BUSINESS DEVELOPMENT SERVICES FOR SMALL ENTERPRISES: A STUDY OF HYDERABAD, ANDHRA PRADESH, INDIA

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Summary

Recently, there have been several studies (See van Bussel, 1998, for instance) which indicate that the small-scale enterprises (SSE) would prosper if they are supported by business development services (BDS) focussing on the peculiar problems of SSE. In fact the community of donors now sees promotion of BDS as an important feature of enterprise development. This study was undertaken to understand the real relevance, of BDS for SSE. The study involved structured interactions with ninety small enterprises (modal turnover of USD 400000) in and around Hyderabad, India as well as interactions with the service providers.

The paper highlights the type of services sought by SSE. The market characteristics for such services are described. It was found that SSE seek two basic types of services. ***"Transaction related services"*** *referring to such things as assistance in keeping accounts, filing of returns, which are time bound and* ***"Strategic services"*** *referring to long term issues that have lasting impact on the future.*

We found that the ***transaction related services*** *are used more frequently. The over riding considerations for the SSE are the immediacy-utility and factor of instrumentality. If these considerations are not satisfied, SSE tend to defer seeking BDS. On the supply side, most BDS providers work with a range of clients. Even the SSE they work with are larger. There is a gap between the SSE requisition of services and what they need. Most of the SSE are not aware of the contours of the problems they will face.*

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Introduction:

It is believed that Business Development Services (BDS) contribute to the growth of small-scale enterprises (SSE) (van Bussel, 1998)[1]. Using professional BDS should help them to access better technology, finance and infrastructure and help them manage the business efficiently. To understand the relevance of the BDS, the nature of the market and the conditions that simulate demand for BDS, we undertook a study in Hyderabad, India.

We start with an initial position based on a consistent but unstructured observation of the Indian SSE:

- Most SSE need, but do not demand BDS. Therefore the market is small.
- There is little demand for services other than managing regulations, getting finances or improving technical parameters of production.
- A full-fledged BDS market for SSE does not exist in India.

In this paper we focus on the following:

- In what specific functions do SSE seek inputs? How do SSE obtain these services?
- To what extent do SSE obtain inputs from BDS providers? Are the services priced appropriately?
- How do we characterise the BDS market as it exists?
- How can BDS market be strengthened?
- Can we develop a framework to understand the BDS market?

Sample:

Four sectors were studied - Pharmaceutical (Pharma), Food, Light Engineering and Computers. Pharma sector is the most significant sector around Hyderabad. Roughly a third of the country's bulk drugs is produced here (Vision 2020 Document, GOAP, 1999)[2]. In computers, the focus was on SSE providing hardware, maintenance and software services. These represented the bridge between SSE and BDS providers - they were not only SSE but also BDS providers. Eleven other BDS providers were interviewed.

Profile:

We studied the lower end of SSE with an average capital employed Rs.5 million (US$ 125,000) and an average turnover of Rs.15 million (US$ 375,000). More than half the units never took a term loan. A third of the firms were incorporated. A third of (29/90) the entrepreneurs were non-graduates. More than two-thirds (64/90) were first generation entrepreneurs. Owner-entrepreneurs ran most units.

Only Pharma sector employed an average of more than 2 senior employees having decision-making powers. In other sectors, employees with decision-making powers were an exception.

Demand for BDS:

While five categories of BDS were identified, we classify BDS into two categories - BDS related to processing of transactions and BDS on strategic issues.

Transactions based BDS:

This relates to 8 categories of services. The first four were universal - maintenance of accounts, labour, excise and sales tax. The later four related to legislative requirements - pollution control, food and drug administration, factories and boilers.

More than half of the respondents **did not seek outside help** even for transaction processing. SSE sought help only in case of problems - usually going to the auditors. Around 20% of the SSE sought external help for maintaining accounting records. Sector-wise, this response came from the Engineering units. This was because the units were smaller and also employed the least number of people. Another reason is related to the education of the promoters. Of the total 29 respondents who were non-graduates, 17 were in this sector. The number of transactions was also low.

A BDS provider said that SSE usually seek help when there was an issue of interpretation - like the Central Excise Law. As the income tax law had become clear in recent times with simplification of procedures and introduction of consistency, the need for help was reduced.

