Journal of Advances and Scholarly Researches in Allied Education

Vol. V, Issue X, April-2013, ISSN 2230-7540

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www.ignited.in

Journal of Advances and Scholarly Researches in Allied Education
Vol. V, Issue X, April-2013, ISSN 2230-7540

A Study on Business Management of the Small Scale Sector in India

Gagandeep Kaur

M.Com, Net Qualified

Abstract – The recent industrial policy measures in regard to the Small Scale Sector, adopted by the Government, have given the necessary jolt to get rid of the inertia developed by the sector. Various reasons like Government restrictions on capital employed and the products manufactured, lack of adequate growth opportunities and the absence of entrepreneurial professionalism may be identified as the major causes for this inactivity.

The recent liberalization measures including the relaxation in the Monopolies and Restrictive Trade Practices Act and Foreign Exchange Regulation Act along with reduction in import and excise duties have provided the required impetus through intensified competition by attracting the multinational organizations and other internationally established companies. This entry of multinationals into Indian markets will have to have its impact on all levels of indigenous manufacturing activity, be it in small, medium or large sector. Its impact on the Indian consumer is more intensive, for the internationally renowned brands are made available in the local markets at affordable prices. The impact of the entry of the multinationals on the medium and large scale units is relatively lessened by the relaxation of the growth hurdles like Monopolies and Restrictive Trade Practices Act and Foreign Exchange Regulation Act and other restrictions on foreign collaborative arrangements.

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INTRODUCTION

Exchange partners cooperate to create surplus, and are in conflict over the division of that surplus. The intensity of such conflict is increased when one or both the parties exhibit Opportunistic behavior, i.e., acting in a selfish manner, rather than for group benefits. A more receptive and congruent partner-firm is vital to the assured success of the exchange relationship and also to avoid these resource exchange relationships resulting into conflict episodes. Bucklin & Sengupta have strongly established that Organizational Compatibility between the firms in a co-marketing alliance has a positive relationship with the effectiveness (success) of the exchange relationship. A systematic approach in selecting the right Symbiotic partner for firm proves the compatibility among the participating firms. Further, the ability of a partner-firm to influence the availability of varied resources to the agreements further enhances the need for a comprehensive framework for partner-firm selection.

Though, the earlier authors have touched upon the partner-firm selection, their attempts remained mostly conceptual with theoretical propositions. Moreover, the finer aspects of the selection procedure like how to identify the alternatives, what are the different sources from where information can be obtained and what are the criteria for evaluating the alternatives have not been duly answered by the pioneers of the concept. In this study, an attempt is made to carefully analyze these factors by collecting the perceptions of the entrepreneurs. The study also attempts to develop a model exhibiting the relationships and the relative priorities of various steps in selection procedure.

If the presence of commonality is the only criterion for determining the scope of cooperation between two organizations, competitors provide the maximum scope, as they have high correlations in the products manufactured, customers served and the skills utilized. But, the unlimited and unrestricted cooperation in all the marketing activities among competitors may result in unfair trade practices like Marketing Cartels, Price Rings and such imperfect competitive environment. Further, the degree of complementarities or commonality may generally restrict the sharable activities and also the scope of cooperation in these activities.

The ability of the partner-firm to influence the availability of the resources and skills to exhibit opportunistic behavior and also the tendency to exploit the power imbalance accentuate the need for selecting a more compatible partner-firm. A systematic approach in the process enables to increase the probability of selecting the right firm. The process involves various steps from initially identifying the alternatives to finally evaluating them against a set of pre-determined criteria for the purpose of final selection. It is observed that a considerable percent of the respondents tend to approach only the known firms for developing symbiosis. This largely restricts the availability of the resources of varied nature and utilities. Further, though majority of the respondents specify the act of identifying various alternatives as most important, the moderate importance assigned to the activity by a considerable number of respondent may allow them to deviate from this activity to suit their convenience. Basically, four needs of information like the knowledge and experience of the other firm in the sharable activity, marketplace relationship among the firms, resources possessed by the other firm and the size of the other firm**,** help in evaluating whether a firm can be considered as an alternative. The required information about the partner-firms may be collected from varied sources. Friends who are in commercial activity and a Management Consultant are perceived as the most reliable sources in this regard. Though, a few other information sources are also identified, the reliability of these sources is perceived to be relatively low. Most of the respondents expressed their intentions to maintain equality in regard to the mutual dependence, benefits accrued and the importance assigned to the activity among the participating firms. Further, majority of them would like to be approached directly, without the help of any mediator, for developing Marketing Symbiosis. They said that they would evaluate the firms with equal care, irrespective of how the other firm has approached them. A firm which has or is having a cooperative agreement with the focus firm is the most preferred type of symbiotic firm for majority of the respondents. But, limited practice of Symbiotic agreements forces the entrepreneurs to select a firm which has no experience in cooperative arrangements. The most important information on the past alliances, if any, the reason for terminating the alliance and the degree of cooperative attitude among the participant firms**.** The other information like nature of the activity shared, reasons for opting the alliance are relatively unimportant in the partner-firm selection process. The results on the Organizational Compatibility aspect reiterate the need for considering various features of compatibility, before selecting the final symbiotic firm. Finally, the results of a total of 31 partner-firm selection criteria are factor analyzed to understand the common dimensions in the selection process. The extracted four common factors are named as Profile, Operational Attributes or resources, Co-firm relativity and Extra-operational resources or attributes**.**

