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An Inquiry into KADKOMP'S Stability Strategy of Growth: An Exploratory Study using Case Study Perspective

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ABSTRACT
This research paper is an attempt to develop a case study on KADKOMP Company through exploratory method which has also used a critical analytical route to comprehend why an old company can just thrive on a stable strategy growth profits barring a few exceptional years of acquiring satisfactory surplus profits. In the process of development of this case, it has been explored that the surveyed company has not made very special and, therefore, different innovative efforts in its use of application of technology. A further deeper investigation has brought out a fact that over the years, the Company has made a sizeable capital investment but in proportion to such investment the company's sales growth has not been very satisfactory. The company's data on purchases shows a noteworthy rise and in comparison to that rate of growth, the data on sales shows a slow rate of growth. While looking into micro details of company's growth, the author has examined company's financial strength by calculating a few important ratios. To find out a possible relation between many dependent and independent variables, a simple correlation analysis has been used and important multiple regression coefficients have been found out to establish the causal relationship among many variables that are possibly accountable for steady-state of CADCOMP's existing growth. The development of this case also examines other aspects of growth such as marketing drive and other strategies of future development.
Key-terms: Stability Strategy Growth, Gross and Net Profits, Capital employed, Return on Capital employed, Liquid ratio, Purchases to Sales Proportion.

Introduction

This research paper, primarily based on 'case method', investigates the causal background of the stable strategy growth (measured in terms of sales growth and other related parameters) of KADKOMP Company over a period of more than 25 years. The company was set up in 1989 with a view to rendering services in various fields such as High Technology Engineering, Design Documentation and Presentation etc. Nonetheless, the main service activity focused by the company includes CAD/CAM services. Company's domain expertise encompasses various value-created activities such as Solid Modeling (Mechanical), Manufacturing Drawings Generations, Weld-line Fixture Design and Detailing, Technical Documentation with Exploded Views, CAD Customization etc. Various services being provided by the Company include such types as Mechanical Design and Detailing, CAD Services, Autodesk Software Solutions. KADKOMP's specialized domain includes Weld-line Fixtures for 2 and 4 wheeler automobiles. In this respect the scope of the activity runs from design and detailing of the fixtures to creation of manufacturing drawings customized to specific client standards. Over the years, the Company has been enjoying required level of quality infrastructure. Its overall personnel have crossed 50 with service rendering capacity amounting to 2000 man-hours per month in the category of engineering services. KADKOMP is making use of already established software that includes AutoCAD, Autodesk Inventor and Catia. The Company also provides 'project handling expertise' services with projects ranging from small to medium scale with a capacity level of 10,000 person-hours of project time requirement. KADKOMP enjoys a long list of esteemed clients that include some of the business tycoons such as Atlas Copco India Ltd.,Kishor Pumps Ltd., Crompton Greaves Ltd., KirloskarOil Engines Ltd., Thermax Babcock Wilcox Ltd.In the field of Weld Line Fixtures, the Company has an esteemed clientele that includes the companies such as Comau India Pvt. Ltd., Larsen and Tuubro Ltd. etc.

This research paper is divided into three parts. The first part (Part A) includes a discussion on objectives, research methodology, a brief review of literature related to stable strategy of growth, hypothesis and its testing. The second part (Part B) includes in it the quantitative analysis of Company's stable strategy of growth through various financial ratios and the qualitative analysis of the responses received through a questionnaire given to owners of KADKOMP. In this

part, correlation and regression outputs are calculated in support of some conclusions drawn and statements made through financial analysis. The third part (Part C) is dedicated to a discussion on conclusions, recommendations and implications along with scope for further research.

Part A

A.1) **Objectives of Research**

The straight objectives of this research are as follows:

1) To understand a stable strategy growth phenomenon of KADKOMP on the basis of financial analysis through most relevant financial variables.
2) To analyze factors affecting stable-strategy growth being experienced by KADKOMP.
3) To correlate and regress important dependent and independent variables in support of understanding causality between these variables which will, further, explain why KADKOMP is walking through a stable-strategy growth path.
4) To develop an independent case on KADKOMP in addition to carrying out a rigorous analysis of causality of factors accountable for stable-strategy of KADKOMP's growth.
5) To suggest recommendations and evaluate implications based on the findings of research.

