

Survival Strategies for Indian SME's in the Global Market

Dr.O.M.Ashtankar¹

¹Asso.Professor, K.I.T.S., Ramtek, Nagpur

ABSTRACT

Over the years Indian SME's have emerged as an important but vibrant sector of Indian economy. It account for about 95% of the industrial units, 40% of the industrial production, and 36% of the total exports and provides direct employment to 18 million persons in about 3.2 million registered SSI units in the country. Today, market scenario is changing very rapidly across the globe & the same is happening in India also. In India the process of liberalization & WTO regime have thrown this industrial sector to the large & giant multinational companies also posing certain challenges. At the same time it has opened up the world market & the access to it is made possible to all the companies irrespective of their status or position. Enhancing Global Competitiveness of these SME units holds the key to their future development .The necessary survival measures/strategies for improving global competitiveness is the area of discussion of this paper.

Key words: Exponential Growth, Export and Employment, Globalization, No. of Units, Production, Small Scale Industries

Introduction

For Small & Medium Scale industries the Globalization of economic activities has two interfaces. For some, the process opens new opportunities to expand & grow; for others a much larger group the process poses a fresh gauntlet or threat from abroad. Two aspects of globalization i.e. inward & outward refers to (1) SME's seeking to compete beyond national boundaries and (2) Domestic SME's being subjected to impending competition from across the border respectively .Thus , it has become imperative to be internationally competitive even to survive in the domestic markets .In the given scenario, the SME also have no choice but to go global because international competition has already arrived at our doorsteps .Although the winds of change have been blowing for almost a decade now , it appears that given the Indian psyche, majority of the SMEs are either unaware about the impending situation or are

deliberately ignoring it ; for some of the more discerning units, however there is a creeping concern about the future .In any case ignoring globalization may not only hurt industry in the immediate future but may prove extremely harmful not only for individual SME but also for the national economy in the long run.

Challenges for SME's:

The globalization of economy has posed some challenges to the small scale industries. Among the many others the greatest one is the "Challenge of survival" in the market. Since the MNCs are the powerful players having all the resources & expertise it is difficult to face the competition for these SME units. Hence in such situations they are required to act intelligently.

Among the other challenges the first comes from all pervasive competition is a major challenge; it affects all the players; it is perhaps the foremost of all challenges resulting from the opening up of the economy. The dominance of multinationals considers another challenge .The exacting demands of a buyer's market is yet another challenge .The new compulsion on Indian firms to undertake export in a big way amounts to another challenge. The challenge of competitive pricing, challenge of quality at lowest cost, increased pace of global technical change, increased risks due to volatility of exchange rates also constitute challenge for SME's .And the enlarging vulnerability of firm's sums up the picture.

Literature Review

Various studies have been conducted from time to time in different states of India on different Aspects of small-scale industries. The most of the studies are related to financial aspect, growth of small scale industries, entrepreneurship in SSIs, WTO regime and small scale industries and also related to small industry and globalization. A review of imported studies is presented below: Mathew, M.C. (2004) highlighted the reason for panic in all India census report on small scale Industries. The study observed that the vibrancy and dynamical of the sector anticipated under an era of deregulation and de-reservation remaining largely unrealized. The study stated that the country needs a strong small and medium enterprises policy, which was closely linked to its international commitments. The study suggested that at the strategy level, there were need to be mechanism by which the demography of small and medium enterprises sector itself becomes a matter of public security.

Rajyalakshmi, N. (2004) reviewed the productivity awareness among SSI units in Visakhapatnam district of Andhra Pradesh at micro level and explored small- scale

entrepreneurs, how they measured productivity in their units. The study based on primary data collected by using structured schedule through personal interviews. A sample of 200 SSI units has been selected for the study. The study found that Chemical units were more capital intensive and it was low in food and agro units. Productivity awareness was not noticed in the SSI units. The study concluded that Success in small industry will be best achieved if the productivity culture will be clearly understood by all the employees.

Subrahmanyabala, M.H. (2004) highlighted the impact of globalization and domestic reforms on small-scale industries sector. The study stated that small industry had suffered in terms of growth of units, employment, output and exports. Researcher highlighted that the policy changes had also thrown open new opportunities and markets for the small-scale industries sector. The author suggested that the focus must be turned to technology development and strengthening of financial infrastructure in order to make Indian small industry internationally competitive and contribute to national income and employment.

Sudan, F. K. (2005) described the challenges in Micro and Small Scale Enterprises Development and policy issues by arising different questions related to Micro and Small Enterprises. The study explained the meaning, advantages, problems and policy options of MSE sector. The study concluded that all the policies which were opted by GOI were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labour force and offer exciting career opportunities.

Rathod, C. B. (2007) described the importance of small scale industrial sector and also then contribution of Indian small scale entrepreneurs in world economy. The main objective of the study was to study the growth and pattern of the SSI sector and identify the reasons for success/failures, to evaluate the impact of globalization on SSIs and export opportunity, to identify the barriers and constraints that SSIs were facing to cope with globalization. The study analyzed that SSI sector in India has been exhibiting a striking export performance; export had grown up to double digit from the last ten years. The study concluded that both opportunities and challenges were raised as the impact of globalization on Indian Industry as a whole and the small scale sector in particular. The study found that a major portion of our exports would have to gear up to the new era of boundary less economy. The study has suggested that there was need for simplified legal and regulatory framework, good governance, sufficient and accessible finance, suitable infrastructure and competitive environment.

