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# Combating Sustainability Issues in SME Enterprises and Ensuring Competitive Advantage - A Marketing Perspective on SME Growth Strategies

Dr. Dilip Nandkeolyar

Professor, Christ Institute of Management, Lavasa, Pune, India

**Abstract:** *The dynamics of the market conditions globally have made not only large corporation take cautious steps in their growth trajectory but also has been instrumental in providing a platform for small and medium enterprises across sectors to integrate themselves as growth engines in the economies both developed and developing. What seemed to be a never ending growth story considering the sheer magnitude with which the small and medium enterprises increasingly started to capitalize on the opportunity provided due to consolidation among large corporate has been relatively been marred by the own issues and challenges that the SME face at their level. SME's initially considered as a replacement for larger enterprises and being promoted by governments of developed countries are increasingly losing out on the growth parameters as their focus has become sustainability and not growth. Especially in India where the SME growth story has been phenomenal the way the available opportunities had to be exploited has not happened and this can largely be attributed to the strategic vacuum especially in terms of how the SME's have been able to market their brands, products and services. With reduction in cost and increase in quality of goods and services delivered reaching a near standardization across sectors the only area where the SME's in India can develop a unique selling proposition to create a sustainable business model would largely depend on how they are able to market themselves beyond the traditional focus on cost, quality people etc. Marketing arena of today is the most dynamic with focus changing more towards below the line strategies than above the line strategies which still holds relevance in certain sectors and geographies. This study would be an effort to understand the strategic vacuum in Indian SME's with a marketing perspective as to where the companies are lacking and what are they doing in comparison with the global SME counterparts and also to analyze certain successful SME strategies adopted by successful SME's and provide a series of "NBA"'s- Next Best Actions to Indian SME's on how to exploit the marketing opportunities with the use of multiple ammunitions which are available to them. This would require a comparison from 5 different sectors including automobiles, entertainment, hospitality, retail and financial service SME's globally on their successful marketing strategies and to establish a perspective to similar Indian SME's on how they can be customized to the domestic conditions. This research paper would be a step in identifying these strategies for SME business and on how they can develop a long term competitive advantage*

**Keywords:** *Strategies, Growth, SME., Marketing, sustainability, competitive advantage*

## I. INTRODUCTION

The economy and the world order of the day is so dynamic that there is never going to be a strategy which works in the long term and adaptability and readiness to change would eventually be the driving force for organisations which tend to be a part of sustainable growth. The changing dynamics as mentioned include the development of newer technologies replacing the older ones not necessarily being a vertical growth but sometimes a radical change making many existing technologies obsolete has been the order of the day. The other major factors which add to the dynamics of the markets today include the commodity, currency and policy fluctuations and the ramifications that they cause to the existing businesses and the new aspiring ones. Irrespective of their size, industry and the business model being adapted industries across developed and developing nations face the same turmoil of establish a competitive advantage and looking beyond the self sustainability and have a vision for growth. In such prevalent conditions, the role of Small and Medium enterprises is significant considering the clout that they have on the economies of the

countries. Accepting the notion that it is critical for the economy to have a balance between large and small firms, certain developed countries with healthier economies have been instrumental in development of their SME's to an extent that their economic development is driven more than half through the small and medium enterprises. Especially in countries like India, where the growth story of the economy is relatively consistent over the past few decades with very little debacles unlike the developed countries it is the small and medium enterprises which have been able to negate the issues faced by global corporations which were poised to be growth drivers of the economy being not able to cope up with the domestic demands and lack of understanding of the deeper market dynamics prevalent in the country. In spite of the fact that the Start ups and their poster boys hogging the limelight for growth and development the overall contribution of start ups and their presence as a part of the industry structure is very minimal and they represent a smaller proportion of the small and medium enterprises of the country. Rather there has been many SME enterprises which have stood the test of time from being started as family owned businesses started with satisfying personal objectives than shareholder return and sustaining with the support of the local communities have been more integral in their growth over the years and are ready to face the challenges going ahead. In a study conducted by 'Oxford Economics' and 'American Express' on trying to understand the key drivers for SME success factors for sustainable growth which included samples from 15 different countries throw some interesting statistics on small and medium enterprises acting as growth engines in the economic development. Unlike the traditional belief that the biggest corporations employ the most people and develop domestic revenue it is in fact the small and medium enterprises which are the biggest employers and are actively involved in not only employment generation but also in receding the feat of automation taking away employment opportunities for those who are involved in mundane and repetitive jobs in factories and industries. The report emphasizes that the SME's have an overall positive outlook in terms of the following:

