



samvad

Igniting Thoughts of Tomorrow

Featured :
**Is Cloud Computing the
right strategy for SME?**

WeChat



Mr Salim Yahoo
Associate Director
CRISIL SME Credit Rating



SME

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Article :
Reshoring vs Offshoring

November 2014

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OUR VISION

“To nurture thought leaders and practitioners through inventive education”

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Breakthrough Thinking and Breakthrough Execution

Result Oriented, Process Driven Work Ethic

We Link and Care

Passion

“The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.” - Alvin Toffler

At WeSchool, we are deeply inspired by these words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities need a new approach both in terms of thought as well as action. Cross disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy-the mind's eye needs to be nurtured and differently so.

WeSchool has chosen the ‘design thinking’ approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

Dear Readers,

It gives me great pride to introduce Samvad issues every month. Our Samvad team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone. I sincerely hope that Samvad will reach new heights with the unmatched enthusiasm and talent of the entire Samvad Team.



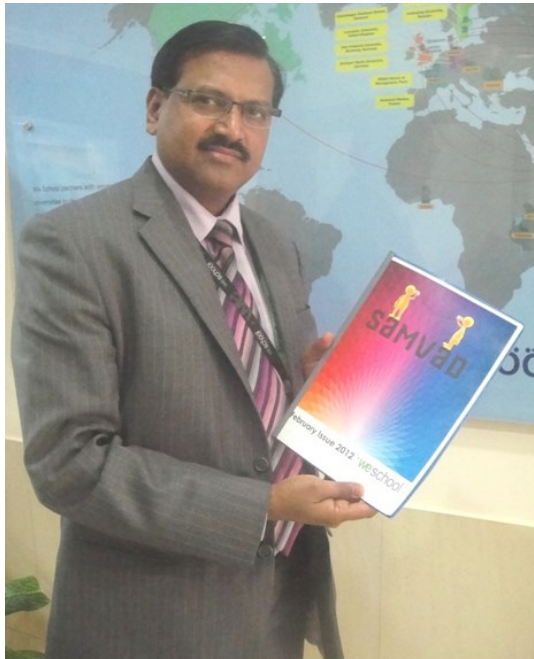
**Prof. Dr. Uday Salunkhe,
Group Director**

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

Samvad is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

Prof. Dr. Uday Salunkhe,
Group Director



Prof. Dr. Uday Salunkhe introducing the first issue of Samvad

OUR VISION

“To facilitate exchange of ideas that inspire innovative thought culture”

MISSION

To Dialogue

To Deliberate

To Develop

To Differentiate

As the student magazine of WeSchool, Samvad is greatly inspired by the words of Alvin Toffler backed by a strong vision of facilitating exchange of ideas that inspire innovative thought culture. Samvad is a platform for the next generation leaders to bring forth their perspective on management to the world and gives the readers an opportunity to learn, unlearn and relearn on a continuous basis.

The team of Samvad is driven by a set of strong WeSchool values which enable us to create a dialogue leading to knowledge gaining and sharing, to deliberate on the information, to develop a sense of creativity and differentiate our minds with innovative thoughts of tomorrow; today.

Dearest Readers,

Greetings from Team Samvad!

It gives me and the entire Samvad Team immense satisfaction to bring to you the latest issue of Samvad on the theme “SME – Small and Medium Enterprise sector”.

The Small and Medium Enterprises sector in India is diverse in terms of its size, levels of technology employed and range of products and services produced. SMEs have shown constant growth rate of over 10 percent in recent years much ahead of the large-scale corporate sector. This sector contributes 8 percent of the country's GDP, 45 percent of the manufactured output and 40 percent of its exports. The SMEs provide employment to over 80 million people through over 36 million enterprises producing over six thousand products.

To give you more insights on this sector, we have Mr. Salim Yahoo, Associate Director at Crisil Ratings, a distinguished personality from the SME Sector. We hope the interview adds lot of value to your reading. The featured article gives an overview of whether in the current growth of technology, adopting Cloud Computing is a right strategy for SME's to rise and distinguish themselves from competition.

We are thankful for all the wonderful comments, compliments and suggestions for improvisation by you all and we are striving for the best. We hope with this issue we provide you with different perspectives on this sector. We will be happy to hear if you personally wish to enter this sector or have a vision to bring about a disruptive change at the grassroots level. It's time we ignite our thoughts in to actions for a better tomorrow.

Hope you will like reading this issue. Feel free to give us your feedback. The team will strive hard to make your readership experience more worthwhile.

Read Better to know Better...!!!

Best Regards,

Anurag Chatterjee

Editor

Samvad - Igniting Thoughts of Tomorrow

Team Samvad would like to extend its heartfelt thanks to certain key members of the WeSchool family for their special efforts towards the making of this magazine.

We deeply appreciate the constant motivation & encouragement that our beloved **Group Director Prof. Dr. Uday Salunkhe** has always given us. His vision & result orientation has been the driving force in creating brilliant leaders and making WeSchool a name to reckon with, not only in India but also globally. His focus on the core values of Passion, We Link & Care, Result Oriented Process Driven Work Ethic and Breakthrough Thinking has formed the foundation of all the activities that we undertake as students of this esteemed institute.

We deeply appreciate the help and support given to us by both **Prof. Amarkant Jain** and **Prof. Deepa Dixit**. Their insight and expertise is our driving force to ensure the sustainability of our magazine.

We appreciate **Prof. Indu Mehta** for her help in selecting the best Marketing articles. She is a part of our core Marketing faculty at WeSchool.

The Finance articles were scrutinized by **Prof. Sapna Malliya** and we thank her for choosing the most relevant and informative articles.