A.2) **Research Methodology**

At its very outset, this research can be classified as exploratory, analytical and case-based in nature. As such, both, quantitative and qualitative methods are used to interpret and analyze data used. The data used are quantitative and qualitative in nature. The primary data collected through personal interview of owners of KADKOMP reveals qualitative dimension of this research. The secondary data used for the quantitative analysis is collected through Company's profit and loss accounts for the time period from 2004-05 to 2013-14 and the balance sheet data ranging from 2011-12 to 2013-14. These time periods have been selected for analysis because the Company had experienced highest volatility in many of its financial variables which are used for analyzing steady-state growth. This research also includes correlation and regression analysis for finding out relation and causality between gross profits and net profits on one hand as dependent variables and purchases and sales on the other hand as independent variables. The need of correlation and regression analysis was felt mainly to identify whether purchases or sales are highly correlated with gross profit and in which way the causation is flowing between gross profit and purchases on one hand and gross profit and sales on the other hand. In addition to this, various ratios such as sales to capital employed, net profit to capital employed, return on capital employed, different liquidity ratios have been calculated with a view to identifying financial position of the Company and understanding which factor is more closely attributable to stable-state of growth that KADKOMP is experiencing over a long period of time.

A.3) A Brief Review of Literature on Strategies

To understand any business's strategic perspective, we need to examine implementation strategy at two different levels. Here, we assume that there is an association between strategy and business growth. In this paper, we intend to make a review of two different strategies or a strategy at two different levels. One is corporate-level strategy and the other one is business-level strategy. Even the theoretical literature concerning a specific business policy area has importantly emphasized distinctions between two levels of organizational strategy.

Our first strategy, corporate-level, is concerned with questions about what businesses to compete in and business-level strategy is concerned with questions of how to compete with a particular business. It is understood that organizations originate and change on the basis of creative, strategic decisions by individuals or groups occupying key organizational roles. Weick (1969), Child (1972), and Miles, Snow, Meyer and Coleman (1978) develop this view more thoroughly. In this connection, one more observation states that those decisions that actually succeed in creating or changing organizations do so via complex iterative processes, which policy theorists subsume under the concept of strategy implementation. In this specific context, Andrews (1971) provides a broad theoretical overview of the strategy implementation process. In this respect, various empirical studies, such as Cyert and March (1963), Bower (1970), Carter (1971), Pfeffer and Salancik (1974), and Mintzberg, Raisinghani and Theoret (1976) carry a lot of significance. Actual outcome of decisions and implementation activities are, of course, determined both by complex, iterative processes among decision makers within the organization and by interaction between the organization and its environment. The precise definitions employed closely follow Hofer and Schendel's (1978) concepts of corporate-level and business-level strategy.

Corporate-level strategy is defined in terms of variation in the deployment of a firm's resources among the portfolios of industries within which all business firms compete. Liberson and O' Connor (1972) have used variation in the average profitability of a subject firm's primary industry to assess the impact of differences in the firm's competitive environment upon firm performance. Other researchers have measured variation in a firm's corporate-level strategy in different ways. For example, Gort (1962) used the number of industries in a firm's portfolio to measure the diversity of a firm's corporate-level strategy, and Rumelt (1974) used a measure of the technical relatedness of the industries in which multi-industry firms competed. In another vein, Pitts (1977) has shown that market structural differences exist at the corporate-level between firms

that have diversified via internal growth and those that have diversified by acquisition.

Business-level strategy is defined in terms of variation in firm characteristics relevant to competitive success or failure within a given industry. In the selection of variables to represent business-level strategy, many theorists and empiricists emphasized variables that have been shown empirically to effect firm competitive performance. As such, business-level strategy can be operationalized in terms of a rich variety of measures. In two of the most elaborative studies, Schoffler, Buzzell and Heany (1974) and Schendel and Patton (1978), firm size relative to competitors and firm resource allocations to capital investment, advertising and research relative to competitors were studied as strategic determinants of firm profitability.

