

**Growth of Micro Enterprises in
Clusters - Assessment
Of
*Potential and Performance***

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March 2011**

Growth of Micro Enterprises in Clusters - Assessment Of Potential and Performance

**This handbook is prepared for use in training
programmes under various subjects on Rural
Development and Panchayati Raj**

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Foreword

Development of income generating activities / micro enterprises by youth, farmers, etc. in a systematic, productive and profitable manner plays an important role in changing the economic scenario. Development of micro enterprises in clusters is an important component under Swarnjayanti Gram Swarozgar Yojana. Development of sustainable livelihoods through institutional building by rural poor has been given sufficient emphasis under National Rural Livelihoods Mission. This book has been prepared to highlight the important steps and sequences to be followed in the development of micro enterprises inside and outside the activity clusters. Content of the book is based on presentations made in the training programmes held in SIRD, Assam.

Growth of Micro Enterprises in Clusters – Assessment of Potential and Performance

What is a Cluster ?

A Cluster can be defined as a sectoral and geographical concentration of enterprises, in particular, Small and Medium Enterprises (SMEs), facing common opportunities and threats.

Thus a Cluster is not merely a physical existence of a group of firms but it is the chemistry of their relationship that characterizes the differences.

Small and Medium Enterprise (SMEs) Cluster Dynamism:

There is a wide growing body of evidence from both developed and developing countries to show that groups of Small and Medium Enterprises (SMEs) clustered together are better able than SMEs considered individually to grow rapidly, upgrade their skills, improve their productivity and technology , develop product niches , and gain access to distant markets. Their collective efficiency as a cluster exceeds that of individual enterprises.

A cluster is defined as a local agglomeration of enterprises (mainly SMEs, but often also including some larger enterprises) , which are producing and selling a range of related or complementary products.

But there are also many Clusters which are less specialized and developed than this.

Strengths and weaknesses, challenges and opportunities , of the Cluster:

1. The Current strengths and weaknesses of the cluster can be identified in the following matrix :

	Market s	Technology	Inputs Available	Innovative Capabilitie s	Skill s	Business Environmen t
Strengths						
Weakness						

2. Analyse the future scene (challenges and opportunities to be faced in the next few years) by building up for the cluster the following matrix , taking into account the business segment in which the cluster operates :

	Markets	Technology	Inputs Available	Innovative Capabilities	Skills	Business Environment
Strengths						
Weakness						

The Cluster :

The diagnosis of a cluster thus explores the challenges and opportunities confronting within SMEs. It essentially studies enterprise, inter and intra-enterprise processes and the governance framework of a Cluster

The process of Cluster diagnosis involves :

- An analysis of the business segment in which the cluster operates.
- Interaction with other SMEs and large firms who have business relations with SME firms in the Cluster.
- Interviews with other institutional actors.

- An appraisal of SME strategies and, the nature and strength of business relations in inter firm organizational structure.
- Identification of gaps in service offered by institutions along the supply chain.
- Diagnosis of challenges and opportunities and necessary cluster organization.

Key notes:

- Understanding the current performance of an enterprise should not be confined to the numbers- turnover and profits.
- Performance Audit examines the inherent strength / weakness of an enterprise from marketing , production and financial angles.
- Market Audit explores the extent of understanding that an entrepreneur has in terms of the customers , the competitors and the environment . For , such understanding is a prerequisite to logical / sound decisions on product attributes, product mix, packaging , pricing and other market- related decisions.
- The performance of a business from production angle could be assessed in terms of capacity utilization of various factors of production , input -output ratio , product quality and extent of wastage- all to be compared against industry standards.
- Financial Audit involves exploring the extent of and causes for profit problems and cash problems. The strength of financial control system (irrespective of sophistication) needs to be examined.

- Once the performance audit is carried out systematically , it is possible to secure a holistic picture of the business. This could be a starting point to initiate action to set the houses in order- such actions in themselves lead to business growth.

Understanding the Potential that a business has for Growth –Potential Audit :

Introduction:

While attempting to understand the performance base of a business , it is likely that several aspects that throw light on the potential that a business has for growth could emerge.

Entrepreneurial Base:

- Inherent capabilities of the entrepreneur to manage a business(in terms of soft skills)
- Hard skills (professional / technical knowledge of the entrepreneur)
- Management style
Vision

Resource Base:

- Availability of investible surplus.
- Access to credit from financial institutions and others.
- Physical / material resources (land, premises, equipments)
- Availability of and access to man power resources in terms of quality and numbers.
- Image of the business.

Experience Base:

- Experience of handling new markets, new products, new technologies etc during the life of the business.
- Managing increased activity level of the business.
Interacting with external ‘agents’ such as financial institutions.

Characteristics of Dynamic Clusters:

There are several easy-to-monitor parameters to discriminate dynamic from under-achieving Clusters.

Dynamic Cluster are characterized by :

- A critical mass of similar , and related , private enterprises.
- Specialized services and infrastructure operators (both private and public and possibly competing against one another.
- Reliable means of information exchange . These may be formal as well as informal.
- Private and public institutions catering to knowledge diffusion (traineeship practices, formal vocational training)
- A skilled workforce.
- Quality and innovation –based competition among cluster firms.
- High rates of new business formation.
- High levels of trust to facilitate co-operative and joint endeavors.
- Effective linkages among various Cluster institutions.
A vision encompassing the cluster as a whole.

Key notes:

- A cluster is a geographic concentration of firms and their various service providers
- A cluster is defined by a product and a place . The product generally includes a product range and the place is generally identified with the name of a city, a town or a village.
- Cluster do not involve a complete industry or a sector. Cluster must not be equated to an industrial park development concept.
- Presence of clusters is widespread not only in developed but also in developing countries.
- \Presence of cluster is also a very common feature in India too.
- Natural market forces formed these clusters.
Growth of clusters were strengthened their backward and forward linkages.
- The presences of thriving clusters were also strengthened by the active role of various technical and financial support institutions. At times, a thriving cluster also added to the growth of such supporting firms and institutions.