To understand this further we asked the entrepreneurs what would trigger hiring a consultant. We also asked how they identify professionals and if they were hired consistently. A small number (13/90) reported that they would not hire outsiders for any transaction related issue. A larger number (63/77) reported that they would use a BDS provider when the issue was complex. Some (14/77) reported that they use the services if there were serious repercussions or significant money was involved. The responses do not vary across sectors. For referrals, SSE depended on friends, business associates and industry associations. The SSE usually went to the same BDS providers, in case of further problems. This is interpreted as a general satisfaction in the BDS providers in this segment.

BDS on strategic issues:

To understand the demand for BDS on strategic issues we examined their current usage of BDS. We also enquired about the availability of the BDS providers in the market.

On usage, we had five categories:

- Production, product design, location of plant, premises
- Marketing, client identification, segmentation, logistics, packing, branding, promotion, advertising
- Design of operating systems
- Finance - seeking term loans and working capital limits
- Innovation: new products/ideas.

External assistance was usually sought for finance and marketing. Within finance, SSE sought help in getting term loans and working capital from banks. This involved writing a proposal with financial projections. In some cases it involved re-building past accounts. Usually the auditor offered this service. He helped the enterprises not only to prepare reports, but also to get a loan approved. Even in services that are strategic in nature (capital structuring), help was sought only for transactions. Another area where SSE sought assistance was marketing (promotion, advertising, branding, and pricing). Support came informally. The printer usually doubled up as a copywriter. The distributors helped in determining prices and promotion. Friends, community leaders and family helped in Customer identification. However, the numbers seeking help on strategic issues were lesser than in transaction related matters. There is also a pattern in different sectors. In the engineering sector, help was sought for generating finances. Most of the marketing support was sought by the Pharma industry. The help sought by the food sector was divided between marketing, logistics, finance and branding. The computer sector did not seek support for strategic services.

Pro-active Financiers: Creating demand for BDS

One engineering unit manufacturing solar panels had a phenomenal growth since inception. The most significant issue for the unit was institutional support. The initial feasibility report, done by a top consulting firm, was as significant an investment as the machinery itself. That was the first brush the unit had with professional BDS providers.

The unit was also supported by institutions working on environmental issues. Since there were funding support available, the relationship with professional BDS providers got reinforced. The unit recognises the value of professional input. This initial support that the unit has got from institutions and through them from BDS providers has helped it to grow fast.

What is the reason for such a small number of SSE seeking professional help? We asked questions on most of the strategic areas, covering product design, markets, financial structuring, technology, human resources, computerisation and quality assurance. A third of the respondents said that they were aware and happy about the quality of BDS providers in the market. In most cases, the food and engineering sectors were aware and happy about the BDS providers.

About 60% of the respondents said that they were either not aware of services being provided, or thought that the services were not of good quality. The areas SSE thought that professional help was not available included Product Design, training and market information. On other issues, while BDS existed, the quality perception was low.

Sector wise, the computer sector said that BDS was not available for product design. The Pharma sector said that leaving computerisation no other service of reasonable quality was available. Engineering and food sector had polarised responses. Where they were aware, they were satisfied. Otherwise they were not aware. Pharma sector felt that information from technical journals and distribution channels was sufficient. Across the sectors, SSE do not see good BDS providers for services like technical matters, product design and training facilities.

Computer Software: The Case of Trust

In the study we found a peculiar instance where a first generation entrepreneur had developed software that helps the students to practice for competitive examinations. The software has a question bank, can time answers, and rank them in order of difficulty and on the capability sought by the student. The product is to be put in the market. The question is, can the entrepreneur trust a service provider to find a distribution and marketing channel without running the risk of the disc being duplicated unauthorisedly? How does he ensure that he gets returns for two years of work? A very delicate issue considering that the product took long to develop, can be easily copied and there is no brand or channel to leverage on. At the same time, he cannot avoid traditional channels.

Why would a SSE not seek a BDS provider? There were two answers. They were cash strapped and could not hire a BDS provider (28/90). They (26/90) thoughts that BDS providers offer general advise not specific solutions. This indicates a low opinion of BDS providers and low value for money.

Pharma and Engineering sectors said the solutions of BDS providers were too general. Engineering sector said it was costly. In the case of computers - they were cash strapped. A small number (16/90) indicated that they do not need any help. Discussions revealed that some did not want to grow. They were content with the achievement. It was true with Computer maintenance SSE. They wanted to be sure of the quality of service. They were also concerned with the reliability of payments from the client - the fear was that growth results in loss of control. There were a small number who never thought of hiring a BDS provider for the fear of being ticked off. We call this "awe" factor.

