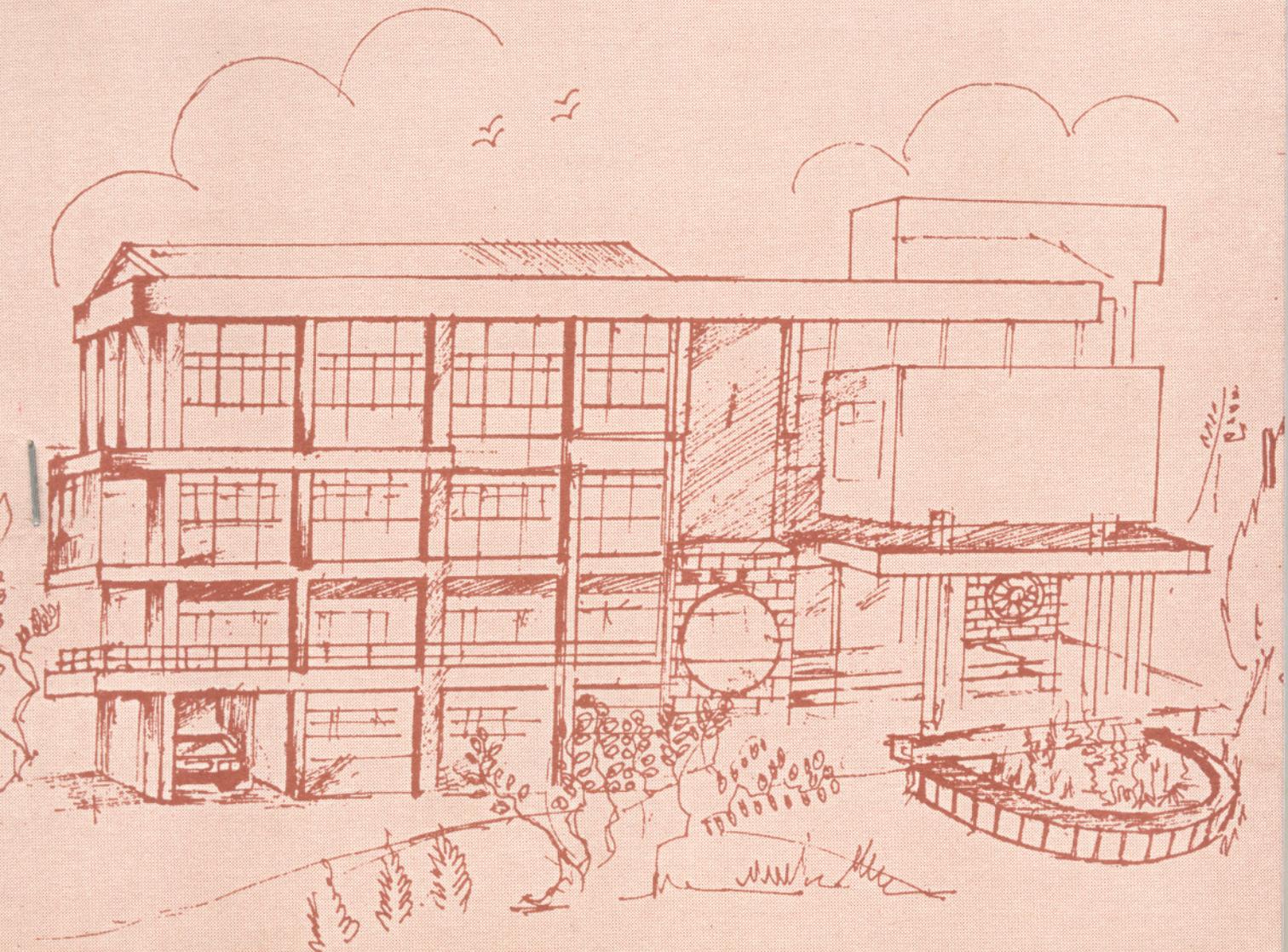


Working Paper Series

**‘How do they plan for growth in
auto component Business?’
- A study on small foundries of
western India**



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**‘HOW DO THEY PLAN FOR GROWTH IN AUTO COMPONENT BUSINESS?’
– A STUDY ON SMALL FOUNDRIES OF WESTERN INDIA**

Abstract

Entrepreneurs of small organisations describe growth differently. Growth strategy of these organisations is a function of industry structure and performance, entrepreneurial motivation, attitude and competence of the entrepreneurs in strategy planning. The article based on Grounded Theory approach is an attempt in developing a theoretical framework on growth strategy planning in small entrepreneurial organisations. Two major patterns are emerging. In ‘relationship based strategy’ entrepreneurial vision towards strengthening relationship is the basis for growth planning. Trust, cooperation, community and society benefit are important dimensions. In ‘technology based strategy’ the entrepreneurs choose technology to achieve excellence in product and process performance, and need investment and risk bearing capability.

Key words : Small business, entrepreneurial growth strategy, small business strategy, small business entrepreneurship, foundry in auto component sector in India

‘HOW DO THEY PLAN FOR GROWTH IN AUTO COMPONENT BUSINESS?’ – A STUDY ON SMALL FOUNDRIES OF WESTERN INDIA

INTRODUCTION

In India small business organisations play a major role in industrial and economic development. Many large organisations source their products from them. Also they offer cost effective and customised products in niche markets due to scale advantage. Their growth is important for overall development of the economy as they not only contribute to the GDP but also offer employment to local talents and work on limited resources.

In his article on entrepreneurial performance Vyas (2005) made a comparative analysis of many studies and concluded about two distinct approaches adopted by them. On one hand entrepreneurs follow the strategy of adaptation, improvement and future development leading to growth and on the other hand they lack dynamism. He placed India in the first group. Entrepreneurial ventures work on the principle motto of profitability and growth with long term desire of market dominance; they depend on innovation in products, processes or practices (Matthews and Scot, 1995). Small organisations with strong entrepreneurial orientation tend to react early to the new industrial environment and adopt simple organisation structure (Messeghem, 2003).

Growth in small organisations carries different meanings by different entrepreneurs. O’ Farrell and Hitchins (2002) in their article ‘Alternative Theories of Small Firm Growth – A critical review’ made a comprehensive analysis of various approaches to growth in small organisations. They concluded that the industrial economics literature primarily focuses on large organisations. As the nature and scale of impediments to growth of small organisations are different the authors emphasised to search for other conceptual frameworks. They analysed the growth model theory (Churchill and Lewis, 1983) which describes that the small entrepreneurial organisations progress in stages from inception to maturity. Each stage can be explained with the help of typical characteristics of entrepreneur, resources, and other variables. Major criticism of theory is on account of the heuristic classification with least focus on the process. The model implicitly assumes that small organisations either grow or fail. There can be fast or slow growing

organisations. It does not explain the condition of the early stages which might have significant influence on growth. It is also not clear whether there is sequence attached to growth or some organisations can skip some intermediate stages. The other criticisms are about the parameters of growth and the context of regional economies. The authors expressed that the model is based on the wisdom based symptoms and have failed to explain the growth processes. On strategic model of growth O' Farrell and Hitchins analysed the strategic management perspective. Referring research articles they explained that there are two environments in which an organisation carries out business. External environment deals with suppliers, customers, competition, taxation, market and government policies. The internal environment consists of the personal and leadership factors of the entrepreneur, resources, etc. The organisations establish relationship with the external environment to progress. The environment in which the organisation operates poses challenges depending of the industry life cycle and industry structure; but market growth does not necessarily lead to growth of small organisations (Morris, 2001).

Entrepreneurial strategy is the means through which small organisations establish and re-establish the fundamental set of relationships with the environment and the uncertainties (Murray, 1984). Entrepreneurs of the small businesses are the sole strategic decision makers and their close control supports easy translation of entrepreneurial vision into action (Van Kirk and Noonan, 1982). Although the small organisations have the advantage of economies of scale, lower overheads and the capability to strike the markets fast (Van Kirk and Noonan 1982); entrepreneurial motivation (to grow) and competence in strategy planning have strong influence on the business strategy (Matthews and Scot, 1995). Woods and Joyce (2003) in their article 'Owner-Managers and the Practice of Strategic Management' described Mintzberg's explanation on strategic planning small organisations as anti-planner. They wrote, "As far as we can see he (Mintzberg) tend to subscribe to the following theses about small entrepreneurial firms: (1) A written strategic plan has no explanatory power in respect of their behaviour because personal strategic vision rather than written strategic plans determine actual strategy; (2) The small entrepreneurial firm develops a strategy that is deliberate and often an extrapolation of the chief executive's personality; (3) The decision making of a small entrepreneurial firm

is often intuitive and thus its success rests on reality confirming its intuitions about the opportunities that exist (and that it seeks to exploit by virtue of its flexibility); (4) There is a persisting need for strategy based on personal vision and control and thus a persisting need for small entrepreneurial firms.” Successful small businesses take the benefit of narrow scope of market, product and customer specialisation. There is a strong impact of entrepreneur’s attitude and the decision on growth and there may not be uniformity in growth agenda among the entrepreneurs even if they operate in the same market (Matthews and Scot, 1995).