Importance of Clustering :

- It has been argued that “smallness” or “bigness” of a firm though not irrelevant , is not the decisive criterion of performance. What is crucial is the organizational and institutional context in which small firms as well as large firms operate.
- Small firms can achieve the characteristics of estimated success parameters of large firms through collective organisation and concerted action. Thus , links and networks are of paramount importance to small firms for their success.
- This is an unending series and can keep an enterprise guessing on all fronts if it is operating in a place, isolated from the mainstream Production Centre. In contrast the very presence of a firm in the mainstream Production Centre and the economies of operative knowledge gathered thereby through interaction with fellow enterprises, machinery and raw material suppliers, stockiest and traders, provide critical information which can guide an enterprise’s entire production, technology and marketing technique in a typically symbiotic relationship.

Key notes:

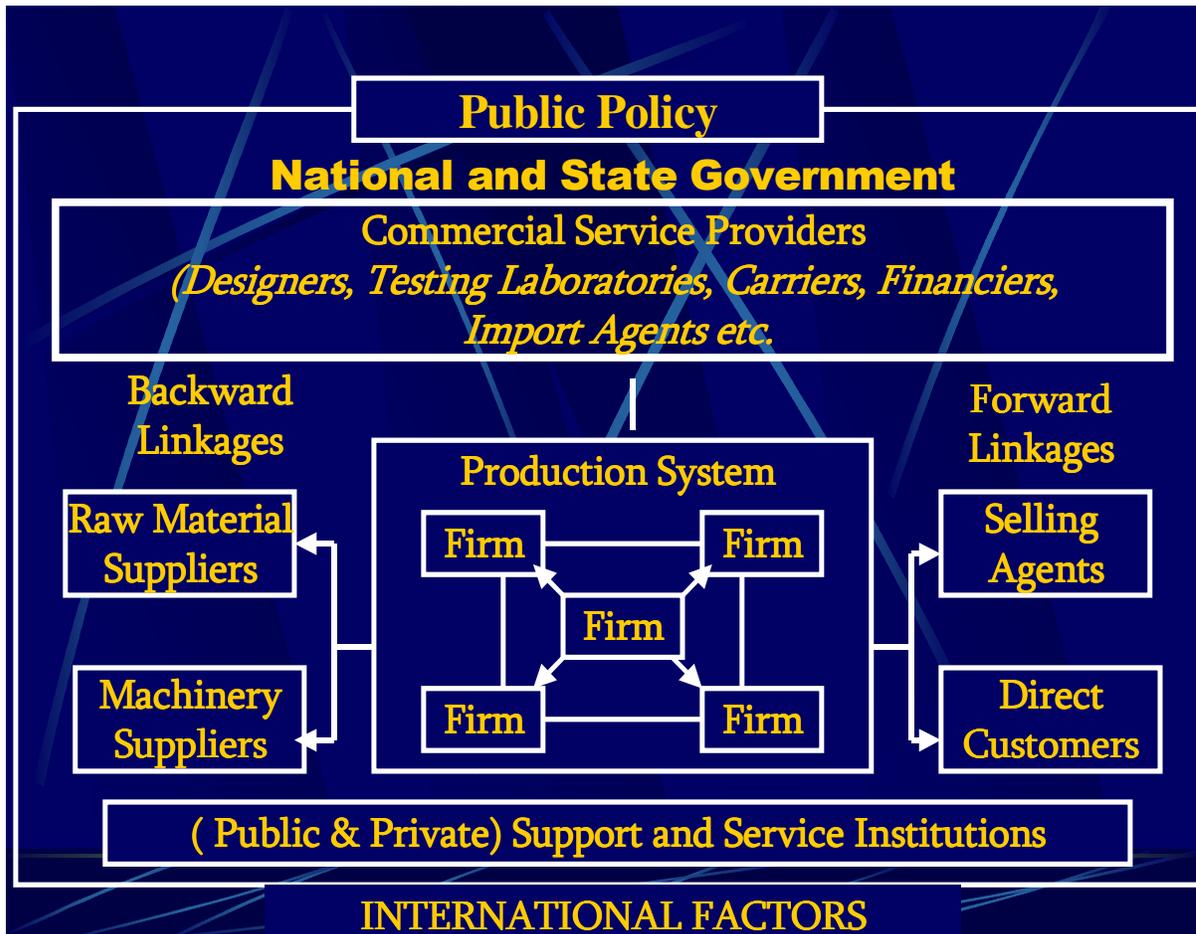
- A Cluster is not a mere “hardware” consisting of firms ,equipment and infrastructure and located in a particular geographical area. It also includes “software” that involves the social fabric, means of exchanging ideas and information, mutual trust, etc.

Dynamic and successful clusters exhibit a great deal of formal co-operation in terms of collective ventures and/ or agreement for supply of goods/ services, as well as informal agreements (eg information sharing amongst unrelated firms using related technologies or targeting similar clients)

- Economies of scale in business operations, information and knowledge networks, presence of specialized providers of support service are all advantages ascribed to dynamic clusters.
- Dynamic clusters a critical mass of similar, or related private enterprises , specialized services and infrastructure operators, reliable means of information exchange , support institutions , a high level of trust amongst actors and effective linkages between. A critical parameter that is not found in a typical underachieving cluster, but is, in a dynamic cluster, is a vision encompassing the cluster as a whole.