The Mind-set Issue

Apart from the other things there is something pertaining to the mindset of the SSE. An entrepreneur said: "We are constantly dealing with regulators on compliance issues. We find that the most effective way of sorting the problem is to bribe. If you look at costs, it makes sense. Over time, we learn to buy short-term solutions and do not attack the problem at its root. Because whatever is the solution, it results in paying a bribe! If I can purchase a solution off the shelf effectively, then I don't need BDS provider!"

In order get a sharper focus, we asked the entrepreneurs about their pressing need. For most (34) units it was marketing. This was more so in case of engineering (10/24) where they depended on a single client. The other issue raised by SSE was about finances (18/90). The problem is in convincing the bankers about term loans and working capital. Usually collateral is not available. Even where SSE have been successful in getting finance, they provided a collateral unrelated to business - agricultural land or house property. Other units that articulated finances as a problem were units in food sector (8/24).

The software sector had the problem of finance. The bottleneck was collateral. In most cases there were no assets pertaining to the business - but they still needed finance. If there were no personal assets to put up as collateral, no loan was available. The entry threshold for venture capital was high.

An area where SSE had problems was in design of new products (15/90). Particularly, engineering units (7/24) articulated the need. Analysis indicates that these units are entangled in problems related to marketing - being ancillaries they have not innovated. When they want to grow product design and marketing become constraints. A majority (64/90) stated that there no BDS providers address their pressing needs. Of the others who said that services were available, half said that it was low value-for-money. Clearly there is a mismatch between the expectations of the SSE and services available.

The Ability to pay:

In all cases where SSE use BDS there was evidence that SSE paid fees. For BDS on strategic issues, the impact of intervention was intangible in the short run. So, in most of cases they would use the transaction related BDS providers to do the strategic work, thereby producing sub-optimal results.

Willingness to Pay:
The Choice of Survival Vs Growth

"The problem is day to day survival", a software developer said: "I know I have a problem. I have grown to the extent I could. I now need to take a large step. I recognise the need for professional help. I keep thinking of getting an expert to think of a breakthrough. Then, I re-think. If it costs Rs.10,000 to get good advise, I may as well upgrade my machine and become more efficient. The choice is between doing my business or thinking growth. Both don't happen simultaneously! As a result, I discuss my plans informally with friends and be content with off-the-cuff ideas. Unfortunately that won't do."

Evolution of BDS Market: Propaganda cum Distribution Consultants

The Pharma industry has an example of self-propagating private sector BDS. This emerged due to the size of the units and their inability to penetrate in a competitive market. Earlier, the Pharma units had their own marketing network. They maintained staff and representatives all over the country, which was not justified by volumes. The propaganda-cum-distribution consultants emerged just then.

The consultants market formulations through their network. They are paid fixed retainerships and overriding commissions on sales. They usually take 5 to 6 clients. A larger number is unwieldy. They operate through their own representatives. They find it convenient to have an array of products when they approach the clients - giving them a choice of formulations. They also organise conferences for the doctors of a particular area and present themselves exclusively for one company, by turns. They spread the income from all the SSE that they represent. It is believed that they do justice to all.

The consultants usually do not shuffle their clients. They part ways if a company grows beyond a size to have their own network. This system has emerged in response to the demand for an alternative needed by the SSE and not out an external intervention. Economics has dictated the new system.

BDS providers emerge when there are significant gaps. It is our premise that the pharma model is not easily replicable. However, can be tried in sectors having similar features - limited branding, large distribution network and similar products. The BDS provider would have expertise in the products.

The Supply Side - Types of Players:

To understand the SSE segment from the point of view of BDS providers, we talked to eleven BDS providers. We have profiled an experiment by a community association that attempts to get BDS to SSE. But, most BDS providers do not work exclusively for SSE. Even APITCO - set up exclusively for SME segment, was consulting for funding agencies and governments to watch its bottom line.

How do the BDS Providers profile their clients?

The BDS providers deal with a segment of the SSE market. Almost all transaction related services were with the auditor. They were trusted with all information and were retained to deal with all regulatory matters. In complicated cases the auditors refer to others from their contacts.

The BDS providers believe that SSE seek only transaction-related services. Therefore the market is small. If demand for strategic BDS was likely to exist in knowledge sectors like solar energy and bio-pharma. BDS providers get the upper end of the SSE as clients. Most BDS providers draw boundaries and do not stretch beyond, unless the request is serious or comes through contacts. The assignments the BDS providers accept depend on their own priorities.

