

Public Administration and Small Business Entrepreneurship

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Abstract

[This paper tries to explore the interdependence of public administration and small business entrepreneurship keeping in focus their fundamental and the practical folds. Here the entrepreneurs have been seen through four levels- Level 1: Agriculture and alike activities like crop production, livestock, forestry and fishing etc., Level 2: Trading Services, Level 3: Traditional Areas like Manufacturing and Level 4: Emerging sectors like IT, Finance, Insurance and Business services etc.]

The paper is focusing on level 1 and level 2 entrepreneurship and their contribution in the growth agenda of the country. Here we talk about millions of entrepreneurs who have desire to pursue opportunities without regard to the resources they currently control.

It proposes by exploring the ecology of such enterprises, naturally balancing the process through five variables and sighting values to be used in different business stages.]

[Keywords: Public Administration, Small Business Entrepreneurship, Entrepreneur, Naturally Balanced Process, Organic Components of the Business, Ring Entrepreneurship Growth Model]

Introduction

Public Administration, from academe angle, though gained university recognition as a field of study only after World War II, used to exist as an embedded discipline in political science and other cameral sciences.

From public angle, though being sought, explored, wrote and discussed with broader and narrower public issues, Public Administration is as old as civilized society. With the increasing convolution in life, the importance of public administration is towards upturn. There hardly remains an aspect of a citizen's life that does not come into contact with some government agency.

'Public' generally connotes bureaucracy. "Public Administration in a wider sense has sought to expand its ambit by including any administration that has considerable impact on the public. From this standpoint a private electricity undertaking like the Calcutta Electric Supply Corporation can be considered a fit subject for discussion under Public Administration."¹

"Administration is made up of 5 elements: planning, organizing, commanding, coordinating and controlling."²

"Public Administration is a broad-ranging and amorphous combination of theory and practice; its purpose is to promote a superior understanding of Government and its relationship with the society, it governs, as well as to encourage public policies more responsive to social needs and to institute managerial practices attuned to effectiveness, efficiency and deeper human requisite of the citizenry."³

Public Administration underwent many paradigm shifts. Political/Administration Dichotomy (1920-1926), the Principles of Administration (1927-1937), Public Administration as Political Science (1950-1970), Public Administration as Administrative Science, Public Administration as Public Administration and New Public Administration (NPM).

David E. Osborne is the father of NPM who suggested a third way that a gentle government can be efficient and productive as a well-off business. The options are not purely liberal or conservative; the basics of system of governance can be reengineered.

A successor to NPM is digital era governance.

Privately owned businesses, partnerships, or sole proprietorships are generally considered as small businesses. Definition of small has many variances. Small is basically defined in terms of scale of operation, number of employees, turnover, government support, tax policy, value of assets, net profit, economic system etc. It varies industry to industry and country to country.

“Designation for firms of a certain size which fall below certain criteria (that varies from country to country) in terms of annual turnover, number of employees, total value of assets, etc.”⁴

“Once you have verified that you are an enterprise, you have to establish the data of your enterprise according to the following three criteria:

- Staff headcount,
- Annual turnover,
- Annual balance sheet.”⁵

In Indian context, “A small business - in manufacturing, investment in plant and machinery is more than 25 lakh but does not exceed 5 crore rupees; and in service sector, it is more than 10 lakh rupees but does not exceed two crore rupees to the small business”⁶

Entrepreneurs are people who have a desire and talent of seeing opportunities, and, have the willingness to convert and manage the opportunities into Business Model.

Relationship between management and entrepreneurship can be seen as follows:

Ability to Develop and Manage	Yes	Satisfied Manager	Entrepreneur
	No	Bureaucratic Functionary	Frustrated Potential Entrepreneur
		No	Yes
		Desire for Growth and Change	

Fig.1: Entrepreneur Metrics

Public Administration in the Context of Small Business Entrepreneurship

“The entrepreneurship ecosystem consists of a set of individual elements—such as leadership, culture, capital markets, and open-minded customers—that combine in complex ways. In isolation, each is conducive to entrepreneurship but insufficient to sustain it. That’s where many governmental efforts go wrong—they address only one or two elements. Together, however, these elements turbocharge venture creation and growth.”⁷