Small organisations are not homogenous (Anderson, 1982). The variety is not captured in size and there is a need for functional categorisation based on environment, processes and factors and behaviour of the organisation (Morris, 2001). The nature of competition and competitive pressure for small organisations are different as the competition may be within the group small organisation, between large and small or complementary to large organisations (Besant, 2001). They tend to change production technology and product mix in response to advancements in the industry and customer needs (Steiner and Solem, 1988). Each of these cases will pose different kinds of problems such as resource limitations (especially human and financial resources) and market information (Van Kirk and Noonan, 1982). The competitive strategy proposed by Porter (1979) has limited focus on small businesses. The general strategic management literature available is largely based on large organisations (O’ Farrell and Hitchins, 2002). In a study on small business entrepreneurs in United Kingdom Storey (1994) developed a theoretical framework on growth of small organisations. He proposed that growth of small organisations is a result of a combination of initial resources (of the entrepreneurs), the firm and the strategy. In the article entrepreneurial motivation (Barkham, 1992; Kinsella et al, 1993; Johnson, 1991 and Storey et al, 1991), sector/market (Cambridge Small Business Research Centre, 1992; Dunne and Hughes, 1992; Westhead and Birley, 1993; Variyam and Kraybill, 1992; Storey, 1994; Kalleberg and Leicht, 1991; Jones, 1991 and Reynolds and Miller, 1988), market positioning (Macrea, 1991; Solem and Steiner, 1989; Storey et al, 1989; Birley and Westhead, 1990 and Siegel et al, 1993), and new product introduction (Woo et al, 1989; Dunkelberg et al, 1987; Solem and Steiner, 1989; Wynarczyk et al, 1993 and

Storey et al, 1989) were identified as the major elements positively associated with growth.

Small organisational growth can be measured with the help of financial and non-financial performance parameters. In entrepreneur-managed organisations growth carries different meaning due to varied motives behind starting an enterprise by the entrepreneurs. Achievement of one organisation which impacts substantially to its future growth may not have similar impact on the other even if both are engaged in similar business. Attitude of the entrepreneur affects the implementation of growth plan. The other important factors are skill and competencies of the entrepreneur to develop and implement strategic plans. The success of the growth plan also depends on the industry structure and environment. Mintzberg's theses points out the complexity in strategy planning process in small organisations. In India the changes in global market conditions have lead to a major shift from 'protection' (by the Government) to 'competition'. To deal with these complexities in a comprehensive manner strategy planning in small organisations needs fresh academic research. In this article I am attempting to develop a theoretical framework on growth strategy based on small foundries working in auto component sector.

Strategic variables carry different weightage in different industry segments (Mcdougal, 1994). Messeghem (2003) conducted an empirical study in food processing units but suggested a study on auto component sector as a representative for strategic planning among the small entrepreneurial organisation groups. In automobile segment about 30 % of the components sourced from India are machined castings or forgings and majority of them are manufactured by small and medium organisations (Ivarsson and Alvstam, 2004). The representativeness of this sector is on account of competition and strategy planning is also important for surviving in the competitive environment. The auto component manufacturers need to adhere to strict quality norms and time pressures imposed by their customers in automobile companies.

The auto component sector in India will be worth \$25 billion by 2015 out of the projected global market of \$375 billion; China, Mexico and Thailand are the other competitors

(Jagnani and Doshi, 2004). Across the globe the automobile industry structure has changed. Profit margins have reduced due to price pressure. Automobile companies are reducing the number of vendors to reduce cost. As a result the auto component manufacturers are also consolidating and adopting operational strategies such as lean production and six-sigma to improve the operational efficiency. They are focusing on specific niches to create product or product segment dominance based on process skills to achieve economies of scale (Mercer et al, 2004). India has an advantage due to availability of aluminium and some grades of steel at low cost and hence emerging as a global sourcing place for auto components. Indian companies are known to be low cost auto component manufacturers. Skilful usage of old machineries by the Indian machinists keeps their costs low. In spite of competition, cost rationalisation and rising cost of inputs the auto component prices have dropped by 3 to 5% in India (Jagnani and Doshi, 2004). This sector is dominated by small manufacturers. There are 5000 unorganised and 400 organised manufacturers. The unorganised sector caters to about 23 % of the replacement market.¹ But consolidation in the auto component market is gradually improving scope for organised sector (Jagnani and Doshi, 2004).

In western India major automobile manufacturers are located in Pune, Mumbai, Nasik and Aurangabad (Roy, 2005). My article is based on a study on small foundries located in foundry clusters of Kolhapur and Belgaum (western India) largely supplying metal castings to auto components manufacturers located in these places. The clusters are local agglomeration of small units.² Foundry segment is traditionally known to be labour intensive and polluting. Being the last link in the supply chain of metal based components of automobile industry cost pressures are high, and increasing quality requirements have significantly influenced the strategic decision of these foundries.

RESEARCH QUESTIONS

Strategy planning has a long term impact on business organisations. It involves logical and comprehensive approach to prepare the organisation for the future. Van Kirk and

¹ Source : ICRA Report, May, 2003

² Source : <http://www.nisiet-cluster.org>

Noonan (1982) made reference to 'strategic window' concept of Derek Abell and argued that the small organisations act fast to get maximum benefit of the optimum fit available for a limited time between the market and their specific competences. Flexibility is a major advantage of small organisations and strategy planning is continuous and highly contextual (Chan and Foster, 1999). Vyas (2005) submitted a mixed argument that small incremental changes towards growth are important until the organisations get enough resources, skill and experience to take high growth path. He clarified that the intuitive decisions about small incremental changes for growth are about taking calculated risk.

Growth performance of small organisations depends on many factors. Organisational structure and processes (Hrebiniak and Joyce, 1985) and policy, planning, market knowledge and technology (Kelmar and Wingham, 1995) are the internal factors and the external environment (Hrebiniak and Joyce, 1985) and market selection (Kelmar and Wingham, 1995) are also important. External variable are related to and determined by the markets where as internal variables are organisation design, structure or process related factors. After a study on success strategies of small enterprises, Kelmar and Wingham (1995) listed 47 growth strategies reported in various research works. They classified these strategies into 12 categories and reported that 55.5% were related to external variables (market penetration, pricing, product mix, product demand, promotion, market creation, market stability and intermediary use) and the rest were the internal variables (corporate strategy and staffing are the greatest contributors). Although they attempted to take a holistic view of strategic planning on these factors but the conclusion highlights importance of market related factors. Sims et al (2002) brought a different perspective of external factors as growth impediment. After a study on small businesses in Australia they concluded that growth oriented organisations do not consider the external factors as impediments and they focus on strategic planning to manage the impediments and take advantage of the market opportunities. Small organisations attempt to influence the external conditions to make them favourable (Liao et al, 2003). This is about finding a fit between market and the specific competence explained by Abell. McMohan (2001) argued that internal factors such as commitments in investment, growth, export, and enterprise size are more important than the market variables.

Small organisations continuously search optimum fit between the market and their competences. Although such strategic actions are short term in nature but they influence the capability building of these organisations in which in turn has long term implications. The internal factors which include organisational policy, processes, structure, technology and market knowledge are matched with the external conditions such as market condition and competition.

My central research question is ‘What are the growth strategies of small entrepreneurial organisations?’

Describing growth and entrepreneurial competence are the two major aspects in growth strategy planning. The figure-1 schematically illustrates the framework of research questions which form the basis of this article.

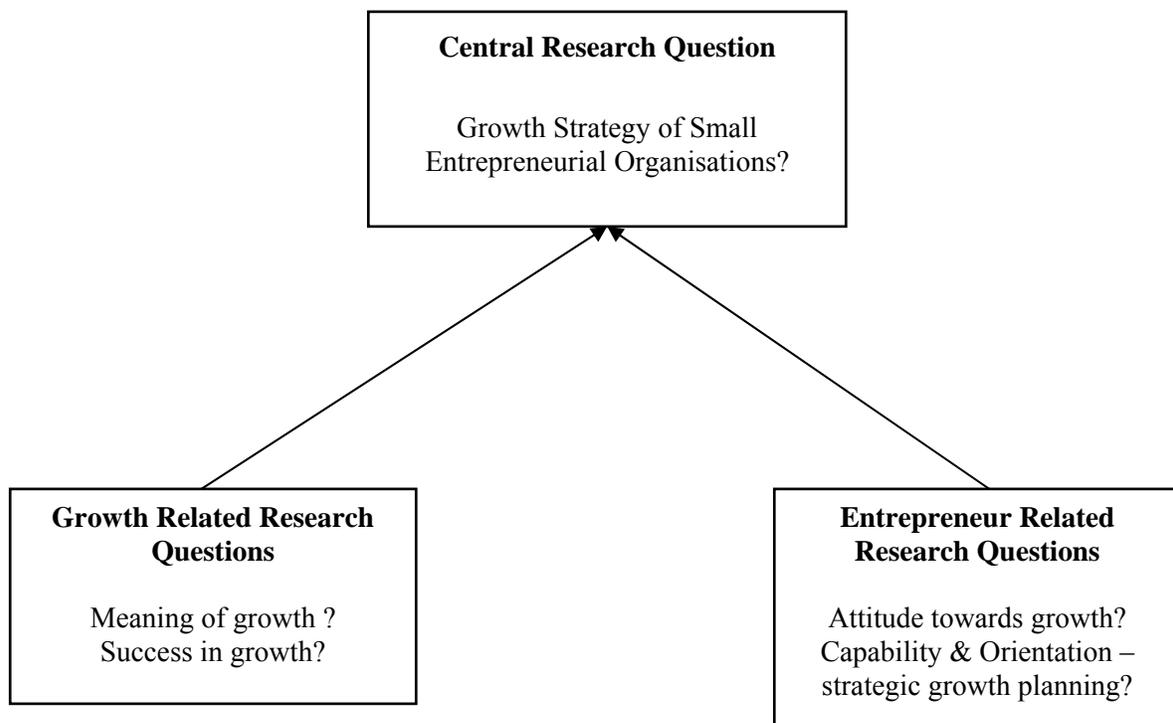


Figure-1: Conceptual Linkage between Research Questions

O’Farrel and Hitchins (2002) analysed the major problems in evaluation of growth of small organisations due to inconsistencies in defining the dimensions of growth. Entrepreneurship does not have automatic bias towards growth (Lesger, 1997). Commonly referred classifications of parameters to measure growth of small

