1. Introduction:

SME Segment companies’ (Small & Medium Enterprises) growth analysis was the finest exposition of my academic journey. Captains of successful businesses started with modest beginning and rose to great heights. The research was a faithful attempt to understand exciting growth of SME’s in turbulent Indian and global market. The research has unearthed many valuable lessons for young entrepreneurs for achieving higher profitability and growth. Outcome is also expected to throw more light for academicians to understand concept of Competitive Management from Indian SME perspective.

The researched study of Manufacturing Sector refers to enterprise engaged in manufacture or production, and processing of goods. A medium enterprise is an enterprise where investment in plant and machinery is more than INR 5 crore but does not exceed INR 10 crore (Industries Development & Regulation Act, 1951). SME terminology, in India, was formally introduced by RBI under MSMED Act, 2006; however, many commercial banks have been using their own criteria’s to classify SMEs for the purpose of lending since 1995.

This research study deals with role of differentiators in the growth of manufacturing SMEs in Pune Sector. Before approaching the subject it would be worthwhile to look at the growth of manufacturing base in and around Pune. While trying to understand success stories, it would be inevitable to understand how business environment had changed over past decades with particular reference to decade of nineties when India shifted from ‘license-raj’ to ‘free economy’. Hyper competition of twenty-first century needed special mention due to unprecedented growth and inventions that completely changed the way businesses are run.

1.1 Industrial Growth in Pune Sector:

Pune has gradually evolved as an industrial hub. Today four business segments that dominate Pune are Auto & Auto Components, Agro & Food processing, I-BT & Education. Pune as an industrial township came into its own with explosives factories that were setup during World War II in Khadaki. The next milestone was entry of Kirloskar Oil Engines Ltd., Finolex Cables, and J N Marshal etc. who choose to setup manufacturing units in Engineering along Mumbai-Pune road. This led to industrial growth along Pune-Mumbai corridor mainly in
Pimpri & Chinchwad belt. In 1956 Pune Municipal Corporation setup the Hadapsar Industrial Estate by giving Octroi exemptions. In 1960, MIDC set up huge industrial estate on four thousand Acers of land at Bhosari near Pimpri Chinchwad Industrial Complex. This led to spate of Auto & Auto Components manufacturers. This led to SSI suppliers developing their units in Pune. Development of Pune as an Auto hub was evident in the period 1960-1990. Producers of complete range of vehicles from two, three and four wheelers, to trucks, tractors, buses, luxury cars etc. established their base. Large number of ancillary units supplying components, assemblies came up. Also allied units for cutting metal, coating, fabrications, machining to manufacturing of press components & chassis building etc. mushroomed. (MCCIA,2008).

1.2 Changing landscape of Indian SMEs:

Decade of nineties witnessed consolidation & rationalization in industry. During the same time Economic Reforms were shaping in the country. The current study proposes to cover this era of post Globalization (1991 onwards). This phase brought about the best in the industry, which recognized optimizing manpower and cost, putting in quality systems, increasing cross segment exposure and strategizing the processes. This led to growth in SME as a sector. Eventually some of the manufacturing units, (who survived economic recession of 1995-98), have become big with global presence, however, there are other SME’s who were left behind in the competition and many of them could not survive.

Lately the business has become Hyper Competitive. One needs to look back at the past, absorb and feel the present and dare to imagine a future. Let us take a pause and look back to see how was progress spaced over recent years. Overwhelmingly majority of all the material goodies we use and take for granted have been developed in our lifetime. May be today we are already in the next lifetime, fully engulfed by information wave, aided and controlled by computers and robots, catapulted by technology into surrounding totally new, alien and too fast world. Look around closely and observe any sector, any product and you will know that today is different than yesterday. How will tomorrow be and why? Because: ‘technology breeds itself’. Technology makes more technology possible. Technology is the great engine and the knowledge is the fuel. (Moorthy L R, 2011).
Despite hyper competition, the successful SME units have been growing their top line & consistently managed to keep their bottom line healthy. 'Top-line’ represents turnover (net of excise), from the operations and ‘Bottom-line’ represents Net Profit after Tax. Such units have become competitive & many of them today have global presence despite the fact that prior to 1991 they were just small businesses with insignificant level of annual turnover. Such progressive companies had realized that in the new economy the critical assets are know-how; creativity; intelligence and information. Whereas in the old economy land, labor and capital were considered as the only three generic factors considered to be critical.

Successful firms seamlessly adopted new ways of doing business and progressed. SME sector plays a vital role in the growth of the country and as of date contributes almost 40% of the gross industrial value added in the Indian economy, (MCCIA, 2008). This study shall try to analyze, what keeps great SME companies wining year after year, even when yesterday’s most hyped businesses fail. How some firms managed to have sustained growth & retained competitive advantage despite global competition? On the other hand many industries, despite having comparable socio-economic conditions, were left behind and eventually perished. Many of these successful firms, particularly ‘Business-to-business’ (B2B) companies, get little publicity but their success is no accident. They have discovered patterns of success that have largely gone unnoticed by their unsuccessful competitors and by the industry in general.