“In fact, public administration should follow certain principles to facilitate the growth of small businesses:

1. Sustainable entrepreneurship requires a comprehensive, multi-faceted ecosystem
2. Entrepreneurship ecosystems are hyper-local (usually city-based)
3. Ecosystems are cultivated by multiple stakeholders, not designed by governments
4. Ecosystems are (relatively) self-sustaining, so government mindset is to catalyze and then let entrepreneurs and interested parties drive
5. Ecosystems can be accelerated, fostered, but not designed or created
6. Cultivation is a process of dialog, experimentation, and learning

7. It is useful to define measurable objectives for amount of entrepreneurship⁸

The Misalliance - A Clap by Both the Hands

The spirit of entrepreneurship in India is legion from the ages. It has been a part of Indian tradition and culture particularly visible in informal entrepreneurial network.

“The Entrepreneurship ‘Pyramid’ in India (in terms of sectors and numbers of people engaged) is made up of the following

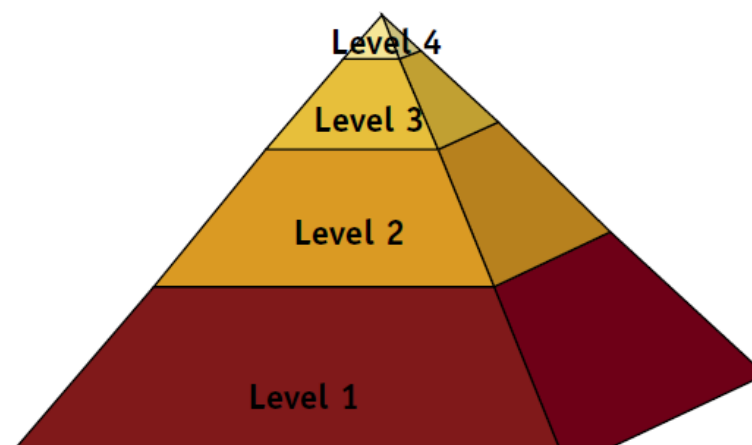
Level 1: Agriculture and other activities: Crop production, Plantation, Forestry, Livestock, Fishing, Mining and Quarrying.

Level 2: Trading services: Wholesale and retail trade; Hotels and restaurants

Level 3: Old economy or traditional sectors: Manufacturing, Electricity, Gas and Water supply

Level 4: Emerging sectors (including knowledge intensive sectors): IT, Finance, Insurance and Business services, Construction, Community, Social & Personal Services, Supply Chain, Transport-Storage-Communications etc.”⁹

In this study, the focus is on level 1 and level 2 entrepreneurs who are lacking in resources and knowledge much more than level 3 and level 4 entrepreneurs.



*Fig. 2 Entrepreneurship Pyramid*¹⁰

Surveys reveal

that level 1 entrepreneur has a much higher rate of entering into free enterprise and then comes the traditional entrepreneurs.

In India, everywhere there is an entrepreneur. Their stock is colossal and their skills and investment capacity too low. In spite of their abundant presence, they are not able to make much difference in the economic development instead they mutually compete with each other. The public sector is having the definite upper hand and thus the role of the state becomes very crucial. Entrepreneurial initiative breaks new grounds banking mainly upon the ingenuity and determination of individuals. A few sporadic attempts have been taken through the government. Some states have been the vanguard of this movement.

An entrepreneur's entrance into business does not guarantee his/her survival. Not only in India, but in the world, the entry and attrition rate of entrepreneur is very high.

This is the responsibility of public department to critically analyze and evaluate the prevailing micro and macro-economic and environmental policies and their impact on entrepreneur and entrepreneurial culture in which they are forced to operate. Unfriendly bankers, procedural delays, bureaucratic indifferences, lack of skill and motivation all hamper the smooth induction of enterprises. The government somewhere fails to create a boosting and promising environment so that creative individuals can accomplish a business model of their innovative ideas.

Though small entrepreneurs are really required by the community still there are no government support and segmentation. Big businesses control the entire supply chain and high-end technology and they psychologically impede the entrepreneurial spirit. Such an entrepreneur has no economic certainty; no empowerment.