The Developmental Role of BDS Providers

Some players take a developmental role for SSE by telescoping their fees (Sathguru Management Consultants). Some organisations like APITCO work exclusively with small and medium enterprises. APITCO also works with individual clients in a limited manner providing consulting support for project preparation and financial structuring. For this, they are usually paid by SIDBI. Beyond this, all other services are charged

Support Services for SSE of a Community: The case of AKEPB

The Aga Khan Economic Planning Board, Mumbai, is trying an interesting model. The community leaders have articulated that the businesses of the Ismaili Khojas have stagnated. In response, the AKEPB has retained EDA Rural Systems (EDA), to provide BDS to the community. Based on a study, EDA found that they needed help in costing, marketing and accounting. EDA now provides BDS. The services are charged according to the clients' ability to pay. AKEPB pays a fixed fee to EDA. Users are subsidized.

to the client. This is similar to telescoping, but more on a one-off basis than as a consistent strategy. Apart from of focussing on individual clients - APITCO works in clusters. Focussing on clusters helps in setting standards across a large number of small enterprises and addresses the issue of marketing.

The most important learning from Sathguru, APITCO and AKEPB is the entry strategy of the BDS providers. Each of these players work for a different agenda. Sathguru for profits through long term association, APITCO for carrying out its mandate and being paid by institutions like SIDBI and AKEPB to ensure the members of the community continue to thrive - fees being secondary. The important aspect is that at the entry level the fees is subsidised and later telescoped.

How do specialised BDS providers look at the SSE?

There are BDS providers who provide specialised services. The specialisation includes design, process consulting and marketing. These BDS providers see SSE as one-time clients, for specific assignments. Dhopeshwar Consultants provide design consulting, and manufacture machinery for SSE. Since Dhopeshwar's offers design and fabrication, a 10% premium charged for "knowledge" apart from the margins on fabrication. The demand for service varies and reduces if there is a general recession.

Nalanda Associates - a marketing support organisation - do not look at SSE as entry level clients, though, they have the scope of getting repeat orders - for advertising, branding, packaging and other services. Nalanda started out with SSE as their clients. Now, they have outgrown the segment and cater to larger clients including Government. Now less than 10% of their revenue comes from SSE. "The SSE do not trust our professionalism. They expect us to be a postman. Deliver an ad-copy designed by them to press or do market research where the conclusions are what the entrepreneur thinks." Apart from this - the budgets are low, payments delayed, making them untouchable. It forces the BDS providers see SSE as clients to be dealt with caution. Nalanda is willing to price its services competitively for the SSE, but they still do not think that the SSE trust their creative abilities.

Individuals as BDS providers:

We talked to individuals who have been providing services to the SSE in certain niche areas like advise on ISO certification, Central Excise and a Chartered Accountant. The experience of Central Excise and ISO consultants was positive with the first generation entrepreneurs. They saw two reasons for this - the first generation entrepreneur is on a learning mode and would not mind paying, unlike family owned enterprises. A widespread feeling was that first generation entrepreneurs were open to ideas. The Excise consultant earned a small portion of his income from SSE. He said that he often cross-subsidised SSE and sometimes even gave free services if the problem was simple. Even here, there were two levels of consulting - record keeping and - planning the tax strategy. Only a few entrepreneurs looked for strategic services at the planning stage. The taxation limits almost defined the entry-level for clientele. Most referrals was through word-of-mouth and from the industry association.

In case of ISO certification, the consultant has been approaching his clients. He works mostly with SSE. Clients come only when they are aware about the benefits of certification, the consultant invests in the process of building awareness. The clients who are open to learn or are convinced come on their own. He also approaches some clients directly - thus reducing the "awe" factor. His training programmes use a simple and local language. Industry associations are also used to identify clients, giving legitimacy. The government subsidy for Certification (Rs.100,000) helps to get a breakthrough.

Market Pull - the Creation of Demand for Some Services

Apart from BDS providers selling their services, there are compulsions for entrepreneurs to seek certain services. Larger firms that are ISO certified are sourcing materials from SSE also having a certification. These firms are required to monitor the processes adopted by their suppliers to retain their certification. If the SSE is also certified, then monitoring is done through periodic audits. So they insist that the SSE also seek ISO certifiication.

Another example of market pull is due to the scheme of Modified Value Added Tax (MODVAT) of central excise. Due to MODVAT the large industrialist who falls in the tax limits prefers to source materials from tax-paying SSE to claim tax benefits. This has forced several small units to go for Central Excise registration. It has also reduced spawning of firms and created a demand for BDS providers.

