as well as structural change, in a developing country context.

The small enterprise sector broadly appears to have a multi-layered, plural structure. At the micro-enterprise level, limited resources can restrict choice of opportunity to low growth ones. These represent a bad business idea, subsidized by family resources, including labor—the true self-employment cases, or self-exploitation at a low level equilibrium. There could be a middle ‘growth zone’ where higher investment size widens opportunity choice. This slab represents the seedbed for firms with high-growth potential and merits the focus of policy makers or promotional agencies. The strategic behavior of these firms could yield valuable insights into the leadership style and managerial heuristics of how ‘sweat equity’ is generated in growth ventures. Technical efficiency also appears to operate within a ‘middle zone,’ rising with size up to a point then either declining or showing no significant trend (Little et al. 1987). There is a significantly sharp decrease in the number of firms in the third or highest investment slab, approaching medium size. At this level, the size of the margin money or promoter’s equity required from the potential entrepreneur would limit both the number of new entrants and their catchment sources. Particularly, in the absence of developed venture capital markets. From a social transformation point of view, this may not be the desirable outcome. This would render weak the case for complete withdrawal of countervailing state assistance in industrially backward regions, which would favor those already advantaged.4

The case of the ‘missing middle,’ that is, the infrequency of occurrence of medium-sized businesses within the population of firms, is familiar to observers of industrial organization in developing economies. This is in contrast to the ‘Mittelstand’ in Germany or the medium sized firms of the ‘third Italy,’ considered to be the backbone of these advanced economies. In India, the ‘bigger’ small firms approaching medium size, though much fewer in number, have a disproportionately higher share of manufacturing output and value addition in the small enterprise sector. These firms tend to be relatively older ones, and our findings suggest that they originate in the middle growth zone of the size distribution of firms in the small enterprise sector. Interventions related to awareness or information, management training, advisory services and credit infusion, at appropriate venture stages, could be of considerable relevance for these firms. Institutional innovations such as bill discounting and factoring services, though not immune to misuse, could also cushion the ‘liabilities of newness and smallness’ for new entrants vis-à-vis established larger firms and ease mobility barriers for these ventures. Supply-side interventions and corrective protection for small firms in the controlled economy era yielded mixed or limited results in India and elsewhere (Hussain 1997). Elaborate support systems functioned in the backdrop of macro-economic policies which favored ‘heavy industry led growth.’ Bureaucratization created rent seeking leakages, dependency syn-

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4 Note the recent experiences of post-socialist economies with the nomenclature, former security personnel and black marketeers.
drome and high levels of ‘engineered insolvency.’ However, in a liberal and globalizing economy, with the diffusion of information technology and other flows, high-caliber support interventions for target strata of firms could assume renewed significance.

CONCLUSIONS
The human resource aspect, of course, is central to the entrepreneurship phenomenon. The coupling of dormant human energies with scarce material resources, in generating significant new wealth in society, is the chief claim for new ventures. This paper takes a cue from Badeau’s notion of the entrepreneur as ‘a leader of men, manager of resources, effectively managing productive operations and an innovator of ideas,’ Say’s emphasis on the ‘industry function or the role of labor in the productive process’ with its stages of ‘knowledge, application and execution,’ Schumpeter’s distinction between ‘directing and directed labor’ in the entrepreneurship process and the formulation of Penrose that growth of the firm depends on the ‘release of managerial services.’ Indeed, “in many respects the rational and methodical management of labor was the central management problem in the industrial revolution, requiring the fiercest wrench from the past” (Pollard 1965, p. 161). Building on the threads above, this paper has examined an aspect of entrepreneurship hitherto somewhat neglected in research. A typology has been described of the mechanisms by which managerial services are released to optimize the entrepreneurial function, during the formative stages of a venture.

Emphasis has been placed on the analysis of human resource management capability at two levels. Firstly, the elaboration of rudimentary organizational structures while simultaneously building boundary relationships, in stabilizing the new venture. And, following from this, the entrepreneur’s management of self as a human resource, in terms of role clarity, leadership style and maximizing engagement in the strategic arena of enterprise management. Facility of movement between strategic and operational domains will influence venture stabilization in the vulnerable phase, and subsequent growth. To the extent the entrepreneur dwells in an enlarged strategic space or horizon, greater will be the intensity of information gathering and other uncertainty or risk reduction activities, as well as opportunity sensing and exploitation, for survival and growth. The forging of mechanisms by which the entrepreneurial function is optimized in opportunity exploitation, mobilizing complementary human resources, under conditions of resource constraint, has been highlighted.