Taking a more financially oriented view, Hall and Weiss (1967) and Fisher and Hall (1969) found two risk factors, unpredictability of firm profitability and debt leverage, respectively, to explain considerable variance in firm profitability.

There are differences in the average profitability of the firms competing in different industries. Scherer (1970). Weiss (1974), and Caves (1977) have reviewed this literature.

In this paper, we have identified that KADKOMP has been attempting stability growth strategy primarily measured in terms of its decade pattern gross profits and net profits. KADKOMP's this particular strategic effort is examined as a business-level strategy along with a few other equally important explanatory variables.

In this section we also need to include an important comment on the nature of stability strategy of growth and how it aptly fits into the operational strategy adopted by KADKOMP. A firm following a stability strategy growth policy may be identified with the following characteristics in general.

1) To serve the same market with the same products.
2) To continue to pursue the same objectives with a strategic thrust on incremental improvement of functional performance.
3) To concentrate on resources in a narrow product-market sphere for developing a meaningful competitive advantage.

Adopting a stability strategy does not mean that a firm lacks concern for business growth. It only means that a firm's growth targets are modest and it wishes to maintain a status quo. There are a few specific conditions in which a firm decides to adopt stability strategy of growth. A few important of such conditions are as follows:

1) Uncertain conditions might convince strategists to be conservative until they became more certain.
2) Environmental turbulence is minimal and the firm does not foresee any major threat to itself and the industry concerned as a whole.
3) The organization has just finished a period of rapid growth and needs to consolidate its gain before pursuing more growth.
4) The firm's growth ambitions are very modest and it is content with incremental growth.
5) The industry is in a mature stage with few or no growth prospects and the firm is currently in a comfortable position in the industry.

Many of the above mentioned characteristics are applicable to the present pattern of growth that KADKOMP has been facing. It is precisely this reason that the researcher has been driven to examine the stability strategy of growth dimension of KADKOMP's present business progress.

A.4) Hypothesis and Model

A point needs to be explained here before writing a hypothesis. KADKOMP's attempt to adopt and continue with its stability strategy of growth is measured primarily in terms of gross profit over a decade's period. It has been found that these gross profits show a stable growth trend barring a period of year one or two. Against this background the hypothesis is:

H_0 : KADKOMP's growth measured in terms of gross profits is significantly explained through the Company's total purchases than the total sales over a period from 2004-05 to 2013-14.

$H_{1:}$ KADKOMP's growth measured in terms of gross profits is not significantly explained through the Company's total purchases than the total sales over a period from 2004 -05 to 2013-14 (This is to understand the alternative hypothesis as sales being more dominant in explaining variations in gross profits than purchases).

Model

To test the hypothesis stated above, a simple regression model is employed which is stated below:

$GP = a_0 + a_1S + a_2 P + e$

In this, GP. S and P imply gross profits, sales and purchases and a_0 , $a_{1,}$ $a_2$are parametric constants with e as error term. In this model, gross profits as dependent variable has been regressed on total sales and purchase as independent variables. The estimated regression equation is as follows:

GP = - 7192759.045 + 0.007S + 0.339P + 3.63
(-.940) (.096) (2.496)

From the numbers in the equation one can comfortably argue that total sales could explain variation in gross profits to the extent of not more than 7 percentage points with low level of 't' statistics. As against this, the total purchases could explain variation in gross profits to the tune of 33 percentage points with't' statistics being relatively higher.

Hypothesis Testing

To test the above cited hypothesis, we have compared estimated't' statistic on both the independent variables with their table statistic at 5 percent significance level with degree of freedom equal to 7. The table't' statistic turns out to be 2.365 at .05 level of significance with df

equal to 7. The estimated't' statistic on purchases is higher (2.496) than the table 't' statistic and lower (.096) in the case of sales variable. The 't' distribution test, therefore, clearly shows that the null hypothesis is accepted and the alternative hypothesis is rejected. This verbally means that KADKOMP's growth measured in terms of gross profits is significantly explained through the Company's total purchases than the total sales over a period from 2004-05 to 2013-14.

