



from the discomfort  
**ZONE**

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DOMINATING Indian headlines in the last 22 years were large businesses on acquisition sprees of big ticket international businesses, joint ventures, tie-ups, break-ups with global companies, mergers and foreign listings. Stories abound of start-up businesses with a gang of friends, angel investors, IT barons making exceptional profit while issuing horse blinkers to ensure their engineer-employees follow the repetitive software programming path. But without any hullabaloo, as per SME Chamber of India statistics, India's small and medium enterprises (SME) have contributed 45 per cent of industrial output, 40 per cent of exports and employed 60 million people. SMEs annually create 1.3 million jobs and produce over 8,000 marketable products. If SMEs are consciously strengthened, a permanent smiley would represent a robust Indian economy.

SME excellence has made

Germany Europe's industrial powerhouse. According to Prof Bernd Venohr of Institute of Management, Berlin School of Economics, about 3,200 high-end SMEs within Euros 50-100 million annual sales "are responsible for some 30 per cent of Germany's total exports." Of these, 1,300 are ranked top three in their market sector worldwide. "Companies such as door technology supplier Dorma, cooking system manufacturer Rational, packaging machinery producer Kronos may not be household names, but each boasts a global market share of 50 per cent + in its market sector," he said. My German business associate Harald Helm of Helm & Company, corroborates that German SMEs define their markets narrowly, create and operate in market niches. "Their specialisation is combined with global marketing, the focal point is customers, the key factor is highest quality. Innovation is their

# Intangibles make SMEs prosper

foundation for market leadership." Unlike Germany, most Western European countries lost their SMEs in early 1990s with the opening of the European community and globalisation. Germany benefited from the Euro's introduction as Deutschmark was the stronger currency. Culturally, Germans are against borrowing, they call it *schulden*—the same word means guilt. Other Europeans started taking cheap credit when inflation moved real rates down; this triggered the recessionary crisis. With stimuli packages, Germany has bailed out many European countries who continue to criticise German trade relations for being mutually beneficial with China, India and Russia. Prof Venohr attributes SME success to high R&D spends, meticulous persistence for setting up worldwide sales/service networks, and favouring direct customer contact. Another SME success factor is Germany's almost-free education system with thrust on vocational training.

I've always worked with

large global and domestic companies, but working for a few French SMEs, I've discovered a hallucinating dimension of their innovative and sustaining power. Among them is Mieuxa, whom I've worked with since late 1980s on business strategy. Based in Nimes, South of France, its president Michel Vindry would travel 700 km to Paris to consult me on his business of products for doing odd jobs at home. These included small home repair kits like plaster, paint and implements for minor wall touch-ups. Another is de-mineralised water for ironing clothes. When poured into the electric vapour iron, the water does not damage the iron, nor do water sprays leave stains on pressed clothes. Today his innovative power has upgraded the de-mineralised water with soft fragrance for home linen. As no international company is likely to enter this area, Mieuxa took the advantage of finding newer solutions to relieve the customer's small home woes. We created unconventional bra-

nding which transformed the boring odd jobs look.

Looking at India from this perspective, I can see basic to high-end SMEs mesmerise markets if they imbibe the German essence of creating intangibles. India's micro, small, medium enterprises (MSME) would definitely be higher than officially recorded figures. They could be creative hotshops; at the other extreme, small shops penetrating underprivileged areas. SMEs need not depend on family continuity. Professionals with delivery capability can run their father's business if the next generation prefers not to. SME mentality is often backend supplier driven. SMEs have to understand better customer needs and work with an objective and purpose. Example, an SME making kitchen stove chimneys has to solve the customer's end-to-end smoke problem 3-5 years on. That means impeccable after sales installation, flawlessly fixing wiring and switches aesthetically. These brand intangibles touch customer hearts

to increase business through word-of-mouth.

Maintaining self-defined discipline within a boundary according to every SME's capability is vital. I've defined a five-fold disciplined boundary comprising of a purpose, uniqueness, sale-ability, expandability and being aspirational. This discipline is different from authoritative military discipline because it drives creativity and sustains business. For a bright future at the tunnel's end, Indian SMEs can take a leaf from Germany's SME model.

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