We appreciate the efforts of **Prof. Jyoti Kulkarni** for selecting the most interesting articles in General Management domain.

The Human Resources articles were scrutinized by **Prof. DNB Singh** and **Prof. Mohandas Nair**. We thank them for choosing the best articles.

We would like to thank **Ms. Yashodhara Katkar**, General Manager - Liaison, WeSchool and her PR team for helping us to reach out to our readers. Also, we thank **Ms. Prachi Shah** and her team for helping us out in the PR activities of Samvad

We are indebted to **Prof. Jalpa Thakker** for all her help and guidance in the making of Samvad. Her insight and suggestions have been of tremendous benefit to us. The Samvad Team would truly be incomplete without her.





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An Interview with Mr. Salim Yahoo

By: Team Samvad

Associate Director at CRISIL SME Ratings

1. Please share with us your experience and learning in the SME space in the last 5 years?

We are living in truly exciting times when it comes to markets, business growth, and social awareness. The Indian society, in particular, has undergone an enormous change over the past two decades, especially business-wise. Entrepreneurship is the new buzz word and small and medium enterprises are in effect, cheerleaders for new ideas, innovation in technology, and this field is set to grow as more and more people put their faith in the markets. Of course, it also helps that Indian population is relatively very young and growing, in terms of purchasing power as well as their aspirations.

I have been associated with SMEs (small and medium enterprises) throughout my career span of 20 years in banking, credit insurance, and rating. However, my experience with CRISIL stands out in terms of quality and the milestones achieved. CRISIL has assigned credit ratings (credit ratings help SMEs obtain financial assistance from financiers and institutions, helping them grow their businesses) to more than 60,000 SMEs and I am happy to be a part of this journey.

CRISIL analysts seek details about the company's business, study their balance sheets, talk to the stakeholders involved, including the company's major customers as well as suppliers and assess its creditworthiness. Creditworthiness of a company is the basis on which it is deemed worthy of being given financial credit in the form of loans, debt, advance, investment, etc. Most busi-



nesses, small and large, survive on this form of financial assistance and therefore, being rated by an agency such as CRISIL lends them solid credibility in the market.

It overwhelms me to see the kind of opportunities, challenges, and the solid entrepreneurship spirit prevailing in this sector. The SME space witnesses unique business ideas that spring up in response to the needs of a multifarious society and market that India is. What amazes me is the determination of the promoters to succeed in the market space, especially women entrepreneurs – an upcoming but in no way lesser category of SMEs.

As far as learning goes, every day brings something new. Generally speaking, though, I can say that my work has given me an in-depth understanding of the characteristics of different types of businesses across various geographies. I have a much better appreciation now of the problems the SMEs face as well as the solutions they look for. Most of all, I appreciate how important this sector is not only for the markets but also for development of innovations and the overall financial health of the country.

2. What factors are considered for the credit rating of an SME at CRISIL?

To understand the aspect of credit ratings, it is crucial to appreciate that essentially, big businesses and small ones have some basic commonalities – profitability is crucial, credit is essential. Small and Medium enterprises are marked by challenges of a different kind. Such businesses are yet to prove themselves in the market and hence, their access to easy credit is limited, compared with that of big businesses. Also, in the SME space, the market is much more dynamic, and much more fragmented and consequently, far more competitive. This is why, risk assessment is different for SMEs and big businesses. And this is where CRISIL's credit ratings come into picture. At CRISIL, we work within a credit risk framework that is comprehensive enough to look at the business risk, management risk, and the financial risk that a business takes on. Risk assessment is an important part of assessing the company's ability to service its debt obligations.

Business risk refers to the sustainability of the business plan and the long-term viability of the unit. It has everything to do with the business idea, the business plan, its viability in the short and the long term, the environment of demand and supply, competition within the market, etc.

Management risk refers to the management's ability to successfully manage the business in a dynamic environment, especially its response to personnel issues and management, deliverance on quality, etc. Management risk is marked as a hygiene factor, crucial for the 'healthy' growth of the business. In case of management discomfort, this risk may be a key driver of the overall rating. Financial risk pertains to the extent of financial obligations facing the company in relation to its capacity and its ability to generate cash flows and manage credit.

The decision on a company's credit rating is taken not only based on these factors, however. If there are any group firms involved, the company's association with the same are analysed before taking a call on it. Besides, ratings processes is a three-four-week-long one wherein a case is analysed by experienced executives through at least three levels.

3. What are the benefits of credit rating for an SME?

SMEs have a far greater need for short-term credit than larger businesses. Credit play an important part in the day-to-day running of SMEs and any shortfall can adversely impact its production cycles, delivery cycles, relationship with suppliers as well as customers, and ultimately its credibility in what is a highly dynamic and competitive environment. This is primarily the reason why the government extends a helping hand to SMEs in the process of getting themselves rated. Major benefits to accrue from a credit ratings exercise may be enumerated as follows:

Access to credit in a timely manner at competitive cost:

Assessment: Ratings stand as precision opinion on a the credit risk and hence, help a business distinguish itself in the market space, it can also lead to a better showcasing of its capabilities through a systematic understanding of key business parameters, and through proper documentation and detailed ratings report, its creditworthiness can be properly assessed, making the business more creditable to its promoters, prospective lenders, creditors, etc.

Standing: As for the business itself, the independent third-party and unbiased evaluation that the ratings exercise offers helps evaluate itself against its own projections as well as against the overall performance of its competitors.

Trust: A credit ratings exercise also helps a business think in terms of best practices, compliance, and transparency in financial reporting, all of which in turn help to make it more attractive to those providing financial assistance, especially institutions. Moreover, customers also end up putting more trust in such businesses.