1.3 Global Competition:

Rapidly changing landscape of business in twenty-first century, of VUCA world, throws serious challenges to Indian SMEs. The world has been flattened by the convergence of ten major political events, innovations, and companies. None of us has rested since, or maybe ever will again. The forces that flattened the world and created multiple new forms and tools for collaborations are: Berlin wall came down and the Windows went up - IBM, Steve Jobs and Bill Gates brought down the wall by empowering individuals to download the future; Microsoft’s Mundie went from PC-based computing platform to an Internet-based platform; Interconnected network, mathematical-based protocols enabled digital devices to talk to each other; One computer based application started talking to another application – animated films produced through global supply chain – work flow software; Open- Sourcing & free of charge soft-ware movement; Outsourcing – Y2K – GE (American firm) in joint development
project with Wipro (Indian firm); Offshoring – all 5 continents develop interconnected markets and knowledge centers; Supply – Chaining, merchandise from world over available at any location; Insourcing - international logistic chains like UPS & FedEx bringing world integration by partnering with small local operators; In – Forming, introduction of Web Search by Google and others; Wire-less palm top device through Wi-Fi antenna. All these developments have created new opportunities, new challenges and new partners in the business. (Friedman T, 2005).

The recent turmoil in the world economy and financial markets has brought to the fore age-old questions, on what constitutes a successful business or industry. SME companies, who are more vulnerable, have to stand ever accelerating pace of progress and change which is impacting all aspects of business. They have to judge how will it impact and transform business. They have to be watchful as to how competition will acquire totally new form. SME leaders have to keep pace with ever changing environment in which his business operates. Leader has to pause, ponder and proactively take initiative to what is happening around his business. Founders, managers, board members and most other stake holders usually want their companies to prosper and many of today’s corporate giants take pride in their longevity.

Many times, focus on short-term strategies and shareholder’s value does blur the view of distant horizon, but does not diminish the general desire to reach it. The executives face two daunting challenges as they rediscover the value of long-term thinking and strive to create sustainable companies. First, the genuine need for short-term stewardship can distract managers, even those with the best intentions, from their long-term vision. Second, defining the long-term and embedding it in to today’s operations are more complicated than they may seem at first glance. Creating long-term value does not negate the need to tend to the immediate needs of a company. When driving a car, it isn’t enough to know the destination (competitive advantage). You must also be aware of cars around you (external environment), the course of the road (internal capabilities), your fuel level (strategic choices) and other pressing matters (implementation). However, managers must also do a better job at recognizing the short-term pressures that needlessly interfere with their longer-term goals. Irrespective of above mentioned dilemma, SMEs have no choice but to innovate and grow because India is fast moving out of the low cost production.
1.4 Definitions:
The definitions used in this study need special mention:

1) Bottom Line:
   The conclusion of accounting process, in terms of calculating performance for the period that is, the Net Profit after Tax (PAT).

2) Compound Annual Growth Rate (CAGR):
   CAGR measures the ‘year on year growth rate’ after considering ending value, beginning value, and the number of years for given investment.

3) EBITDA:
   It is gross profit less administrative and marketing expenses. A good measure of operating profit.

4) EBT:
   It is EBITDA less interest, depreciation and amortization. Can be used to compare companies in different tax jurisdiction.

5) EAT or PAT:
   Handy tool for shareholders. It is money left after a company has made all payments.

6) Net Worth:
   It is summation of Share Capital and Free Reserves. Also known as shareholder’s fund. (1 to 6: Nobes C, 2001).

7) Small & Medium Enterprises:
   * SME: Business that employees fewer than 250 people and are independent from other organizations, (RBI, MSMED Act, 2006).
   * A ‘medium enterprise’ engaged in manufacturing is an enterprise where investment in plant and machinery is more than INR 5 crore but does not exceed INR 10 crore, (Development and Regulation Act, 1951).
   * Company having annual turnover up to INR 1,000 Million, (Bank of Baroda).
   * Company having Net Worth up to INR 500 Million, (ICICI Bank).

8) Manufacturing:
   Manufacturing is the production of merchandise for use or sale using labor and machines, tools, chemical and biological processing, or formulation. The term may refer to a range of human activity, from handicraft to high tech but is most commonly applied to industrial production, in which raw materials are transformed in to finished goods on a large scale. (Jeff Immelt, June 2009).
1.5 Summary:
On the background of increasing global competition and with particular reference to period after opening of the Indian Economy, the research attempted to understand:

1) How ‘Strategic Process’ actually gets defined, shaped, implemented and practiced in Indian SMEs, and

2) What is the ‘Role of Differentiators’ in the said strategic process of Indian SMEs, in manufacturing sector, to generate competitive advantage leading to increased profitability and growth.