The key actor of a cluster are SME enterprises. Others include related enterprises, National or Central Governments , Local Governments and authorities, Centre of higher education and research , technological and industrial service centers, entrepreneur groups, financial institutions, large industries and NGOs.

Cluster Map:



Growth:

What is Growth:-

For a cluster as a whole- Growth could mean development of a sustainable competitive advantage , specialized subcontracting, intensive horizontal and vertical networking , better image , increase in employment generation.

For Individual Entrepreneurs-Growth could mean increase in turnover or profit margins.

For Bankers- Growth could mean increase in cash surplus to service its debts.

For Workers- Growth is synonymous to higher salaries or better working conditions.

For production Supervisor-Growth could mean less hassle in meeting production targets because of better equipment / new technology, reduction in process wastage, improvement in product quality etc.

Growth may, in effect , be visualized as change- a change in business processes of an enterprise that could involve one or more of the following-

- Expansion and / or diversification.
- Better understanding of customer needs leading to modifying the product / service to suit such needs.
- More loyal customers.
- Entering new markets/ reaching out for new/more customers so as to spread the risk.
- Better information system to monitor the business.6) Better liquidity position.
- Use of better technology / improved equipment.
- Increase in efficiency of workers.
- Decrease in employee –turnover.
- Reduction in process wastage.

- More profits.

Factors Influencing Changes and Development:

1) External Factors includes:-

- The existing product and market situation and the pressure for any change.
- The strength of competitive pressure.
- The narrowness of breadth of the venture's market operations.
- The age and 'development profile' of the venture's product.
- The degree of complexity and uncertainty of the market in which the venture operates.
- The influence of the wider environment.
- Institutional or administrative blocks to progress –what small firms tend to think of as 'red tape'.

2. Internal Factors includes:-

- The personal and leadership characteristics of the owner –manager.
- The amount of specialization and availability of qualified specialist personnel.
- The control systems.
- The potential of the organisation in terms of the skills and flexibility of the work force.
- The financial situation of the Company.
- The physical assets of the Company.
- The availability of managerial time.

Planned Growth :

In simple terms, planned growth could mean:-

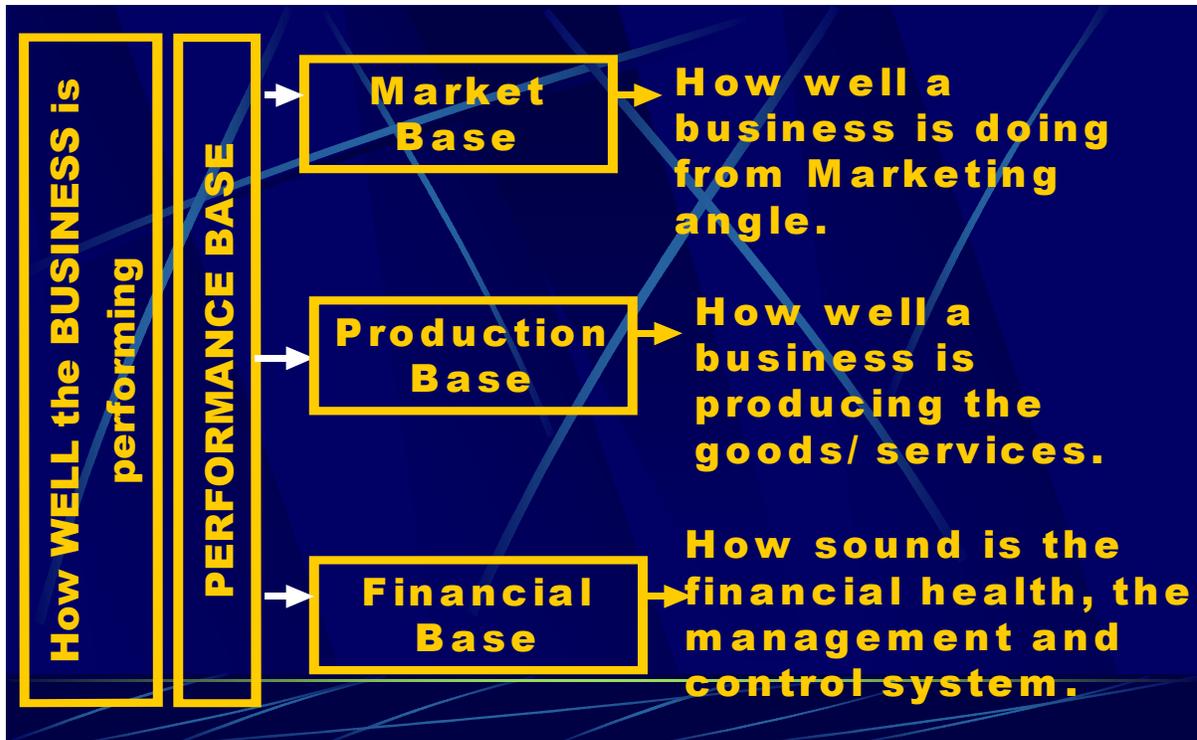
- Understanding how well the business is performing, so that if the house has to be put in order, it is done before or even while embarking on expansion / diversification .
- Understanding the potential that a business has for growth , so that growth plans are in line with the inherent strengths of the business.
- Making growth plans keeping in mind the current performance of the business and its potential to growth.

Assessing the likely impact of external and internal factors that could influence the business as a whole when the growth plans are realized and accordingly evaluated the growth plan to firm it up.

Understanding The Current Performance Of A Business Performance Audit :

To understand the performance base of a business , following are the 3 areas of exploration :

- **Market Base**
- **Production Base**
- **Financial Base**



Market Base :

How well the Business is Performing from the marketing Angle- Market Audit :

1) **Assessing effectiveness** of a business from marketing angle starts with exploring the extent of an entrepreneur's understanding of customer and consumer needs.