Identity: Credit ratings work as an identity marker in such a busy marketplace. The company can publish the rating on its website, brochure, and its publicity material. CRISIL's brand name and its own credibility as a leader in the ratings space lends the strong credibility in terms of the integrity of the exercise. The ratings given to the businesses are also made available on CRISIL publications and website. As a result, the ratings facilitate business beyond a company's native regions and also help it with exports

4. What are the biggest challenges, according to you, the Indian small and medium enterprises are facing at this moment?

The SME segment in India has demonstrated consistent growth in the face of weak economic prospects recognised globally, especially in the developed world. This is because of high demand in the domestic markets and competitive pricing. However, this sector faces certain challenges, some of which are as follows:

Technological edge: The SME segment may be moving more and more toward automation and mechanisation, businesses in this space still remain largely labour-intensive. This, of course, is aided by an environment wherein labour is relatively cheap. This aspect, however, does impact its scalability as well as delivery and adherence to quality even. It perhaps does not help that technology adoption and upgradation come at a heavy price, which a lot of SMEs either cannot afford or cannot have access to due to short-

fall in skilled manpower.

Financial weaknesses: Non-availability of credit for the long term and the short term is an age-old issue hampering the growth of SMEs. These companies enjoy lower credibility and brand value in the marketplace, compared with big businesses, and therefore, credit availability is a common issue. Even when available, the cost of credit is rather high for SMEs because they are often unable to provide collateral security; lenders find it harder to trust SMEs on account of information asymmetry which stems from lack of standardised management protocols. The latter can be traced to lack of a systematic managerial makeup owing to a lack of resources. As you can see, this is a vicious cycle.

Urgency: There is a sense of urgency to the businesses operational in this segment. Urgency of deliverables, receivables, payables, and of course, credit. As a result, the SMEs find it difficult to snap out of short-term thinking and framework and dedicate adequate resources to the important exercises of brand building, HR and marketing, which are functions that render its operations cohesive. As a result, these companies have little leverage and negotiating power with corporates as well as less access to equity when it comes to financing.

5. What policy measures should the next government urgently introduce to address these issues?

Without detailing precise methods of change, I would like to draw attention to the overall atmosphere prevailing in the country. The government should do well to identify certain sectors that are essential for the growth of a responsible, healthy, and an ever changing society since India is a very young country, demographically speaking. These sectors would be agro foods, technology firms, research and development of various technologies, infrastructure, etc. Our society is at the cusp of change but where there is no dearth of ideas or initiati-

ves but only of a healthy economic climate, resources based on equal opportunity, and finally, good governance and proactive measures.

6. SMEs often complain about lack of funds and banks' unfriendly attitude towards them. Bankers, on the other hand, are hesitant fearing bad loans. How can we bridge this gap?

In my opinion, what we do at CRISIL is one of the ways to make a difference in that equation, and to strengthen the perception as well as performance of businesses in the SME space. We work on standardised parameters and take a comprehensive view of the firm's constitution, business, management, and performance in assessing the risks it faces.

7. To what extent does the lack of ready availability of credit affect SMEs? What are your views on access to credit through the SME Stock exchange?

I think the SME Stock Exchange is a great way to encourage this particular segment. It helps these businesses extend their outreach to customers, suppliers, and lenders as well as provide a strong ground to base their fundamentals on. Businesses that are in the starting stages of their growth cycles have a lot to gain from, in terms of attracting big, corporate funding in case their business idea and plan has merit. The latter too can be evaluated in such a space in real time through businesses and funders who are experienced in understanding growth trajectories and prospects. The risks always remain, of course, but this is, all in all, a positive step.

8. At this point, in which key sectors do you see growth potential in the SME space?

In my opinion, agriculture and allied sectors are the ones that may be said to exhibit a lot of growth potential in the SME space. CRISIL has published findings of a study conducted on the subject and we identified certain sectors in this regard: Agro-processing, chemicals, electrical components, FMCG, Engineering & Capital Goods, Healthcare, to name a few.

9. What are the changes that have taken place in the functioning of SMEs over the past decade? Any observations indicating a change in the way business is done?

Well, the biggest shift, and I am happy to say this, is attitudinal – the new generation is willing to join family-owned businesses and are coming up with new ideas to take these businesses forward. What is particularly positive here is that their involvement in every aspect of the business is high and with greater awareness of good management practices, SMEs are doing a fair bit to incorporate these practices into their functioning. They are giving the attention these businesses deserve with regard to brand building, marketing, promotion, R&D, etc.

10. What will be your advice to budding entrepreneurs likely to set-up SSIs and SMEs?

My advice to budding entrepreneurs would be to pay great attention to the plan as well as the planning, for as someone has said, planning and not the plan, is everything. Starting small is perfectly fine so long as you stick to fundamentals and good practices. Also, and this cannot be overstated, personnel management is what SMEs at times tend to overlook but this is an area that can lend immense strength to a business if managed well. And finally, this is a great time to be an entrepreneur, so, I would say it is worth trying out new ideas.

—O—

Is Cloud Computing a right strategy for SMEs?

By: Ajit Mishra & Tarunabh, PGDM (2013-2015), Goa Institute of Management.

Cloud computing is often considered a perfect partner to SMEs. SMEs, which often face paucity of financial resources and skilled workforce, find limited computing resources at their disposal. With the on-demand, agile, pay-per-use service model, cloud computing is considered to be tailor-made for SMEs as it relieves the pain of huge capital expenditure and hiring technically-skilled personnel for installation and maintenance of computing resources. By orchestrating democratization of IT, cloud computing has rendered the benefits of enterprise scale IT infrastructure to SMEs.