Even if we look at the simple correlation coefficients among gross profits, sales and purchases, we may argue that the non-parametric Spearman correlation coefficient between gross profit and sales is .430 and with purchases it is .733. These coefficients clearly bring out a more significant association between gross profit and purchases and relatively less significant association between gross profit and sales.

Part B

Results and Analysis

While we look at the results and analysis, we examine it through two sub-parts. In the first sub-part (B.1) we shall analyze KADKOMP's stability strategy of growth through its financial strength manifested through ratio analysis. In the same part we shall use the regression analysis in support of the analytical comments we have made in our ratio analysis. In the second sub-part (B.2) we shall discuss a qualitative analysis of the responses given by the owners through personal interviews. This point has been succeeded by a point on KADKOMP's efforts to initiate satisfactory level of innovations. To understand KADKOMP's efforts to continue with its stability strategy, three main analytical questions can be posed. One, with a reasonable level of gross profit ratio (and a subsistence level of net profits), is stability strategy the only option the Company has been exercising? Two, with almost no level of any sophisticated technological innovations (barring a few mediocre type of innovative efforts in product designing and process formulating), is there any better option of increasing rate of growth than adhering merely to stability strategy? Three, has the present financial strength (as is measured in terms of current and quick ratios and return on capital employed etc.) and the obvious volatility in it over a period of time has automatically resulted in continuing with stability strategy of growth policy? We intend to answer these three questions in our effort to continue with the following analysis.

B.1)

a) Analysis of financial strength through ratio analysis.

a.1) Gross profit ratio (Appendix 1, Table 1) clearly manifests that the stability in growth is achieved in the range of 10 to 20 percentage points except 2011-12 as an exceptional year in which the ratio reached a 27 percentage point level mainly because of stability in sales in value terms and a consistent decline in the preceding years in the value of total purchases. The overall stability in gross profit ratio, though at a lower level, has been the outcome of overall stability in sales where it has been observed that the Company is not losing on its present clientele and not spectacularly adding any new clients to its existing list of customers.

a.2) The figures on net profit ratio (Appendix 1, Table 2) are not very satisfactory. In fact, the discouraging performance is such that the gap between gross and net profit ratios is very wide. This is mainly because of the fact that the Company's purchases (including the initial capital investment) have been growing at a much greater rate than the annual growth rate in sales. For example, the highest rate of growth in purchases was 44% in the year 2012-13 and the highest rate of growth in sales was 31 % in the year 2012-13 (Appendix 1, Tables 3 and 4). This analytical aspect is very much in line with our regression output results which show a significant variation in gross profits through purchases than sales.

Appendix1:

Financial Year	GPR (%)	NPR (%)
2004 -05	3.44	1.23
2005-06	17.69	0.97
2006-07	13.71	0.87
2007-08	15.39	-1.76
2008-09	14.52	0.38
2009-10	11.74	0.53
2010-11	10.84	0.52
2011-12	26.54	0.82
2012-13	19.40	2.79
2013-14	17.89	0.57

Table 1: Gross Profit and Net Profit Ratios (Gross profit / Sales * 100).

Source: Author's calculation from the secondary data.

Year	RoG of Sales (%)	RoG of Purchases (%)
2004 -05	----------	----------
2005-06	1.2534	1.6034
2006-07	20.9996	29.1123
2007-08	8.1953	6.8355
2008-09	-23.2324	9.1244
2009-10	-6.7915	-20.7320
2010-11	30.9028	-5.8432
2011-12	31.3733	7.8484
2012-13	-8.9060	44.5059
2013-14	7.8123	7.8153

Table 2: Rate of Growth of Sales and Purchases

Source: Author's calculation from the secondary data.