Thus , the entrepreneur has to explore the following to understand the health of a business from marketing angle –

i) Extent of Understanding of–

- Customer and consumer requirements .
- Competitors – their strengths, weakness and market promotion effort.
- The changes in the environment .

ii) Market Programme:

- Products attributes in relation to customer needs and competing brands.
- Market segmentation and pricing .

- Reaching the product to the customer and point of sale features.

Promoting the product

2) Understanding customer and consumer requirements:

i) Who are the customers and consumers?: The entrepreneur must identify the customers and consumer of a business, so that one could segment them into distinct groups, each to be approached in a distinct manner.

ii) What is the mechanism adopted to understand client needs?

iii) An entrepreneur in touch with his customers and consumers could remain one up on his competitors. Again, speaking to customers regularly is also important, since an entrepreneur's perception of customers' need could differ from what the customers actually need.

iii) What are those needs of clients that are now being satisfied? What are those needs that are difficult to satisfy?

iv) What are those customer needs that should be focused upon?

While the customers could have a variety of needs, an entrepreneur could focus his market programme on satisfying one or a given set of needs.

In the process, the firm could distinguish itself from its competitors, the distinction being in terms of product features and / or services associated with the product. An entrepreneur needs to know what is the Unique Selling Proposition (USP) of the business. (USP is a unique feature, be it in terms of product attributes, packaging, services associated with selling the product etc.)

3) Understanding Competitors:

To understand the competitors and accordingly formulate the market programme is a matter of survival for any business, irrespective of its size. Thus, there is a need to examine how well one understands the competitors. *The key areas of exploration are:*

i) Who are the competitors?

The question is not of one of listing competitors but of proper understanding of the nature of competition. In a small business, a competitor is the one who is catering to the same market segment, size of the firm notwithstanding.

ii) What are those customers needs that they are good at / not good at meeting ?

The firms can distinguish itself from the competitor by focusing on satisfying those needs that competitors have ignored or are unable to satisfy.

iii) What is their market programme? What are those elements in their market programme that one could envy or emulate ?

Information on a competitor's business needs to be related to one's own market programme to find out if there is a need to re-orient the market plans so as to match or even surpass the competitor. One must know the strengths and weakness of his competitors.

4) Understanding the environment:

Going beyond competitors, an entrepreneur needs to be informed of broad issues such as:

i) Trends in consumption patterns and change in consumer tastes / preferences:

The entrepreneur must take into account the changes in consumers tastes and preferences for his product with time. Being aware of such changes would help an entrepreneur to re-orient his market programme.

ii) Technology changes:

The entrepreneur could keep track of changes in technology and plan to respond to the same considering that such changes are evolutionary in nature – gradual ones – providing opportunity for a careful observer to respond to changes in technology could lead to improved product quality, new product features, cost reduction and the like.

iii) Emergence of substitutes :

The entrepreneur must know about the emergence of the substitute to his product, which may affect his business.

iv) Government Policies :

Rapid changes in the business policies by the Government could affect business, large or small. So entrepreneurs could note the trends in policies and be prepared when such changes would have time to respond to the same.

v) Social Changes:

An understanding of at least the trend or direction of social changes would help the entrepreneur to build up capabilities to protect his business and at best, take advantage of the changes.

5) Market Programme:

– “Market Programme” is a set of market – related decisions that an entrepreneur takes covering matters such as pricing, packaging etc. The Market Programme emanates from the understanding of –

The customer and consumer.

The Competitors.

The Environment.

The strengths and weakness of the enterprise.

The key elements of the market programme and their consistency with the market conditions needs to be explored. The exploration could be on the following lines -

i) Product –Customer and Consumer

The entrepreneur needs to know the answers to the following :-

- What are the features of the product or services ?
- What are those customer and consumers needs that the product / service does not satisfy ? Why so ?
- Is the gap in satisfying client needs acceptable to one ?
Can the product / service satisfy some, if not all presently unsatisfied needs of the customers ?
- If so what action one can take to improve upon the product / service, so that the key unsatisfied needs of the clients can be satisfied ?
- What resources does one need to take such actions.
Does one possess all or some of those resources ? If not , from where the resources can be mobilized ?

ii) Pricing :

- What appropriate are the price levels from the angle of the clients ?
- How does the price of the product compare with that of the competitors ?
- If the prices are significantly lower / higher from those of the competitor, what are the reasons ?

- If the clients are not happy with the pricing , could something be done about it ? Like for example-
 - Reduce prices ?
 - Focus attention on different market segment ?
 - Add features to the product / services so that customers are comfortable with the price level ?
 - Increase the prices, focus promotional efforts on upper end of the market , offer additional features to match the competitors.
- How does the payment terms offered to the Customers compare with those of the Competitors
- What is it that can be done to make the payment terms more attractive, leading to increased clientele ? Can such an impact be managed ?

iii) Promotion

- What measures are being taken to promote the business ?
- Is one aware of the impact of such efforts ?
How the competitors are promoting their business ?
- What would one like to see happening in his business in the area of promotion ?
- What is preventing one from making such things happen ?
Could plans be formulated for making such things happen , identify the resource gap and think of how to fill the same ?

iv) Distribution

- Is there a distribution network in place ? If not , is it that the business does not call for a distribution setup ?
A distribution network, however simple it could be , may help a small business in reaching out to more customers.

- Are the distributors (if any) doing a good job ? If not, what could be the reasons ? (may be low commission, improper product quality leading to complaints, limited or no interactions between the distributor and the producer etc)
- What could be done to make the distributors more effective ? (may be better payment terms, regular interactions, promotion support)
- Can the product be sold through outlets which are not traditional ones ? Can such options be explored ?