REVIEW LITERATURE:

Some of the more renowned instances of such alliances are that of the tie-ups between Godrej soaps with Proctor & Gamble for marketing shampoos, Henkel's joint venture with Spic Fine Chemicals, Coca Cola's takeover of Parley’s soft drinks and Searle (India) tie up with Glaxo (India) for distributing "Equal”. Such arrangements and collaborations have enabled the cooperating firms emerge stronger than their competitors. These strategically important alliances have made the already strong firms stronger and the weaker more vulnerable.

Obviously, the weaker are seen more In the Small Scale Sector than in, the Large Scale Sector. The Small Scale Sector in India contributes approximately 35% of the total indigenous manufacturing activity, 40% of the total exports and provides employment to approximately 119 lakh persons as at end of March, 1990'. "The Small Scale Sector plays a key role in India's planned economic development because of its low Investment, high potential for employment generation, decentralization of Industrial base and dispersal of industries to rural and semi-urban areas'. In spite of its significant role in the Indian economy the Small Scale Sector unfortunately has not been given due importance in the policy making process, thereby restricting its ability to grow. The developments in the Indian industrial scenario have exposed it to a more stringent competitive environment reinforced by the entry of the capital abundant and technologically well advanced multinationals. This becomes more conspicuous, when the small units are operating in consumer non-durable industries, where marketing constitutes the single largest head of expenditure. With crores of rupees on advertising and tens of crores on marketing, the bigger firms would not allow these small entrepreneurs to make a dent into the Indian consumer markets. The big companies could not appreciate the presence of the small businessmen as they have to evolve a spectrum of strategies to combat with these small businessmen in different markets, and implementing various strategies simultaneously is rather difficult. The multinationals deduce their competence from three major facets, in which the Indian Small Scale Sector proved to be unmatching.

RESEARCH METHODOLOGY:

Small Scale entrepreneurs with conventional or traditional attitudes cannot accept the coming together of two competitors in any activity. But, those entrepreneurs who accustom themselves to the changing environment and understand the mutating market demands can appreciate the concerted efforts even among the competitors. The comingling of competitors should be welcome as long as it aims at improving the competitive and marketing efficiencies of the participating firms and does not pose any negative consequences, either to the society or to the individual customer. The statement, in fact, confines the cooperation among competitors to only those activities which help them in formulating and implementing their strategies more efficiently, rather than in accomplishing extra-control over their respective markets through illegal and unethical collaborations. But, here it may be said that the mixed perception is not beyond the expectations. It also reiterates the need for educating the entrepreneurs as to the changing necessities for Innovative business practices. In respect of the other two functions, Finance and Personnel, the majority of the respondents perceive no scope for cooperation among competing firms. Though, the various dynamic forces in the environment keep the

Marketing function at the top of the list, the importance and crucial roles of Finance and Personnel are not over shadowed. Sharing in Finance is clearly defined as exchange of Cash-on -hand loans unseasonal lending of working capital at nominal interest and similar activities. Primarily, sharing in finance among competitors is not possible for the competing firm. Secondly, the seasonal requirements of finance will be almost similar for the competing firms, disabling them to cooperate in the Finance function.

The pilot study has guided in establishing the relationships among a few specified measures of Symbiosis which have already been presented, while discussing the research problem. The two important findings of the pilot study that have added in designing the present study are narrated here below:

1. Though pharmaceuticals industry can be broadly categorized into the consumer non-durables group of industry exists wide differences in various marketing practices like channels of distribution advertising, sales promotion programs and after sales services, from those of the other two industries considered in the present study. Thus, in the final study, Pharmaceuticals Industry is dropped and the total sample is selected from the other two industries, viz. Cosmetics & Toiletries industry and Processed Foods industry.