Year	GP as % of Sales	NP as % of Sales
2004 -05	3.44	1.23
2005-06	17.69	0.97
2006-07	13.71	0.87
2007-08	15.39	-1.76
2008-09	14.52	0.38
2009-10	11.74	0.53
2010-11	10.84	0.52
2011-12	26.54	0.82
2012-13	19.40	2.79
2013-14	17.89	0.57

Table3: Gross and Net Profits as % of Sales Source: Author's calculation from the secondary data.

a.3) The analytical point made in (a.2) may be further supported by the big gap between the figures on gross profit as percentage of sales (the highest being 27% in 2011-12) and net profit as percentage of sales (highest being 3% in 2012-13) (Appendix 1 and Tables 5 and 6). This gap may be explained through purchases to sales proportion performance. Over the years (From 2004-05 to 2013-14), this ratio has remained very high. For example, the highest being 89% in the year 2010 -11 and the lowest being 73% in the year 2011-12 (Appendix 1, Table 7). The purchases to sales proportion is not very high but it is also very stable. This is possibly one of the reasons for KADKOMP to continue with its stability strategy of growth.

Financial Year	Purchases to Sales (%)
2004 -05	80.58
2005-06	80.86
2006-07	86.28
2007-08	84.60
2008-09	85.47
2009-10	88.25
2010-11	89.15
2011-12	73.45
2012-13	80.79
2013-14	81.76

Table 4: Purchases to Sales Proportion
Source: Author's calculation from the secondary data.

Year	S/Capital Ratio
2011-12	4.34
2012-13	6.52
2013-14	6.04

Table 5: Sales to Capital Employed Ratio (Sales / Capital employed)
Source: Author's calculation from the secondary data.

Year	RoC (%)
2011-12	3.59
2012-13	18.24
2013-14	3.46

Table 6: Return on Capital Employed (Net Profit/ Capital employed*100)
Source: Author's calculation from the secondary data.

Year	NP/Capital
2011-12	0.03
2012-13	0.18
2013-14	0.03

Table 7: Net Profit to Capital Employed Ratio (Net Profit / Capital Employed)
Source: Author's calculation from the secondary data.

A.8) Current Ratio (Current assets / current liabilities)
Table 8

Year	Current Ratio
2011-12	0.77
2012-13	0.49
2013-14	0.69

Source: Author's calculation from the secondary data.

A.9) Quick Ratio (Acid-test Ratio)
Table 9

Year	Quick Ratio
2011-12	0.43
2012-13	0.25
2013-14	0.48

Source: Author's calculation from the secondary data.

A.10) Indirect Expenses to Purchases and Sales Ratio

Table 10

Financial Year	Indirect Expenses to Purchases	Indirect Expenses to Sales
2004 -05	20.32	0.16
2005-06	20.15	0.16
2006-07	15.78	0.13
2007-08	19.97	0.16
2008-09	18.31	0.15
2009-10	19.27	0.17
2010-11	26.25	0.23
2011-12	30.69	0.22
2012-13	24.74	0.19
2013-14	19.69	0.19

Source: Author's calculation from the secondary data.

Appendix 2 Regression Outputs

2.1)Regression Outputs between GP, Purchases and Sales

a) $GP = -a_0 + a_1S + a_2P$

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.688[a]	.473	.323	3.63868E6	2.048

a. Predictors: (Constant), P, S

b. Dependent Variable: GP

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.321E13	2	4.161E13	3.142	.106[a]
	Residual	9.268E13	7	1.324E13		
	Total	1.759E14	9			

a. Predictors: (Constant), P, S

b. Dependent Variable: GP

Coefficients

Model	B	't' statistics	Sig.
Constant	-7192759.045	-.940	.379
S	.007	.096	.926
P	.339	2.496	.041