Classical thought identified creative opportunism or innovation as one of the main attributes of the entrepreneurial role. Resource mobilization and coordination ability are the additional requirements. As the popular mythology goes, the proverbial entrepreneur not only gets a bright idea, but also moves heaven or earth for the resources required and then successfully ‘manages’ to exploit the idea. In our view however, this places an excessive burden of history on the entrepreneur and seriously limits the natural supply of this crucial agent of social transformation. Contrary to conventional wisdom, we infer that opportunity choice is itself constrained, in the first place, by resource access barriers. Resource access and opportunity choice together, operate as the twin fundamental constraints, which, given managerial capability, define the growth potential of the firm. Within these constraints, managerial capability in devising mechanisms
by which the entrepreneurial role is released, becomes crucial to the entire process of creation, survival and growth of new firms.

Expressed symbolically,

\[ IG = f(N, FG, x) \]

Where,

- \( N \) = Number of New Entrants
- \( FG \) = Firm Growth
- \( x \) = other factors; indirect effects
- \( IG \) = Industry Growth

Further,

\[ FG = f(RA, OC, MC) \]

Where,

- \( RA \) = Resource Access, that is, margin money (promoter’s equity); credit
- \( OC \) = Opportunity Choice, that is, demand and supply gaps
  - price differences (inter-regional), technological substitution
    (existing), innovation (novel)
- \( MC \) = Managerial Capability, that is, time spent in strategic domain

Economic models do provide comprehensive explanations of development based on macro factors such as savings, capital formation and inter-sectoral transfer of labor. These however, do not always capture the political economy aspects or the larger social transformation dimensions of a traditional society based on ascription and characterized by occupational and status immobility. These ascriptive barriers could be based on economic class, caste, religion or regional differences or combinations thereof. The resource access dimension cannot be underemphasized from two angles (i) if the consideration is to ‘widen the net’ for sources of entrepreneurship as well as increase the number of new entrants (N), and (ii) widen the range of opportunity choice, that is, growth potential (FG). Penrose, somewhat ambiguously, notes the problem:

> It is, of course, true that ‘capital-raising ingenuity’ is the most easily recognized by it’s results, for it is difficult to say whether a given entrepreneur possesses the ability to raise capital if he has not yet demonstrated it by raising capital. Therefore it would not be very helpful, even if true, to say that small firms fail to raise capital because they do not have the ability to do so, and I do not mean to argue in this way (Penrose 1959, p. 38–39).

Further, she quotes, in a footnote to the same passage, a contemporary management consulting firm: “Thus the size of the capital requirement is not in itself a barrier if a genuine opportunity exists. The larger the amount required, however, the smaller may be the number of prospective entrants who will be able to gain the confidence of investors, . . .”

To underscore the above, it is worth describing, in the present day context in India, the spectacular growth, within the lifetime of the entrepreneur, of Reliance Industries Limited (RIL). It’s founder, Dhirubhai Ambani, while working as a gas station attendant for Shell, in Aden in the 1960’s, as the legend goes, visualized the potential for
an integrated petrochemical, textile and energy giant in India. With no money however, he started his business career as a petty yarn trader. He then entered textiles, outsourcing manufacturing from thousands of dispersed powerloom operators in the informal sector. Along the way, Ambani practically created in the 1980s, the public market for money and the ‘equity cult’ in India, circumventing banks and term lending agencies, which symbolized high cost and inaccessibility of capital. Starting with a modest public share issue in 1977 of $3.5 million as a textile firm, the RIL group pioneered the use of convertible debentures in India. It is now worth $5.4 billion in assets and a market capitalization of $6 billion, with a sales turnover of $2.25 billion. For ten years in row, a growth rate of 15% has been maintained. More interestingly, with 2.6 million investors, RIL has perhaps the single largest dispersal of stock owners in the world. It also became in 1997, the first Asian corporate ever, to successfully launch a 100-Year Yankee Bond issue worth $100 million in the U.S.A. Today, RIL occupies first rank in profits, second in turnover and is the third largest corporation in India in terms of assets. It is also the lowest cost producer of polyester globally, the largest producer of paraxylene in the world and is setting up the largest ever petroleum refinery, headed towards the Fortune ‘Global 500’ list of companies. It would be interesting to examine in this regard, the changing composition of business ownership in India, particularly the origins of new entrants, since the economy began liberalizing in 1991. Thus, the resource access variable in the model above is one where modifications could have significant influence in several directions. In fact, this may be an important factor in the disproportionate proliferation of the services sector, in the top underdeveloped economies, relative to industrial development, due to lower entry barriers for service businesses.