2. The study findings have facilitated the researcher in organizing the respondents into two groups i.e., the Small Scale entrepreneurs who perform all the marketing activities and those who do not. The first group of the respondent possesses a comprehensive knowledge of different marketing activities thus requisite skills and their relative importance, because they market their produce on their own on a specific brand name. The other group of the respondents produces for other manufacturers and do not own a specific brand name. The Information provided by this group of respondents in respect of Symbiotic Marketing requires a high order of validation, for they lack the firsthand experience on the practice of various marketing activities. This finding enabled the researcher in defining the criteria for selecting the final sample units.

STATEMENT OF THE PROBLEM:

Organizational Exchange has been the focal concept for the diverse inter organizational cooperative strategies. Joint ventures and other strategic alliances have attracted adequate attention and a good amount has been written on various dimensions of the joint venturing activity. But little is done in comprehending the nature and process of 'Business symbiosis". Though Symbiotic Marketing was proposed as early as 1966 by Adler', the concept has been gestating for considerably long time. Venkata Raman (1981), though, has indianite the concept by providing a few examples from Indian marketing environment, had contributed little to the operationalisation of the concept. But in 1986, Varadarajan and Rajaratnam (1986) have brought the concept back to light. They have proposed 5 dimensions to explain the nature of a Symbiotic Marketing agreement, and have concentrated more on evaluating the compatibility of Marketing Symbiosis as an alternative strategy in different growth opportunities of Philip Kotler. Surprisingly, the efforts to assess the congruence of the definition, with the present-day business characterized by turbulence and super specialization have been conspicuously absent. The present study is an effort to examine the conceptual aspects of Symbiotic Marketing more closely to identify the distinctive characteristics of the concept. The study also proposes a model to explain the nature of symbiotic agreements in business, as simulating all the dimensions proposed by the pioneers. The model is also embodied with the concept of 'Domain Similarity' of Van de **B** Walker (1**980)** and is further extended to entangle the widely diversified Symbiotic relationships into its web.

OBJECTIVES OF THE STUDY:

The primary data for the study is collected through a survey, with the following objectives:

1. To examine the nature of existing cooperative efforts of the Small Scale Sector

2. To examine the perceptions of the Small Scale Entrepreneurs towards the concept of Symbiotic Marketing.

3. To examine the various criteria for selecting Symbiotic Partner

4. To identify the obstacles to Marketing Symbiosis in the Small Scale Sector

5. To suggest suitable Policy measures to expand Symbiotic Marketing.

FINDINGS OF THE STUDY:

In the prevailing competitive marketing environment, each customer is personally important, and a lost customer carries a cost of attracting a new customer, to maintain the current demand levels. This necessitated developing, maintaining and perpetuating a personal relationship with the customers for long-term benefits.

But, the study finds that the Small Scale entrepreneurs have not identified this shift in the Marketing concept. Moreover, majority of them still believe in production or product quality concept and perceive marketing to be synonymous with physically distributing the product across the geography of the markets. But, a customer with wide choice of products needs to be attracted through augmented marketing activities like regular Sales Promotions, Marketing Research programs, better after Sales Services and Demand Improvement programs. The results convince that these activities are given least importance by the Small Scale entrepreneurs and not practiced by a strong majority of them.

Organizational Exchange is not completely new to the Indian Small Scale Sector. The study observes that approximately fifteen per cent of the firms in the sector practice resource exchanging relationships. Majority of these agreements are for physically distributing the products of one partner-firm by the other. These agreements are sought mostly by those firms, whose financial and other related resources are highly limited, disabling them to develop even minimum resources necessary for conducting their business operations. But surprisingly, the objective of none of these agreements is to complement the strategic weaknesses of each other or to jointly exploit new market opportunities or to develop operational synergies or to improve their marketing effectiveness for better competitive positions. This perspective of Organizational

Exchange has remained completely unrecognized in the sector.

The practice of Symbiotic Marketing is largely stunted by the absence of a pragmatic framework in operationalizing the concept. The present Study analyzed the latent and dormant meanings of the definition of Symbiotic Marketing as given by Lee Adler,' five characteristic features of the concept are proposed that aid in more easily comprehending its scope and operationalities. A conceptual model is proposed incorporating Axis, Extent, Multitude, Direction, Intimacy, Duration, Domain Similarity, Function and Sector dimensions of a Symbiotic agreement. Further, the applicability of Symbiotic Marketing as an alternative Marketing service system to the Small Scale entrepreneurs is assessed in the light of the changing nature of the "Marketing" concept and the immediate needs of the entrepreneurs. For an unambiguous understanding of the concept, Symbiotic Marketing is differentiated from the other inter organizational systems like Strategic Alliances, Networks, Domesticated Markets and Marketing Coalition companies.

