SMALL & MEDIUM ENTERPRISES:

OPPORTUNITIES, CHALLENGES & SOLUTIONS

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SMALL & MEDIUM ENTERPRISES - DEFINED

- Businesses run by promoters or family of promoters directly without the support of highly qualified professionals inside the organization as employees, irrespective of size of business.

- This presentation will be useful to those SME's who want to scale up and realise their dreams, irrespective of various constraints.

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KEY ELEMENTS OF SME'S

- All processes are Promoter Driven

- High on aspiration and low on implementation

- Micro management by promoter on a daily basis

- Centralised decision making process

- Focus on Operations and sales more than support functions like Finance, HR, IT, admin, etc.

- Not able to unleash the potential of the business

- Not able to take any break from the business activities

- Slow rate of growth and/or lower profitability

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KEY ELEMENTS OF SME'S

- Not able to plan for future activities

- Lack of strategic thinking due to continuous engagement on daily activities

- Not able to implement ideas, though the directions may be clear theoretically

- Largely dependent on one or few employees, who may become single point risk or failure over a period of time

- Ethnic thinking/culture in managing business

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OPPORTUNITIES – SME'S

- Global scenario
  - China and India expected to grow at phenomenal rate.
- India Growth Story
  - Manufacturing – Make in India campaign & its impact
  - Services sector – Knowledge based services expected to grow well
- Importance of Scale of business
  - Small is beautiful or dangerous?
- Consolidation of businesses by M&A
  - Grow by in-organic route
- Integration of businesses – core competencies
- Cross border joint ventures

CHALLENGES – SME'S

- Promoter's time availability for future
- Low in the product or service value chain
- Person dependency
- Reactive management and not pro-active management
- Lack of data based decision making
- Blind to risk management
- Inability to compete with new kinds of competitors
- Lack of adaptation to new thought processes & technologies
- Lack of continuous monitoring & review

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TRANSFORMATION OF PROMOTERS

- It is not only essential but a key requirement for the organisation's growth. Any change management process needs to be driven *TOP-DOWN* basis and for that, it is important that the management team is both *modern* in thinking and *uni-directional* in approach.

- Even before efforts for organisational transformation are taken, it is preferable to have orientation for the key management persons including the promoters.

- *Commitment of the promoters* for such implementation of change management system is mandatory for success.

- Interestingly, it is the management who are *sponsors* of the program as well as *ultimate beneficiary*.

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SOLUTIONS – PROMOTER LEVEL

- Bouncing board

- Respectable organization Vs Successful organization

- Influence of Leadership personality on all functions of the organization.

- Personal/Official/Social – Time management

- Hire for attitude and train for skills - HR

- Awareness and consciousness is of prime importance

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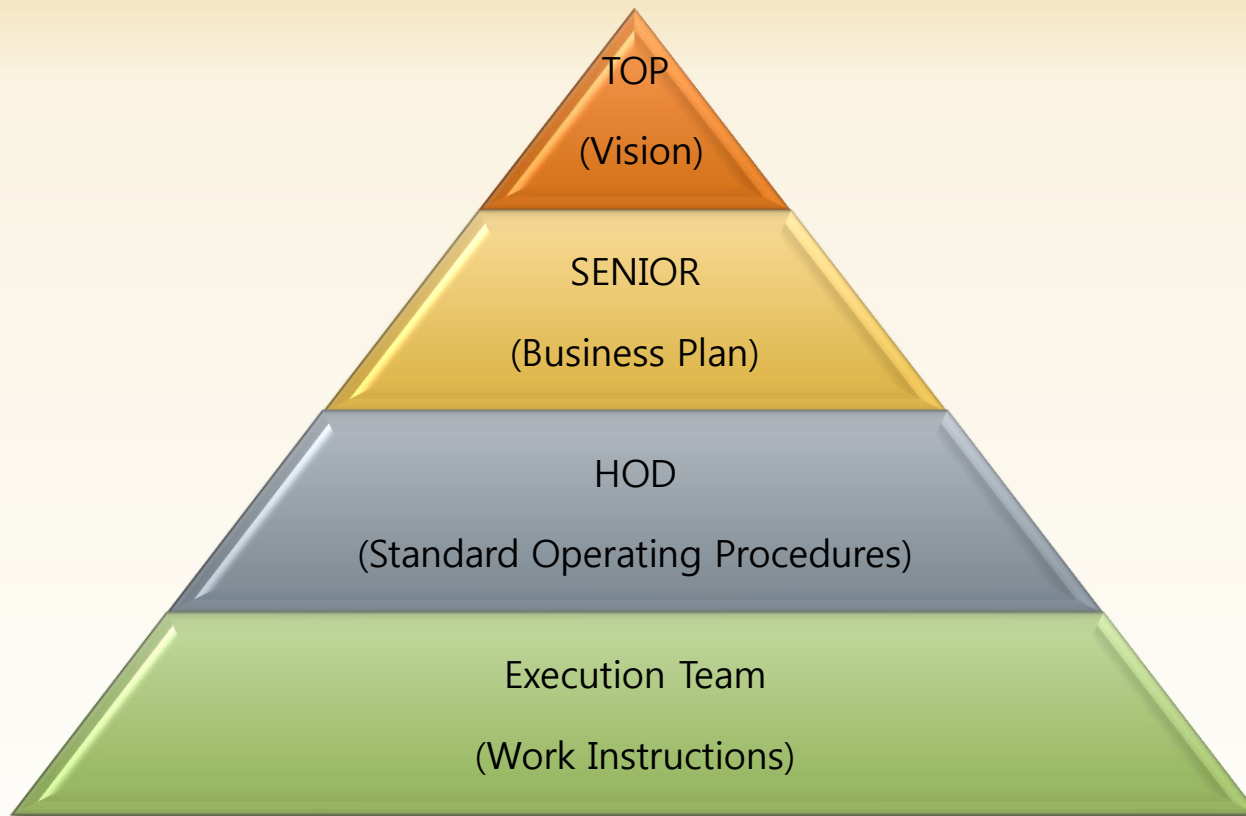
OWNERSHIP AND MANAGEMENT