In one way or another, entrepreneurs universally give expression to the need for status enhancement: “Then there is the will to conquer: the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of success itself” (Schumpeter 1934, p. 93). The overall process of entrepreneurship can also be modeled in terms of ‘push and pull’ factors bringing opportunities and individuals together in firms entering the business arena. Sociological factors and the role of individual psychological motivations at the firm level, have not been incorporated in the formal model above, as the data is under process. The inferences based on field observations can, however, be described: At the micro-enterprise level, it is more a case of push factor entrepreneurship, triggered by distress, poverty and lower status. In the middle size zone, both status enhancement, the natural motivation of all entrepreneurs, as well as status defense appear to be operating. It can be described as the ‘repositioning’ of the middle and upper strata of a traditional society, where the basis for power and status structures have been disturbed by democracy, accentuated by a liberalizing economy.

For individuals with membership in groups characterized by relative status deprivation, entrepreneurship is only one of the many vehicles for social and occupational mobility. These individuals often display considerable status ambiguity. Several cases were found of successful entrepreneurs continuing to simultaneously try for a ‘respectable’ government job or a higher education degree, particularly in regional milieu where business is still not perceived as a ‘superior’ activity. Where lower social status and economic class combine, mobility finds expression in a wide range of occupations. However, it is in the cases characterized by relative economic prosperity but lower social status, that

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5 Business Standard 1000, India’s Corporate Giants, November, 1997; Business India, January 1998.
entrepreneurship tends to occur, as far as lower status groups are concerned. Many instances were found, of engineering educated entrepreneurs who, as sons of traditional petty traders or village shopkeepers-cum-moneylenders, were inclined neither towards the family business nor salaried jobs, but wished to do something ‘modern’ in an industrial sense.

Status withdrawal, following Hagen’s theory of social change, was also found to be an important trigger for entrepreneurship. However, the time lag between the two events was found, in many instances, to be much shorter than the several centuries of ‘incubation of shame’ visualized by Hagen (Kilby 1971, chapter 6). As a trigger, status withdrawal appears to operate as much at the level of immediate, i.e., the same or next generation, personal or family circumstances for approval seeking, as it does for social groups as a whole. Although, evolving long-term influences cannot be underestimated. More interestingly however, the threat of ‘imminent’ status withdrawal appears to be an immediate push factor for entrepreneurship, for individuals with membership in groups traditionally enjoying relatively higher social and economic status. A number of cases were found of ‘upper caste’ individuals belonging traditionally to priestly, warrior or land-owning groups, being pushed into business careers, in the absence of alternative employment avenues; particularly, jobs with the status and income levels equivalent to those held by their fathers. In those instances of entrepreneurship, where status is a non-issue—by virtue of an individual’s social background, position in the family, education and capability, favorable job prospects or attainments—it is primarily a case of individual restlessness and creativity of the classical kind: “Finally, there is the joy of creating, of getting things done, or simply of exercising one’s energy and ingenuity” (Schumpeter 1934). In terms of the influence of social role models and value systems, a theory of entrepreneurship has to incorporate changing values consequent to the deep and wide penetration of the electronic media since the 1980s in India and the ideological disarray, globally, of contending social frameworks, in the same era. The sociological perspective could have continuing relevance in an examination of ethnic or minority entrepreneurship in the advanced economies as well.

This paper has tried to advance—through a partially developed formal model which describes the complex ‘web of dialectic’ at the interface of (1) Growth of the Firm(s), (2) Growth of the Economy, (3) Individual Mobility and (4) Social Transformation—an integration of entrepreneurship phenomena as a link between these dimensions. Schumpeter observed, that in the normal course of things the ‘circular flow of economic life’ is complete. He hinted that opportunities could arise from imperfections in the circular flow (Schumpeter 1934, p. 31). These imperfections in turn, when combined with entrepreneurial ingenuity, result in the release of material resources for redeployment in novel ‘combinations,’ in the process of economic development.