After all the obstacles thrown in the way of an entrepreneur, the emotional maturity and approach of practicality still are the armors with the entrepreneurs. As soon as an entrepreneur starts earning money, he feels and finds himself so acceptable in the family and friends, he finds himself desired everywhere as he has not started a fragile business but got some regular and permanent source of income. To satiate his personal ego he becomes spendthrift. Prudence and sense of relevance must be there in entrepreneur to

sustain and grow. The lack of emotional immaturity and approach of practicality bores into the entire effort and another entrepreneur falls into common pitfall.

The organic components of the business can broadly be conceptualized into four categories (set of agents), namely:

1. Drivers
2. Enablers
3. Facilitators
4. Mechanisms

An organic component is the integral part of business as a whole which is interconnected with other components and inherits homeostasis. It functions in a whole, in its organization and development, as an organ works in a living organism.

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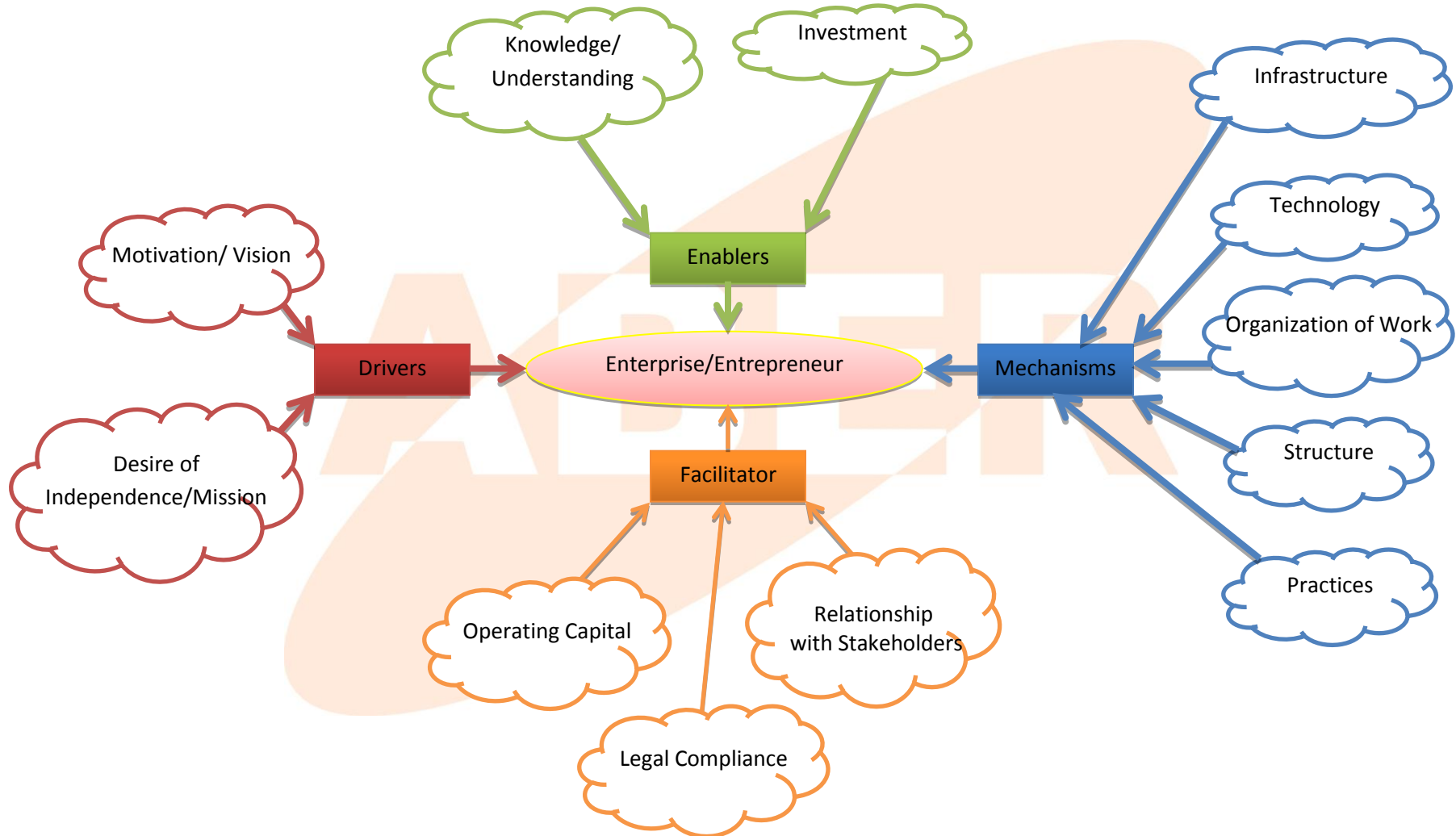


