EVOLUTION OF SMALL & MIDSIZE BUSINESS ENTREPRENEURSHIP AND COLLABORATION IN NETWORKING: A DEVELOPING COUNTRY'S EXPERIENCE

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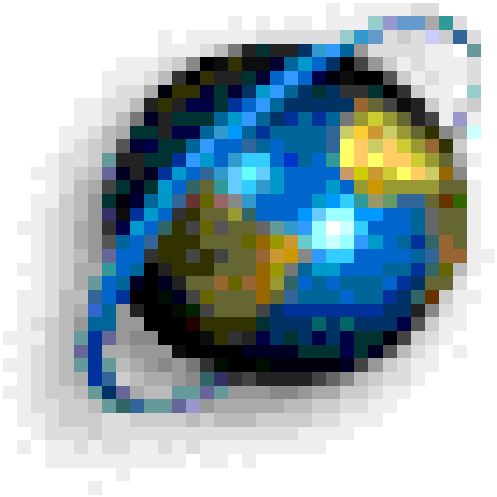

USASBE SAMLL BUSINESS & ENTREPRENURSHIP
Third Annual Conference
January 17-20, 2002
Reno Nevada

Evolution of Small & Midsize Business Entrepreneurship and Networking with Foreign Companies in India

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ABSTRACT

The purpose of this paper is to share India's achieving of excellent performance in promoting and achieving entrepreneurial gain in the small mid size business sectors. This paper shows that, like in the developed countries such as the United States, Great Britain, Germany and many others, even in many developing countries, India for example, small business entrepreneurial movement can be highly successful (in creating more jobs, corporate value, prosperity and affluence) by exploiting collaborative opportunities between large and small businesses and can make such collaborations mutually beneficial to both sides. An inventory of much such experience has been laid down in this paper. The author has tried to identify many collaborative endeavors and assess their contribution in creating values at a faster rate than India's national average.

India produces largest number of engineers, software engineers included, in the world. India is also a country where English is a widely spoken language and the medium of trade and commerce is also English. India's education and trade & commerce systems are largely that of British and America's. India's entrepreneurship environment is also free, and the governmental regulations are on decline. All these factors contribute to a very favorable entrepreneurial environment for India's small and mid-size businesses for them to collaborate with the foreign companies and prosper at a faster pace. India's small businesses did never have this kind of opportunities until it liberalized its trade policies starting 1993.

INTRODUCTION:

India is the world's largest democracy with 1 billion people on its land and is blessed with abundance of natural and human capital resources. India is also blessed with about 300 million rising middle class population. It produces the largest number of highly qualified engineers annually. The country is also well known for its people's entrepreneurial instincts from time immemorial. India was never a communist country with its means of production totally own by the state. However, since 1947, when India gained its political independence from 200 years of British occupation; it was one of the few democratic countries where mixed economy was declared that country's stated national economic policy[1]. Mixed economy refers to the government's economic and political policies to develop, own and manage the heavy industry and infrastructure-related sectors. On the other hand, most consumer products industries and most service industries were left in private hands. In 1992, that, however, radically changed when India opened up its door to embrace and join the worldwide free trade movement. India's parliament enacted a series of laws to liberalize India's trade policies. India also made it a goal of its new economic policy to gradually phase out its public sector enterprises by privatizing most of them and dismantling the economically unprofitables and unneeded others[2].

The purpose of this paper is to share India's achieving of excellent performance in promoting and achieving entrepreneurial gain in the small mid size business sectors. This paper shows that, like in the developed countries such as the United States, Great Britain, Germany and many others, even in many developing countries, India for example, small business entrepreneurial movement can be highly successful (in creating more jobs, corporate value, prosperity and affluence) by exploiting collaborative opportunities between large and small

businesses and can make such collaborations mutually beneficial to both sides. An inventory of much such experience has been laid down in this paper. The author has tried to identify many collaborative endeavors and assess their contribution in creating values at a faster rate than India's national average.

Two major industries have been looked at: India's machine tool industry and the newly emerged high technology based software, hardware and communications industry. The paper has also focused on some problems that appeared to be impeding the success of collaborative process between companies. Finally, some recommendations were given that may, if implemented, help invigorating the benefits of different forms of collaboration between these two types of organization.