Production Base:

How Efficient is the Business from Product Angle- Production Audit :

1)Ascertaining the performance:

Any enterprise , be it in the manufacturing or service business , uses certain resources like labour, materials, machinery and spare in order to obtain desired product/ service . The performance of the business is significantly influenced by the way these resources are used.

One could perform well from Production Angle when :

- There is optimum utilization of workforce, machinery and space.
- There is more efficiency in use of these resources in terms of input- output ratio (i. e. getting the best out of a given unit or resource).
- Quality standards are met.
- Wastage of materials and components are minimal

A Basic 'PRODUCTION' Analysis FRAMEWORK

UTILIZATION

Of :

**Labour
Machinery
Space**

- **Labour and / or machine hours on job.**
- **Total production labour.**

**And/ or
Space utilized for production –
Space Available.**

About UTILIZATION , the Questions that an entrepreneur needs to answer are-

- How many workers are employed in the enterprise ?
- Allowing for holidays , how many working days they put in during a given month ?
- How many hours of these are actually utilized for production

A Basic 'PRODUCTION' Analysis FRAMEWORK

EFFICIENCY

Of : **Labour**
 Machinery
 Space use

Measured By :

Units Produced per:

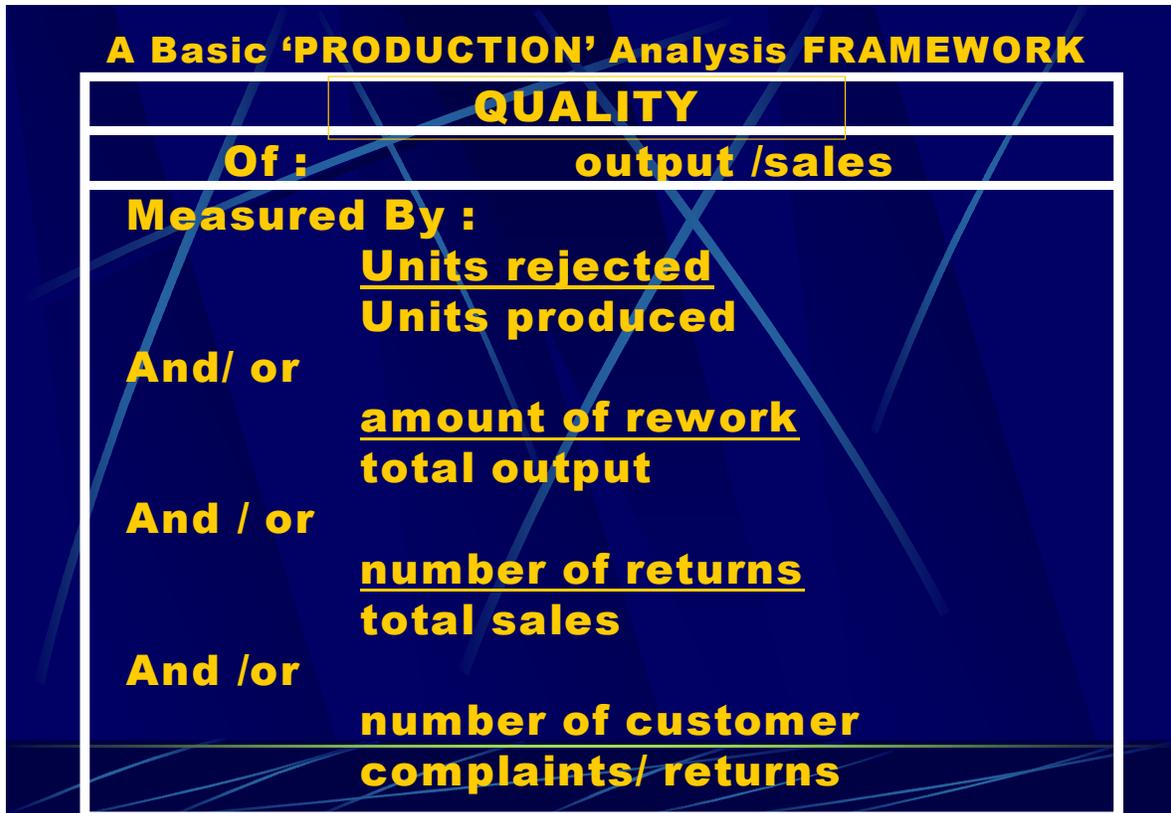
- **labour and / or machine hours.**
- **Standard hours of work produced .**
- **Standard hours available.**

Sales per :