Fig. 3: Business Ecosystem with its agents

Drivers

Anything created, non-accidentally, has two stages- mental creation and physical creation. The same applies to business as well. It starts with the idea, the aspiration an entrepreneur has in mind. It is the manifestation and inclination of innate leadership.

When a person is brewing his idea of venturing, this is the time he needs most strength and seeks most of support. Misery is that there are helping systems, machineries and brains but idle or molested. Though there is much on the paper but every entrepreneur is in dearth. What they get on the name of development programs is bureaucracy, officialdom and befooling mesh.

In so many countries, various entrepreneurship centers are founded to coordinate the broad array of activities, programs, and resources for entrepreneurship. Attempts at various levels have taken place to directly or indirectly promote entrepreneurship. Universities, institutions and departments are imparting such education but they are accessible by considerably upper strata of the society. What about the entrepreneur who has only his soul to put in business? Because of their inferior education, less reach, unawareness, diffidence and bumpy attitude, they reach nowhere.

Enablers

Probability of getting loan approved goes up if the degree of risk associated with lending the money goes down. It is really ambiguous for such an entrepreneur to state how the risks are low. For this you need knowledge and understanding.

Knowledge/understanding is the power that helps a person to advocate his ideas. But there is no source, no organization, moreover, they are approached by 1000s of entrepreneur and their accept rate is trivial. An entrepreneur does not need only initial funding but working capital for at least one year. Absence of such types of support inflames the chances of failure.

To meet this requirement, the Government undertakes several steps like setting up of banks and financial institutions; formulating various policies and schemes, etc. All such measures are specifically focused towards the promotion and development of entrepreneurship. Public Administration, the machinery of provisioning such support seems to be the machinery of

exhausting the provisions themselves. Supports are created as policies, a little starts which gets enjoyed by local powers, mob leaders and rest is exhausted within the machinery only. Culminating into misery, Indian entrepreneur banks on money-lenders more than banks. Money lenders have caught up with the friends and relatives segment, say, about at 35 percent when it comes to fulfilling the loan requirements of rural India. Banks with very little percent of sourcing, stand at a distant third. Self-help groups and cooperative societies are the fourth and fifth preferred choices for sourcing loans and have a very small share percentage of sourcing. Even Micro Finance Institutions could shape themselves only into money lenders. Then comes an entrepreneur's scanty savings, deploying that brings starving for every little need in one's life.

Facilitator

Legal compliance is really a thing above the understanding of a budding entrepreneur. It's a never ending story for him. From state business licensing, to local business licensing, registration, support from local police and municipality, managing partnership, having bank account, choosing location, trade name etc. are inbuilt in public administration services to be facilitated to the entrepreneur. Efforts to get these provisions are found to be curbing to the entrepreneurial spirit. The person finds it so exploiting.

Relationship with stakeholders is another public administration issue as the stakeholders are local residents, fellow workers, lenders, customers, vendors, local communities, other business entities in the same territory and if they are well supported and protected by the government, they strike sync with a new venture, support and help it align its activities to the wellbeing of the society.

Mechanisms

Infrastructure comes under the jurisdiction of public Administration. It can be found in hard and soft both the forms. Hard infrastructure refers to the large physical networks, such as transportation infrastructure, energy infrastructure, water management infrastructure, communications infrastructure whereas soft infrastructure refers to all the institutions such as the financial system, the education system, the health care system, the system of government, and law enforcement, as well as emergency services. For an entrepreneur who has very little startup money, these resources are really pivotal.