2.2) Regression outputs between indirect expenses and expenses on purchases

$IE = -a_0 + a_1 P$

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.749[a]	.561	.506	2.08786E6	.903

a. Predictors: (Constant), PUR

b. Dependent Variable: IE

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.457E13	1	4.457E13	10.224	.013[a]
	Residual	3.487E13	8	4.359E12		
	Total	7.944E13	9			

a. Predictors: (Constant), PUR

b. Dependent Variable: IE

Coefficients

Model	B	't' statistics	Sig.
Constant P	-1217874. 555 .247	-.338 3.198	.744 .013

2.3) Regression Outputs between interest expenses and indirect expenses

$INR = -a + a_1 INDEXP$

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.710[a]	.504	.442	7.02003E5	.460

a. Predictors: (Constant), INDEXP

b. Dependent Variable: Inter

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.008E12	1	4.008E12	8.133	.021[a]
	Residual	3.942E12	8	4.928E11		
	Total	7.951E12	9			

a. Predictors: (Constant), INDEXP

b. Dependent Variable: Inter

Coefficients

Model	B	't' statistics	Sig.
Constant INDEXP	-521690.221 .224	-.632 2.852	.545 .021

Note: All the regression outputs are through SPSS (Version 17).

a.4) One of the parameters based on which we may argue that KADKOMP is obviously adopting a stability strategy of growth is sales to capital employed ratio. For calculating the same we have examined the data from 2011-12 to 2013-14 (since data available on capital employed was pertaining to this period only). Sales to capital employed ratio shows a satisfactory and high level (Appendix 1, Table 8.a). But, the rate of growth of capital employed ratio is almost stagnant (in fact, it shows a marginal decline). This relative high number shows better utilization of capital employed by KADKOMP which has resulted in satisfactory level of turnover. But, since the ratio also shows stagnancy, one may be able to infer that the Company is obviously preferring stability strategy of growth rather than any other option of strategy of growth. This analytical aspect has also been crossed-checked by looking at average return on capital employed (Appendix 1, Table 9) figures. These figures show a steady growth over a long period of time but has remained stagnant at 8.54 % level during a period from 2011-12 to 2013-14. This further supports our thesis that KADKOMP is on the verge of enjoying its status as being a stability-strategy driven company.

a.5) In our earlier point number (3.a), we have shown that there has been a wide gap between KADKOMP's gross and net profits. This gap has widened over the years because of the Company's policy of spending increasing amounts on its various items of purchases. This has also affected KADKOMP's net profit to capital employed ratio. This ratio has turned out to be less than 1 over a period from 2011-12 to 2013-14 (Appendix 1, Table 10). This shows less than better utilization of capital to generate higher levels of net profits. Or, one may also argue that if the Company wants to improve on its present level of net profits through its stability strategy of growth, it has to judiciously monitor its expenses on various items of purchases.

a.6) KADKOMP's financial strength expressed in terms of the current and quick ratios (acid-test ratio) has also thrown some light on the Company's preference for stability strategy of growth. Its current ratio (Appendix 1, Table 11) and the quick ratio (Appendix 1, Table 12) are less than 1. This indicates that the Company has not been satisfactorily managing its current liabilities and it certainly has landed up into liquidity problem. This has been primarily because of its policy of increasing expenses on current purchases. Much of such purchases have been done keeping in view the long-term growth. If the Company has decided to follow its stability strategy of growth policy, it might initially help the Company stabilize its growing liabilities and manage liquidity problem satisfactorily. To meet this objective would be difficult if the Company decides to prefer expansion to stability as its immediate policy objective.

a.7) Our arithmetic calculations show that KADKOMP's indirect expenses to purchase expenses ratio is very

high (although steady) as compared to indirect expenses to sales expenses ratio (Appendix 1, Tables 13 and 14). If the company prefers expansion policy in place of stability, it would add more to this already disfavoring situation in which indirect expenses to purchases expenses ratio has been very high. Even the gap between these ratios has been reasonably high. To avoid this scenario getting continued in further years, the situation would be far better with stability strategy of growth.

a.8) Out of the total indirect expenses, KADKOMP's expenditure on payment of interest has been steadily and continuously increasing. In addition to this, the interest to indirect expenses ratio is very high (Appendix 1, Table 15). Too high level of expenditure on interest payment may be the case if the Company follows the route of growing rate of expansion. In relation to other parameters of KADKOMP's stability strategy of growth, it would not be advisable to continue with growing interest expenses. To achieve this objective, a much more relevant policy would be stability strategy of growth.

