

**ROLE OF ENVIRONMENT AND ENTREPRENEURIAL CHOICE IN
EMERGENT AGRO-INDUSTRIES :
A STUDY OF THE INDIAN FLORICULTURE INDUSTRY**

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ABSTRACT

In 1992, there were only two greenhouses exporting cut flowers from India but by 1996, forty three greenhouses were set up for the export of flowers and sixty more were on the anvil. In 1992-93, the Government of India initiated a series of incentives and institutional linkages to create an environment conducive for entrepreneurs to enter this industry. In the absence of any known technological break-through in the field of floriculture, the sudden pullulating of ventures was attributed only to the focus given by the Government to this sector. This then raises the question as to what is the role of entrepreneurial choice in the growth of start-ups – if environment alone is seen as the main reason for growth of an industry. This thesis tries to address this issue.

An embedded, multiple, qualitative case study method was adopted in studying the growth of the floriculture industry in India. A holistic explanation of the process of new venture emergence was sought through rich description and detail in this study. To reduce the complexities arising out of comparing eighteen cases, the case studies have been collapsed into four ideal type descriptions. A middle range typological theory of the process of emergence of new ventures is elaborated through the description of these ideal or ideotypes.

The new Venture typology – Incremental Adaptive Venture (IAV), High Technology Foray (HTF), Differentiated Innovative Venture (DIF) and Focussed Low Cost Producer (FLCP) – described in this study represents various combinations of environment and entrepreneurial choice and captures the process of evolution of organisational forms and their business level strategic trade-off between external and internal orientation.

The first organisational ideotype – the IAV focuses on identifying and capitalising on opportunities that emerge on account of changing environmental conditions, while placing primary emphasis on the market. The IAV adapts technology to local conditions bearing all the costs inherent to the process of pioneering. The second ideotype - the HTF, lacks the market adaptive capability of the IAV and is purely a financial opportunist. In the absence of a clear strategic orientation it fails to develop any mechanism to respond to changes in the environment. The success or failure of the HTF is purely a matter of the conduciveness of the

environment. The third form – the DIV, maintains a reasonably stable domain and operates with relative efficiency. They are the industry specialists, equipped to handle a range of technologies and markets. One critical aspect about this ideotype is that the entrepreneurs are risk averse and approach the system only when most support elements are perceived to be in place. The last form – the FLCP, operates in a very stable and narrowly defined environment. It deliberately reduces adaptive capability but the emphasis of a FLCP is on operating efficiency. This ideotype has the opportunity and the advantage of observing and learning from other ideotypes. The FLCP derives the true benefit of an efficiency-based strategy because it can minimize the costs associated with adaptation and learning.

Existing literature describes the emergence and growth of new ventures in two perspectives. The first – organisational ecology perspective, views environment and resources as intractable to manipulation by individuals or organisations, while the second view point - the entrepreneurial choice perspective, implies a positive role for entrepreneurs in the outcomes that the start-ups realise. While comparing the typology of ideal types to the descriptions of firms given in both perspectives, the process model described in this study enunciates that changes in the environment and progress of time ordain a succession of organisational forms from the IAV to HTF to DIV to FLCP, each emerging in response to a particular environmental condition.

The process model put forth in this study implies that the stimulus provided by the broad economic environment has a strong bearing on the survival and growth of a new venture in the agri-business sector, though environment is not completely intractable to the management of entrepreneurs and the choices exercised by them.