THE CHANGE OF CLIMATE

The change in India's economic policy created a qualitatively very healthy environment in the country to encourage and strengthen entrepreneurial initiatives that encourage opening up small business ventures under private ownership. The last eight years (1993-2000) of entrepreneurial experience has been astoundingly positive. The resurgence of successful small business entrepreneurial activities covers both

- Traditional manufacturing and service sectors, and
- Emerging high technology oriented software, hardware and communications sectors

It should be noted that while many of the small business operations are independent and self-contained, a large number of other small business entities have also evolved as collaborative partners with domestic (and in many cases foreign) large business companies.

It is also a very positive development in the culture of business entrepreneurship of whole India. The rising number and intensity in collaborative activities between large corporations (public limited and state supported corporations alike) and small business enterprises (they all are either sole proprietors, partners or closely held corporations) in the machine tool industry of India has become a glaring example of success that helped creating values so fast and so much which India never experienced before. It is benefiting small machine tools companies' major bottom line indices: high growth in sales, increasing profits and profitability, expanding product lines, geographic expansion of market and increasing sophistication in their production technology.

It should be noted however, that in the machine tool industry of India, about 75 percent the values (sales volume) created by this Industry during the period of 1990-1996, has been consumed inside the country by the domestic and expatriate foreign companies. That figure for the high tech oriented software and communications Industry is only 30 percent during the period of 1996-1999. It means 65 percent of the created value in this sector was exported to other countries, making it the largest foreign currency earner for the economy.

In the newly merging high technology oriented software, hardware and communications sectors, the performance is even more impressive. About eighty percent of the technology firms that have registered themselves as high tech companies are small size operations with the number of employees less than 50. None of these companies are more than 15 years old. The senior managers are less than 40 years old who own and run their companies. Most of the owners/managers have at least a bachelor's degree either in engineering or in computer science. While the failure rate among these companies is high, the total number of companies is however is increasing every year at about 10 percent rate. The total sales volume of this industry was estimated to be about $50 million in 1990, and that in 1999 has risen to $5 billion.

In India, collaboration between large and small businesses dates back to the years of seventies and eighties. During the nineties, however, the value creating ability and benefits of such

collaborative strategies in the newly emerged high technology based software, hardware and communications industry overshadowed that of the traditional industries, such as machine tool industry of India. Three very definite models characterize the traditional relationship between large business corporations and small business organizations in both industries:

(a) They operate and compete in the same *market/s* on the basis of their relative strengths in premium quality/image or low prices;
(b) They operate and compete in the same *industry*, but they cater to different market-segments, and
(c) They operate and compete in different market/s and industries, and they don't confront each other as competitors. The thread of relationship between them is collaboration that is mutually beneficial. They actively collaborate where the large organizations provide a major part of the small company's business. In other instances, small businesses become its larger collaborating partner's
(d) R&D powerhouse. By pursuing different forms of collaborations, popularly called strategic alliance.

Ideally, the core of any such collaborative relationship is truly `entrepreneurial', especially from the small business organizations' perspective. By being dependent on larger corporations' collaborative business, small business entrepreneurs do expose themselves to the risk of being out of business when the economy slumps derailing the larger business corporations' fortune. However, exposure to such higher risk is more than compensated by the prospect of higher return and prosperity generated from these collaborative activities. It is also entrepreneurial because such collaborations have helped small businesses to create higher values at an accelerated rate. Statistics from the U.S. Small Business Administration suggests that during the period between 1981 and 1992, about twenty percent of small businesses in the United States have quadrupled their sales every four years; achieved their profit growth at an annual rate of more than 30 percent; and achieved their annual profitability growth (roe) by 50 percent[1]. This has definitely augmented the small business organizations' contribution to the county's gross domestic product. Incase of India, the performance level is even more impressive. Although the relevant data for India in line with the United States' as given above were not available at the moment, the following information would testify India's success story in the small business sectors of high-tech software, hardware and communications and machine tools industries. In the machine tool industry of India, the sales volume went up from 100 billion Indian rupees in 1985 to 950 billion Indian rupees in 1997. Sixty percent of this growth is attributed to about 60 machine tools companies that were collaborating with national an international large size companies primarily as outsourcers[1]. In the previously described high-tech industry, the total sales went up from $50 million in 1990 to $5 billion in 1999.

The collaboration between two or more business companies is popularly known as strategic alliance. Inter-company collaborative activities have been found to be historically riskier way of doing business for many obvious reasons. In case of a small business companies, collaborating with a large corporation, the risk is even higher for the smaller partner, because historically the large businesses enjoy certain inherent dominance in dictating the terms of collaboration.

