

Chapter 4

Business Excellence Strategies for SME Sustainability in India

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ABSTRACT

Accepted worldwide Small and Medium Enterprises (SMEs) are fueling the engine of economic growth apart from promoting equitable development. They provide large employment opportunities at comparatively lower capital cost apart from enabling industrialisation of backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. This is more so in the Asian economies and undoubtedly SME is an important contributor to Indian economy. However, globalisation is bringing new opportunities. To seize these opportunities, SMEs need to re look at their business and strategize for excellence. Hence, the core objective of this chapter is to explore whether adopting excellence models can help SMEs to attain sustainability. Through in depth literature review and grounded theory approach the focus is to discuss different business excellence theories and focus on the need to use business excellence strategies for their sustainability and continued success.

INTRODUCTION

Accepted worldwide, the Small and Medium Enterprises are the engine of economic growth and useful in promoting equitable development. SMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. SME is an important contributor to Indian economy. Growth in MSME indicates growth in entrepreneurship. As per the Federation of Indian Chamber of Commerce and Industry (FICCI), SMEs constitute about 80% of business activity in India and contributes 45% to the manufacturing sector and 40% to the Indian export sector. However, their contribution to GDP is only about 8% whereas the registered growth rate is 10.8% (FICCI, 2012). Survival in the new global business market calls for improved productivity and increased competition. Increased global competition demands companies to excel. Business excellence results from application of quality management strategies. Excellent organization

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is one that has adopted ‘best practices’ based on management principles. Such practices contribute to increased turnover, higher profits, increased rate of return, increased productivity and improved customer satisfaction with reduction in the operating costs. Business excellence involves self-assessment to identify improvement opportunities, areas of strength, and to determine ideas for future organizational development.

In India particularly, the SMEs are said to face lot of problems ranging from lack of funds to regulatory stringencies. There were also failed cases with major problems originating from the lack of professional business approach. Several studies have shown that factors related to poor management, e.g. managerial inadequacy, incompetence, inefficiency, and inexperience, are frequently causes of small firm failure particularly (Baporikar, 2015d). Despite the sector’s strategic importance in overall industrial growth and employment generation the SME sector faces several challenges. Globalization is bringing new opportunities and the SME entrepreneurs have to seize these opportunities. For this, SME entrepreneurs have to have a relook at their business and strategize for excellence. To successfully do so, SMEs need to apply the strategic discipline to identify and develop new business. Furthermore, strategic thinking requires the user to systematically identify changes that have already occurred in the business – in demographics, in value, in technology - and then look at them as opportunities. Hence, the core objective of this paper is to explore whether adopting excellence models can help SMEs to attain sustainability. The focus is to discuss about the different business excellence concepts prevalent in knowledge world and highlights the need and importance of use of business excellence techniques by SME for their sustainability and continued success.

BACKGROUND

The Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. The complexity of the business environment has led to unprecedented importance of strategic planning and execution. The implications of globalization cannot be escaped by SME as well. All companies need to excel in every given field in order to compete in global markets. A survey made by Asian Productivity Council in 2011 states that using business excellence models offer significant operational and financial benefits to organizations (Asian Productivity Council Report 2011). The research focused on five countries: India, Japan, Republic of China, Singapore, and Thailand. Participant organizations were from the private sector and ranged from early adopters of business excellence to award winners. The key findings from the research indicate that companies reported that business excellence had a major impact on their competitiveness and performance as well as innovative aptitude. Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 are specified below.

- A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;
- A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore; and
- A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

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