- **person and/ or**
- **per sq. foot against standards.**

About EFFICIENCY, the Questions that an entrepreneur needs to answer are-

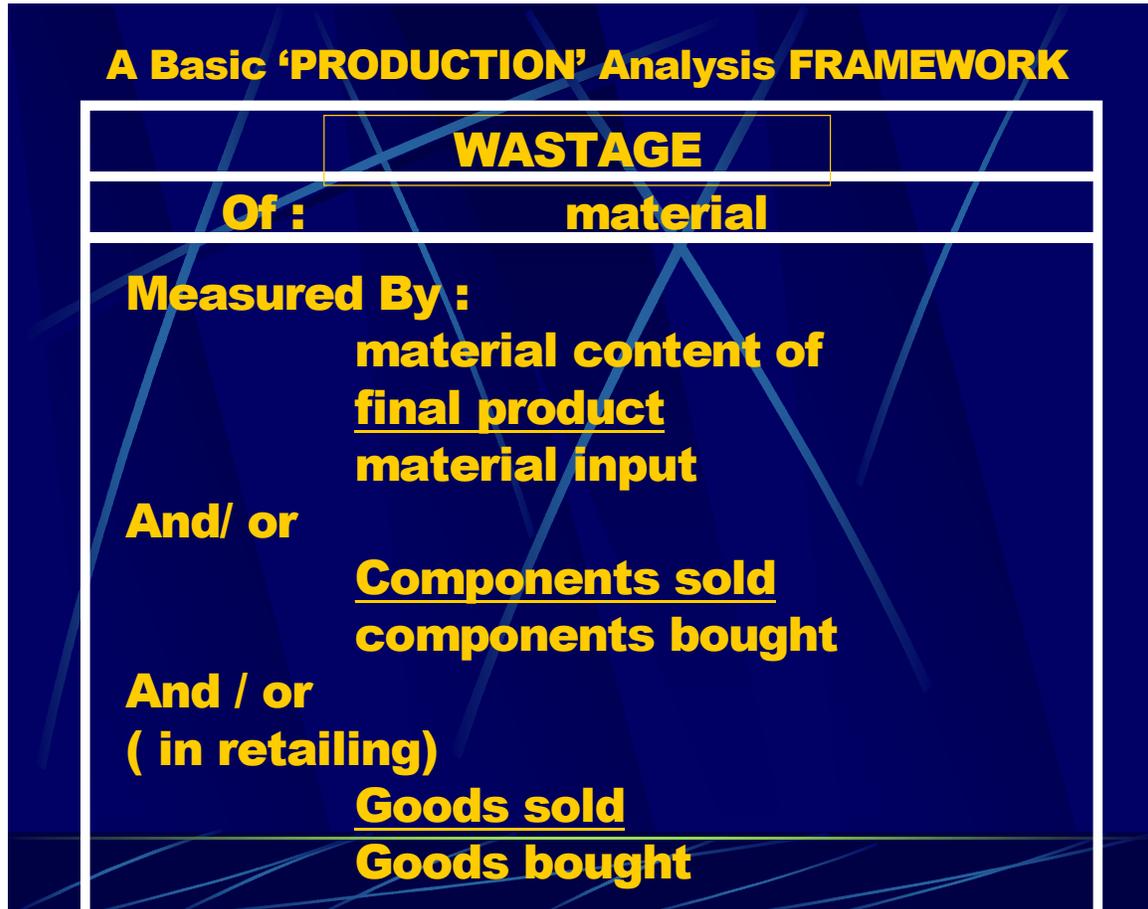
- How many hours that the machines can work in a given day ?
- How many hours they actually work ?
- Are there standard time and cost for each 'job' in the enterprise ?
- What is the actual time taken to work on a given job ?



About QUALITY, the Questions that an entrepreneur needs to answer are-

- Are there parameters to define the quality of the product ?
- How do these parameters match with the customers' point of view of quality ?
- Is one aware of what customers look for in the product from quality angle ?
 To them what does quality mean ?
- What systems are in place to ensure that the product that goes to the customers is of acceptable quality ?
- Are there checks on the quality of raw materials ? If so , how are the checks conducted ?
- Is there a system of addressing to customers' complaints ?

- What is the frequency of customer complaints now a days ?
Have they increased or decreased over a period of time ?



About WASTAGE, the Questions that an entrepreneur needs to answer are-

- Is the wastage level in production process known ?
- How does it compare with the wastage level normal to such businesses ?
What are the reasons for the wastage beyond avoidable limits ?

Locating Problem Areas Of Production:-

Examining production operations from the angle of utilization , efficiency , quality and wastage, one could locate causes by “ In –depth” introspection. Some such areas are-

- ***Labour Related***
- ***Product Related***
- ***Materials Related***
- ***Machine Related***
- ***Space Related:***

Labour Related :

- Mismatch in skills.
- Absence of or improper reward system.
- Improper working condition .
- Low morale.
- Absenteeism.
- Inadequate size of the workforce.
- No / improper training of workforce.
- Limited no access to technical personnel for repairs and maintenance.

Machine Related

- Obsolete Machinery.
- No plans for repair and maintenance.
- No system for or delay in preventive maintenance.
- Frequent breakdown.
- Non- availability of spare parts.
- Line Imbalance.

Materials Related:

- Poor Quality / mis – match in raw material quality.
- Improper Handling.
- Improper inventory control leading to shortages / over stocking.
 - Erratic supply of power and fuel.

Space Related

- Improper factory layout.
- Inadequate working / storage space .
- Extent of unutilized space.

Product Related

- Poor Quality.
- Improper Production Plan leading to excessive inventory or shortages

Financial Base :

How well the Business is Performing from FINANCIAL Angle –

FINANCIAL AUDIT

Two key areas are to be Explored:

- 1) How well is the business is doing in cash and profit terms ?***
- 2) How good are the information and control systems in the business to assist the owner – manager ?***

1) How well a business is doing in cash and profit terms

The survival of a business depends on availability of cash in the business. It is cash that can be counted, retained or spent . Profit is only a figure in the account books though profit and cash are inter- related. Some typical problem areas are :-

CASH PROBLEMS:-

PROFIT PROBLEMS:-

CASH PROBLEMS:- What to look for :

- Under capitalization leading to perpetual shortage of funds.’
- Excess withdrawals of cash from the business by the owner.
- Excess investment in stock (raw material and finished goods).
Inadequate control of receivable (the money that others owe to the business).
- Using cash to create non – productive assets.
- Absence of or improper distinction between personal fund and business funds.
- Inadequate / non availability of suppliers credit .

- Premature diversion of funds for expansion / diversification.
- Problems in relating with the bankers.
- Borrowing from private sources at high interest rates.

PROFIT PROBLEMS:- What to look for :

- Considering that profit and cash are closely related, one needs to look into those factors that cause profit problems, which in turn lead to cash problems.
Under utilization of installed capacity leading to inadequate turnover.
- Inadequate profit margin due to improper costing and pricing.
- Lack of profit margin due to improper costing and pricing.
- Lack of cost control.
Improper cost data leading to the above.
- High overheads.
- Each of the said issues when further explored could lead to tracing out inherent weakness in the business.
Offering extended credit facility to customers with a view to woo them.