(b) Correlation and Regression Results

The analysis of correlation and regression has been primarily used to verify the analytical points made in the earlier sub-part of this paper. This, therefore, means that these results are supportive to the arguments made earlier. The results are as follows.

b.1) A much more significant correlation has been found between gross profits and total purchases. As against this, although, some degree of correlation exists between gross profits and sales, the same has not been seen to be very significant. Besides correlation outputs, the regression outputs have shown high R^2 and significant βcoefficient so far as gross profits, purchases and sales variables are concerned (Appendix 2, Tables 1,2)

b.2) The regression outputs between indirect expenses as a dependent variable and purchases as an independent variable are found to be positive and the R^2 estimated has turned out to be very significant. A 1 percentage point change in purchases expenditure is likely to cause a variation in indirect expenses to the tune of 24% (Appendix 2, Table 3).

b.3) The regression outputs between interest expenses as a dependent variable and indirect expenses as an independent variable are found to be positive and the R^2 estimated has turned out to be very significant. A 1 percentage point change in indirect expenses is likely to cause a variation in interest expenses to the tune of 22% (Appendix 2, Table 4).

B.2) Qualitative Analysis (Personal Interview with Owners)and Innovations

This analysis is based on the questionnaire and the responses to the questions received from the owners. Most of the responses support our technical analysis undertaken in previous parts. Secondly, through many of the responses it is clear that KADKOMP has been consciously pursuing stability strategy of growth policy. We, in this research paper, intend to include the analysis of those responses which have a direct bearing upon KADKOMP's stability strategy of growth policy.

B.2.1) Although the rate of growth of employment has increased over the last 10 years due to an increase in demand for KADKOMP's products and services, it has stabilized between the range of 2 to 4 per cent growth on an average. This growth rate has exceeded the expectations by 1 percentage point showing overall stability in the growth of KADKOMP's business (Appendix 3, Personal Interview Responses). KADKOMP's policy on employment is a clear indicator that it has been following a stability strategy of growth.

B.2.2) KADKOMP's turnover at present is in the range of Rs 8 to 10 Cr per annum (Appendix 3) Over the last decade the turnover has been steadily increasing at the rate of 4 to 6 percentage points per annum. This rate of growth of turnover has been almost stabilized at the range mentioned above. The Company experienced the lowest growth rate in 2008-09 due to fall in demand and overall meltdown in the global market and it realized the highest growth rate in 2013-14 due to factors such as introduction and implementation of new marketing strategies especially reengineering with old customers, a smaller level of diversification of new products and services etc. Stabilizing behavior of turnover over a particular range is a sufficient indicator to show that KADKOMP is following a stability strategy of growth policy.

B.2.3) The Company is engaged in the last 10 years in a couple of innovations and research and development activities where the present use of technology is put at its maximum usage level. Company's most of the innovations are technological in nature (Appendix 3). It has been found that the innovations have appeared at individual and team levels. These innovations not being very sophisticated and happening at a peripheral level (for example the Company is using the existing softwares such as Auto CAD, Autodesk Inventor, Catia etc.) shows the obvious limitations on KADKOMP's policy to grow exponentially. This has become one of the prime reasons for the Company to continue with stability strategy of growth.

B.2.4) It has been found that the success story of stable growth story of KADKOMP highlights the fact that the Company's technical knowledge has turned out to be a competitive advantage over a period of time. For example, the Company has never preferred price competition as an advantage in the provision of complete solution. In fact, it has used a customer and supplier centric approach and has lent them a deep rooted feeling that KADKOMP is their partner. That is why probably the Company has evolved a punch-line 'Trusted Partnership' (Appendix 3). This aspect of KADKOMP's business policy resulted in consistent growth as the market for these products grew and later on created such business environment that the

Company has started following a stability strategy of growth policy.

B.2.5) KADKOMP has judiciously chosen not to use a negative marketing strategy against its competitors. In fact, the Company has always preferred to talk about its strengths and has avoided talking about competitor's weaknesses. The Company has always believed in healthy competition and has respected its rival's competitive advantage emerging out of policies related to price, payment terms, personal reference etc. (Appendix 3). This has been an important aspect of business operations which at least guarantees stability in growth.