EXAMPLES OF SOUTH INDIAN BUSINESS GROUPS

- TVS

- RANE

- SANMAR

- MURUGAPPA

- AMALGAMATIONS

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ROBUST GROWTH STORY

- Growth should be by *conscious strategy* and measured efforts, working towards a *business plan* and not a spontaneous growth due to various extraneous factors.

- Successful companies have become so not because they have GREAT IDEAS but because of their GREAT IMPLEMENTATION abilities!

- Bottomline Focus Vs Topline Focus!

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MANAGEMENT PYRAMID

TOP
(Vision)

SENIOR
(Business Plan)

HOD
(Standard Operating Procedures)

Execution Team
(Work Instructions)

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MANAGEMENT SYSTEM & LEADERSHIP

- A **management system** is the framework of *processes and procedures* used to ensure that an organization can fulfill all tasks required to achieve its objectives.

- Essentially, *leadership* is the art and science of making things happen.

- Needless to say, management system should be TOP DRIVEN.

- Management Objectives
  - Vision & Mission
  - Business Plan

- Stakeholders Interest

- Statutory requirements

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CORPORATE GOVERNANCE – FOUR PILLARS

■ **Corporate governance** broadly refers to the *mechanisms, processes and relations* by which corporations are *controlled and directed*.

■ Four pillars of Corporate Governance

FINANCE

HR & ADMIN

SYSTEMS & IT

MANAGEMENT REVIEW

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PROCESS APPROACH – FOCUS ON PROCESS AND NOT ON RESULT

- The *process approach* is a management strategy. When managers use a *process approach*, it means that they manage the processes that make up their organization, the *interaction* between these processes, and the *inputs and outputs* that glue these processes together.

- Often, organisations focus on results too much and leaving the processes to be handled by the people who do not either have the capability or direction. As a result of that, most likely, the results may not be achieved.

- It is important to focus on *creating* processes, *strengthening* them, *reviewing and monitoring* them so that the business results will be automatic.

- The core function of any HOD is to ensure that the processes are *effective and efficient*.

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PROCESS LEVEL STRATEGIES

- Each of the business processes need to have a clearly *documented strategy* for their respective functions and this should be in alignment to the *Vision and business plan* of the organisation.

- If there is any mis-alignment between these functional strategies, naturally the *speed* of the organisation will be hampered.

- Having these documented strategies will also help in *reviewing* them at a future date when the circumstances would have changed and would necessitate alternate strategies.

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STANDARD OPERATING PROCEDURES - SOP

- SOP is a high level document which translates the process level strategies into *action* and also to define the *method of working* for each of the process, clearly defining activities, sub-activities and also indicating *input, process and output* for each of those.

- One of the key advantages of an SOP is to transform organisations from *person oriented to process oriented*, so that people dependencies are reduced.

- Another key advantage is that process level *effectiveness and efficiency* can be achieved consistently only with pre-defined method of working and not by just leaving to the whims and pleasure of the staff.

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MANAGE THROUGH REPORTS & REVIEW

■ Each process level will have measurable parameter for its effectiveness and efficiency. These parameters are essentially to be monitored by the management.

■ *Dash board reports* are essential to understand, monitor and manage the processes at various levels of the management such as:

  o Strategic or Top management level

  o Operational or HOD level

  o Transactional or activity level.

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MANAGE THROUGH REPORTS & REVIEW

- The reports need to be classified as daily, weekly and monthly reports.

- Various reports generated need to be reviewed and analysed in order to take *corrective actions* needed at process levels.

- *Data driven decision making* will be more scientific and useful in bringing in consistency in business growth.

- This will also ensure that *HR management* becomes quite smooth and transparent.

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OUTCOME OF REVIEW MEETINGS – ACTION POINTS

- Effective Management Meetings should be *object oriented* and should result in actionable items.

- A *list of actions* should be populated at the end of each meeting which should be followed up by a *responsible person* for that purpose.

- *Ownership* for all decisions/action items are to be clearly defined with timelines specified.

- Ensuring that all open action items are closed is one of the key parameter for assessing management 's performance efficiency.

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IMPLEMENTATION IS THE KEY

- Once the various management documents such as Strategy document, SOP, work instruction, Internal control document, risk management document, etc., are created it is important to implement the same by effective *communication and training/orientation* at all levels.

- Conducting regular workshops and training programs is essential in the implementation process.

- It is also important to *review* these documents periodically and update them to the changed circumstances.

- The management has to be extremely strict in taking up this implementation process and should have a *zero tolerance policy* towards *process in-discipline*.

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ANY QUESTIONS?

Thank You

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