

Reviews

The Economics and Management of Small Business: An international perspective

Graham Bannock
2005, Routledge, Abingdon,
ISBN: 0415336678, 240pp.,
£24.99.

There is now a vast literature on small business development. Very few, however, give an overview on the subject. Fewer still provide an international perspective including data from both developed and developing countries. This book is in the category of the latter. The author draws on his vast experience in over 40 countries to put together a compendium that is not only scholarly but practical.

Despite the title, the book is not about managing a small business. Thus, those looking for a do-it-yourself guide or management tips on running a small business should search elsewhere. Nor is it about entrepreneurship *per se* and how it can be nurtured, although some of the concepts are addressed. Rather, the book essentially deals with the economics of small business, drawing on some of the latest research in the field. It should appeal particularly to policymakers and other practitioners in governments, consultancy firms and international institutions concerned with small and medium-sized enterprise (SME) promotion.

The book challenges accepted or conventional wisdom on several issues and at times it is tempting to think that Graham Bannock sets out to be deliberately provocative. He argues, for example, that 'Not only is the presence of entrepreneurial talent impossible to identify a priori, but it is difficult to say what the essential elements of this creative talent actually are'. This

statement runs counter to the philosophy and wide practice of using personal entrepreneurial characteristics (PECs) for selection and training along with associated instruments like the focused behavioural event interview (FBEI), which were developed following research funded by USAID and undertaken by McBer & Company and Management Systems International. Reputable institutions and programmes like the Entrepreneurship Development Institute of India, EMPRETEC and CEFÉ, to mention but a few, have used PECs for selection and training for decades.

Similarly, policy makers and other interested parties may take exception to the author's view that 'the effects of present SME policies are overall of little significance'. Equally, government-funded service providers and some in the NGO and donor community will contend with the statement that 'There is no reason to suppose that if most subsidy and assistance programmes were abolished altogether, it would make a significant difference to the shape and prosperity of the SME sector anywhere'. There is also much food for thought for multilaterals, bilaterals, other development agencies and development consultants which, in the name of 'best practice', export various instruments and systems to developing countries. Here, Bannock asserts that 'Instruments that are merely minor supplements to a sophisticated financial infrastructure in developed countries are expected in LDCs to bear the whole weight of the deficiency in the business environment – and predictably fail to do so'. He goes further: 'Although there may be one or two minor exceptions, the massive amounts of

aid applied to LDCs since the Second World War have had no measurable impact on development?.

Incisive and even bold remarks such as the foregoing enhance the appeal of the book and engage the reader actively. Remarkably, much of what the author says is backed by evidence from research and reliable data. Furthermore, one of Graham Bannock's strengths is his ability to mix humour with controversy. For example, he writes: 'The widespread belief in the phenomenon of capital market imperfections in the supply of finance for SMEs may be scarcely more scientifically based than the belief in flying saucers (UFOs). In both cases there have been many sightings; there are passionate believers and non-believers, and you can even look the subject up in learned books. Hard evidence, however, remains elusive'.

These and other such statements and anecdotes help make light reading of what is otherwise a technical subject.

This book has 10 chapters and 5 major themes. Chapters 1, 2 and 3 deal respectively with the definition, characteristics and importance of small firms, covering the first of the five major themes, namely the role of SMEs in development. Chapters 4 and 5 introduce the second theme: constraints on small firms and the continued rise of the regulatory state. Chapter 6 is on entrepreneurs and managers in small firms – the third theme; whilst 7 and 8 are on government policies on small firms and training and support. The theme here, rather controversially as indicated earlier, is that most instruments to promote SMEs fail to achieve their objectives or have only a minor impact. Chapter 9 deals with developing

countries, raising issues of governance and institutions which, in the author's view, are holding back development – the fifth theme. Finally, Chapter 10 provides a summary, some policy prescriptions and a brief perspective on the future outlook for small firms.

If one must cite a shortcoming, it would be the view that, for an international volume, this book is rather heavily skewed towards developed countries. Most of the findings, including data, examples and analysis, are drawn from the UK, US, Japan, Germany and one or two others in Europe. It is most likely that Graham Bannock was conscious of this, and attempted to correct the balance by devoting Chapter 9 to small firms in the developing world. Nevertheless, this book is a great piece of work and one that thinking practitioners of small business development around the world must read.

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Indian Industrial Clusters

Keshab Das (ed.)
2005, Ashgate Publishing Ltd, Aldershot, ISBN 0-7546-3635-6, £50.00, 380pp.

In recent years, industrial clustering of small firms has generated a lot of interest in developing countries because of its ability to bring in collective efficiency. This book on Indian industrial clusters edited by Dr Keshab Das is a collection of 13 well-written articles covering more than 20 clusters, including the highly acclaimed knitwear cluster at Tiruppur (Tamilnadu), the footwear cluster at Agra (Uttar Pradesh), the rural brick

kiln industry in the three states of Punjab, Bihar and Uttar Pradesh, the flooring tile cluster in Morbi (Gujarat), and the garment cluster in Ahmedabad (Gujarat). Each chapter in the book is backed by a field study on one or more clusters. The attempt is to understand the dynamics of industrial clusters in developing countries.

One common theme that runs across several chapters is that, unlike in high-end product clusters in the developed world, where business is led through investment in efficiency enhancement and innovation, industrial clusters in India and perhaps other developing countries have opted for low-end products with price as a critical factor of competition. It is brought out through several case studies that business dynamics are sustained at the cost of labour welfare and job security. The increase in turnover is not met by increased productivity but by higher labour time, using migrants and family labour including child labour. Even in the case of Tiruppur, with remarkable export growth, the firms have gone in for a flexible system of production, employing more women and children. The application of technological innovation that results in better productivity and increased wages for labour needs to be incentivized, besides more effective roles for unions and the state.

For many of the handicraft clusters covered in the book, like handlooms and conch shell in West Bengal, saddlery in Kanpur (Uttar Pradesh), bamboo and rattan in Kerala, silver filigree in Cuttack (Orissa), hand block printing in and around Jaipur (Rajasthan), footwear in Athani (Karnataka), the case studies clearly bring out the divergent

nature of constraints requiring cluster-specific solutions. This calls for building and strengthening effective local institutions to facilitate product reorientation and marketing access to cater to newer and distant markets. As clustering per se does not guarantee healthy joint action in the absence of collective action, a strong case is made for a sensitive facilitator to nurture mutual cooperation through a large number of demand-led interven-

tions over a sufficiently long period of time.

While case study data for most of the clusters are old, the basic findings remain unaffected, as no structural change, at least in the artisan clusters, seems to have taken place over recent years. Again the coverage of clusters is fairly wide, covering several products and states and the findings are quite consistent and reinforcing. However, if the recent advances in the globally

competitive auto-component clusters at Pune, Chennai and Gurgaon; in the pharmaceutical cluster in Ahmedabad; diamond and gem units in Surat and Jaipur, or even in the honey units in Muzzafarpur and Vaishali in Bihar were to be studied now, the story of Indian industrial clusters might be quite different and it is this that makes the book a little outdated.

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