V.K. Narayanan identifies four forms of cooperative strategies that are primarily used to forge collaborative program between two business companies[3]. They are:

- Corporate Venturing;
- Technology Appropriation;
- Outsourcing; and
- Marketing of Technology.

However, corporate venturing and outsourcing have been found to be the most widely used forms of collaboration between large and small business enterprises. This is true not only in the highly developed economies, but also in the emerging nations with relatively developed

economies, such as India, China, Hungary and Poland

Corporate Venturing involves relationships between la large company and a small company. In many case the large company either founds the small company through spin offs or provides capital and marketing capabilities to an existing small company that brings out innovative products for the large company's consumption in its production process. For large forms, this provides the mechanism for flow of technology from external sources; for the small firm, however, the benefit is more crucial and beneficial for it, and the arrangement presents much needed capital and marketing expertise. Also, the knowledge and experience the small company gains become a permanent competence on the part of its human capital.

While for the large companies corporate venturing provides a window to the world of technology development, for the small companies it provides small business entrepreneurs endless opportunities to explore and implement their visionary ideas into reality. After all, the small business entrepreneurs are always low on capital and expertise.

Outsourcing involves one firm contracting out some other firms to make for the contacting firm products and service, which may be finished or semi-finished. It is a practice of acquiring activities that has higher value than if it is done in house. United States companies spent $100 billion on outsourcing in 1996. About fifty percent of that value was contracted to the outside independent small business companies, domestic and foreign. This outlay has reached $500 billion by 2000[4]. Although the corresponding comprehensive data for India are not be as available, in account, the total contracted value of outsourcing to small business companies in its machine tool industry and high tech software and communications sectors combined, was $500 million in 1990 and $5 billion in 1999, an tenfold growth in about nine years[4]. This confirms that outsourcing is rapidly growing not only in the developed countries, but also in developing countries as well. As a matter of fact, many large companies of the developed countries have uses small and mid size companies in Singapore, Taiwan, South Koreas and Malaysia in the eighties and early nineties. Now these outsourcing companies are tapping small and mid size firms (SME) in India, China, Hungary, Poland and Czech Republic.

In India, corporate venturing has been increasingly a popular mechanism for many American companies to forge long-term strategic relationship with large number Indian companies. General Motors, Ford Motor, General Electric, IBM, Microsoft, Pepsi, Inc. are some of the large U.S. companies who have engaged themselves in corporate venturing with Indian small and mid size companies. India's midsize and small size businesses are attracting many foreign companies to work for them as suppliers-outsourcers. General Motors, for example has invested about $10 million in acquiring a minority interest in Kanpur Metal Part, Limited. The Kanpur Metal Parts Company over the last 6 years of collaboration is being assisted by General Motors in upgrading its technology, R&D power and automating its production facilities to serve the General Motors' automotive parts requirement for its new auto manufacturing venture in India. In 1990, Kanpur's total assets were worth $10 million; in 1999 it is worth $68 million. The company's sales went up from $36 m in 1990 to about $170 million in 1999.

Over the years, this relationship has grown in scope and strength, driven primarily by increased competition and by the explosion in the number of small business enterprises in developing and developed economies everywhere. In India, for example, the number of small business enterprises registered with the government crossed the 3 million mark in 1998-99, registering a compounded growth rate of around 7%

annually since 1947 when the country became independent. As more individuals opt for 'being on their own'
in preference to being part of the corporate order to compete more effectively, large organizations have been making efforts to shed weight, and entrepreneurs and small businesses have expanded their sphere of activity, while at the same time professionalizing themselves. As a result, the nature of the relationship between

large industry and small business enterprises has seen a marked, though gradual change towards a more collaborative rather than adversarial relationship, am ore equal and mutually advantageous partnership.

EVOLUTION OF LARGE BUSINESS AND SMALL BUSINESS RELATIONSHIP IN INDIA

Traditional forms of support provided by large organizations to start-up units and other small companies used to be financial, technical/technological, quality upgrade and maintenance, creation, expansion and upgrading of markets, and outsourcing of products and services through ancillarization of contract manufacturing. The burden of introduction/commercialization of new products, especially in the high-technology fields, used to be with large organizations, given the limited resources most small and mid size business's (SME) had access to. Services typically outsourced even as later as ten to fifteen years ago were largely restricted to organizational security, marketing research, advertising, auditing, (where outsourcing is a statuary requirement), tax consultancy and to an extent, recruitment.