B.2.6) One of the important aspects KADKOMP has grown over a period of 25 years and reached a stage of stability of growth is its customer relation policy(Appendix 3). The Company has been retaining its customers as partners. For example, the companies like Comau (an Italian MNC working in BIW) has been KADKOMP's client since 1999, ThyssenKrupp is KADKOMP's customer for more than 15 years. KADKOMP's association with these and many more such companies from Pune has created a different bondage between these companies and KADKOMP which is far beyond mere commercial relations. This has helped KADKOMP not only grow its business but it has also created stability in its sales and market expansion policy.

B.2.7) KADKOMP has been enjoying a technical competitive advantage mainly because of its employee profile and management's warm relations with employees. The BE and Diploma in mechanical engineering background along with customized in-house training for non-mechanical IIT students have definitely added to the growth of average productivity (Appendix 3). The average age of employees is 30 years and there are many such examples of employees who have rejoined the Company. At-least 10% of the existing employees have spent more than 6 years' of tenure in KADKOMP. The commitment of these employees to their respective technical work and well-developed humane relations with management people have paid the Company in terms of its business growth and stability. A point to be stressed here is that the size of employees is stabilized recently at 55. This also indicates that KADKOMP is following a stability policy of growth.

Part C

Conclusions, Implications and Limitations of this Research

When overall market for CAD/CAM products and services has been huge and the size of the market has been growing phenomenally, KADKOMP's overall business growth is definitely satisfactory. This has mainly been brought about through the Company's technical competitive advantage, cliental relation, employee efficiency and satisfactory expansion policy. At present, KADKOMP has reached a point of stable growth which lacks any further geometric growth progression mainly due to the fact that KADKOM grossly lacks sophisticated innovations which would help the Company in three ways. One, huge expansion of market catering to the diverse needs of customers. Two, increasing the present product-line along with more appropriate product positioning leading to required diversification. Third, innovations would certainly help the Company reduce costs and would further make the value-creation activity more economical.

Although KADKOMP has achieved stability in sales and turnover, it has better scope to improve upon its purchases which have very high association with gross profits. Also important is the need to monitor more efficiently the short-term liability management since KADKOP's current and quick ratios are not very favourable. If KADKOMP succeeds in better utilization of its short-term capital and overcome short-term liquidity problem, it return on capital employed will improve. KADKOMP also requires total expenses management through scaling down of its indirect expenses and expenses on interest payments.

It is true that any company in CAD/CAM product and services market is expected to do much better in a span of 25 or more years of establishment. One may also argue that KADKOMP's present pace of growth in relation to its years' of establishment is slow. We have to remember that the Company has definitely expanded in terms of its product and service range along with size of employees over these years. If it has to alter its present product-line and provide altogether different services than what it has been providing, it definitely needs its own innovations especially in its use of existing software. This will perhaps help KADKOMP cross the limit of stable growth phenomenon and adopt a policy which will ensure exponential path of growth. Will it happen in the future or KADKOMP will continue its stable path of growth depends of uncertain time dynamics and motivation to adopt path-breaking innovations.

The present research suffers from certain limitations. The data studied on gross profits, sales and purchases are decade-old. Had the data been available over 25 years' of time series, the results would have been more robust. Even the data on balance sheets cover only three years' of time period. This, in researcher's opinion, is a short period of time with which a more appropriate trend analysis cannot be done.

The researcher has also submitted the Company a questionnaire for employees' responses. Since these responses have not been received on time, they do not find any place in the analysis of KADKOMP's stability strategy of growth.

In the regression analysis, the causality tests have not been conducted because of lack of time-series data. These tests could have been added more value to this work's findings and analysis.

In spite of these limitations, this work stands more meaningful for its case-study approach.

Whether KADKOMP shall adopt a path of exponential growth along with innovations is the next venture to be examined as part of continuing research of the present legacy of stability strategy of growth policy.

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