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**"STUDY OF THE RELATIONSHIP BETWEEN THE  
ENTREPRENEURIAL MANAGEMENT AND PERFORMANCE OF  
SMALL SCALE ORGANIZATIONS"**

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Planning.**

**ABSTRACT**

The researcher has attempted to explore the relationship between the management and performance of small scale businesses. The present research paper covers the conceptual background of entrepreneurial management and performance of an organization and the need for professional management of small scale organizations. Management is an important factor for the development and success of small scale business. The SME business is the foundation of the Indian economy, and an effective pioneering direction and initiative style can assure critical commitment to the accomplishment of these SME's. The SME business is asset oriented with a tedious working style, requesting a powerful authority to lead the representatives and a viable pioneering direction to battle the opposition both at the nearby and worldwide levels. Your business's success depends on how you manage your workforce and how you utilized available resources and funds. Business needs a manager that is capable enough to make various decisions. If you want to improve the performance of your business, you need to manage your business property. For this, first, you need to know the relationship between management and execution of a business with special reference to small scale business.

**INTRODUCTION**

India has a large number of small scale industries. Small scale business contributes to India's economic growth. The problems of small scale industries can be reduced if professional management is used. Management and performance are closely linked; business performance rises with proper management. In Indian small scale industries have the largest share of agriculture and agriculture-related business, it includes

manufacturing, service units like village industries, cottage industries, wood, furniture industries, etc. the biggest benefit of small businesses is that most of the employees working in the business are the owners of the said business, as they move through the experienced relatives and family members. It gets some community as well as individual benefits. If a small business wants to grow its own potential, it needs professional management. Small business brings a lot of benefits to society, and considering it's a business in which one can create one's brand, local recruitment, and local employment can be created, adequate utilization of available resources is created to meet the need of the local customers.

### **The objective of the study**

- 1.To study the various aspects related to the management of small scale business
- 2.To find out the relationship between the management and performance of small scale business.

### **Research methodology**

This research paper is descriptive research where secondary data has been collected by going through various research papers, journals, articles, books, and magazines.

### **Various aspects related to the management of small scale business**

**1.Restricted capital/ lack of fund-** A small business uses different ways to raise capital, mainly through relatives, family members, friends, etc. also loans from banks and credit cooperative societies. The small business borrows a loan from the bank. While taking the loan, the bank has to provide collateral as well as the last 3years Income Tax Return(ITR) and the last three years Balance- sheet. Most of the small scale business does not maintain such records pertaining to the account and balance- sheet, so the business has to face a number of problems while getting the said loan, therefore the capital or fund available to the business is less. Also, lots of documents are enlisted that are required for the loan sanctions. Due to low capital and insufficiently fixed capital, the working capital may not be available to the business. The business does not have a sufficient mortgage and guarantees to provide for a loan.

The high cost of new technology creates problems due to low capital when equipping one's business with new technology. However, new technologies are mostly incapable of acting as a tool in the production concerning the small scale business. Initial capitalization is low. A number of small scales businesses do not maintain financial records and also lack the use of proper accounting methods. In the growth stage of small scale businesses, they tend to fail as it gets difficult for them to deal with the varied changes and issues created by finance. The increasing interest rates by the day make it strenuous for small-scale businesses as they aren't ready to deal with such high-interest rates.

**2.Use of inappropriate technology and limited technical skills-** In small scale businesses, one person handles all the responsibilities. Most of the small scale business owners run their family business traditionally. Suppose any owner expresses their interest in the usage of new technology, the inadequacy in funds, and low capital for the procurement of advanced technology terminates the interest. Small scale business managers do not have the proper technical knowledge, and due

to such limited technical skills, managers and workers do not operate properly. If any small scale business wants to provide training in order to make their workers efficient, then undoubtedly a training program is required. Small scale businesses will have to appoint highly educated personnel for this purpose, then the salary expectation also high. Due to insufficient funding, small scale businesses do not meet the expectation of salary.

**3.Management-** Small scale business units face the problem of professional management due to failure regarding initiative planning and decision making. Without any technical knowledge, inexperienced managers operate these small scale business units. Then small scale business units face some basic problems like a number of employees and their manager's lack of sufficient education and knowledge about the technology used in the business, improper and unprofessional communication skills are used to communicate with clients, suppliers, employees, and others. Most of the owners ignore customer's demands and wants and produce traditional products without any research about the customer's needs. Local industries compete with global competitors, well-known brands, and already established business units. Most of the owners ignoring the said competition run their business traditionally. Small Businesses then face various changes like the technological changes, environmental changes, change in customers demand and change in management strategies. Small business units use traditional marketing strategies to attract customers.

**4.Self-oriented attitudes-** self-oriented approach is related to the attitude, strategies, plans, and decisions taken by owners of the business. An owner of a small-scale business starts the business, which advantages opportunities like the use of available recourses, technology, finance, and other resources and materials. Small scale business units measure their success with the help of business-level characteristics, which is entrepreneurial orientation. It is an individual-oriented concept with reference to its owner and managers. The self-orientation approach is strongly related to strategies implemented by the owner. It considers the individual behavior of the concerned owner and manager. It directly affects entrepreneurial satisfaction. All the decisions related to creating employment strategies, business wealth, marketing strategies, business opportunities, change in management, competition, etc., are self-oriented attitudes concerned with the self-actualization of business units. The success of small scale business units is measured through the strategies used to run and operate business units. It focuses on leadership styles used in business and will try to attract potential customers. It focuses on production, price, distribution, and marketing strategies used for the success of the business. It also relates to the strategies for attracting customers and build long-term client relationships.