An entrepreneur needs to answer questions such as :

- To what extent sales are picking up (i.e. sales this month compared to last month) ?
- Has the level of stocks been increasing ? Why so ?
- Age of debtors –on an average how long would the customers take to pay after receiving the goods ?
- What was the position last year ?What is it now ? If there has been a change, why so ?
- How often the entrepreneur withdraws funds from the business -to meet personal / family needs ?
- How does he know the optimum level of personal withdrawals ? Has there been an increase in such withdrawals over a period of time ?

Investment in assets at the cost of existing operations :- Have any assets been created in the recent past ? If so , what are they ? How are they contributing to improving the business ?

2) *How good are the information and control systems in the business to assist the owner – manager*

- While inadequacy of financial records is a common phenomenon in small business, it is necessary to examine the nature and extent of control systems in place, however rudimentary they may be. The entrepreneur needs to find answers to the following –
- Is the cost data available ? If yes , how it is generated ?

- Does one know how much surplus the business has generated last month, last quarter , etc ?If so , how the data is culled out from accounting records ?

Is the cost data available ? If yes , how it is generated ?

- If the business is making or selling more than one class of a given product, does one know what it costs to produce each product ? If so , how this information is utilized for decision making ?
- Are there records to indicate the stock of raw materials / finished goods at a given point of time ?
- On what basis does one decide to reorder for the raw materials ?

Are there records of how much the customers owe to the business at any given point of time ? Is the age of account – receivables known ?

It is likely that an entrepreneur needs external help to find answers to the above questions. Once the said areas are explored , the strength of current performance of business will be known with a higher degree of clarity to the entrepreneur . This facilitates formulation of action plans to bring about a change in the relevant business processes.

Key Points :

- Understanding the current performance of an enterprise should not be confined to the numbers – turnover and profits .
- How well is the business is doing in cash and profit terms ? How good are the information and control systems in the business to assist the owner- manager ?

The survival of a business depends on availability of cash in the business. It is cash that can be counted

- Understanding the current performance of an enterprise should not be confined to the numbers – turnover and profits .
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Once the Performance Audit is carried out systematically , it is possible to secure a holistic picture of the business. This could be a starting point to initiate action to set the house in order – such actions in themselves lead to business .

Understanding the potential that a Business has for Growth – Potential Audit :

- ***Entrepreneurial Base***

- *Resource Base*
- *Experience Base*

Entrepreneurial Base:

- Inherent capability of the entrepreneur to manage a business .
- Hard skills.
- Management Style.
- Hard skills.

Resource Base :

- Availability of investible surplus.
- Access to credit from financial institutions and others.
- Physical / material resources.
- Availability of and access to man power resources in terms of ‘quality’ and number.
- Image of the business.

Experience Base:

- Experience of handling new markets, new products, new technologies etc during the life of the business.
- Managing increased activity level of the business.
- Interacting with external ‘agencies’ such as financial institutions.

Entrepreneurial Base :

Considering that the man behind a business is an important as the business itself. The Business Counselor has to explore the following area-

1) Inherent Capability of the entrepreneur:-

The research has indicated that, to be a top performer , an entrepreneur needs to be posses certain 'soft skill' competencies- those , which are generic and functionally interchangeable. Such competencies are-

a) Initiative: Takes actions that go beyond job requirements or the demand of the situation.

- Does things before being asked or forced by events.
- Acts to extend the business into new areas, products or services.

b) Sees and Acts on Opportunities : Looks for and takes action on opportunities.

- Sees and acts on opportunities.
- Seizes unusual opportunities to obtain financing , equipment , land , workspace or assistance.

c) Persistence: Takes repeated actions to overcome obstacles that get in way of reaching goals.

- Takes repeated or different actions to overcome obstacles.
- Takes action in the face of a significant obstacle.

d) Information Seeking : Takes actions on own to get information to help reach objectives or clarify problems .

- Does personal research on how to provide a product or service.
- Consults experts for business or technical advice.
- Seeks information or asks questions to clarify what is wanted or needed.
- Personally undertakes research , analysis, or investigation.

Uses contacts or information networks to obtain useful information

e) Concern for High Quality of work: Acts to do things that meet or beat existing standards of excellence.

- States a desire to produce work of high quality.
- Compares own work or own company's work favorably to that of others.

f) Commitment to Work Contract: Places the highest priority on getting a job completed.

- Makes personal sacrifice or expends extraordinary effort to complete a job.
- Accepts full responsibility for problems in completing a job for others.
- Pitches in with workers or works in their place to get the job done.
- Express's a concern for satisfying the customer.

g) Efficiency Orientation : Finds ways to do things faster or with fewer resources or at a lower cost.

- Looks for or finds ways to do things faster or at less cost.
- Uses information or business tools to improve efficiency.
- Expresses concern about costs vs benefits of some improvement, changes, or course of action.

h) Systematic Planning : Develops and uses logical , step - by - step plans to reach goals.

- Plans by breaking a large task down into subtasks.
- Develops plans that anticipate obstacle.
- Evaluates alternatives.

- Takes a logical and systematic approach to activities.

i) Problem Solving : Identifies new and potentially unique ideas to reach goals.

- Switches to an alternative strategy to reach a goal.
- Generates new ideas or innovative solutions.

j) Self Confidence: Has a strong belief in self and own abilities.

- Express confidence in own ability to complete a task or meet a challenge .
- Sticks with own judgment in the face of opposition or early lack of success.
Does something that he says is risky.

k) Assertiveness: Confronts problems and issues with others directly.