organisations are internal and external, and financial and non-financial. But limited empirical studies are available to establish the effectiveness of classifying the performance indicators as internal and external (Keats and Bracker, 1988).

Improvement in internal structure, increase in formalisation and higher specialisation are indicators of growth in small organisations (Messeghem, 2003). An empirical study in small and medium enterprises in Vietnam by Nguyen and Bryant (2004) concluded that formal HR practices are positively linked to higher performance and is a challenge for them to introduce formal policies and procedures along with the informal culture.

Businesses are viable only if they are financially solvent (Walker and Brown, 2004). Profit and turnover are also most commonly considered financial indicator of growth in the research studies (McMohan, 2001; O'Farrel and Hitchins, 2002). Value added, total asset and market share also measure growth of small organisations (O'Farrel and Hitchins, 2002). The non-financial parameters can be related to the individual needs of the entrepreneurs or internal needs of the small organisations. These parameters have a strong influence of the personality of the entrepreneur (Walker and Brown, 2004). New performance methods, employee productivity and efficiency, and employee welfare are important (Kotey and Meredith, 1997). Number of employee increases as the organisation grows (Kotey and Slade, 2005; O'Farrel and Hitchins, 2002). But Walker and Brown (2004) argued that number of employees may not be an accurate measure of success in small organisation if the entrepreneurs deliberately avoid employing more people.

Small entrepreneurial organisations carry different meaning about growth. The meanings are the reflection of the entrepreneurs' vision towards the organisation. For sustenance and growth financial performance is important but the entrepreneurs also see their enterprise as opportunity-place to fulfil their entrepreneurial dreams. The non-financial parameters are related to such ambitions of the entrepreneurs. Growth also means developing team and competence of the team members. Their well being is directly linked to the growth of the small organisations.

The growth issue related research questions are - What does growth mean to these entrepreneurs? How do these entrepreneurs describe success of their own growth?

Entrepreneurs start new ventures with different motivation and the motivation need not necessarily be the profit maximisation (Wiklund et al, 2003). Individuals with pull motivation have strong desire to start a venture where as push motivation may have equally positive desire but external negative reasons (Walker and Brown, 2004). Influence of entrepreneur's intention on growth and success was also explained by Bird (1988, 1992) and LeBrasseur et al (2003). Sometimes small organisations do not want to exploit the opportunities to grow (Wiklund et al, 2003) and entrepreneur's bias as a contributor or impeding factors are empirically established (Rogoff et al, 2004).

As described earlier small business entrepreneurs tend to exploit market opportunities as early as possible. The continuous search and innovation are the typical entrepreneurial behaviour which is context specific. Attitude is one predictor of behaviour. I am referring the research article 'What Do They Think and Feel about Growth? An Expectancy-Value Approach to Small Business Managers' Attitude Towards Growth' authored by Wiklund et al (2003) to deal with this aspect of growth. According to the authors attitudinal theories are less referred in entrepreneurial context as compared to personality variables. Personality variables measure general individual tendencies and have less predictive power in specific context. Attitude on the other hand is considered to be an important determinant of behaviour because of their specificity. Attitude is considered to be moderately strong predictor of goal directed behaviour and is less stable over time and across situation; it changes in accordance with the environment. Attitude to growth vary widely and is embedded in social and economic factors (Clark et al, 2001). Strategy planning in general and growth strategy planning in specific has a strong influence of context and environment. This makes entrepreneur's strategy planning behaviour predictable with the help attitude measurement. While dealing with expectancy-value theory Wiklund et al (2003) also referred other research studies to argue that belief and attitude are closely associated. Individual's attitude towards behaviour can be predicted by salient beliefs. If the belief corresponds a specific behaviour i.e. growth, it can predict

attitude of the individual towards growth. The authors have conducted a comprehensive literature review on the salient beliefs of small businesses entrepreneurs and eight key areas that affect the growth of their organisations positively or negatively. The areas are owner-manager's workload, owner-manager's work tasks, employee well being, financial outcome, control (surveillance), independence, crisis survival ability and quality of product and service. With the help of an empirical study Wiklund et al (2003) concluded that financial gain is not the most important determinant of attitude towards growth and the non-economic outcomes are more important influencing attitude towards growth. But all of them do not always influence all the entrepreneurs. Work load was reported to be relatively unimportant. Employee well being was the single most important determinant of overall attitude towards growth as employee well being directly influences the product and service quality of the organisation.

Entrepreneurs set up enterprises with different motivation. They possess different behaviour towards growth. The entrepreneurs plan their strategies to take immediate advantage of the market conditions. Attitude measurement can predict this goal directed and contextual decision making attributes of the entrepreneurs. It is important to know about the attitude of the entrepreneur in a given situation to understand growth strategy.

The first entrepreneur related research question is - What is the attitude of entrepreneurs of small organisations towards growth?

For survival and growth of the enterprise the entrepreneur has to develop both strategic and tactical skills and should develop abilities to face the uncertainties (Kuratko et al, 2001 and Carland et al, 1984). Entrepreneurial small firm employ relatively formalised methods for strategic planning (Gibbons and O'Connor, 2005). The entrepreneur's formal strategic orientation increases interaction with the operating environment and this act moderates the sophistication in strategic management practice and the business performance (Keats and Bracker, 1988). As small businesses approach internationalisation the entrepreneur consider strategic planning important and essential (Kalantaridis, 2004).

Entrepreneurial strategy making represents a distinct strategy-making process characterised by experimentation, innovativeness, risk taking and proactive assertiveness (Dess et al. 1997). Entrepreneur's blue print on HR system during founding plays a significant role in formalising the HR system at a later stage which in turn affects the organisational performance (Nguyen and Bryant, 2004).

As the competitive pressure increases the need for developing organisational capabilities and the skill base is required to go beyond the entrepreneur's capabilities (LeBrasseur et al, 2003). The study of Chan and Foster (2001) based on small businesses in Hong Kong concludes that entrepreneurs not only use their own knowledge resources but also seek external help to make strategic decisions. Lechner and Dowling (2003) in their study on relationship of network with growth and competitiveness of entrepreneurial firms referred many scholarly literatures and argued that the high growth firms make use of external relations.

On relationship between entrepreneurial strategy and performance Dess et al (1997) concluded that entrepreneurial strategy leads to high performance in highly uncertain and low cost pressure business environment as this supports development of state of art process technologies and the core process redesign.

The entrepreneurs make short term and long term strategic decisions. The process of strategic decision making is formalised based on maturity of the entrepreneurs and exposure to external environment. The strategic planning process takes care of the HR system. In most of the cases the entrepreneurs are the sole strategic decision makers and their skill and capability in strategy planning are important for success in growth. The entrepreneurs also take external support in this process.

The second entrepreneur related research question is - What are the important entrepreneurial capabilities?

MEHTODOLOGY

I have adopted Grounded Theory approach of qualitative research to collect data from the small foundries supplying to auto component manufacturers and for developing the theoretical framework.³ I have adopted the methodology suggested by Strauss and Corbin (1998). Creswell (1998) have provided a detailed explanation on the methodology. The steps involved are, Open Coding → Axial Coding → Selective Coding → Discussion → Theoretical framework. The following paragraph details these steps.

In my study the auto component sector represents competitive business environment. Small foundries supply rough and machined metal castings to make auto components. I have selected Kolhapur (Maharashtra State in western India) and Belgaum (Karnataka state in southern India) based small foundries as sampling frames. According to Institute of Indian Foundrymen they are among the five major foundry clusters in India and collectively supply 42% and 32% of their casting-products to the auto component sector, respectively.⁴ Kolhapur foundries also cater to the diesel engine manufacturers.⁵ Pune (in Maharashtra state of India) being an auto component cluster and automobile hub is the major market for these foundries.^{6 7}

For data collection first I approached foundry experts of Kolhpaur and Belgaum to get an overview on the foundries operating in these locations with some details about technological developments, opportunities and challenges, etc. I conducted four such interviews. Subsequently I approached the entrepreneurs of small foundries for in-depth interviews. The entrepreneurs claimed that they have achieved growth in auto component segment of their business by adopting some innovation. I have also observed that these entrepreneurs were keen to share their experience. The sampling method chosen was Theoretical Sampling in which the number of entrepreneurs visited depended on the

³ Grounded Theory developed by Barney Glaser and Anselm Strauss is a general research method associated with qualitative research especially in social sciences.