We have argued, that left to natural devices, the release of resources from the existing circular flow of economic life, for new combinations, could be a slow and painful process. There could be a case for ‘engineered imperfection’ in the form of a continuing role for countervailing state assistance in the absence of developed venture capital markets. The widening interest in entrepreneurship world-wide, partly reflects the erosion, to some extent, of the hiatus of mistrust predicated on the polarities of the colonizer/colonized, haves/have-nots or capital and labor. It is an acceptance, of the utility of an arena for differential reward for creativity, effort and uncertainty bearing, and the distinct possibility of mobility in modern society. If the underlying notion is a broadening
of the channels by which entrepreneurial capabilities are brought into play, in the economic life of societies, then there could be some cause for concern on inequity criterion. A satisfactory theory of entrepreneurship has to find the middle ground, between the compulsion of the ‘social fact’ on one hand, as Durkheim put it, and the influence of individual or ‘human action’ on the other, as Mises emphasized.

APPENDIX A

Case 1: Sujata Ray, Gayatri Knitting & Stitching, Orissa.

Sujata wants to do business on a larger scale. But trained workers are difficult to get. Her family members have helped. But over all demand is low. There is competition from cheap Tibetan (refugee) pullovers. During the off season she has started a training center, after a second machine was bought in 1990. Stocking up on wool requires working capital. Renting a sales counter in a market is also beyond her means. She wants to buy a punching card machine which can enable better designs. Business has been
growing steadily, meanwhile the sole breadwinner of the family died in 1991. The family is continuing to stay at the government quarters allotted to her late father on humanitarian grounds as several of the children are still in school. Sujata dropped out after 10th class. One brother is about to complete college.

Case 2: Usha Rani Baishya - Angita Candles, Assam.

Usha Rani’s younger brother, a commerce graduate, could help in all the paper work. She often switches roles with him, alternating between production and marketing. He has received payment in kind from his sister. Now he is setting up his own spice grinding unit with Usha Rani’s help. There are 85 to 95 candle-making units in Assam state with 30 in the town itself. Because of power shortages and load-shedding there is sufficient demand for candles. Candles are compared on the basis of weight, quality and price. The earlier experience of selling handloom fabric woven at home door to door, helped in the hard work of gaining an entry in the local market. Usha Rani got orders almost immediately. In 1991 and 1992 candles were sold in the neighboring state of Meghalaya and traders started visiting the unit for supplies. Usha Rani’s school-age son sometimes deals with them. She is now looking for an industrial shed or at least a concrete shelter to shift from the current make-shift shanty on a hillock behind a residential area. There are two core employees, while others are hired on contract when needed. Her husband is an industrial worker.

Case 3: Manoj Bhattacharya - Star Printers, Assam.

Managing labor has been a serious problem. Labor has to be trained at the unit after which they leave for another press. There is often absenteeism for 3-4 days after salary day. It is not easy to turn out a worker either, because of labor laws. There is the All-Assam Union of Printing Workers. There is no union in the press . . . . over the past 5 years and there has been only one core employee. Manoj cannot depend on the assistant he has recently hired either. But a new person knows even less. Manoj is often not able to get away from the press as it requires his close supervision. If out, he worries about what is happening back at the press. A younger brother who is an engineering graduate used to occasionally look after the press in Manoj’s absence. But the business does not have scope to employ both the brothers full-time. Initially (1986 to 1987) there were two employees; in 1992 and 1993, there were eight to nine employees. This includes a full-time accountant and proofreader. An additional 10 to 20 laborers can be employed in the busy season, on contract. The market is expanding, but there is local, state and regional level competition—500 local and 1,000 units in the state, and businessmen from as far away as Calcutta can bag lucrative government orders through contacts or the ‘invisible hand.’

Case 4: Anup Bhatt - Shri Gyan Printers, Uttar Pradesh.