But, is it all hunky-dory with the collaboration of cloud computing and SMEs, or do we have any disagreement? And, if numbers are there to go by, some recent studies show that SMEs have expressed reservations on adoption of cloud computing. So, does it mean cloud computing should give up on SMEs, or the association can still flourish? Is it possible to formulate an approach that satisfies the needs of SMEs and also allay their concerns?

Significance of SMEs

SME sector has emerged as a crucial driving force in building a robust economy with sustainable growth ability. Considering it to be the growth engine of economy, countries across the globe, either developed or developing, are concentrating to promote SMEs and create a conducive business environment for them. A vibrant SME sector promotes economies by adding to the GDP, creating job opportunities, bolstering trade volumes and cultivating economic activities in different sectors. By providing incubation ground, SMEs nurture entrepreneurial skills and encourage innovation. SMEs are considered to be an effective contributor in controlling unemployment, reducing poverty and stimulating

social integration.

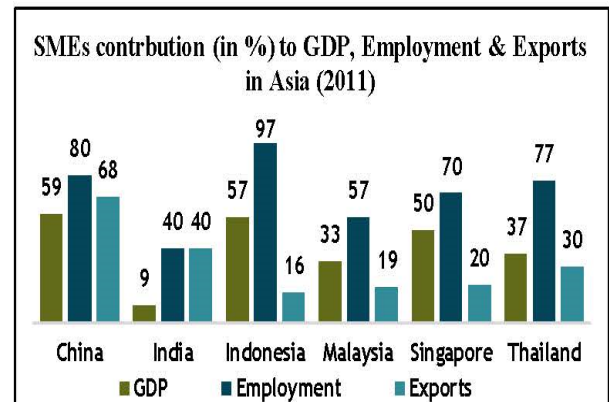


Figure 1: SMEs' contribution to GDP, Employment & Export

Image Source : <http://www.google.com/images>

Role of Information Technology in SMEs

In today's business environment, IT has assumed a significant position as its effective use is critical to script enterprise success. Strategic employment of IT fuels organizational capabilities to translate strategies into performance.

When commissioned properly, it can bring following advantages to SMEs

- Encouragement to innovation
- Efficiency enhancement
- Reduction on human dependency by automation
- Access to wide range of national and international markets
- Better demand estimation and forecast accuracy leading to low inventory
- Better collaboration among people settled at different geographical locations

Adoption of IT in SMEs

Deployment of IT resources varies with SMEs depending on their business needs. Some SMEs require basic computing stuffs such as internet, printers and fax, while for some demand gets complex as the need arrives for sophisticated functions such as IVRS customer support, CRM and analytics systems for crucial business insights.

However, in spite of having undeniable benefits, SMEs are skeptical about IT and lag behind in its adoption. As we could see in the figure, though SMEs contribute to 45% of the industrial output in India, they contribute only 30% to the total IT spending. This suggests here lies some significant barriers in the adoption of IT such as -

- Lack of awareness on technology and its perceived benefits
- Discomfort with technology and mistrust over security
- Unavailability of people with right skills
- Setup and maintenance costs
- Lack of time
- Benefits of Cloud Computing Partnership with SMEs

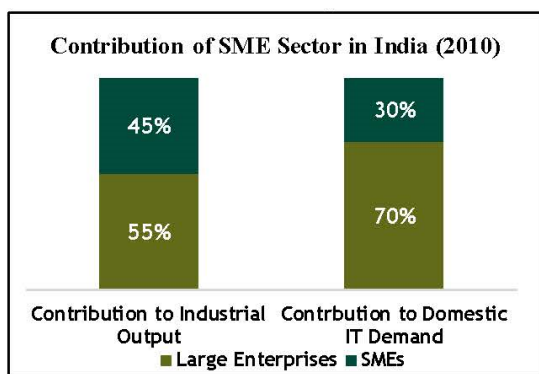


Figure 2: SME sector contribution in India

Image Source : <http://www.google.com/images>

Cloud computing and its benefits for SMEs

Cloud computing is an information and communication technology that enables delivery of computing resources – applications, storage, processing power etc. – over network. NIST (National Institute of Standards and Technology) defines it as, “a model for enabling ubiquitous,

convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.”

Cloud computing can be the answer to SMEs’ concerns over adoption of IT. Some of its benefits for SMEs are –

Improved Cost Structure:

With cloud computing, the IT cost shifts from capital expenditure to operating expenditure as no large up-front investments are required in setting up the IT infrastructure and expenses are incurred on pay-per-use model.

Scalability and Fast Provisioning:

Cloud services are highly scalable which helps maintain IT resources at a level commensurate with the current demand, and avoid stockpiling capacity proportionate to peak demand without compromising on service quality and cost.

Easy Maintenance:

A Gartner report estimates that the cost of IT maintenance accounts for 80% of total IT spending. With in-house/on-premise IT set-up, internal IT personnel spend considerable effort on maintenance tasks such as update, patching, back-ups etc.

Catalyses Innovation:

Cloud computing facilitates anywhere, anytime access to the computing system thus, allowing collaboration among employees working across different geographies and time-zones. Fast provisioning of development and testing infrastructure at low cost gives more opportunities to build and test new ideas.

Business Agility:

In today’s dynamic business environment, life-cycle of products are shortening quickly and technologies obsolescing faster than ever. Scalability and fast provisioning of cloud computing enable easy accommodation of changes and improves time-to-market.