⁴ Source : <http://www.indianfoundry.com>

⁵ Source : <http://www.belgaum.nic.in>

⁶ Source : <http://www.smeclusters.org/anne2.htm> accessed on May 02, 2006

⁷ Clusters are sectoral and geographical concentration of enterprises especially the small and medium enterprises facing common opportunities and threats.

saturation point of information categorisation. My theoretical sample consisted of ten interviews.

The first round of interview sessions lasted from two to three hours. I used lap top computer to record the statements and prepared memo based on the interviews. I sought entrepreneurs' acceptance on these memos. In some cases I sought more details or clarifications in a repeat visit. The duration of such visits was short and the discussions were restricted to the specific points. Such visits lasted for not more than one hour. I also sought clarifications on telephone when subsequent personal meetings were not possible.

The interviews were semi-structured. I listed points based on my research questions. The list was used as trigger points for discussions. The interviews were largely free flow of thoughts and experiences. The entrepreneurs were also encouraged to share their problems and concerns. The list was as follows –

- a) Approximate proportion of production supplied to auto component companies? (Part names?)
- b) Understanding about the growth opportunities and challenges (for small foundries) in auto component sector?
- c) Describe 'growth'?
- d) Growth strategy planning? Is there a formal system?
- e) How do you work on technology – product and process? Explain technology adoption or development system. Any support from the customer?
- f) Competence in strategy planning? Do you seek outside help or support from family members, friends, etc?
- g) Any training related support for improvement from customer?
- h) Rate success in growth strategy planning?
- i) As an 'individual' how do you feel about growth of your organisation? Does growth of your organisation increase your work load or problems, etc? Do you feel happy to earn more profit and hence personal earning?
- j) Information on functioning and experiences about foundry cluster? Benefits, if any?

As stated I prepared memos at the end of each interview. As the interviews were progressing I also started the preliminary analysis by simultaneously segmenting the information as a part of open coding. I prepared table for each segment of information to summarise these open codes. In each segment I listed the various dimensions. This was the first step towards analysis. I looked into the specific words and their explanations to

identify their properties. In each row of the table I have mentioned the extreme possibilities as a continuum. I have updated the respective memo and the table after subsequent visit or interaction.

I have observed two central themes emerging. 'Relationship and sharing of benefit' and 'technology adoption' emerged as the central themes in growth strategy planning. For axial coding I classified the information around the themes 'relationship' and 'technology'. I explored the causal conditions in each category and identified the contexts resulting to these themes.

I have discussed these core strategies with literature support. The last stage of analysis was selective coding. I made proposition as a step towards generalised theoretical framework on 'relationship based' and 'technology based' strategy maps.

DATA CODING AND ANALYSIS

The first summary of information collected (open codes) from the interview is presented as under.

Growth

The entrepreneurs of small foundries expressed that growth in automobile and auto component sector follows a cyclical pattern and the current growth phase will last up to 2008 to 2010. They make their growth plans according to market behaviour.

Small foundries work closely with the customers. The entrepreneurs approach customers to develop new components as per their needs. They seek customer's continuous feedback for improvement. This is considered to be one of the important indicators of growth.

Sales turnover is also an important parameter. Turnover is a function of higher volumes purchased by the customers.

Dimension	Continuum	
	From	To
Suppliers' growth	High	Moderate to low
Employee welfare	High	Moderate
Employee skill development	High	Moderate
Family welfare focus of employees	High	Low
Society welfare	High	Low
Perception about competitors	Support and share	Not evident
Clean environment	Moderate	High
Understanding about customers' requirements	Ship to line, defect free product	High rate of growth to match the growing demand
Benefit to the customer, and customer relation	High so that they do not search alternate sources	High
Product (and service) quality focus	High with automated inspection and testing facilities	High with precision
Process focus	Focus on higher efficiency and investment for value addition for better price bargain	Focus on precision and better control for quality and investment in automation for higher volumes
Price competitiveness	Moderate	High
New process capability	Moderate value addition (From rough casting to machine finished parts)	High value addition (From parts to assemblies and systems)
New product development	Moderate to high	High

Table-1 : Describing Growth

Productivity improvement and meeting quality standards at global level are the other indicators of growth which are also major challenges. Quality norms are becoming stringent almost every day. Customers expect value added and 100% defect free castings. Value added products provide opportunities for bargaining higher price. But there is also an increasing demand to get evidence of process compliance or on-line quality control report as the customers themselves do not inspect or test such value added castings. Investment on technology is necessary to prove the process compliances. The small foundries in auto component sector consider need for technological advancement in three major areas – foundry technology, metallurgical testing and machining. They feel that as the foundry activities are gradually automated the art is getting transformed into science. Technology up-gradation has emerged as an indicator of growth due to the felt need for high production rate, stringent quality requirements and environmental hazards. This reduces the dependence on skill of the labours. Also the entrepreneurs expressed that the labour laws in India are not growth friendly and they find compliance difficult. Many

small foundries are now ready to invest on technology and are expected to grow as medium sized enterprises.

A quality product also reflects improvement in working standards resulting in better price and higher earning for the labours. The entrepreneurs believe that as if their companies perform better they can take care of employee welfare better. Developing people and improving quality of life is also the other important parameter of their growth. There is a social benefit by producing quality products as the workers learn to perform better.

Compliance to ISO and TS quality system standards also indicates growth. Foundries generally adopt ISO standard first and then gradually upgrade to TS standard. These standards help in improving the system and procedures.

Capability to deliver on time helps small foundries in improving customer confidence which ultimately leads to getting more business from them.

Attitude towards Growth

The entrepreneurs do not consider that growth in their business adds additional work for them. They consider that by growing they get opportunity to serve the customer better with better quality and higher value. They strongly feel that exercising financial discipline is important for growth as growth also involves higher investments. Risks associated with investment are viewed differently.

Dimension	Continuum	
	From	To
Additional work for entrepreneurs	No	No
More efforts towards quality and value	High	High
Investment in automation	High	High
Step by step growth, low risk and manageable size approach	High	Low
Growth plan according to existing individual and organisational competence and technical knowledge	High	Moderate
Financial discipline and restrain from very high personal financial gain	High	High

Table-2 : Attitude towards growth

Strategy Planning Capabilities

The entrepreneurs are aware about the growth opportunity in auto component sector in the near future. They understand the gap and try to provide either import substitution or high volume with value addition. But the long term market assessment is not clearly assessed by all. Such limitation is reflected in investment decision for capacity expansion, technology adoption and hedging the risk associated with auto component industry.

Dimension	Continuum	
	From	To
Understanding growth opportunity – 3 to 7 years	High	High
Understanding growth opportunity – more than 5 to 7 years	Low	High
Working on auto and non-auto component sectors due to balancing risk	Low to High	Low
Value addition to avoid competition	Low to moderate	High
Scale or capacity expansion	Moderate	High
Technology adoption	Moderate to High	High
Involvement of family members and friends	Moderate to high	Moderate to high
Formal system	Low to Moderate	High
Seeking help from consultants	For process and technology	For technology
Problem in marketing new products based on innovative ideas	Moderate to High	Not mentioned explicitly
Investment	Small and manageable	High with moderate risk
Financial planning	Invest surplus and take manageable credit	ROI and Breakeven focused
Market penetration	Many sectors to distribute risks	Value chain focused
Market perception	Import substitution by large auto component and auto manufacturers, search for value addition	Value addition, opportunity to become component and assembly manufacturers
Desire to grow as automobile system assembly manufacturer	Low	High
Product / process approach	Develop competence on some specific products, focus on small product and large volumes	Process knowledge and capability
Support from customer in new product development, training, etc.	High	High

Table-3 : Strategy planning capability

To overcome the competition entrepreneurs adopt different strategies. They either develop expertise on a select few products or develop process competence to add many products into their fold depending on their ambition about the future market and market share. They work in close association with the customers to develop new product. Customers also provide training support to these organisations.

Degree of adoption of formal system in strategy planning varies. The entrepreneurs seek support from family and friends or from professionals depending on the degree of formality. In case of need, they also consult metallurgists from Pune or Mumbai to resolve the technical problems or seek advice.

Growth strategy

The auto component manufactures expect value added products. They demand machine-finished quality components which are ready for use. They expect the foundries to sign 'ship-to-line' agreement. Under this agreement penalty is imposed on the suppliers in case of short supply or defect noticed in the products by the customers. However, the customers agree to pay higher prices for value added components. The customers also expect continuous improvement in product quality. Need for better process control during casting and high precision in machining are results of this demand for improvement.

Foundries work on profit margin of 5 to 7%. The entrepreneurs consider that sustaining cost pressure is a major challenge in their business which is possible only by producing high volumes. But they also agree that their capability to manufacture quality products give them better bargaining power on price.