- 1) The business outlook still remains positive among the SME's in spite of the economic uncertainties and political turmoil which prevails
- 2) Technology is not seen as a threat rather as a positive force which leads in to disruption providing new opportunities
- 3) The four ACES which are application of technology, acceleration of their innovation quotient, ability to attract talent and agility in operations have helped the SME's to thrive in the uncertain environments by exploiting them
- 4) Focusing on niche markets and concentration on developing geographies and exporting wherever there is an opportunity have made SME's being more relevant than ever

On the basis of this it can be understood that the SME's have a very important role in the economy and their contribution in employment generation and value creation is definitely commendable. But beneath these success factors there lies an underlying serious issue which has been restricting the leapfrog development of the SME's across countries especially in developing economies like India. Many SME's by themselves are not ready to accept the fact that the incompleteness of their marketing strategy system is what is inhibiting their growth and their concentration presently is being thwarted towards the traditional issues which leads in to sustainability namely, finances, cost and personnel. There seems to be a strategic vacuum which is prevalent especially with relation to marketing initiatives of the SME's which has to be filled on priority to streamline the growth trajectory of the SME's and put them on a path towards creating competitive advantage and not delimiting their growth in terms of fighting sustainability issues which are faced by not only by themselves but entire market put together including the larger firms as well as the micro firms put together. In fact, it is the biggest challenge that is prevalent for SME's to find their marketing initiatives to be complete to compete at domestic as well as global level. The challenges thrown by today's challenging environment have serious repercussions and it needs management decisions which are backed by sound and well conceived strategies to be put in place. This research paper would be focusing on the primary objective of establishing successful marketing initiatives which can be implemented by SME' In India in order to focus on the growth trajectory in the long run. In order to achieve this objective a series of successful SME strategies practiced globally across five different industries including automobiles, entertainment, hospitality, retail and financial services would be taken in to consideration and their adaptability to Indian environment would be analysed and presented. Also this study would make an effort to establish the Next best Actions – NBA's for Indian SME's which can eventually help in developing a long term sustainable competitive advantage and not to get themselves immersed in the sustainability issues and look at growth perspectives.

#### A. Strategy

The success of a firm is related to multiple factors among which the strategic initiatives that the firm undertakes are of primary importance. The long term goals of an organisation are achieved through a series of coordinated activities through a dedicated process which is called as strategy and specifically strategic planning. Strategy is seen in different perspective and narratives by



different scholars and academicians and one of them being strategy being defined as a clear action plan for running a business and the other operations involved in it. More precisely it involves clearly articulating and developing a set of actions which are directed specifically towards attainment of a goal. The two important aspects of this is the ability to attract the customers and manage the financial operations to manage the other resources (Hough et al. 2008). Strategy consists of multiple levels including the firm level, SBU Level and the departmental level. Unlike the larger firms which clearly have a scope of these levels of strategy implementation, in case of many of the prevalent SME's strategic focus is clearly across all levels as there are very few SME's which operate in multiple levels with diversified product and service range and in different geographies. Strategy on the other hand is defined by Drucker (2004) as the systematic decision making process which is continuous and implementing them and also to gain a feedback on a regular basis. This is one of the important grey areas in strategy implementation in Indian SME's as many of them are inconsistent in finding a right strategy and implementing it and more importantly not getting a proper feedback which can be acted upon. With the overall strategic vacuum prevalent in organisations it is in fact the most critical aspect is the marketing strategy which needs more tuning than the overall strategy of a firm. Indian SME's slowly are focusing on strategy but more at a business level and that leads them in to fixing up all issues related to cost, quality and personnel and makes them indulgent in these issues that they fail to look beyond the issues and start looking at growth opportunities.