Initially there was a lot of labor trouble, as they were very moody. But Anup himself does not feel like working on some days. Therefore, he does not feel the need to force people to work and has never sacked anyone. He pays the workers well and keeps them happy. Anup made marketing his specialization, while his mother began to supervise production in his absence, as home was nearby. Anup is a soft spoken person who empathizes with the labor and is not afraid to soil his hands. Initially hardly any customer
turned up and there were no orders. The workers became restless. Anup now started from one end of the locality and began calling on each and every shop. He also visited each government office with a resolve to fetch orders for visiting cards, if nothing else, once he entered a building. After about 4 months from the start of the business, money started coming in. The workers became busy and the mother was able to look after production. Now she occasionally checks up on progress over the phone. Meanwhile, Anup has installed two personal computers in his home and started a desk-top printing unit. He wants to add an offset press, but is cautious so that a heavy investment is not made in a machine which may become obsolete.

Case 5: Chandra Bhan Singh - Saraswati Plastic Works, Uttar Pradesh.

“No matter what you do, labor does not work.” Managing labor has been difficult even when Chandra Bhan Singh brought boys from his own village. Later on an experienced craftsman was found. Nothing seemed to work. After attending a 2-week management training program, he admits that he is handling labor better. He has learned something about how to motivate them, provide incentives, etc. Most of them are now working on piece-rates. In 1992, for 5 months there was no labor and he almost gave up. He had to handle the machines himself and even thought of taking up some job. Chandra Bhan is tough by nature as well as by the reputation of the district he originates from. He resisted the “tax” demanded by local hoodlums. Payment collection is so difficult that he has even got into fisticuffs at times. One of his brothers has joined him in business, while Chandra Bhan supports other brothers’ education.

Case 6: Mamta Mittal - Aveetee Electronics, Uttar Pradesh.

Mamta had set up Aveetee Digitals, as a partnership with a lady friend. It all started out with Mr. and Mrs. Mittal both being ardent electronics hobbyists. This grew into a small but reputable hobby-cum-training center. Some of the products assembled by the students could be sold. After several years, Mamta decided to go into the business of assembling and developing versions of Digital Electronic Display clocks. Initially, Mamta and her partner did the soldering of circuits themselves. This gave an idea of how much output to expect from workers. Later, eight to nine skilled workers were employed. There is also a carpenter to make cabinets, one sales person and a watchman. If necessary the team works the whole night, with Mr. Mittal also lending a hand in painting the logo on the components with a silk screen. A nagging problem was that workers did not work without direct supervision. When work does not get done or output is slow, Mamta becomes very angry and does the work herself, in a mood to dismiss workers. Mamta looks after correspondence, marketing, purchases and manufacturing. Payments from institutional buyers/government is very slow, because Mamta is not always able to go out. Sales turnover has remained around Rs. 500,000 every year. “I appoint honest workers though they may not be very hard working, because I have to look after home and business both.” Mamta wants the business to grow, but does not wish her family to suffer as a result.

Case 7: Satyanarain Gupta - Yashika Engineers, Rajasthan.

Immediately after starting commercial production, this wiremesh weaving unit began facing difficulties on almost all fronts. Skilled and reliable labor proved difficult to get.
The machinery was not working to the desired accuracy. The product also turned out to be of uncertain quality. Gupta went to local hardware shops but in the initial 6 months found it difficult to sell. Meanwhile the labor ran away. Initially, skilled labor was brought from Delhi through the machinery suppliers, on payment of advance amount. After sometime this labor vanished. Gupta then had to directly bring labor from Anand Parbat and Wazirpur industrial area in Delhi, again on payment of Rs.5000/- to Rs.6000/- cash advance. Once more many problems were encountered. The labor would idle, if not run away, give low production at night and the unit could not go for 24 hours production. Gupta decided to recruit raw local labor from near his village and train them up. Initially they earned Rs.400/- per month. Now they get up to Rs.2000/- to Rs.5000/- per month. The Delhi manufacturer advised him to give the workers advances, loans and gifts of up to Rs.10,000/- at a time. Being indebted, they keep working hard and remain tied down. They have been provided living quarters in the factory compound itself. Since mid-1992 the unit has had no major problem with regard to labor. In fact, Gupta no longer needed to visit the factory everyday as most of the production problems could be solved over the phone, earlier he had to spend 12 to 18 hours at the factory as a routine.

REFERENCES