The auditor we met also dealt with the upper end of the SSE sector. He thinks that SSE seek support only when the situation is desperate. Even the regular service providers like auditors are approached only when they are caught. The SSE tend to terminate the consulting requirements with the auditor. Though there is trust between the SSE and the Auditor, his services are used sparingly. He is willing to accept SSE clients as and when they come, but unwilling to seek out SSE for offering the services.

Industry Associations as BDS Facilitators:

In the interactions, the role of industry associations in providing getting an interface between SSE and BDS providers was evident. In case of independent consultants in Excise and ISO, the referrals came from the association. The industries associations maintain databases of their members. They are in a position to provide interface between BDS providers and SSE by sharing information. SSE regularly go to them for advise. The feedback from BDS providers is that these associations play a positive role and their role, should be enhanced - because they provide credibility for intervention. They are effective engines because they are neighborhood outfits manned by one amongst them.

A Framework for understanding the BDS Market:

While we have classified the BDS market into two segments, it is important to understand how the demand for BDS manifests itself. Typically a SSE can be depicted to be in a vicious negative loop.

A framework understanding Issues-Problems-Response of SSE

Issue	Effect	Resources for Services	Type of services sought
Incorporation: Usually proprietary or partnership - no pressure of accountability. No document is filed publicly. Income Tax return is the most authentic document available with third party verification.	Usually accounting data is stored informally. Whether the cost of accurate data is worthwhile is a consideration.	Elders, friends, auditor and informal advise from experts in the familiar circles.	Contacts in the offices and help in the various steps to be followed.
Finances: Generally from friends, relatives, bankers or financial institutions. Tendency to borrow from sources, asking fewer questions (informal), as accounts may not be in order. Constant rollover leading to an eventual debt-trap	No pressure to maintain records. Costs of funds high. Tendency to cut corners: avoid taxation, and costly compliance.	From friends/ auditor, sometimes relatives and elders.	Contacts for sourcing finances, preparation of project report.
Markets: Dependent on a handful of buyers. Minimal branding and product differentiation. Problems of excessive ancilliarisation.	No room to find new customers or markets; energies spent in appeasing current clients.	Usually from suppliers, customers and existing market channels.	Data on how the product is moving - problems of quality, price and acceptability
Human Resources: Hired from informal sources. The overriding consideration is Trust and low salaries. Little delegation. Staff is incapable of handling statutory compliance, because of competence and lack of proper house keeping.	Employees become experts in "getting over" the problem. Competency to handle issues straight not built over a period of time.	Usually from family or known sources. Being trustworthy is the overriding consideration because of informal nature of information.	Fixing problems - bribing people, enhancing contacts and if possible avoiding problems.
Innovation: Difficult to innovate either in products or processes. The entrepreneur is involved in correcting the mistakes made by sub-optimal human resources. Energy is spent in patching up or fire fighting.	It is too late when the market or systems change. Usually no anticipatory action is taken.	Professionals through known sources. Since many transactions are not "in-order", trust is an overriding consideration.	Low cost solutions for current transaction bottlenecks.
Management Style: Hands On in every matter	Second line is never developed. The entrepreneur's creativity reduces as he handles only routine matters.		
Dilemma: The most nagging dilemma: "make-or-buy" including for services. This results in undervaluing internal time for cash-flow considerations, and taking the "make" decision more often. Outsourcing is usually a	Constantly resulting in sub-optimal results. Most of the time, people are learning as they are doing and therefore not professional		

desperate act than a strategy.	enough.		

Given the above summary, it is clear that a long-term vision for the business is lacking. Usually the SSE responds at various levels to the problems it faces - first level, the SSE tries to fix a solution within the existing system - a micro control loop. For instance, if the employee of a SSE can bribe a labor inspector the problem is fixed. But if the problem persists then the SSE would have to resort to tinkering within in the system - a macro control loop. Try and ensure that some basic records are maintained. When the labor inspector comes, ensure that you at least have some answers ready. Both these are attempts to answer the problem from within the SSE. The next stage is when these two actions may not be sufficient to continue the business comfortably. In such a case there would be a greater change needed. The SSE would then look for a BDS provider and pay for the services if:

- The change proposed by the BDS were seen as feasible and tangible (immediacy)
- The changes result in net revenue gains (utility)
- The changes are a result of the action of the BDS provider and not otherwise (instrumentality)

Transaction based services usually address the above issues effectively. In our study even those services that were classified as strategic services have manifested themselves because of problems in carrying on day-to-day transactions rather than out of a need to address macro-level strategy issues.