The small foundries in Belgaum and Kolhapur are investing on expansion of their capacities. Many entrepreneurs are gradually handing over management and leadership of to the next generation. The second generation is mostly engineering graduates and many of them have post graduate degrees in business management.

Customers in auto component sector expect valued added and machined castings from foundries. Value adding by machining is also profitable for these foundries as they can

demand better price. Machining at foundries gives another added advantage. During machining casting defect gets noticed which prevents foundries facing any penalty on account of bad quality. The transportation cost and other associated expenses are saved in this way. Many small foundries have plans to invest in upgrading their machining capabilities to reduce the product cycle time and improve productivity. They are adding CNC and VMC machines. In this way they can assure quality product at the desired time to their customers. Since the responsibility to supply quality and quantity rests with the foundries the customer do not inspect these components and take them directly for assembling. Inventory level also comes down significantly. Foundries themselves do not keep inventory of finished products, they manufacture as per the customer's schedule.

Dimension	Continuum	
	From	To
Formal organisation structure	Low to moderate	Moderate to high
Process design focus	Develop specific processes which use the skill base	Use technology and automation
People welfare	Family focus	Employee welfare
Skill dependency	High	Moderate to low
Knowledge dependence	Tacit and social capital based	Codified and technology based
Suppliers focus	Relationship and welfare	Supply chain
Dependency on Cluster	High	Low
Technology focus	Innovation, high accuracy, cost saving, price bargaining and high volume	Higher rate of production, process control, productivity improvement and high volume
Automation and technology adoption	With human touch	Without human touch

Table-4 : Focus on Organisational Factors

One segment of entrepreneurs of small foundries undertakes small and gradual steps to grow. They do not intend to grow to become a 'large' foundry. They consider that sustainable small growth is better than high growth with high risk. They have many reasons to support this strategy. They do not want to take large credit and the additional burden of the cost of credit. Rather they prefer to re-invest the surplus generated from their own business. They believe that financial discipline is important for growth. They employ labours on contract. Wage payment is linked to the group productivity. They also believe that providing a conducive work environment is important to achieve higher

productivity. Adoption of pneumatic moulding machine is one such example. Usage of pneumatic moulding machine not only reduces the physical strain of labours but also improve productivity. The entrepreneurs feel responsible for the welfare of their employees and their families. Employees working in one foundry for long develop emotional bonding and desire their children to work at the same place. In many places second or third generation labours are working in the same organisation. The entrepreneurs prefer to train the young labours rather than poaching skilled labours from the other neighbouring foundries. They respect the old workers and seek their opinion on new product development methods. The employees work as a family. The entrepreneurs are of the opinion that if they grow too big they may not be able to maintain the family-like relationship with their employees. They feel themselves responsible towards their community and the society. Some of them also guide the young entrepreneurs to set up their ventures.

Entrepreneurs of small foundries do not depend only on auto component manufacturers. Although auto component customers segment assure consistent demand of castings, these entrepreneurs consider that like any other industry auto component also follows cycle of growth and slackness. They believe that the current phase of growth will last for another 4 to 5 years. Due to this reason they want to supply to customers of other industry segments so that in case of slackness in automobile and auto component industry sector they can get adequate orders from these customers.

Specific competence or expertise in one or more products makes the small foundries competitive and also helps them acquire reputation of a specialist. Many castings require precision of weight and dimensions. Such castings are generally small in size. Manufacturing process control is important in these cases. Entrepreneurs feel that very few foundries among them possess such expertise.

They try to remain in close contact with the customers to gain confidence on one or more products. They also get information about their future plans and the likely product demand. Entrepreneurs avoid making over commitment to the customers.

The entrepreneurs maintain close relationship with their suppliers. They pay the suppliers on time and treat them as business partners. The entrepreneurs feel that transparency with suppliers help them in long term. For example they do not want to exert too much (cost) pressure on their suppliers like pattern-makers as it does not help any one as pattern makers should also be allowed to earn good profits.

Many small foundries use cupola for melting solid metals. They develop competence to control the metal quality manually. Some foundries are replacing cupola and investing on induction furnace thus eliminating the need for coke as heating medium. Entrepreneurs are also planning automation in foundry operations and trying to reduce dependence on skilled manpower. Automated process allows better control on the melting process to get better casting quality. Entrepreneurs use measuring and testing devices like spectrography to get the chemical analysis report of liquid metal at the earliest possible. Shell technology is adopted to improve dimensional accuracy of the castings hence reduction in machining cost. These semi-automated foundries are adding machining capacity and improving the furnace capacity utilisation. Although technology improvement depends on investment capability but improved casting quality, precision and the rate of production justify such investment.

New and upcoming foundries are depending less on skilled manpower and making high investment in technology. They are setting up automated plants with a focus on higher productivity. Dimensional accuracy of castings is assured due to better process control. The foundries with high investment in process automation do not feel satisfied with the work load as they expect higher volume to achieve early breakeven and start earning profit as early as possible. Initially they work on 'filler-load' which is minimum volume to recover the fixed costs and the initial investment and then look for opportunity for growth. Higher volume is important for both fully automated and semi-automated foundries. But automated foundries also want to manufacture critical components for which customers would pay higher prices. These foundries are also investing on quality control equipments such as spectrography. One such entrepreneur desires to manufacture valued added and assembled components 'ready to fit' into a vehicle. He desires to be an independent exporter of assemblies in future.

Foundries implement ISO and TS quality systems for certification. The ISO and TS certificate bring respect from the customers. Customers develop trust on them and start buying higher quantities. Implementation of these system standards demand business planning after considering the customers' requirements, HR plans, etc. Entrepreneurs make business plan for about five years and review it continuously. They make necessary changes when needed. The entrepreneurs and their key people conduct daily reviews to know about day–today plans. Along with formal strategic planning many small foundries also follow some informal methods. They get market related information through customers and other channels. Very few entrepreneurs take support of marketing consultants to establish contacts with new customers or to get export orders.

The small foundries expect that they will face many challenges in near future. The government expects the foundries to follow environment management standards. The requirements are stringent. The other challenge is on account of limited number of pig iron manufacturers in the country. These manufacturers create cartel and demand higher prices. Similarly good quality coke is also not available easily for the cupola furnaces. Increasing shortage of skilled labour is also a major problem for them. The young engineers and workers do not want to work in polluting environment of foundries as they get better options elsewhere. The young engineers prefer to work IT and other sectors which provide them better work environment and higher salary.

Customers support –

Small foundries receive support from the customers to improve manufacturing processes. The customers guide them on quality related matters. They conduct quality audits and provide feedback for improvement. Technology guidance and training sessions are common modes of help provided by these customers. The customers work in close association with these foundries to develop new products or on the indigenisation efforts. In some cases customers provide initial financial support.

Assessment of success in growth

Entrepreneurs expressed satisfaction on growth at varied levels. Although they feel satisfied with their achievements so far they also feel that there is a vast scope for further improvement. They do not feel threatened by Chinese foundries as they believe that Chinese foundries are not capable of supplying the desired quality.

Dimension	Continuum	
	From	To
Satisfaction	Low to high	Low to Moderate

Table-6 : Success in growth

The foundries are almost fully utilising their capacities. They consider this as one of the major indicator of success of their strategy plans. Those facing capacity bottleneck in moulding and are adopting new methods for improvement. By adopting shell technology they are improving the quality of castings as well as increasing the moulding capacity.

Many entrepreneurs feel proud to claim good customer relationships, customer confidence and market reputation. Some of them expressed that customers approach them for developing new products and they feel that this is an important indicator of effectiveness of their strategy planning.

One entrepreneur felt that the success of small foundries largely depends on marketing. In spite of having capability to develop new components they do not perform well on account limitation in marketing or customer relations.

THEORETICAL FRAMEWORK

The description of causal condition within each theme (axial coding) and the contexts are presented as under.

Relationship Based Growth Strategy –

Entrepreneurs with prior experience (in foundry and machining) have prior relationship with many. The relationship based strategy involves relationships of entrepreneurs with four agencies – suppliers, customers, employees and the competitors. There are two major advantages in adopting relationship as the core focus. First, the benefits are shared with other partners and one can also expect reciprocation of such behaviours by the beneficiaries. The other advantage is about developing the social capital. The trust and relationship goes beyond serving the business purposes; it provides benefit to the community. In this way the tacit knowledge is retained within the families and communities. Cluster provides a forum for the small foundries to come together for knowledge sharing. They also share common resources of the cluster as well as resources of each other.

Informal organisation structure prevails due to informal relationship between the entrepreneur and the employees. The relationship with employee is important for the entrepreneurs to perform effectively in their business. Even if the employees are employed contractually a family like relationship prevails. The welfare orientation of entrepreneurs is towards the family and the relationship continues beyond one generation. Their children get skill training and employment. Reducing strain of workmen is also one of the important considerations for investment decision on technology as foundries are known for their polluting work environment. Due to long association the employees

develop expertise on a product or a group of products. Entrepreneurs consider the financial gains of the business as a by-product of such relationship. The financial gains are shared with the employees. The rate of growth in such organisations is low to moderate. The entrepreneurs feel that if they become a large organisation, they may lose close interaction with the employees.