In manufacturing, while ancillarisation/contract-manufacturing has remained the preferred route to a relationship between large and small industry, and volumes of such business have grown manifold over the years, other forms of relationship like joint ventures, acquisitions and mergers and leveraged buyouts are becoming increasingly popular. In some fields where the small company may be a dominant; regional; or niche player, large organizations have used such partnerships as the quickest route to expansion. A typical Indian example is Biocon, a small, specialty Biochemical Company in India, which has been a strategic partner for the Unilever group for the past few years. According to Kiran Mazumadar, founder- CEO of Biocon Group of Industries, India, "small entrepreneurial companies should seek out niche areas to occupy, areas which larger companies, both domestic and multinational, tend to overlook or ignore. In the process, newer entrepreneurial type of companies has adequate scope to evolve and grow." Entrepreneurial companies, she feels, cannot just co-exist with multinationals in India. But also complement them to mutual advantage [3]. This example echoes the strategy outlined in Easwaran [1], which suggests that markets, which are too small or too specialized to provide economies of scale to large companies, are ideal spheres of growth for specialized SME's.

ROLE OF SERVICES

The services market, requiting relatively lower investments, is the ideal growth-vehicle for developing economies. Writing at the beginning of the 'liberalization decade' in 1990, Kenichi Ohmae said in his book, The Borderless World, "As markets are liberalized…The economy rapidly shifts to the service sector. The service sector occupies more and more of the total employment." He added later, in the same book, "The most value added is in the marketplace today…. Such functions as distribution, warehousing, financing, retail marketing, systems integration, and services are all legitimate parts of the business system and can create as many, and often more, jobs than simple manufacturing operations.

It is almost axiomatic that the role of services in the economy becomes particularly important once the economy has reached the stage of development, when the customer on the basis of the services they provide is differentiating organizations as brands and also when the market has become sufficiently sophisticated to look beyond the product to services. The current scenario the services business the world over, and in developing economies in particular, appears to have paid heed to Ohmean's observation regarding the role of the services in value-addition. The share of services in (India's) GDP is almost 47%, Pakistan's share is 50%, Bangladesh's 49%, and Sri Lanka's 52%[5].

Industry in developing economies has come to realize that increased mechanization/automation has some to stay. Labor-content of manufacturing in the traditional form has been dropping steadily. For example, in Maruti Udyog, India's leading automobile manufacturer, is

currently jus t2.5% and even lower in many private sector enterprises. By contrast, labor content in services can approach 100 percent[5]. This is where collaborations between large and small businesses have found the most opportunity, as well as organizations have increasingly realized that better value creation for customers does not necessarily mean in-house development of everything, on the contrary, efficiencies as well as customer-satisfaction can be enhanced by focusing on what they do best and outsourcing everything else. As a result, in the last few years, the large variety of services being outsourced has burgeoned beyond the traditional basket to include activities ranging from corporate housekeeping to software development and plant & machinery maintenance.

WHO BENEFITS?

To a small/start-up company, benefits of the relationship are legion. Apart from technological assistance, assured markets not only ensure survival of the SME, but also provide incentive for quality upgradation/maintenance, since the buyer organization insists on a certain minimal level of quality. Large companies who have the R&D, financial, and marketing resources usually create new markets. Using the 'tested apple' strategy, SME's often follow suits at a later stage at the lower end, or create niches. As Michael Dell, founder-CEO of the highly profitable Dell Computers states, "As a small start-up, Dell couldn't afford to create every piece of the value-chain. But more to the point, why should we want to? We concluded we'd be better off leveraging the investments others have made and focusing on delivering solutions and systems to customers".[6] An Indian example that created marketing history still cited in textbooks of marketing and entrepreneurship is that of 'Nirma', a homegrown brand of household detergent. It is the story of once a small size business enterprise giving an MNC like Levers a run for their money through downward extension of the household detergent market, a Levers preserve till Nirma entered the market.

In addition, in recent years 'mentoring' has become an accepted mode of training entrepreneurs, where an aspiring entrepreneur is provided assistance and training through internship in a large company, with some company managers being assigned to him/her as mentors.