Possible downsides of the partnership

Cloud computing apparently has several benefits to offer to SMEs, but some recent studies have raised doubts over its efficacy. A recent survey done with IT managers of SMEs in UK reveals that 42% had rejected its usefulness and only 43% opined that cloud technologies are suited to SMEs.

Some of the concerns raised over cloud computing are -

Connectivity Problem:

While large organizations enjoy high-bandwidth Internet connection supplemented with multiple providers which reduces the risk of downtime and network latency, small enterprises don't have such luxury. Connectivity problems may lead to disruption in cloud services. Many SMEs work out of remote areas where internet often struggles to perform.

Security Risk:

It appears in the form of data loss, IP loss, network access security, denial of service etc., thus proving detrimental to the integrity and performance of cloud service.. In many cases, compliance obligations such as PCI DSS also deter shift to cloud.

Vendor Lock-in:

It restricts customers to move from one cloud environment to another, or integrate the existing system with the cloud services.

Loss of control:

As the computing resources are owned by cloud service providers, they become exposed to wide access. This could be discomfoting in case companies want highly restricted access to avoid compromise on privacy.

Specific needs:

SMEs often find themselves having very specific needs which aren't fulfilled with the generic service of cloud service providers.

Hybrid cloud – A way for SMEs to alleviate cloud computing concerns

It is a cloud computing deployment model, which is a mix of public and private clouds. In hybrid cloud, IT resources are shared across the public and private clouds, which could either be on-site or off-site and managed in-house or by vendor. Hybrid cloud combines the best of both as it has affordability, flexibility and scalability of public cloud and privacy, control and compliance of the private cloud.

Hybrid cloud subdues the issue of preferring public cloud over private cloud, or the other way. Instead of that, it puts focus on having the right amount of each type of cloud model to maximize performance and cost efficiency.

A possible strategy for SMEs on hybrid cloud could be to employ public cloud for non-core functions like email, payroll, development and testing etc., while using private cloud for core-activities like ERP, CRM and other mission critical applications.

Building the right strategy for shift to cloud services

Cloud computing undoubtedly has potential to improve the IT efficiency of SMEs and make them more productive. But the success of cloud strategy will depend on building right strategy which satisfies the needs and alleviate possible obstructions.

Conclusion

Cloud computing is changing the landscape of technology. Utility of cloud computing is undeniably an exciting proposition for SMEs; however, cloud computing has its share of vulnerabilities that cannot be overlooked. If the concerns are addressed adequately, the benefits of cloud can make cloud services too appealing to relinquish. The onus lies on SMEs to form a fitting strategy for deployment of cloud computing in a right way. If adopted judiciously, cloud computing will definitely catalyze the growth of SMEs.

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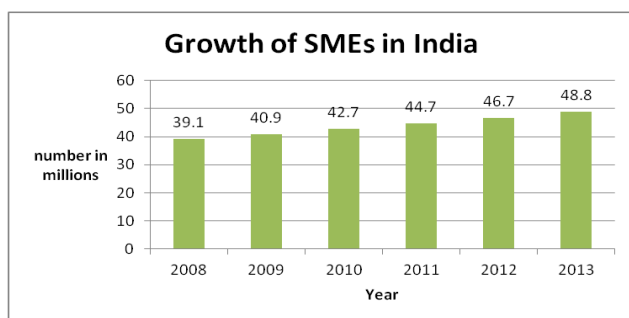
Financing SMEs

By: Mansi Bhalani, MMS(2014-16), KJSIMSR, Mumbai

Introduction:

SMEs are considered to be the backbone of Indian economy and have flourished exponentially over the last few years. As per the latest survey of SME Chamber of India, India has more than 48million SMEs. 40% of our country's total exports and more than 45% of India's industrial output comes from these SMEs. SMEs play a significant role in creating job opportunities for the masses even at low skills. It is observed that almost 1.3 million jobs have been created by SMEs every year. It is thus clear that SMEs undoubtedly play an imperative role in the growth of India's GDP. However the depressing fact is that the contribution of SME to India's GDP is only 8%.

Yet, these SMEs are continuously struggling due to various reasons. Right from poor penetration of technology to low skills and fund raising issues, a wide range of problems are faced regularly by the SMEs in India.



Challenges faced by SME:

Inspite of a crucial role played by SME, it faces a lot of hurdles and hostile business environment. Stringent regulation and taxation policies are one of the main causes why SMEs choose to remain small and unregistered inspite of the po-

tential to grow.

Factors affecting growth of SMEs:

1. Deficiency of easy finance and credit instruments
2. Restrained regulatory policies
3. Lack technological advancement
4. Lack of basic infrastructure facilities
5. Unavailability of exclusive marketing platforms and distribution networks
6. Low skill and hence poor productivity

One of the biggest obstacles to the escalation of SME is lack of well-timed and sufficient funds. The present domestic market conditions do not provide enough opportunities to generate low cost funds for their business. Most SMEs in India begin with low capital, which eventually halt their development in due course of time. Thus, providing adequate funds is the first step to encourage their growth and in turn, growth of the nation. Also, it is observed that the entrepreneurs are not well informed and aware of the different sources of finance and what is more suitable for their business.

Funding structure

Usually the largest sources of finance for SMEs come from private funds i.e. from friends and family. The next source of funding is mostly the private money lenders and unorganized financial sector where the interest rates are higher and terms of financing are unclear. Banks are working hard to bridge this funding gap but are restrained by the process of funding which requires evaluation of risks. Furthermore, loan application involves a huge amount of time and cumbersome paperwork. Managing and controlling risks and backing the loan with security is difficult. Plus, the entrepreneur is not always in

a position to provide a satisfactory documentation for the terms and conditions of banks.