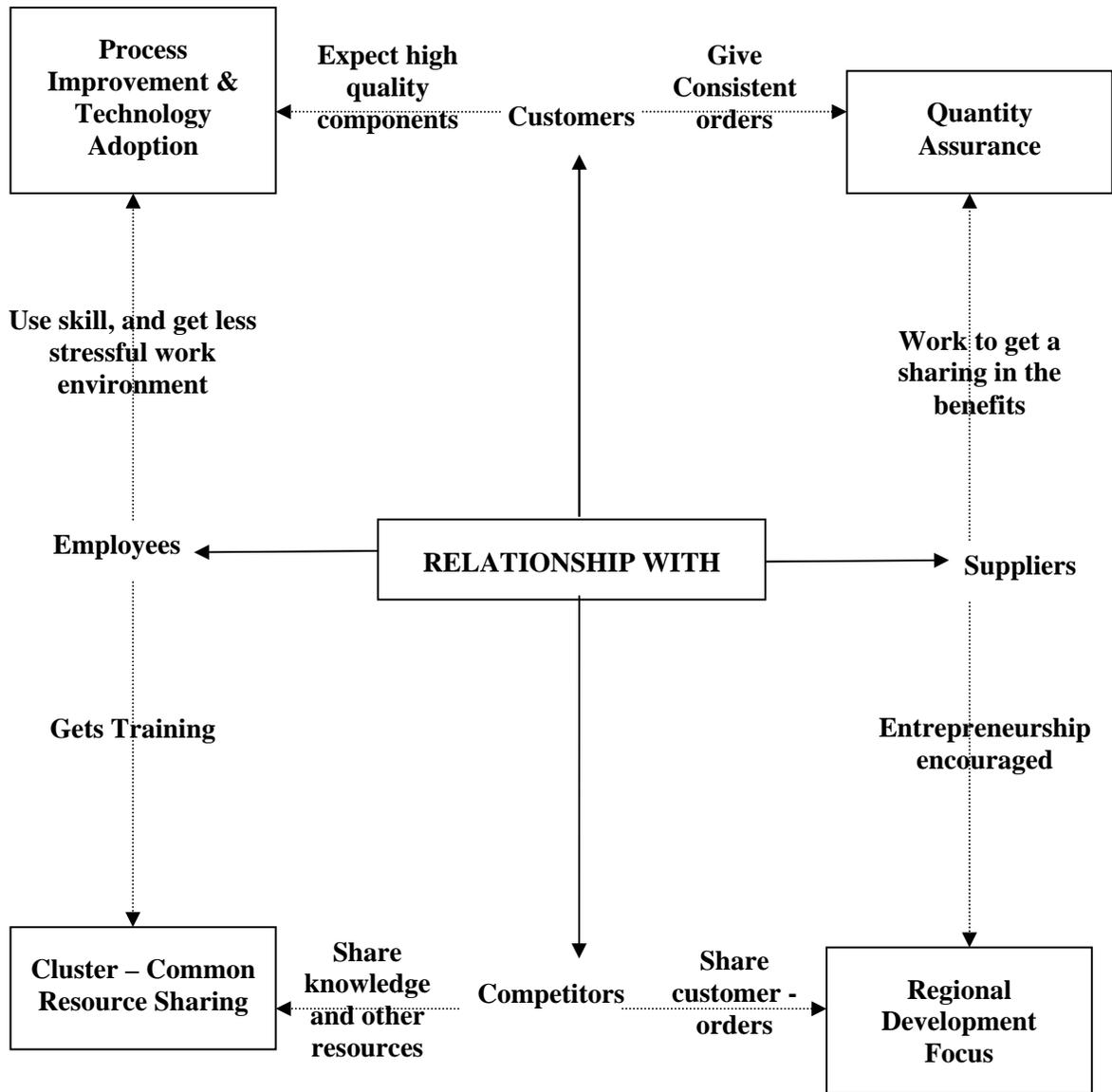


Figure-2 : Relationship Based Growth Strategy

The entrepreneurs do not take high financial risks for availing credit. They finance the growth-needs through internal savings. Such foundries also try to distribute the market related risks by supplying to customers from various sectors.

The entrepreneurs of small foundries are aware about the current phase of growth in automobile and auto component sectors. Almost all foundries in Kolhapur and Belgaum are into expansion mode to take advantage of this phase. They are investing either in

improving the machining facilities or on quality control equipments. These investments lead to process and quality improvements. Quality is a major concern for the customers. Customers also expect on time delivery of quality and quantity, both. The foundries maintain close relationship with customers to know about their future plans and to get quantity assurance for the existing products. This is important for their capacity utilisation. Close interaction with the customer also provides them to know about opportunities for value addition and hence higher bargaining power.

The foundries intend to share the benefits of quantity assurance and better price with their suppliers. In this way they support to the local entrepreneurial talents.

The entrepreneurs have gradually started sharing information about those orders from the customers which they could not accept. This leads to two major benefits. One, the other foundries get access to customer's needs and serve them. Two, this creates an overall positive climate in the foundry cluster. In this strategy larger social benefit is considered as more important. The transparency and sharing of information bring social well being. Association with the other foundries under a cluster for resources sharing also leads to sharing knowledge about the best practices among themselves. Cluster also provides them opportunity to get their employees trained using the common facilities.

Technology Based Growth Strategy –

Technology based growth strategy is aimed at reducing dependence on skilled manpower for growth. It involves high investment and financial risk bearing capabilities on the part of the entrepreneurs. The entrepreneurs work on achieving early breakeven and try to maximise the return on investment. They aim at high rate of growth. Growth is also viewed along the value chain and transition from component manufacturer to assembly manufacturing. The process competence focus is high due to the need of high rate of production. This leads to establishing formal systems and adoption of formal organisation structure. Due to less dependence on tacit knowledge the processes and systems are developed around the technology.

As large volumes are aimed the supplier relationship is based on optimising the supply chain efficiency. But long term business relationship is not ruled out. Welfare of employees is considered important but does not aim on building long term relationships. Since the entrepreneurs are independently capable to investments they do not dependent much on other foundries for resource or information sharing.

Technology adoption helps the foundries acquire process competence and better control on foundry and machining related processes. Investment on measurement and testing equipments such as spectroscopy helps in faster chemical analysis of liquid metal. Metal compositions can be modified or improved according to the product quality requirements. They can manufacture high precision machined castings. The entrepreneurs get price advantage on such value added products. Also due to process expertise the foundries can develop new products for the customers. Some entrepreneurs have ambition to go further in the value chain to manufacture auto component assemblies.

DISCUSSION ON THE THEORETICAL FRAMEWORK

Industry analysis and growth opportunities

Auto component has emerged as a highly competitive market demanding strategic sophistication by every organisation in the value chain (Keats and Bracker, 1988; Eisenhardt and Schoonhoven, 2002). Major automobile manufacturers are considering making India their regional hub for exports; this provides Indian auto component manufacturers opportunity to enter the indirect route to export (Ivarsson and Alvstam, 2004, Mercer et al, 2004; Jagnani and Doshi, 2004; Luthra et al, 2005). A. T. Kearney's study for Auto Components Manufacturers Association (ACMA) has projected a growth of 15% Compounded Annual Growth Rate (CAGR) till 2012 in auto component sector.