While considering a competitive environment, how a firm is able to deliver on a focused set of choices which are external towards its customer by taking in to account of their internal capabilities is indeed marketing strategy (Bradley, 2003). Every marketing strategy is bound by the primary objective that how a firm designs its marketing mix in relation to the target market that it has chosen for and the offerings it has developed for them and gradually implement to the next level which is gaining a competitive advantage (Walker, Boyd, Larrech , 1992). It has been accepted that a clearly defined strategy can act as a vital capability for an organisation in terms of directing the firm towards the achievement of the objectives with optimum use of the resources. Not only SME's but across all firms the most important strategic direction lies in the ability of the firm to be more market oriented which would make it clear in its objective of devising the right mix of marketing elements to attract and serve maximum customers thereby being able to take care of its topline and bottom line growth (Kotler and Armstrong, 2006).

Despite the conducive environment and multiple quarters of growth the Indian SME's are facing a sustainability crisis on par with the larger firms mainly because of their capability to adapt to the demands of the market. The larger firms were not able to do this because they had voyeur already much in to their systems and processes that they could not take a step back which lead in to the SME's taking their place and started acting as growth engines. The concept of strategic adaptation which deals with how actually a firm achieves a proper 'fit' with the environment in which it operates through strategically initiatives is a critical factor for success. The determinants of success vary from time to time and something which brought in success yesterday would actually become a negative factor detrimental to success as change is the only constant thing in business (Kotler, 2003). Organisations especially SME's have to be even more cautious as some strategies which worked for them in their inception stage would actually be detrimental considering the present day scenario. Having explained the importance of strategy development of SME's it is also essential to establish the fact that research evidence to such approaches in developing countries like India are scarce and whatever studies that have been published are more in terms of sustainability of SME's and start up companies and not much on the strategic initiatives (Storey, 1994). There have been studies published in terms of the strategy development and implementation with relation to entrepreneurship as many of the SME enterprises are still seen to be a manager/owner driven enterprise and their way of implementation of strategy is seen as a firm's approach towards strategy. Some of the noteworthy contributions in this include studies which are related to importance of managerial strategy formulation (Wang et al., 2007; Veskaisri et al., 2007; Ghobadian and O'Regan, 2002). There have been several approaches towards how managers impact their strategic decisions and what is the impact on business profitability (Gunther and Menzel, 2012); Burton et al. (2012); Temtime and Pansiri (2006). And none of these approaches were directly relatable beyond a point to the Indian SME sector considering the fact that Indian business environment is more dynamic and different from the others. This study would be an attempt to specifically look at strategies which can make a change in the Indian context and to how can they be implemented.

The following are the five sectors across the globe which have been selected and the successful strategies implemented across them would be analysed and then the Next Best Actions (NBA) to Indian SME's in the sectors would be presented.

- 1) Automobiles
- 2) Retail
- 3) Entertainment
- 4) Hospitality
- 5) Financial services

### *B. Automobiles*

Automobile SME's in India are more concerned in adhering to global standards to quality and cost leadership which would eventually make them preferred partners for global companies. In the process they have not been concentrating on the most critical successful factors prevalent in the industry which is

- 1) Internet of Things
- 2) Digitization of automobiles

All the marketing efforts of the automobile SME's have been in promoting themselves as high quality accessory manufacturers at affordable prices which is a very flimsy proposition as both these propositions keep changing. The present global norms in the automobile industry is demanding and very dynamic and this may lead in to Indian SME's lose out to global counterparts. Digital promotions and reaching out to auto majors through them can act as a differentiator as it would establish credibility on the digital acumen of these companies and they can be looked for a collaborative effort rather than looking at being an outsourcing partner who could create a cost advantage. The need of the hour in automobile industry is a collaborative partner who would act proactively in reaching out to the manufacturers and digital is the only way forward.