Solution to financing:

Funds from capital markets are very low when compared to alternate funding sources like money from family friends and private money lenders. Also, the reason why private equity is not seen as a method of raising fund is due to lack of understanding in entrepreneurs and the fear of losing control over the company. However in reality, private equity is the source of raising funds from high net worth individuals and institutions and yield favorable returns to the stakeholders of the company.

A company must position strongly through value proposition, differentiation, flexibility, scalability and performance forecasts to leverage capital funding. A crisp business plan provides an overall picture of the opportunities and challenges faced by the business and become the point of contact between the investors and promoters.

The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) is an initiative by the Government of India (GOI) and Small Industries Development Bank of India (SIDBI) which lays importance on the project viability and providing the credit facility purely on the basis of security of the assets financed. However, majority of the entrepreneurs are not even aware of such schemes and lose out on the opportunity to raise funds.

RBI should issue essential guidelines to the banks on the credit flow to this sector. Plus, government should create business friendly environment so as to reduce pressure on private equity. Specialized banks for SME are the need of the hour to ease up the funding process. The major change required is in the interest rate at which SMEs get the loan. SMEs are currently paying interest at the rate of 19-20%.

In addition, delayed payments have always been a concern for SMEs that lead to reduction in the working capital for SMEs. Delay in dues

settlement adversely affects the recycling of funds and business operations of SME units. The Union Budget 2014-15 announced by the Finance Minister Arun Jaitley has considered SMEs and entrepreneurship as one of the priorities. In order to create a conducive eco-system for the venture capital in the MSME sector it is proposed to establish a Rs 10,000 crore fund to act as a catalyst to attract private capital by way of providing equity, quasi equity, soft loans and other risk capital for start-up companies.

In addition, factors like the introduction of the Goods and Service Tax (GST), Foreign Direct Investment (FDI) in retail, and transparency in action would definitely help improve the state of SMEs in the country.

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Reshoring Vs Offshoring

By: Vikas Patel & Shobhit Yadav, NITIE Mumbai.

Offshoring is relocation of company's business process from one company to another, mainly an operation and production process or auxiliary process such as accounting. Money, goods, waste, energy & people, all offshore to avoid loss, law, taxes, rules & regulations. Vast lawless oceans, strong financial and complex structure, high securities are the characteristics of offshoring. Offshore tax havens are used by almost all if companies around the world. Offshoring can be viewed as production offshoring or services offshoring, in production offshoring china is a world-wide leader. Same spot is taken by India in services. The logic behind offshoring is simple, "Labor arbitrage", i.e. to reduce the overall cost of manufacturing using cheap labor and tax haven. Jobs are added in the destination country but are subtracted into higher-cost labor country.

Offshoring is the dark side of globalization. Money earned at offshore is spent in pleading local economy, eradicating global poverty. Big companies manufacturer offshore greenhouse gases, air pollution, waste and poor-working condition. But few things cannot be denied that these companies jobs, revenue and global opportunities for destination country. This article will mainly focus on changes in opportunity in host country, global environmental constraints, business strategy, home countries opportunity and constraints

Focal Point :

Global environment is highly dynamic with incessant transformations. Events like euro zone crises, attack on world trade center determines the impact of business decisions and new global economic powerhouses. Big firms are transform

ing themselves into 'globally integrated corporations' driven by rapid technological developments, diffusion of innovations, value creation opportunities and acquisition. How global firms survives competitive global environment, answer lies in strategically managed literature offshoring. In the recent year's concept of re-shoring have become political hot-button issue because of dismal job market. Modern trade suggest that foray in any new market depends on analysis of cost theory, supply chain perspectives, environmental factors, resource-based theories, real options theory and work force.

Analysis :

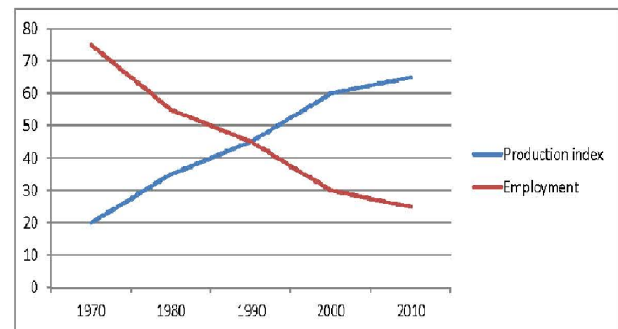


Image Source :US EPA

- Lower operational and labor costs are among the primary reasons why companies choose to outsource. When properly executed it has a defining impact on a company's revenue recognition and can deliver significant savings
- Companies also choose to outsource or offshore so that they may continue focusing on their core business processes while delegating mundane time consuming processes to external agencies

- Outsourcing and offshoring also enable companies to tap in to and leverage a global knowledge base, having access to world class capabilities.
- Freeing up internal resources that could be put in to effective use for other purposes is also one of the primary benefits realized when companies outsource or offshore
- Many times stranded with internal resource crunches, many world class enterprises outsource to gain access to resources not available internally
- Outsourcing, many a time is undertaken to save costs and provide a buffer capital fund to companies that could be leveraged in a manner that best profits the company
- By delegating responsibilities to external agencies companies can wash their hands off functions that are difficult to manage and control while still realizing their benefits
- Outsourcing and especially offshoring helps companies mitigate risk and is also among the primary reasons embarked upon
- Outsourcing also enables companies to realize the benefits of re-engineering
- Some companies also outsource to help them expand and gain access to new market areas, by taking the point of production or service delivery closer to their end users