With competition driving the need for growth, the benefits of the relationship to the large organization have also increased. Apart from reduced investments in plant & machinery and labor, a link with a route to expansion and diversification in an environment where speed spells success. The impact of cost overruns and escalations, a major problem in developing economies in particular, is minimized, as the supplier SME absorbs some of the increase in costs. The cost advantage works both ways: in price-sensitive markets, SME's with typically lower overheads, are able to get an edge over large companies. When these SME's act as suppliers to large organizations operating as outsorcers, the benefits of low-cost supplies buttress margins, help profitably and facilitate competitive cost-positions.

Other major benefits of links with SME's to the large organizations are:

i. The opportunity to focus, as an increasing number of secondary services are outsourced. As Michael Dell states, such a link means "fewer things to manage, fewer things to go wrong". Thus, better control and lower costs result in better value-creation for the customer.

ii. Safer and easier entry into unknown markets through a local partner. Expansion of operations beyond familiar areas nationally and internationally is always best facilitated through a local partner who knows the local market in terms of the questions raises by Prahalad[6]: the consumer, the distribution network, the kind of strategies

required, the ability of the local partner to enhance the large company's market-knowledge, and the most appropriate mix of local/large company leadership.

iii. Ease of efficient and suitable vendor development. SME's usually operate in limited, local or regional markets, and to that extent entering a market through a link with SME's implies multiple agreements with numerous vendors across the country. However, these SME's usually operate through longstanding networks of dealers and their small size results in a fairly equal relationship and thus better understanding of the vendor's operations. The long duration relationship between the SME and the vendor is an added advantage to a large company piggybacking on the SME's distribution system. Finally, taking over or joining hands a relationship already in place substantially reduces the costs of distribution and the time required for setting up the distribution system. A case in point is the consumer product giant Godrej buying out Transelectra, an eminently successful small manufacturer of mosquito repellants in India. and

iv. Significant likelihood of success of a brand entering defined but largely unbranded markets dominated by SME's. The 'used apple' strategy works in reverse here. In developing economies in particular, with huge markets of consumer goods selling as commodities, distribution systems are already in place. A large company buying out or collaborating for marketing with a small manufacturer usually can be assured of success of its brand for a variety or reasons: the very presence of a brand is a largely unbranded market sets the company's market entry apart, the large company's image operates in favor of the market-offering, distribution costs are minimized, and there is an expectation, usually fulfilled, of quality upgradation of the market itself, as the market gets more sophisticated and market-segments catering to consumers at different levels are formalized.

It would thus appear that the relationship between SME's and large business today is one of mutual gains, particularly in terms of (a) reduced response time, (b) increased economy translating into higher profits for both sectors, (c) greater specialization and the resultant expertise through mentoring, and ultimately (d) greater customer orientation in an increasingly and large organization, according to Kao, generates profits for the individual and adds value to the society. The large organization improves its bottom line, by reducing costs through outsourcing, and also adds value by increasing employment levels, upgrading technology and skills, and delivery of higher utility value in products and services.

It stands to reason that in the presence of heightened competitive pressure in the foreseeable future; these mutual advantages will govern the nature of the relationship, which will increasingly become that of equal partners in a network. The speed with which they move towards a networking relationship will vary, depending on the market

structure, competitive pressure, the number of potential members of the network, and their current interrelationship.

NETWORK

Currently the most common modes of relationship between large enterprises and SME's are the traditional ones: ancillaries, joint ventures, mergers and acquisitions, outsourced services of the kind discussed earlier in this paper, and dependent links in the distribution channel. Therese relationships tend to be more hierarchical than networks. It is suggested that in the future, three alternative network-based models of a more equal relationship are likely to emerge:

a) **Network of Networks:** An entrepreneurial driven organization' as a community of entrepreneurs combining corporate (collective) and individual efforts to create wealth and add value to society' [2] In the future, this concept will get extended to networks between large companies on the one hand and industry/region based networks of SME's on the other. In this model the large company will network no with individual SME's, but with their formal or informal network:

Such a linkage appears most feasible when a large organization has to deal with a number of small-scale enterprises, each offering the same products/services. But not having adequate capacity to provide the large company's total requirement. The SME's have the advantage of operating as a virtual cartel, with almost perfect information within the network, and competition is minimized.