The respondent Small Scale entrepreneurs perceive the possibility of cooperation among competitors in Production and Marketing, but do not perceive any such possibility in Finance, Personnel and Research and Development functions. The results are in concordance with the theoretical propositions, excepting in Research and Development function. The fact that the Small Scale entrepreneurs lack direct involvement and experience in this function, alarms the need for validating their answers against the practices. In the West and the Far East, cooperation In Research and Development is more popular among competitors, other especially in the high-tech industries, for very high capital and-risks involved .Similarly, among the non-competitive firms, i.e. complementary and unrelated product manufacturers, the Small Scale entrepreneurs perceive the possibility of cooperation in all the functions, excepting In Production. The results are theoretically acceptable and the no possibility of cooperation in Production function may be explained through the differences in the production facilities, processes, raw material requirements and the personnel skills, needed for manufacturing two different products. But, the absence of competitive feelings enables them to extend cooperation in other functions, Finance, Marketing, personnel and Research and Development, for more mutual benefits. Quite realistically, all the marketing activities can be shared. But, certain marketing activities cultivate more efficient scope for cooperation among firms with different marketplace relationships, for the commonality in their objectives, resource requirements and for other similarities.

In accordance with the above proposition, it is concluded that industry Specific activities like Marketing Research Programs, Overall Demand Improvement programs and Demand estimation programs, provide scope for more effective cooperation among competitors.

Whereas, the Inter-industry Generic Activities like Dealer Networks, Sale Representatives and New Product development activities and product promotion programs are more efficiently shared among the unrelated product manufacturers. The complementary product manufacturers provide the widest scope for cooperation, i.e. all the marketing activities can be shared. But, the extent of cooperation is largely limited by the degree of comparability among the two products. Thus, it can be concluded that the extent and degree of Marketing Symbiosis between two organizations are determined by the marketplace relationship between the two organizations.

RESULT:

The study concludes that only half of the respondents prefer to follow a more systematic and scientific approach in selecting a Symbiotic partner-firm. While the other half would prefer to adopt a conventional approach in the process, i.e. approaching only the known firms to identify the activities that can be shared. A second majority of the respondent’s assign only "moderate importance" to the act of identifying various alternative firms, before a partner-firm is selected. This highlights the need for educating them as to the various benefits attached to the act of identifying alternatives. Further, the study identifies four Information needs viz., experience and knowledge of the other firm in the sharable activity, marketplace relationship with the other firm, resources possessed by it and its size**,** as to be useful in identifying the various alternative firms for developing Symbiotic agreements.

It is found In the study that majority of the respondents would like to maintain parity among the participants, in regard to the benefits accrued, mutual dependence and the importance assigned to the shared activity. Though, the perception of parity is ideally sought, the actions of various external entities like consumers, suppliers, Government etc., may develop an imbalance in any of these three aspects. So, the Small Scale entrepreneurs are generally advised to evaluate the achieved benefits against their own expectations, rather against the benefits achieved by the other partner-firm. But, the knowledge of this relativity shall be taken help of during the negotiations.

The study finds that majority of Small Scale entrepreneurs would like to be approached directly, without the help of any mediator, for developing Marketing Symbiosis. They further expressed that they would evaluate all the firms with equal care, irrespective of how the other firm has approached them. This finding encourages the Small Scale entrepreneurs to get rid of the notion that they should be approached only through a mutually known mediator.

In developing Symbiotic agreements, it is observed that most of the Small Scale entrepreneurs prefer firms which had or are having prior Symbiotic relationships with the focus firm. But, in the absence of earlier Symbiotic relationships, and to have relationships with diverse firms, they may be required to develop symbiosis with a firm having no former experience in cooperative resource exchanges or a firm which is currently practicing resource sharing with other firms or a Firm this had experience in resource sharing, but is currently not involved in any of such agreements.

The study results in respect of Organizational Compatibility are in concordance with Bucklin and Sengupta's finding. The respondents to the study perceive it as an important aspect having influence on the success of a Symbiotic alliance.

The exploratory Factor analysis conducted on the responses to the partner-firm selection criteria has resulted in four underlying common dimensions. The resultant four factors are named as

1. Profile

2. Operational resources or attributes

3. Co-firm relativity

4. Extra-operational resources or attributes.

But, these factors need to be confirmed and more appropriate measures for these four factors are to be developed. The study developed a systematic method, especially applicable to the Small Scale Sector, in selecting the right partner-firm. The method Incorporates various steps like identifying the sharable resources, their nature, growth orientation of the firm, preferred size of the other firm, identifying the alternatives, sources of collecting information, evaluating the alternatives, negotiating with the best alternatives and finally developing the alliance. But, the method conveniently assumes that the firms know the methodologies in identifying the sharable resources and that the clear definitions of resource requirements and preferred alternatives are available with the firms.

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