Production Technology, information technology, implementation of systems etc. streamlines the activities, make them manageable and facilitates better decision making. Adoption of technologies and facilitation of technologies both give fertile ground to a business. Best product technology gives competitive edge to product. In case of small entrepreneurship, responsibility of Public Administration is to make these things available to them easily and economically.

Work organization and structure are also hooked on Public Administration. Active, passive, high and low strain work organization has lot to do with cultural and environmental factors resultant of public administrative facilities and support. Practices are also corresponding to the bureaucratic set, state and local administrative setups.

The Ring Entrepreneurial Growth Model

A startup is a dependent entity on environment. The environment supplies portion initially to the startup to survive, grow, sustain and make profits. The Ring Entrepreneurial Growth Model assumes growth of an enterprise a Naturally Balanced Process which cannot further without the supply of appropriate combinations of different desired values of variables and inputs to connected stages.

Naturally Balanced Process is series of functions bringing about a result, established by moral certainty or conviction, Characterized by:

1. Freedom from artificiality, affectation, or inhibitions.
2. Supplied through optimum and pertinent inputs
3. Performing expected results at every step of production
4. Substituting no factors of production with other. Substituting factors if effect on total output, tangible and intangible, is zero.

For the success of entrepreneurial initiatives, optimized values of variables reward it with success. Disproportion or dearth disables and diminishes the value of the idea, efforts, resources and rewards.

In the context of business, there are five variables, entrepreneurs themselves and four external-to-them factors, as under:

1. Government
2. Educational Institute
3. Research and development centers
4. Finance Community
5. Entrepreneurs

Moreover, for any entrepreneur, to establish a successful enterprise, he/she has to undergo three stages. Fundamentally, any business is called successful when it has completed following three stages:

1. Survival
2. Maturity, and
3. Sustainability

In any such stage, the natural balance, undoubtedly, has its role. A process, in the ring entrepreneurial growth model, is the sub-stage of above stages. The different values of different variables, at different stages are input in different combinations.

Below, we are working out the different desired values of different variables- Government, Educational Institute, Research and Development centers, finance community and entrepreneurs. Then we will see their desirability at different stages and sub-stages of business. How the business grows and how a business stage becomes launchpad for successive stage by getting right portion of different variables is presented in this model.

Government

- G1. Dissemination of all important and relevant information to start-up entrepreneur (Source books and one stop shops).
- G2. Encourage Learn by Earn; connect financing to performance based outcomes.
- G3. Improve general view regarding entrepreneurship to make the society support budding entrepreneurs.

- G4. Set up public fund for new entrepreneurs.
- G5. Subsidize fairly.
- G6. Introduce the system of unique ID to the business for its social security.
- G7. Introduce some social security policies to encourage the entrepreneurial force to take shape.
- G8. Frame policies to encourage innovation in small businesses.
- G9. Develop a transparent, independent rating system.
- G10. Create specialized courts for speedy enforcement for budding firms.
- G11. Form a secondary market for trade in stocks of smaller companies.
- G12. Implement far reaching revolutions in education policy for entrepreneurial inclusiveness.
- G13. Get a move on development of world class infrastructure.
- G14. Public funded research should be given a new framework; patent rights and royalty should go to universities and research institutes and well worked out business models to entrepreneurs.
- G15. Create entrepreneurship aid Policies which would help entrepreneurs to go qualitative.
- G16. Explore possibilities of PPP at small scale.
- G17. Modernize and make transparent systems.

Educational Institute

- E1. Include entrepreneurship as a subject early in school, nurturing the child's mind with basic concepts.
- E2. In campus encourage student-led activities at undergraduate and graduate levels with stakeholder participation. Give a platform to interact with successful entrepreneurs to understand the practicalities of entrepreneurship.
- E3. Identify places which are keeping plentiful misinformed entrepreneurs, run such programs there.
- E4. Identify less privileged entrepreneurial minds and connect them to public/private linkages.
- E5. Explore ideas for flexibility of vocational education with mainstream education.
- E6. Revolutionize and popularize government vocational training centers. Facilitate more by including the cost benefit and scaling up dimensions as well.