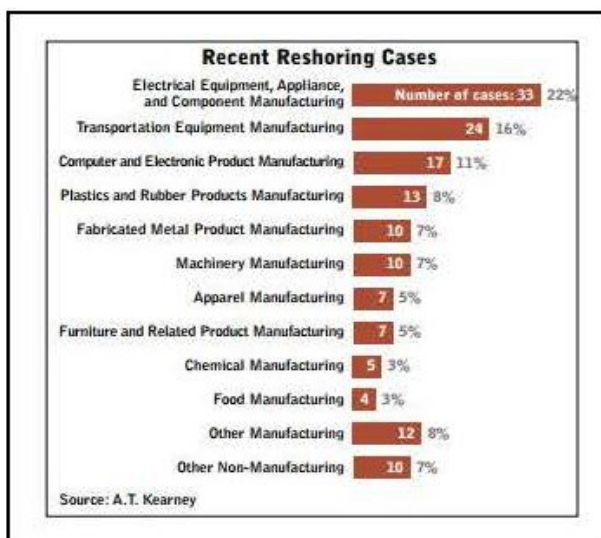


Image Source : <http://www.whitehorsestamps.com/ekmps/shops/gkboo>

In a letter published in the Financial Times on 19 March 2014, Secretary of State for Business, Innovation and Skills Mr. Vince Cable and Irish Minister for Jobs, Enterprise and Innovation Mr. Richard Bruton wrote:

Re-shoring offers a real opportunity to create products with greater European content and to restore Europe's industrial competitiveness and wider enterprise agenda. It also offers the potential to re-energize the EU's manufacturing sector while creating important new jobs in high technology and high productivity companies.

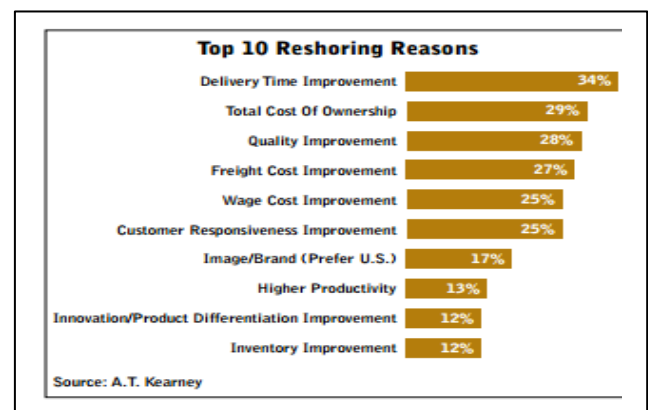


Image Source : <http://www.google.com/images>

So the reasons associated to feel the need of Re-shoring in Europe and US are as follows

Most of the cases in re-shoring are found to be in Manufacturing sector. And the top 3 reasons cited are surprisingly:

1. Reduces Total Cost of Ownership
2. Improves quality and consistency of inputs
3. Reduces pipeline and surge inventory impact on just-in-time operations
4. Clusters manufacturing near R&D facilities, enhancing innovation
5. Reduces intellectual property and regulatory compliance risk
6. Eliminates the waste and instability caused by offshoring

So does that mean Countries like India and China which have been hubs for Off-shoring are not satisfying upon these parameters?

Interestingly, survey findings by Stanton Chase suggest that re-shoring is not having a negative impact on the manufacturing sectors of emerging markets like China or India. Manufacturing in those countries continues to escalate to serve robust local needs. In effect this is a form of re-shoring within the emerging market

from United States since 1994? According to Department of Labor and trade adjustment a total of 2,677,282 jobs have been migrated to host country by 2012. Primarily Asia is the biggest benefactor it received nearly 55-60 % of the job

Companies are relocating their operations back to their home in order to increase employment in their own country. China has said that they will move their operations back to United States (industryweek.com, 4/20/2012).

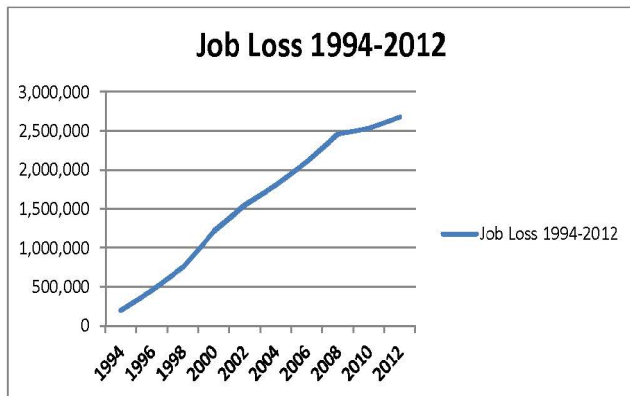


Image Source : <http://www.google.com/images>

However, when we look at US, a number of macroeconomic factors have tipped the balance in favor of domestic manufacturing, at least for some industry sectors. Among them are the appreciation of China's currency versus western currencies, China's labor rate inflation, increased concerns about supply interruption, lower energy costs in the United States as a result of shale gas exploration.

Chinese wages, no doubt, have risen by about 15 to 18% per year compounded since about 2000. As a result, the labor cost/unit of output is now about 3-times what it was in 2000. For some products, there is about 25%, the manufacturing cost gap. The wage trends are expected to continue. The one-child policy has caused the workforce to drop about 3.5 million/year

Conclusion

Initially offshoring was mainly concerned with energy, utilities and oil and gas industry. So, on an estimate how many jobs have been migrated

Role of Gamification in SMEs

By: Nupoor Agrawal & Prem Batra, MBA, NMIMS, Mumbai

Do you aim for your company to be in the Fortune 500 list? Do you want to bring about a revolution in the contemporary work culture? Develop a game. Like 'selfies' in the social media, 'Gamification' is the new buzzword in the field of HR. All around us, we have pundits claiming that the best strategy is to engage people with fundamentals of competitive games.