Survival Strategies for Global Competitiveness

1) *Common Brand Name* – Most of the small & medium scale industries are found to suffer on account of (a) Non standard Products (b) Lack of Marketing capabilities (c) A poor brand image of their products.

To overcome these problems, an association of these (SME) industries in an area can be formed. This association can be voluntarily made either by the SME unit owners or by the Government. This association will design a brand name which will be common for all the member units. A strict quality control procedure will be implemented to ensure the quality of products/services. This common brand name will be promoted heavily by the association as well as SSI units. Also, here the cost of promoting the brand name will be distributed over the members. Thus the above mentioned problems can be tackled by this measure of cooperation.

2) *Collective Marketing*- The small & medium enterprises will have difficulty to face cut throat competition from Multinational companies unless the domestic

Large companies or trading houses tie up with small & medium units by organizing collective marketing through common brand names, aggressive export marketing strategies, intensive promotional efforts in export markets, bulk shipping & transport of goods, assistance in custom clearances etc.

The cost of marketing through the internet is a small fraction compared to the size of the market it opens up. These costs can be further reduced if organizations can share their web servers.

3) *Global Mindset*: The entrepreneurs are required to develop a global mindset. They should think globally & act locally to develop products & services to meet the requirements of price sensitive & quality conscious consumers worldwide.

4) *Cooperation*: The entrepreneurs of SME units are required to forge close relationships with customers, suppliers and other partners. They should maintain a creative tension between competition and cooperation. Innovative strategies also need to be evolved such as enterprise to enterprise cooperation between supplier & buyers.

5) *Partnership*: in development of small & medium scale enterprises with large scale units providing the leadership roles on the lines of ‘ Maruti Udyog ‘ can be the best way in which the SSIs could face the challenges of globalization.

6) *E- Commerce*: Business done online through new business opportunities are growing incrementally because of the vast amount of business information made available by the global web.

In order to achieve competitive advantage over large incumbents by using e commerce SSI units have to-

1. Focus in Industries where critical mass is not a qualifier to compete i.e. choosing the right industry to compete.
2. Choosing the right means to compete with the industry e.g. the best source of positioning, exploitable and the best value chain possible to deliver the value required by the target position.

Traditionally most companies competing in the off line world by following a focussed strategy i.e. concentrating their efforts in the intersection of both Product based positioning (Producing specific products in which they have an advantage or expertise over competitors for production) and Customer based positioning (Operating in one segment of customer, satisfying most or all the needs of a customer group).

E commerce enables SSIs now to start exploiting much proactively the third avenue of positioning, Access based positioning (Since now the time & distance does not matter, think globally)

Conclusion

The process of globalization have made possible the access to the global market & have given a leveled playing ground for all the firms. At the same time it has posed many challenges through cut throat competition. Hence enhancing global competitiveness of SSI units holds the key to their future development.

For SME sector, their competitiveness will enhance only when they produce and produce quality goods at highly competitive prices & this calls for Creativity/Innovation in product, Service, Marketing & Manufacturing Strategies etc. Hence there is a need to access right technology & assimilate in production to produce high quality & cost competitive products to succeed in the global marketplace. Rather than competing with the players of same scale it is better to cooperate amongst them by forming some association & then take up the competition with giant multinationals.

References

- Bala N, (2007), *Economic Reforms and Growth of Small Scale Industries*, Deep & Deep Publications, New Delhi.
- Bansal S K,(1992), *Financial Problems of Small Scale Industries*, Anmol Publications, New Delhi.
- Boari, Cristina, Odorici, Vincenza & Zamarian, Marco,(2003),Clusters and rivalry: does localization really matter?, *Scandinavian Journal of Management*,19(4), 467-489.
- Datt R and Sundaram K P M, (1999), *Indian Economy*, 39th Edition, S. Chand & Company,New Delhi.
- Eriksen Bo & Knudsen Thorbjorn, (2003), Industry and firm level interaction: Implications for profitability, *Journal of Business Research*, 56(3), 191-199.
- Gabriel Hawawini, Venkat Subramanian & Paul Verdin, (2003),Is performance driven by industry or firm-specific factors? A new look at the evidence, ULB Institutional Repository 2013/14188, ULB -- Universite Libre de Bruxelles.
- Howard J Wall & Yannis Georgellis, (2000),What makes a region entrepreneurial? Evidence from Britain, *The Annals of Regional Science*, 34(3), 385-403.
- Rathod C B,(2007), Contribution of Indian Small Scale Entrepreneurs to Economic Growth in India: Opportunities and Challenges in Global Economy, *Prabandh- Journal of Management & Research*, 23, 1- 12.
- Varadarajan, D. B., (2008),Kyoto Protocol's Clean Development Mechanism- It's Feasibility to Indian Small Scale Industries Under Globalization, *Political Economy Journal of India*, 17(1) ,36- 44.