The case of BDS for Quality certification services is a classic example. When the customer of the SSE indicates that they would only buy materials from ancillaries who are certified by ISO, the micro control loop of convincing the purchase department to have a preference on one SSE over the other can no longer be exercised. Nor can the purchase policy of the customer be changed - because there is a meta level change in the policy which is difficult to tinker with. The options left for the SSE ancillary is either to get an ISO certification or look for customers who do not insist on certification.

If the BDS provider is an ISO consultant he would convince the SSE to go for certification showing the benefits of having order books full, and pre-empting other players by having a temporary exclusivity.

If the BDS provider is a Marketing Consultant (as in the case of Pharma Industry) they would convince the SSE by changing the distribution network and showing the filled order books. They would avoid talking about the macro level changes (international agreements and patent and intellectual property regimes) till such time the transactions do not get affected.

BDS providers like Sathguru try to address the macro level changes first before anything. Therefore they would be working only with a handful of SSE clients because they do not provide value for money in the immediacy-utility-instrumentality (IUI) framework described above.

Breaking the Barrier - Converting Needs into Demands

It is clear from the above that the two major barriers for converting the needs into demands are:

1. Willingness to pay in the IUI framework described above. It is to be seen in the light of the general behaviour of businesses across the world. None of the international car brands in India started complying with the Euro II emission norms suo motu, though they had the technology in the models abroad. And when they did, they did not miss an opportunity to make a song and dance about it. But when we are talking about the BDS providers who have no coercive or regulatory powers the strategy ought to be to enter through the short-term IUI framework and slowly expand time horizons from within. Sathguru and AKEPB models have demonstrated this. The question then is - does this strategy fit into the BDS provider's own IUI model? External intervention should address this issue of bridging the needs of the two parties. A good example of a bridge is the case of ISO certification.
2. To break the trust barrier a more organised forum of referrals is needed. One of the reasons that most of the Government schemes might have failed is because the SSE have a large part of unaccounted business. They just do not want to deal with another arm of the regulator - constantly asking the question "will this guy ask me to comply with the procedures - how likely am I going to escape if I do not comply?" Also the government supported institutions have never been good at providing transactions based BDS, thereby having created a legacy of mistrust - of competence as well. This barrier is much more difficult to break - social proximity is one solution. Industry associations provide certification for the collective, since most of the other businessmen also know the general practices and if they suggest some BDS provider collectively, there must be a reason in it. But since the trust-factor is more of a mind-set it is much more difficult to tackle.

We could consider the following findings of the study as some indicators:

- Many SSE use friends/business associates/industry association for information on BDS providers
- The use of BDS providers in transaction related services show that SSE have used external help
- When SSE use a BDS provider, they usually tend to get back to the same provider
- The small interventions in the way the business is conducted - MODVAT and ISO certification as customer pull, subsidies in Photovoltaics, and providing entry level BDS for a small fee as in AKEPB example indicate that the basic barrier is the initial breakthrough.

Conclusions:

Based on the data and interactions with BDS providers, we conclude the following:

- The SSE need two types of inputs. "Transaction related services" such as those needed for managing accounts, labour laws, returns and compliance with other regulations. While SSE manage some of these, they also use BDS. The inputs are usually obtained from subject matter specialists who may, but need not restrict their interaction to the relevant transactions.
- The "strategic services" are in regard to non-immediate or non-urgent issues. These pertain to expanding business, identify and service markets, design products, set up facilities. These are needed by a large number of SSE though only a few use them. Their reluctance to use the services from BDS providers include their mind set, their perception that there is "low value for money" and their awe for the strategic BDS providers.
- There is sufficient ground to indicate that the SSE obtain inputs from BDS providers, but there is divergence on perception regarding price-quality relationship. SSE believe that they do not get good quality service for the price while the BDS providers regard SSE as niggardly paymasters. The BDS providers think that there is a gap between what the SSE need and what they seek.
- The BDS market can be characterised into the above two categories. SSE tend to use BDS providers if they meet the criteria of immediacy-utility-instrumentality. The transactions based services usually satisfy the criteria. The market for strategic BDS for SSE looks for a longer time horizon and has failed to come up.
- Often the entrepreneurs undervalue their own time in a make or buy situation and do not resort to outsourcing services. For strategies they make do with patchy and informal discussions with friends, business associates or others. BDS providers respond by not specialising on SSE but by working with a range of clients, not depending on SSE for more than a quarter of their revenue and even distancing themselves from SSE. Auditors straddle both the segments of the markets and some times even act as sourcing agents for BDS that they do not provide.

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