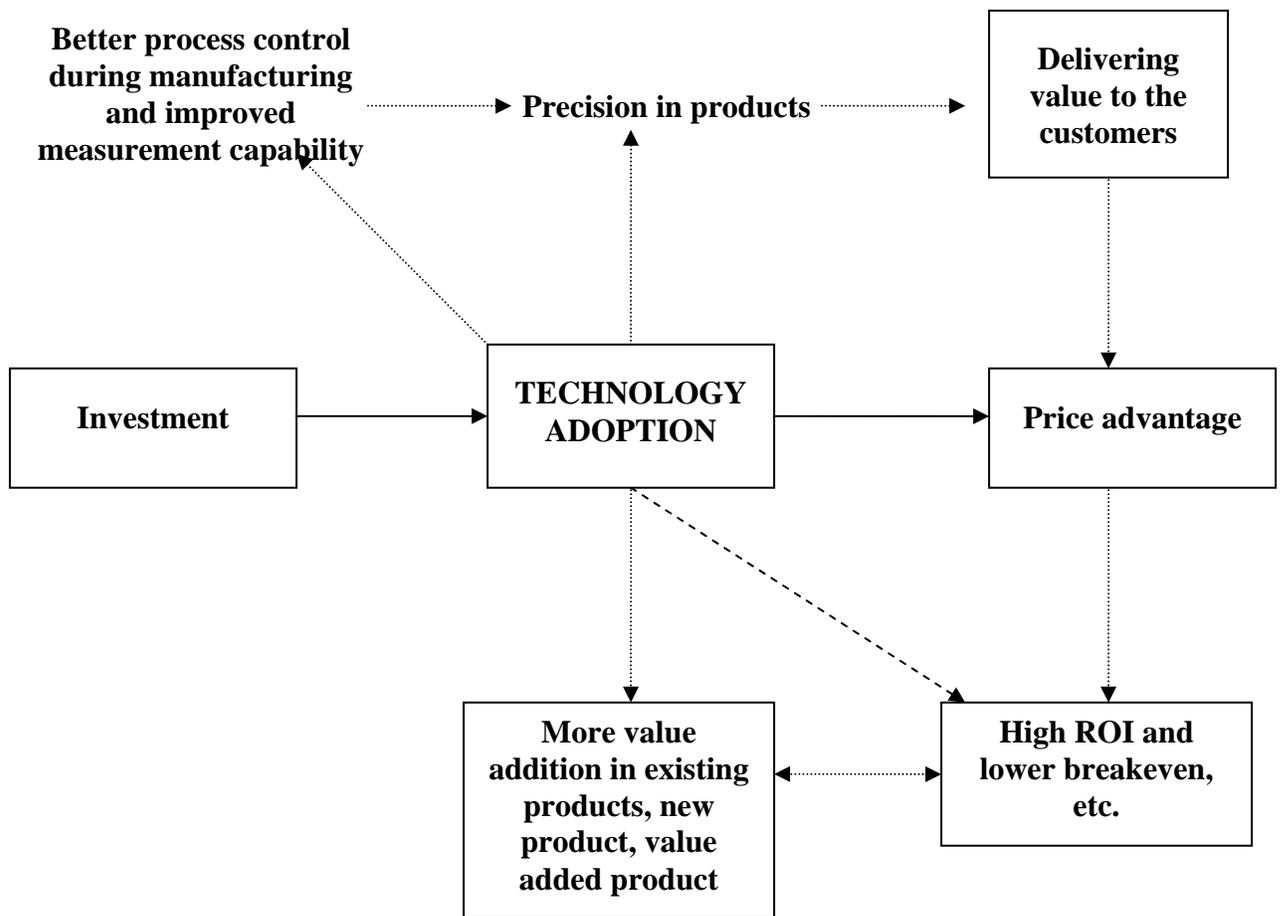


Figure-3 : Technology Based Growth Strategy

Following the global trends major consolidation has taken place in Indian auto component sector. As a result three broad groups of auto component manufacturers are emerging - multinational subsidiaries, Indian companies with foreign technical collaboration and/or equity stake, and large Indian companies⁸. There has been a sharp decline in the number of tier-1 suppliers (the first level of suppliers of auto components) due to the industry-wide policy by the automobile manufacturers to reduce the number of

⁸ Source : Business India Intelligence, June 9, 2004

suppliers but the number of tier 2 and 3 are increasing (ITPO Survey, 2002). The automobile manufacturers are now gradually shifting towards product design and assembly and sourcing the assembled components from the tier-1 suppliers. In my study the foundries with technology based strategy have reported long term plan to manufacture integrated systems. The ITPO Survey (2002) has also made similar projection.

In spite of restructuring of auto component industry the structure of basic raw material sector such as pig iron and steel ingots remained unchanged. The pressure of competition in automobile market has not touched them. As there are limited numbers of manufacturers in these segments, cartelisation by these companies creates another cost pressure for the foundries.

Entrepreneurial growth strategy is the basic strategic move towards radical adjustment of strategy-structure in the existing environment (Murray, 1984). Industrial economists suggest that profitability of the organisation is strongly influenced by the environment in which it operates; however strategic management thinkers believe that creation of novel solution and implementation of strategic management practices brings success. Limit to success is bounded by the profitability of the industry. Success of the organisation is a function of some characteristics of the organisation with different conditions of market structure and growth.

A combination of financial and non-financial parameters explains the growth of small foundries. Growth rate and growth opportunity are the major considerations for entrepreneurial strategic planning process. I have referred the article 'Difference in Large and Small Firms Responses to Environmental Context: Strategic Implications from a Comparative Analysis of Business Performance' authored by Dean et al (1998). The authors' analysis is in agreement with my axial codes. Industry growth rate attracts large and small organisations equally but has a greater inducement for the small ones. Changes in Indian market became a catalyst for small organisations in internationalisation by adopting global practices (Chetty and Campbell-Hunt, 2003). Continuous pressure on account of price reduction and quality improvement across the industry has brought significant change in mindset of the entrepreneurs and in the organisational practices.

Assured high volume is one of the major reasons for entrepreneurs to remain in business this segment in spite of cost pressures. Although the auto component sector is currently under growth phase the entrepreneurs are aware about cyclical nature of industry growth. Their strategic plans take care of this risk and they explore the other industries of different growth cycle.

Many new foundries are now fully automated and the old foundries are upgrading their technologies. Investments in these foundries are high. But growing demand of auto foundry products provides them opportunity to produce components of high precision in large quantity. Small foundries consider increase in sales turnover one important parameter for growth. Turnover is a function of volume and due to low profit margin higher volume is necessary.

Attitude towards growth, competence and growth strategy

Small foundries in Belgaum and Kolhapur were established in two distinct ways. Some foundries owners started their business as machining sub-contractors for auto component manufacturers. While they experienced that their machines were idle due to shortage of castings, many of them saw an opportunity to grow as integrated units with foundry and machining facilities. In this way many machining ventures became vendors to auto component manufacturers. This backward integration has an inherent advantage of adequate knowledge about the customers and markets. Entrepreneurs with foundry experience also established their foundries. Many of them were not formally educated but they developed skills while working. But currently many new foundries were set up by technically qualified engineers and the old foundries are gradually being handed over to the new generation technocrats.

These entrepreneurs could easily find local labours with foundry experience. Wide spread knowledge about foundry among the people of Belgaum and Kolhapur is attributed to a large business house of Kirloskars who have set up an industrial township 'Kirloskarwadi' near Satara with foundry as a major industrial activity. Rugged

agricultural labours of these places do not find it difficult to work in heat and dust conditions.

Small organisations specialise by focusing on market niche and seek market dominance by remaining close to the market and their customer (Chetty and Campbell-Hunt, 2003). Improvement of performance in the existing market also leads to improvement in customer relation (Kotey and Meredith, 1997). The major challenges are dimensional accuracy, quality, productivity and environmental issues. Technological innovation is one of the important growth strategies for small organisations (Murray, 1984). Gibbons and O'Connor (2003) also referred articles of Zahra and Covin, and Meredith to conclude that technology strategy depends on the organisation's overall strategy; small organisations can better exploit the production and operation technologies, and process innovation. Adoption of shell technology and competence on SG iron support these arguments. By adopting shell technology they reduced the machining operations and hence the overall cost of manufacturing machined castings. For example the shell technology allows the foundries keep a provision of 10 mm hole which was otherwise not possible in conventional mouldings. The technology focused entrepreneurs attempt entry into new international markets (Prater and Ghosh, 2005). Growing with the help of vertical integration is an expansion oriented strategy for these entrepreneurs (Murray, 1984). The entrepreneurs desire to proceed along the value chain to manufacture assemblies for automobile manufacturers. But the rate of adoption of new technology is slow due to involvement of high investment.

The product and process innovations strategies benefit in cost cutting and efficiency improvement. The entrepreneurs have developed capability to use cupola and old machines to manufacture the required product quality.⁹ The sub-strategies include product development and improvement (Kotey and Meredith, 1997), improving product quality (Kotey and Meredith, 1997; Chaston and Mangles, 1997) and reduction in production cost (Chaston and Mangles, 1997). Product quality improvement and

⁹ According to IIF cupola is the predominant melting furnace employed by about 75% of the foundries of Kolhapur and Belgaum clusters. About 40% units in Kolhapur use electric induction furnace with cupola, for manufacturing graded castings and duplexing.

technology adoption have resulted in improvement in working standards. The emission level has reduced and sand is easily reclaimed for reuse to reduce the total cost.¹⁰ Organisations adopt measures to improve the work-force efficiency and processes (Chaston and Mangles, 1997; Murray, 1984; McDougal et al, 1994). Productivity improvement and linking labour wages with productivity have benefited the foundries as well as the employees. Unlike other small organisations in which the entrepreneurs do not focus on market or environment scanning (Beal, 2000) small foundries are sensitive towards the auto component market and the automobile industry.

Realising cyclical growth phases in automobile and auto component sector the entrepreneurs explore new customers and segments. The product innovation (Kotey and Meredith, 1977; Prater and Ghosh 2005; Freel and Robson, 2004; Murray, 1984; McDougal et al, 1994) is aimed at exploring opportunities to enter into new customer segments (Chaston and Mangles, 1997). They adopt various sources of information as means of market intelligence (Verhees and Meulenber, 2004).

Growing small organisations buy more from their suppliers and establish strategic partnership with limited number of suppliers to make the relationship to their advantage (Beekman and Robinson, 2004). Tierisation of suppliers by automobile manufacturing companies has established close linkages between customers and the respective suppliers and has strengthened the market intelligence. Large automobile companies have already rationalised their supplier base and are seeking integrated product based solutions rather components. In auto component sector such relationship is extended to tier-2 and tier-3 suppliers. This strategy is important because the profit margins in foundries are low. Due to cost pressures from customers and suppliers the business viability is largely dependent on scale. Foundries being tier-2 or 3 suppliers look for volumes to remain profitable. The entrepreneurs use supplier intelligence for the purpose of domain specific as well as general product innovations (Verhees and Meulenber, 2004). They also share the benefit of scale with the supplier in order to ensure sustainability.