- Confronts problems with others directly.
- Tells other what they have to do.
Reprimands or disciplines those failing to perform as expected.

l) Persuasion: Successfully persuades others.

- Convince someone to buy a product or service.
- Convince someone to provide financing.
- Convince someone to do something else that he would like that person to do.
- Assets own competence, reliability, or other personal or company qualities.

m) Use of Influence Strategies: Uses a variety of strategies to affect others.

- Acts to develop business contacts.
- Uses influential people, as agents to accomplish own objectives.
- Selectivity limits the information given to others.
Uses a strategy to influence or persuade others.

n) Monitoring:

Develops or uses procedures to ensure that work is of quality Personally supervises all aspects of a project.

o) Concern for Employee Welfare:

- Takes action to improve the welfare of employees.
- Takes positive action in response to employees, personal concerns.

Express concern about the welfare of employees.

2) Hard Skills

What are the technical / Professional skills that an entrepreneur has which could help him in managing growth , has to be related growth plans. Gaps between skills required and those present could be identified and remedial measures worked out.

3) Management Style:

Two key areas namely leadership style and delegation need to be explored. In the process , other aspects of management style would come into picture. The exploration could be on the following lines-

1. How do you control/ keep track of various aspects of your business? Do you check everything yourself by being physically present at the place of action or through information?

2. What kind of information systems you have? One could ask questions such as
– How do you know how much cash is coming into your business and going out every day , week or month?
3. How and to what extent you use the information system for decision making.
5. How much of your work is delegated to others? Do you feel that certain aspects of your work can be taken care of by some else? If so , what prevents you from delegating? How do you monitor the performance of those whom you have delegated?

4) Vision:

A tailor who identifies himself with the profession could remain a tailor for ever. On the contrary, when a tailor identifies himself as a 'businessman', it is likely that over a period of time, he may develop his business by adding a few more tailoring machines, recruiting tailors – himself assuming the role of an entrepreneur – rather than that of a tailor. He may even start making ready- made garments thereby expanding the horizon of his business. It is such an identity that leads long term vision.

Resource Base:

An understanding of the resources that are available with the entrepreneur and those that he can mobilize, provide clues to the potential that the business has for growth.

1)Availability of Investible Surplus: The financial resources at the disposal of the entrepreneur have to be identified and related to growth plans.

2) Access to Credit:

i) The investible surplus at the disposal of the entrepreneur has to be linked to the access that the entrepreneur has for credit facilities from financial institutions and other private sources so as to arrive at total funds that can be mobilized. This can very clearly determine the boundary within which the entrepreneur has to seek growth opportunities.

ii) If access to credit is limited the growth opportunity, however attractive it may be, have to be deferred rather than immediately exploited leading to problems associated with undercapitalisation.

iii) The image that an entrepreneur has with potential creditors and the rules of the lending institutions could determine the likely fund availability for realizing growth plans.

iv) In the small business sector, it is uncommon to see an existing entrepreneur noticing an attractive business opportunity, going ahead and exploiting it stretching his financial resources to the limits leading to 'no cushion situation'. The growth plan then goes haywire due to under capitalization affecting

3) Physical / material Resources:- The potential that a business has for growth can be good given the availability of resources such as vacant land, build up area not fully utilized, spare capacity of machines etc. The same can be explored through simple questions such as –

i) Do you have adequate land and building to carry out your present business?

ii) If so, how much of land you can spare? - How much of unused space is available in your business premises?

iii) Could you rent/ lease premises nearby, if need be?

iv) Can the existing machines cope with the workload? If so , how much of spare capacity is available?It is possible to buy ‘machine time’ from elsewhere?

v) What is the condition of the machines that you now have ?

vi) Are they good enough to take the additional load?

vii) How old are the machines ?- Do you consider them obsolete? Would you rather go in for improved machines featuring appropriate technology.

4) Image of the Business:-

An increase in the activity level irrespective of the label it carries could mean mobilizing additional resources. However expansion / diversification could mean prospecting new markets and/ or increasing the clientele within the market segment that one is operating. A proper image of the firm can facilitate the above.

5) Availability of and Access To Manpower RESOURCES

Irrespective of whether or not there is demand – supply gap at macro level in manpower availability, it is important to explore this area, both from qualitative and quantitative angle.Exploration could be from following angle –

- i) Do you think that availability of manpower is coming in the way of increasing the activity level in your business.
- ii) Do you have enough number of workers to take care of business operations? If not , how the shortfall is affecting your business ?
- iii) If you are short of manpower, what options you have explored?

The answer to this question can in itself be a growth plan involving low- cost Automation

iv) Apart from the salary what benefit / incentives that you are offering to your workers? How is it compared to that of similar business in the town ?

v) How often the workers leave your employment? Do they go to competitors having left your firm ?

vi) Are you satisfied with the skill level of your workers? Do they need further training?

6) Image of the Business:-

The exploration could be on the following lines:-

- What sort of image that your firm has in the eyes of financial institutions, customers, suppliers and the community ? Are you satisfied with the image ? What would you like to see happening with respect to the image of your business ?

Experience Base :

An established entrepreneur, over a period of time , must have gained a variety of experience. He may take such experiences for granted. Such experiences , when systematically analyzed , could be linked to the growth plans if any, or can be used as a base for deciding the growth path.

The exploration could be on following lines:-

- Ever since you started the business have you added new products ?
- Have you entered into new markets over a period of time ?
- Have you used new machines and/ or new technology?
- What is the activity level in your business as of now as compared to what it was a couple of years before?

Have you raised money from financial institutions, from family , friends and business associates ?

- What has been your experience of seeking support from consultants, government officials, industries associations etc ?

Reference Books:

- Cluster Development - Entrepreneurship Development Institute of India