Research and Development Institutes

- R1. Research for learning methods, andragogy and pedagogy for vocational and mainstream teaching to inculcate the entrepreneurial acumen and knack.
- R2. Translating high tech innovative research into wealth generating business models.
- R3. Such organizations should invest their knowledge as equity in new entrepreneurs.
- R4. Partner industry linkages and support innovations.
- R5. Research Institutes can take up new enterprises as projects and can help them like anything. New institutes this could be established.

Financial Community

- F1. Small entrepreneurs and enterprises are great business opportunities for banks.
- F2. Increase information flows to encourage entrepreneurial funding
- F3. Implement policies and recommendations which facilitate credit flow to small entrepreneurs.
- F4. Encourage entrepreneurs in multiple ways for information disclosure to address functional inadequacy and market gaps.
- F5. Enormous potential lies with investment angels, from both the sides, for both the sides. Innovative experiments could bring new dimensions to entrepreneurship. In case of small entrepreneurs, the requirement in their seed stage is comparatively small.
- F6. They should present innovative options for debts and loans to smoothen their startup hurdles.
- F7. Banks should create policies and packages for entrepreneurs to make some cushion money with the banks.

Entrepreneurs

- En1. Be observant and visionary.
- En2. Build strong groundwork and then grow; take incremental steps.
- En3. Make a good record of performance, finance and service both.
- En4. Undertake information disclosure and participate in development programs by banks and government.

- En5. Make strong team, invest in that.
- En6. Your failures are more important than your successes. Take lesson from the very first mistake.
- En7. Accumulate little profits; operate with the purpose to pay back to the contributing resources.

The Model

Level 1 and level 2 enterprises are focused primarily in this study.

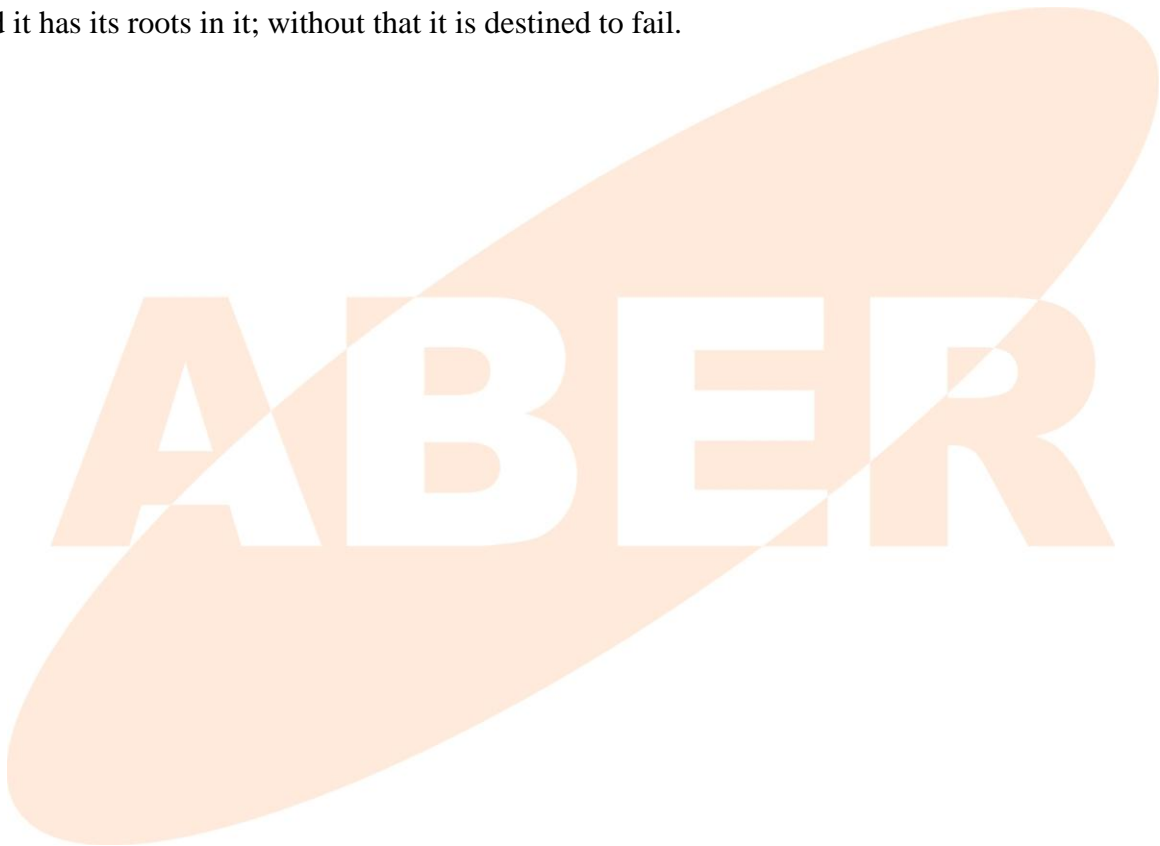
The repetitive breakeven stage with minimal, may be constant or growing, margins is the feature describing the survival or existence stage. Maturity is the stage where the enterprise has gained a regular tendency to work with precision and profits. Sustainability is the stage of the enterprise when the enterprise gets instrumental in handling its core processes and is in a position to divert some resources to expansion.