The large company has to network with a single, defined entity with one standard set of rules and/or operating procedures, minimizing confusions and delays. Business Innovation Centers are another case in-point. They not only assist SME's with information relating to technology, markets, funding sources, etc., but also are also instrumental in helping large organizations locate suitable suppliers or products and services from among their members. As competitive pressure grows, the benefits of such networks will become more apparent to SME's as well as large organizations.

b) **Multiple Networks of Large Companies and SME's:** These network systems are the ones most commonly operational today. In such networks, large companies as customers may be at the hub, and small and midsize businesses providing special services or products surrounding them or a SME may be at the hub of a supply-based network, supplying a service or a product to a large number of companies. Both large and small companies in such systems may be members of more than one formal or informal network.

One area where this idea has lately found an extension is the concept of 'modularization' in manufacturing. Large companies that are in outsourcing network have taken to dealing with one, or a limited number of vendors while outsourcing their components. These vendors in turn outsource many individual components from a network of small suppliers, and integrate them into modules or systems for the outsourcing network. The result is a 'tiered' network.

The benefits of modularization are many, and very difficult to resist: for the large company, cost savings, reduced inventory, a reduction in assembly line and future purchasing overheads. To the large vendor, it means greater business, and higher profits on value-added products. Ever the Tier 2 suppliers will experience greater flexibility, shortened delivery schedules and upgrading of product quality, necessitated by dealing with a specialist vendor.

c) **'Internal' Networks:** These are spawned by large companies in the process of downsizing. As companies attempt to become leaner, not only employees but

also jobs are also being made redundant. Upgrading of technology has also contributed to the disappearance of many traditional jobs, especially in industries that move from being labor-intensive to becoming largely automated. However, as the worldwide experience with IT shows, these redundancies need be only short0term. As the need for newer, higher skills grows, large companies will increasingly move toward providing more economical and quicker to create skilled employment and technology upgrading in newly relevant areas by reabsorbing such employees in areas requiring new/higher skills, or creating ancillaries form among them. This should result in improved employee-relations, lower training costs incurred in dealing with employees already familiar with the ambience of the organization, greater reliability, development of a cadre of suppliers who are better networked with the large company and with each other, and greater value-addition to the society in terms of lower unemployment rate rates and all round upgrading in relevant knowledge and skills.

THE CHALLENGES AHEAD

All the numerous benefits of networks between SME's and large organizations notwithstanding, any such linkage is fraught with uncertainties and risks. To begin with, it is essential to focus on the most suitable form of networking, depending on the needs of the organizations involved and the benefits to be obtained. For instance, for India joint venture or outsourcing to local Indian companies alone is not a cure for expanding the entrepreneurial venture. Rather, it should be considered as one of many options (acquisitions, mergers, and leverage buyouts) for supplementing the resources of the firm and responding more quickly to competitive challenges and market opportunities. Any such decision must be based on evaluation of profitability, activity and liquidity. Another factor that influences the success of a network, especially a supplies-based network, at the operational level is the sophistication of data-exchange systems to get different suppliers and buyers to network efficiently and speedily with each other. Inventory-reduction, minimized stock-outs and quicker response to the market, whish are basic benefits of such a network, can become significant only if data can be exchanged speedily and all partners in the network operate at the same level of sophistication in this regard.

The challenge, then is to (a) understand the objectives of the proposed relationship in any network, and choose the form of network that best delivers those objectives, and (b) identify critical performance measures and focus on them for reduction in risks, costs and lead-times. Owner-managed organizations may have motivations other than profits: long-term growth, employment for family, providing for children's future, etc. However, it has some obvious limitations or its own. It is important to understand these motivations and limitation, as they would influence policy, strategy, and operations.

Similarly, it is crucial for the potential partner organizations to understand each other's culture and develop linkages that pay heed to these cultural differences. Small businesses, for example, typically have a more informal culture, lesser number of systems and organizations, which are flatter. At the same time, most of the decision making rests with the owner-manager and the quality of any collaboration will therefore depend on the lever of skills and professionalism he displays. Building expertise in the second cadre assumes importance only as the organization grows in size. At the same time, it is extremely important for the large organization exercise care against patronizing the SME. This consideration becomes even more crucial in cases of international collaboration, since there is no level; unlike with organizations belonging to the same national culture at which cultural values and more are shared instinctively. As the world grows small and international linkages grow in number and complexity, this dimension will become critical in determining long term health of such networks.