**5.Competition-**Small scale business units face strong competition from large businesses. Small scale businesses could have low economies and thereby not sell at lower rates than the large units. Also, they face the inability to compete with already established well-known business brands. Small scale Businesses also face price competition from large business units. Small scale Businesses have insufficient funding problems, and the low capital gives rise to the use of traditional production strategies as well as marketing. Large scale units produced larger units of production, and they get benefits of lower production costs. They sell the similar

product at a cheaper rate and a lower selling price. Small scale Businesses have a problem in advertising at the national and let alone the international level. Usually, the Small scale business does not do any marketing research. It cannot identify customer's wants or needs. It also faces various problems like lack of professional management, lower capital, and appropriate marketing strategy. In the era of globalization, liberalization, and privatization, the world witnesses an increase in global competition. Small scale Businesses are left to struggle for their survival in this competitive environment.

**6. Education and training-** Training is a basic concept which increases and enhances the skill, knowledge, and abilities of workers to meet desired objectives or predetermined goals. Employees that do not have proper training may exhibit inefficacy. At the time of hiring a new employee for business, there is no guarantee that an employee has technical knowledge about the production, so the Small scale Businesses arrange pieces of training and educate them with a view at improving employee's knowledge, skills, and abilities. For the purpose of workers' development, every organization arranges a training program. It fails to uphold standards at the workplace, and sometimes it creates serious accidents or injuries at the workplace. Training programs could be provided solutions for the arising problems. Training programs affect positively not only the employees but also the organization. With the help of training, small scale businesses increase sales, make more profit and develop the Small scale business. Small scale Businesses provide training mostly through the on job and off the job training methods like seminars, lectures, supervision, etc.

**7. Target market-** Small scale Businesses require the break down their entire market into unique segments like geographic area, gender, education, income, etc., for the purpose of identified customer-reach, such customers whose needs and wants are mostly similar to their products or services. It is used for attracting potential customers as well as increasing loyalty among the existing customers. Target marketing is used for setting market strategies. Target market is a costly process; it uses various promotional and advertising tools to reach potential customers and existing customers. Small scale business unit's marketing budget is low. It needs marketing research and regular customer surveys. It is an opportunity to learn more about your target customers and maintain quality relationships with existing customers. Without a proper idea about the target market, small scale Businesses could be losing their business to their competitors and decrease in sale and profit. Identifying a target customer who already buys goods and services can be to collect information that can be used to refine the existing customer base. Small scale Businesses tackle some challenges related to the target market, i.e., inadequate fund or finance, limited people and time, providing consistency for execution of marketing strategies, selection of proper promotion and advertisement tools, use of new technology, trend, hire right people at the right time for the right job and task, provide quality services to customers. All these challenges are considered tactical, and most of them are solved with well-planned decisions.

**8. Export-oriented products-** small scale Businesses have so many problems related to limited recourses, especially finance, global financial crisis, problems in lending money from the bank, lack of consultancy services, exchange rates, etc. Thus small-scale Businesses should not compete with large and well-established units. Many

entrepreneurs think that the local market is enough to sell their products and see no need to explore the exportation of products in the international market. International trade requires research and marketing strategies.

### **Relationship between management and performance of small scale business**

Small scale business entrepreneurs run their family business using the traditionalist management approach. The use of a professional management approach has a positive influence on small scale business performance. Small scale business managers should foster the growth of businesses by improving the firm's performance and competitiveness. The professional management control approach used in Small scale business has a positive influence on business performance. Then the entrepreneurs can encourage professional management to develop a system that allows control of all the functions owing to the improvement of the firm's competitiveness. The Small scale business performances can be viewed from different sites, based on the objective of the study. It includes management, training, research, marketing, etc. professional management is a business tool that small business units need in today's highly competitive business environment. It has some opportunities and challenges. The purpose of this research paper was to establish the relationship between management and performance. The result concluded that professional management has a positive relationship with the performance of Small scale Businesses. It serves the fact that the use of professional management in a business will improve the quality of the product, reduce cost, time and earn huge profit.

### **Recommendation and suggestion to improve performance of Small scale Businesses**

1. Small scale Businesses should use proper professional management.
2. An entrepreneur should set objectives and goals with a view to the development and growth of the business.
3. Managers should use proper training methods for training workers in the initial stage.
4. The manager and owner should promote transparency in business operations.
5. The owner should fix the marketing budget.
6. It is important to frequently evaluate the performance of the business as well as workers.
7. Managers should use proper selection and recruitment methods.
8. Managers of business should stay disciplined at the workplace.
9. Managers should try to reduce the interference of family members and relatives in the management of the business.
10. An entrepreneur should adopt a better customer relationship management system.
11. Managers should study the changes that arise in business and adopt the necessary management strategies with respect to the change.
12. Managers should take safety measures in an attempt to reduce various risks.
13. Small scale units should try to produce export-oriented goods and services.

### **CONCLUSION**

The study examines the relationship between professional management and the

performance of small scale businesses. The result indicated that the entrepreneurs need to use the major management functions like proper planning and decisionmaking related to howto lend finance, fund, selection of proper marketing strategies, training methods, how to reduce or minimize competition, use of appropriate technology, selection of target market, export, improvement in the performance of the business. The study also confirms that the above factors contribute to the performance of small scale businesses. Small scale Businesses face many problems, but efficient planning and professional management surely minimize the inefficiency, and professional management helps escalate the performance of small business units that takes the business to new heights.

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