### *C. Retail*

In the most competitive retail industry the current trends which are relevant for SME's like the larger forms are

- 1) Omni Channel retailing
- 2) Reducing shipping windows

Irrespective of the size of the retail business customers expect retail firms to be present across channels even though they may not purchase across channels. The sheer presence of a business in all channel gives customers a sense of alignment with the brand and consider them to be always in the top of the mind. Even though retail firms constrained by geographies globally have been successful in adopting this through partnerships across channels and make it a point to be available when their customers want them. The emergence of e-commerce and no stock model is changing the dynamics of the retail industry altogether. Customers of today are evolving and there is a clear cut shift in loyalty with regards to comfort. They are not ready to wait for a particular item if it is not ready at the time when they want it. So its imperative for the SME firms to ensure that the reduced shipping windows are adhered to.

### *D. Entertainment*

The two important areas which can provide success to Indian SME's in entertainment industry are:

- 1) Data Analytics
- 2) Unique content

Data Analytics and big data which were considered to be more relevant to big entertainment firms to check on their customer approval ratings and acceptance are now seemingly important for small entertainment firms as well. Viewership patterns would ideally help a small firm to clearly decide on its program and event structure and schedule in order to create better and effective entertainment for their target customers thereby gaining a larger share of mind among them. For long the Indian Small entertainment firms have had a near vacuum creativity in content and all they were doing was to customize or simplify a globally acclaimed type of program or events and present to their customers. This simple idea of content seems to be largely out of context as of today as the customers are now more knowledgeable and are expecting unique content

### *E. Hospitality*

The major trends in the hospitality industry are

- 1) Concept Hotels and restaurants
- 2) No frills service

The concept based restaurants and hotels are not something which are expected by patrons from five star and seven-star hotel chains alone. Every customer looks for a higher experience quotient and even small and budget hotels are expected to create a unique experience. Budget is not the only thing that will drive the customers from big firms in hospitality to smaller ones rather the concepts and experience also matters a lot. This is one area which the hospitality SME's have to get themselves accustomed to. No frills services is increasingly on the rise in terms of business travelers considering the fact that the corporate budgets are in a strain and customers expect a basic service with good facilities as their ultimate choice. Many big hospitality chains have developed their

budget versions but they have not been successful as the customers have not been able to disconnect the emotional understanding about the bigger brands and this poses a big opportunity for SME hospitality companies.

#### F. Financial Services

The major trends for the future in financial services are:

- 1) Diversified financial instruments
- 2) Inclusion of new target segments

Diversification of the financial instruments and providing multiple options is not the task of big league banks and financial institutions alone. Even smaller financial companies are expected to provide multiple options for their customers. One product/service supremacy would not help the SME in long run and they have to diversify and provide more option for their customers.

The concept of financial inclusion is a huge opportunity for Small and Medium financial companies to focus on unattended large segments, understanding their unique financial needs and developing offerings on the basis would eventually lead them in to better revenue generation as the concept of 'Economies of scale' does not only benefit bigger firms but the smaller financial companies could exploit these opportunities.

Hence, this study which was developed with the objective of streamlining and the guiding the SME's in India across sectors has identified the following Next Best Actions- NBA's. for SME

- a) IOT
- b) Digitization and Digital promotions
- c) Omni channel strategies
- d) Leaner supply chain
- e) Data analytics
- f) Innovative concepts
- g) Diversification of product and service portfolio
- h) Identification of untapped target markets

If the SME's in India are able to work upon these initiatives termed as NBA, then they eventually would retain their position as key driver of economy as well as creating themselves a long term competitive advantage.

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