¹⁰ Source : Foundry Management & Technology, January, 2004

Formal HR structure and procedure is important to support growth of these organisations (Kotey and Slade, 2005). My analysis supports this argument for technology focused growth strategy.

Customer and other outside support

The auto component and automobile companies support foundries to develop new components to meet their standards. Since most of them were reducing the number of suppliers, they consider it important to develop a select few competent suppliers. In this process the foundries not only develop new capabilities but also earn customer's confidence and establish good relations.

The entrepreneurs of small foundries seldom consult experts for marketing related support. They use the personal interaction with customers for new product development and to obtain market information. However they share information and experience with each other in as cluster members. A group of entrepreneurs from Belgaum also participated in a trade fair in Germany to get the first hand exposure of international market. The technology focused entrepreneurs undertake foreign visits and associate with professional forum to establish external relations. Internet has provided a lot of global interaction opportunity to them.

Growth Achievement and Strategic Fit

Entrepreneurs of small foundries feel that they have succeeded to achieve growth but some of them are not fully satisfied. Considering the market opportunities the entrepreneurs think that higher level of growth is achievable. Pelham (2000) reported that strategy has less influence on performance of small organisation as compared to market orientation and has reported similar conclusions from studies of Covin and Slevin, and Pelham and Wilson. The major argument in support of market orientation is that small organisation's performance is not only a function of organisation structure and strategic posture but also the fit between these variables. Pelham explained Porter's differentiation and low cost strategy. Small organisations have little capacity to influence large markets through their strategies. But the entrepreneurial strategy making is strongly associated

with growth or performance results with both appropriate strategy and environment conditions (Dess et al, 1997). This is in agreement with the argument that a fit between market and strategy influences the growth performance of small organisations.

Except labour laws the entrepreneurs of small foundries did not consider any external factor as impediment. In order to overcome this impediment they employ contractual labour with productivity linked wages. This not only helped to achieve high productivity but also increased earning of their labour forces.

PROPOSITIONS ON GROWTH STRATEGY

Grounding on the data and further analysis I am making the following propositions (selective coding) on growth strategy in small entrepreneurial manufacturing organisations. As explained the strategies can not be considered to be mutually exclusive.

Relationship based strategy

Under this approach entrepreneurial vision towards strengthening relationship is the basis for growth planning in small manufacturing organisations. The entrepreneurs formulate strategy on the fundamental philosophy of 'sharing the benefit'. Trust and cooperation is considered to be most important variables for making strategic choices. These organisations come into existence due to the motivation of the entrepreneurs to remain independent and their desire to influence people and enjoy power. Prior work experience provides the entrepreneurs operational skills and a broad understanding about the market. They work on some unfulfilled dream or agenda. Due to their prior acquaintances in the industry segment they establish relationship with suppliers and customers to start their ventures. They also influence some known individuals to join them for day today operations.

Entrepreneurs who decide to strengthen their relationship due to inherent advantage consider this as important while planning for growth. The entrepreneurs respect the past relationships and helps received from them. Those who are not formally educated and have acquired skill while working in some organisations tend to cherish the past

memories and experiences. They also feel responsible for the community, society and the city and try to contribute to the well being and growth. They think it is important that the competitors should also come closer and agree to share information, knowledge, experience and other resources. Some of them mentor other young entrepreneurs. The concept of industrial cluster promoted by the Government with active participation of local industry groups is largely aimed to benefit such entrepreneurs.

These entrepreneurs believe in slow and gradual growth. They manage the finances carefully and take credit with care and caution. Significant part of their growth is financed by their internal savings. They also maintain financial discipline in the organisation. They maintain close relationship with the employees and do not follow strict formal organisation structure. But the entrepreneurs expect the employees to work hard and remain loyal. Employees in these organisations are recruited from local community and nearby places, they also respect the relationship. Employees feel grateful and remain motivated to contribute to the growth of these organisations. They also try to remain loyal to their employers. The entrepreneurs extend financial support to these employees to meet their family needs such as marriage, health problems, children's education, etc. Employees feel obliged and accept it is a part of their duty to work for the employers during bad times of the business. Such employees also influence their family members and the society to seek employment and work for the same organisation. The skill and operational knowledge remain within the community or society. These employees gradually gain expertise on a particular product or process.

Relationship with supplier is also established in the similar way. In many cases suppliers are selected from the local community and are helped by the entrepreneurs to establish their businesses. Suppliers also receive financial support or guidance to improve the product quality. Sometimes the suppliers are ex-colleagues or relatives of the entrepreneurs.

Customer relation is the core of this strategic approach. The entrepreneurs possess customer related information on account of their past association with the same or similar types of organisations. Sometimes they take support from their friends or relatives. They

try to gain confidence of their customers in one or more product areas. They demonstrate their capability to manufacture quality product and deliver on time. The customers also get substantial advantage in developing indigenous products at low cost while maintaining relationship with them. For value added product price negotiation becomes easy on account of the close relationship.

Technology based strategy

India has advantage in technology intensive product segments. The trend to provide integrated system as against component-wise supplies (in auto component sector) calls for both product and process design competences. The entrepreneurs choose technology as a basis for growth strategy planning to achieve excellence in product and process performance. Due to growth opportunity in skill-based sectors shortage of skilled manpower is felt. Also manual operations have limitation in achieving higher productivity levels. Cost pressure, shrinking profit margin, quality requirements and global competition are the major challenges in almost all growing sectors. On the other hand we have technically competent and zealous entrepreneurs who are enthusiastic to use technology for growth.

Technology selection and adoption needs competence on the part to the entrepreneurs to select appropriate technology and adopt them efficiently. They also need investment and risk taking capabilities. In growing market volumes are assured but competition is intense. But in technology based growth strategy investment capability also works as an entry barrier. Financial parameter measurement is important to assess the performance of these organisations. Supply chain efficiency assurance becomes a major driver for process improvement.

Technology improves manufacturing capacity, speed and cycle time. Investment in technology also improves quality control capabilities. In most of the industry segments customers have done away with the quality inspections. Their suppliers are required to provide evidence of compliance to quality standards and procedures. Process automation and sophistication in measurement systems help in this strategy. In JIT-era the customers

expect flexible supplies from the suppliers. Small organisations while adopting technology reduce dependency on human skills and training to the employee on the respective functional skill becomes important. This also leads to skill specialisation.

As the organisation grows the complexities of operations increases and people with varied specialised skills need to integrate their actions for common organisational goals. Hence it becomes necessary to create formal reporting system with clear job descriptions.

In technology based growth strategy the entrepreneurs search for new products to improve the capacity utilisation. They also consider opportunities for more value addition in order to improve their profitability. Vertical integration with capability and capacity to manufacture value added and integrated systems are the ultimate goals of their strategy planning.

CONCLUSION AND LIMITATIONS

In this article I have presented a comprehensive view right from industry structure and environment to entrepreneurial attitude and success in growth and have attempted a broad theoretical framework on entrepreneurial growth strategy planning of small manufacturing business organisations. The comprehensiveness of this article is in setting an industry environment as context in which two important aspects of strategy planning were addresses, namely growth and entrepreneur. I have taken a fresh view the growth strategy of small entrepreneurs without verifying the validity of established theories. In this way the article sets a new framework in entrepreneurial growth strategy.

There are many other auto components businesses which may possess different characteristics. It is imperative to carry out an in depth study on those small auto component manufacturers to take a generalise view on this sector. Comparative studies are also desirable among auto component groups. The studies can extend focus on comparative analysis among the clusters and among automobile segment such as two wheeler, three wheeler and four wheeler or light and heavy duty vehicles. However for developing a robust theory on strategic management in small organisations setting a cross

sectional study is suggested. The representativeness of the auto component sector makes a strong chance for the propositions made in this article to set a context for this purpose.

The macro-economic conditions and industry environment affect the probability of growth; the entrepreneurs' characteristics also influence the performance (Kangasharju, 2000). The article is based on those small foundries which have grown in auto component sector. In order to establish a set of distinctive characteristics of small business organisations responsible for growth, a comparative study of growing and non-growing organisations is suggested.

Growth of small entrepreneurial business is also dependent on relationship between pre-start up activities, expansion intention and the actions. These factors influence the actual performance especially at early stage of a venture. These are typical strategy planning activities and success of these activities also depends on competence of the entrepreneur. In my article although I have considered the attitude towards growth and strategy planning competence as inputs for growth strategy but I have not considered pre-start up planning as a variable which can influence growth attitude and growth strategy planning. Pre-start preparation include documentation of sales projection, business plan preparation, cash flow projection which leads to better capital structure formation and risk management (LeBrasseur et al, 2003).

The suggested theoretical framework can have limitations on account of locations. India is known for diversity of climate, culture and language. Professional choices and entrepreneurial intensity also varies from one region to the other. Statistical data prove disparity in regional development. Regional economic development is strongly influenced by the proportion of trade, local industries, resources and mix of clusters of organisations present in the clusters (Porter, 2003). For developing a comprehensive theory on entrepreneurial growth the other diversity factors of the country should also be included in further studies.

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