To thrive, business is supposed to achieve the characteristics of its stage in a stipulated time. Other than achieving its characteristics, business has also to keep a tab on developing those output in parallel which launches them to the next stage of business, i.e. the survival and existence stage produces knowledge and skill which helps it move to next higher stage – maturity. The maturity stage produces systems and tools to steer it to next higher stage – sustainability. Sustainability stage produces inflow and opportunities which provide it with stronger survival features and expanded existence in vertical and horizontal or in new markets.

How the government, educational institutes, the finance community can form an ecological environment with the entrepreneur for the growth of small scale entrepreneurship, is showcased in the model (Fig. 4).

Survival and existence stage comprises three sub-stages – informing, encouraging and facilitating. At every sub-stage, we need certain role of different variables – government, educational institutes, research and development centers, finance community, and entrepreneurs. The informing stage takes G1, F1 and F2 as variable inputs. As the assumption about process, here, is a naturally balanced process, they require the inputs as expected to succeed. If distortions are being made in variable inputs, it will result in distorted paradigm of business and a distorted

or inorganic output of business. These sub-stages or processes are dependent. They are like gearwheels, if one moves successfully and rhythmically only then other activates properly and rhymes with it otherwise the entire stage is going to get distorted. If informing stage is not supplied with G1, F1 and F2 which great business opportunities, and increase information flows to encourage entrepreneurial funding, then the next sub-stage i.e. encouraging is going to suffer because of lapses faced by first stage. This model doesn't describe only the take-aways of the enterprise as an ecological entity but the specific role of different variables at different stages, separately and inclusively. Entrepreneurship is a collaborative phenomenon of these variables and it has its roots in it; without that it is destined to fail.