The concept of organizational networking is not a new idea any longer. The last one decade of

India's experience has decisively proved that these strategies do work for India and other developing nations as well. Its applicability and utility, however, is set to increase in future in a market increasingly governed by competitive considerations. As the impact and complexity of competition increases, the choices for small and midsize enterprises will grow, and also the interdependence of small and large companies. New models of such a relationship will emerge, with one company that seeks to gain and sustain competitive advantage will have to rely evermore on small and midsize enterprises and will benefit by operating with and understanding of the what and how of a small and midsize enterprises ability to deliver.

CONCLUSION

In the early of during the nineties, India as part of its emerging new vision, broke off its traditional national economic policy of the Government's active role to play in controlling and managing a major part of the country's production system by itself. The policy practiced for about four and a half decades failed miserably.

During that forty five years since independence, India's population went up from 335 million to 850 million. However, its per capita income rose very modestly. That ultimately changed when the country's leadership brought about major changes in its economic policies. Along with many other things two major changes took place. India opened up its borders to the rest of the world, and decided to gradually divest the public sector enterprises to private hands.

The last decade (1991-2000) of India's performance overshadowed the previous four and a half decade's combined economic performance. However, the country has to go a long way. It still has lots of problems that are in the way of the county's accelerated development. A few recommendations are there might need actions for implementation:

[1] Reforming commercial investment and credit policies to encourage foreign direct investment by foreign investment;
[2] Reforming the country's tax code to courage foreign investment in capital projects for recapture investment more liberally;
[3] Reforming governmental regulations eliminating or reducing governmental interference with small business operations; and
[4] Reforming the federal and state governmental regulations that currently make it harder for small business entrepreneurs to raise funds. ■

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Table-1

Small and Small-Medium Machine Tool Companies
Serving as strategic collaborative Partners or Large companies in India
Sales, Profits and Profitability Information

Sales and Profits figures are in million Indian Rupees

Name of Companies	1990			1994			1996			1999		
	Sales	Profits	ROE	Sales	Profits	ROE	Sales	Profits	ROE	Sales	Profits	ROE
Annapurna Hardware Industry	0.3	Loss	-	1.3	0.3		6.9	0.5		9.7	0.6	
Arvind Machine Tool Company	3.7	0.2	10	9.9	1.0	12	17.2	1.9	17	29.6	3.1	26
Boroda Machine Manufacturing	16.0	0.9	11	33.1	4.6	16	43.6	6.1	16	61.9	10.2	28
Calcutta Steel& Metal Industry, Ltd	4.9	1.0	13	5.3	0.9	14	8.7	1.0	26	18.6	3.7	31
Durgapur Steel Products	11.6	2.6	11	18.3	1.0	9	21.6	1.1	14	33.3	3.8	21
Indore Metal Manufacturing Ltd	47.6	9.4	18	66.3	9.3	20	78.4	9.9	19	110.0	17.6	27
Kanpur Metal Parts Ltd	35.7	9.1	28	62.7	10.0	26	110.9	26.6	33	170.2	33.5	45
Kartnatak Machine Tools Factory	7.0	0.6	9	13.2	1.7	11	22.2	2.1	12	36.3	6.1	19
Panakol Metal Works, Ltd	17.3	0.9	6	20.9	2.2	12	30.2	4.0	11	47.3	6.7	17
Sunrise Metal Parts, Ltd	21.2	1.1	13	47.3	7.3	19	60.5	8.9	21	78.7	11.1	23
Vaskar Machine Tools, Ltd	18.4	0.6	10	29.6	3.1	12	44.2	6.0	16	69.5	9.9	21

Table-2

Sales Volume in Indian rupees

	1992			1997		
Sample of High-tech Small Collaborating Companies	Sales	EBIT	# of Employees	Sales	EBIT	# of Employees
India Communications Ltd (1987)	0.20	Loss	Unknown	10.25	2.10	21
Light Internet Systems (1991)	0.12	Loss	Unknown	14.75	3.50	25
Myox Internet Ltd (1996)	0.22	-	Unknown	7.56	1.90*	06
NIIT {1986}	0.35	0.20	Unknown	34050	18015	41
Randim Technology, Ltd {1992)	0.25	Loss	Unknown	11.34	02.20	31
Satyam CSL {1996)	1.335	-	Unknown	45098	20.10*	43
Wipro Software Ltd {1991)	0.13	Loss	Unknown	11.60	3.50	11