Gamification is defined as the use of game mechanics in a non-game context. These techniques leverage on the natural desires of humans who want to excel in competitions, earn rewards and make themselves visible to others. Game mechanics such as topping leader boards, earning points, filling in progress bars and achieving badges to complete tasks are just some of the many rewards for accomplishing desired tasks. Gamification bridges the gap between the two antithetical, 'work' and 'play'. Sounds like a perfect world!



Image Source: <http://www.connectmyapps.com/blog/?p=464>

Research has shown that profitability and productivity are positively correlated to employee engagement levels. More and more companies have realized this and are making not-so-fun tasks easier to complete, bringing in greater transparency and improving visibility at the workplace with Gamification. But gamification in SMEs?

Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of the industrial output, 40% of exports, 42 million in employment and produces more than 8000 quality products for the Indian and foreign markets. As a result, SMEs are today exposed to greater opportunities for expansion and diversification across the sectors.

A competent workforce is perhaps the most important asset for any organization. However, it is rather sad that the HR activities are often neglected in many Indian SMEs. According to a CII survey, around 80% from the small enterprises and about 20% of the medium enterprises respondents indicated absence of any formal HR department. To compete with industrial powerhouses, it is essential for SMEs to adopt the latest trends in HR to strengthen their labor force. One such tool is Gamification that will revolutionize their work culture completely. It will help SME's in reducing their operational costs. Since SME's are very cost sensitive organizations, they always look for ways to trim down their expenses. Using gamification in various HR functions like recruitment, training, productivity enhancement and customer engagement, SMEs can optimize their functions.

Recruitment:

Gamification was recently leveraged by certain companies for recruiting skilled professionals. The knowledge of employees can be virtually tested through interview questionnaires that include game mechanics. They can also be encouraged to bring references from their existing clientele list to prove their credibility. For a carrier that is looking to attract fresh talent, gamification can be included to encourage referrals from the existing staff. Crowd sourced recruitment is an innovative approach where employees are actively engaged in attracting high-performing talent from the market.

On boarding, training and decision-making:

While serious games are already quite popular for on boarding and training, publicizing the top and consistent performers through leaderboards can motivate employees to consistently upgrade their skills. One way SMEs can leverage such platforms is to onboard/train their employees, agents, brokers, sales representatives and call center representatives. Another use is to provide a gamification platform for risk engineers, underwriters and claim representatives to simulate decision-making scenarios.

Gamification to improve productivity

Gamification helps in making monotonous or repetitive tasks lighter. It rewards employees with rewards, creating a dynamic game that encourages them to get new challenges and goals. It is therefore important that the challenges for workers are attainable and attractive rewards.



Image source:

<http://www.cognizant.com/InsightsWhitepapers/ Rein->

not an easy task but the effort certainly is worth it.

Gamification 3.0

Successful gamification does not always depend on the complexity of the game, but on whether a deeper connection is inculcated in the players. This has what inspired the evolution of gaming 3.0 which combines traditional gamification and social driven gamification. Gamification 3.0 is a combination of the behavioral insights, power of big data, plus elements of neurosciences and psychology to understand frame of mind, behavior and activities of the user. This helps to create a highly personalized, contextual experience for individuals participating in a recurring, long term behavior-change exercise which is based on intrinsic motivation.

Conclusions

While gamification has clearly proven to be an effective engagement tactic, SMEs should be mindful, prior to implementation, to utilize gamification as a tool to solve business problems rather than merely identifying is as to apply gamification. Interactive design, knowing the target audience and clear definition of the rules of engagement also plays a crucial role in ensuring success. By adopting best practices from other industries on the gamification front, SMEs should be able to capitalize on business opportunities before it is too late in the game.

—O—

Gamification to enhance customer engagement

With regard to enterprise customers, gamification can help us achieve the necessary attraction between brand and customers. Here what SMEs can do differently is making use of their company service in doing something fun through social networks they have in the company or on the web. It is important that the client feels identified with the game, with their company and when it comes time to buy or hire a product does not have to think about it. Achieving this is

We invite articles for the December 2014 Issue of Samvad.

The Theme for the next month: December 2014 - “**Rural Management**”

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

Submission Guidelines:

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05' to **samvad.we@gmail.com. Deadline for submission of articles : 31st December, 2014**
- Please name your file as: <YourName>_<title>_<section name e.g. Marketing/Finance>
- Subject line: <YourName>_<Course>_<Year>_<Institute Name>
- Ensure that there is no plagiarism and all references are clearly mentioned.
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Samvad Blog

As said by Ann Morough Lindburg, “Good communication is as stimulating as black coffee and just as hard to sleep after.” Samvad, which means 'to converse' in Hindi, is exactly the motive of our team Samvad. Our readers and writers are of utmost importance to us at Samvad. We don't like to interact with you only once when the issue is released. So, we thought, what next? Then came the idea of a blog - the ideal platform for meaningful discussion on a more regular basis. Hence, we present to you 'The Samvad Blog'. The Samvad Blog, as the name suggests is a blog dedicated to sharing of information, insights and opinions that allow exchange of some valuable ideas by stimulating your intellectual senses. It will include some interesting reads on management gurus, book reviews, and relevant articles among many other varieties of food for thought.

<http://samvadwe.blogspot.in/>

Don't forget to comment with your opinions. Always have a healthy debate we say! As progression lies not in agreement, but debate!



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