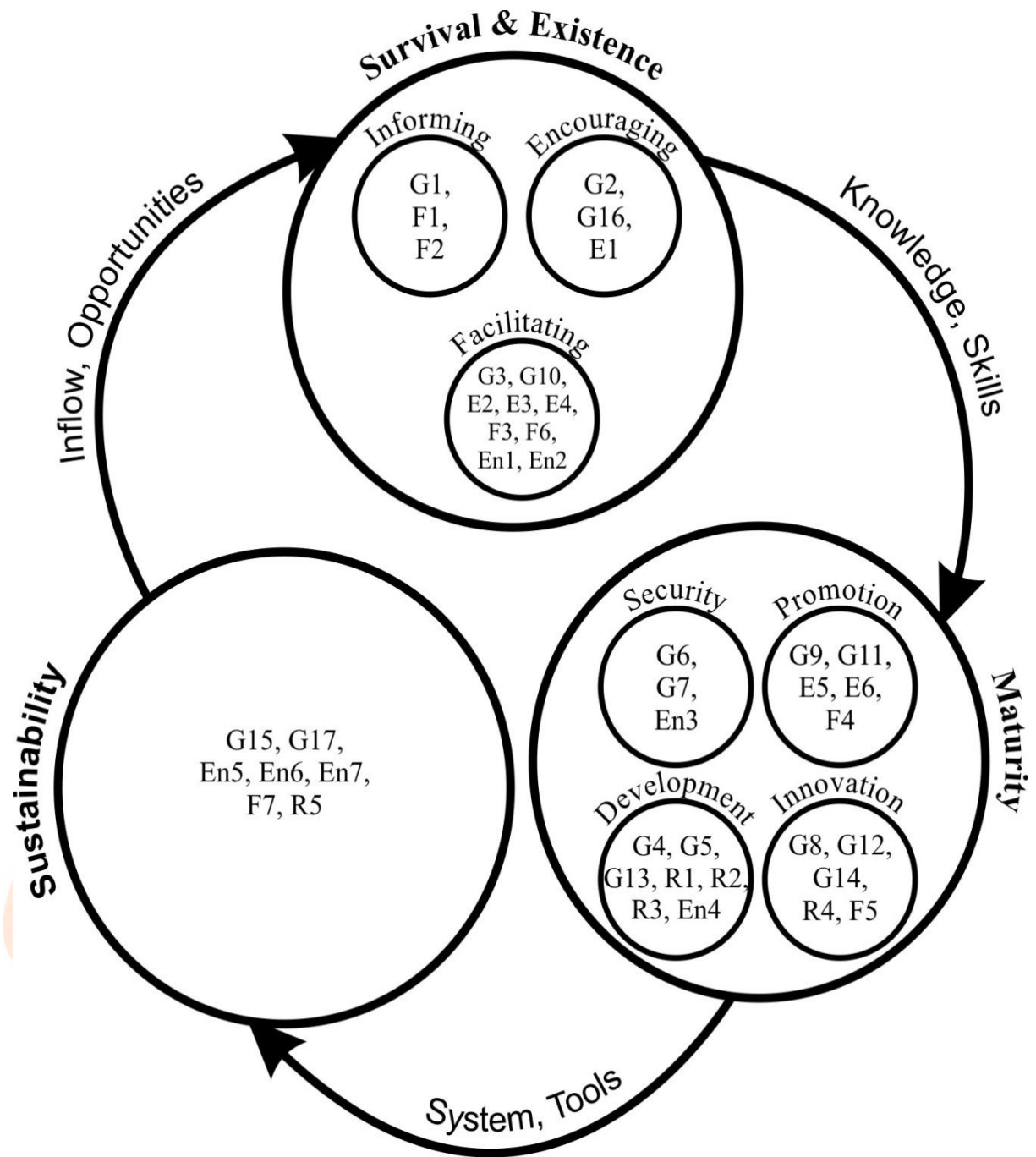


Fig. 4: The Ring Entrepreneurial Growth Model

Conclusion

In mixed economy architecture, the role of the state is very crucial. Being such an economic system, India could not adequately focus entrepreneurs as catalyst of economic development. The state rather assumed the role of the major entrepreneur, rightfully. Thus the center stage of entrepreneurship has been occupied by industrialization under government regulation. Moreover, the small scale entrepreneurs have never been promoted for being breeding ground of entrepreneurship; rather have been promoted to avail their potential to larger development concerns.

In next decade, India is going to have 400 million people below the age of 35 years – more than the entire population of the United States. Each person, in this gallant new peer group, in the prime of his or her life, will strive for a better tomorrow – creating their best viz a viz creating huge demand of resources, supports, systems and what not.

The country has not been that much in need in the past and the present but is more in need in future. The scope of entrepreneurship development in India is tremendous. Public Administration must collect to take up the entrepreneurial challenges. This is commended to spring up earnestly without losing much time. There is a need to assess the Indian entrepreneurial system for its conduciveness to promote and sustain successful entrepreneurial ventures.

No force in the world can stop an idea whose time has come. The time of collaborative and naturally balanced entrepreneurship has come. Quality Management Systems based on ISO 9001:2008 can be of significant help in the process of streamlining local administration for entrepreneurship development. International Workshop Agreement 4: 2009 provides guidelines for the application of ISO 9001:2008 in local government.

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