

STRATEGIC MANAGEMENT: A TOOL FOR GROWTH IN INDIAN MSME

Abstract

The development of Indian Micro, Small, and Medium Enterprises (MSMEs) is greatly aided by strategic management, which offers a path to long-term success. This study highlighted understanding the challenges MSMEs face when implementing strategic management for sustained competitive advantage. It is observed that most Indian MSMEs do not adopt strategic management, and the reasons for this are not well understood. The study assesses strategic planning as a management tool to help MSMEs achieve a lasting competitive edge. It evaluates the importance of applying strategic management concepts and practices to MSMEs. It recommends employing strategic management to avoid severe crises and company failures frequently occurring in Indian MSMEs. The conclusion is that MSMEs are particularly in need of strategic management. Threats and crises can be avoided, and MSMEs can eventually gain a competitive edge if strategic management is used correctly at different phases of operation. For MSMEs to survive and grow, they must be empowered through better management and strategic implementation, particularly in the face of external obstacles like challenging market penetration and internal limitations like scarce resources.

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I. INTRODUCTION

MSMEs are regarded as a significant industry sector in India, and the government is encouraging this sector to expand through many programs and programs under the Make In India, Stand Up India, Startup India, etc., umbrellas. The hazards facing MSMEs have increased due to escalating competition and insufficient resources. Strategic management is crucial in these difficult times. Most MSMEs place little emphasis on strategic management, even though strategic management practices aid SMEs in establishing and achieving long-term organisational goals (Honga *et al.*, 2001). Companies must develop strategies to expand and remain competitive in today's market. Strategic management is becoming increasingly important due to rapid globalisation, evolving business environments, information technology advancements, customer preference shifts, demand-to-supply ratio changes, rising outsourcing activities, and the breakdown of value chain systems. The Indian economy is multiplying, with MSMEs playing a crucial role. These enterprises generate one million jobs annually, contribute approximately 45% of industrial output and 35% of exports, employ 42 million people, and produce over 8000 high-quality goods for domestic and international markets. A strategy is a comprehensive plan for a company's success, guiding managers in achieving their objectives. Although there is a correlation between strategic management practices and organizational success in small businesses, many of these companies do not prioritize developing effective strategies to enhance performance. The Indian market is rapidly expanding, with the country's industries excelling in various fields such as manufacturing, precision engineering, food processing, pharmaceuticals, textiles and apparel, retail, information technology, agriculture, and services. SMEs are increasingly able to expand their commercial operations in their primary industries. Due to the evolving nature of competition, MSMEs are now exposed to more prospects for growth. MSMEs face significant obstacles and more opportunities in the global economy. This essay challenges the conventional method for comprehending the significance of strategic management and offers recommendations for using strategic management to avoid corporate failure. It is suggested that strategic management be implemented in stages to address the issue of MSMEs while considering the local situation in India.

What is MSME?

The following is a new definition of a micro, small, and medium enterprise under the MSME Act of 2006:

The following parameters were used to categorise MSMEs in the manufacturing sector based on their investment in plant and equipment:

1. **Micro Enterprises:** Less than Rs. 25 lakh
2. **Small Businesses:** Between Rs. 25 lakh and Rs. 5 crore
3. **Medium-sized Businesses:** Rs. 5 to 10 crore

For MSMEs in the service sector, the investment criteria are as follows:

1. **Micro Enterprises:** Less than Rs. 10 lakh
2. **Small Businesses:** Between Rs. 10 lakh and Rs. 2 crore
3. **Medium-sized Businesses:** Rs. 2 to 5 crore

II. MSMES & INDIAN ECONOMY

MSMEs not only provide the most jobs per capita investment, but they also play a significant role in preventing the movement of people from rural to urban regions by giving residents of remote and rural areas a reliable source of income. MSMEs are essential to transforming economies centered on agriculture into industrial ones because they offer a wealth of opportunities for processing activities that can produce stable sources of income. The prominent role of women is especially significant in this setting. Additionally, this industry promotes the expansion of systemic productive capacities. At all economic levels, they aid in absorbing productive resources and developing robust economic networks that link small and large businesses. These connections are crucial for drawing in international investment as well. Transnational investing companies look for trustworthy domestic suppliers in their supply networks. Numerous empirical studies have demonstrated that nations with a high proportion of small industrial firms have been prosperous in achieving more fair income distribution on a regional and functional level. By lessening ex-post re-distributional pressure and the economic gap between urban and rural areas, this, in turn, plays a significant role in maintaining long-term social stability. Additionally, the innovative entrepreneurialism that Indian SMEs represent will be essential to the country's continued economic success. MSMEs are crucial to achieving the country's inclusive and equitable growth goals.

MSMEs, or micro, small, and medium enterprises, are widely acknowledged as significant drivers of economic expansion. MSMEs are India's second-largest employer after the agricultural sector. They produce approximately 6000 different items, making up almost 40% of all industrial production, 95% of all industrial units, and 34% of all exports. According to estimates, the MSME industry requires only Rs. 72,000 to create one job, compared to Rs. 5.5 lakh for the huge organized sector. The importance of MSMEs becomes significant amid the current global recession, where some vast sectors are on the point of collapsing. According to estimates, the MSME sector must expand at a rate of 12% to meet the goal of 10% growth by 2011. However, the growth of MSMEs in India is considerably behind that of our Southeast Asian neighbors, like Thailand, Malaysia, Japan, China, and others. This sector needs to grow because of some significant obstacles.

III. OBJECTIVES OF THE STUDY

To examine strategic planning as a management technique to help MSMEs maintain a competitive edge over time. The usefulness of strategic management theories and methods for MSMEs is assessed in this study.

IV. PROBLEMS OF THE STATEMENT

The primary barriers to the growth of Indian MSMEs include a lack of knowledge on accessing markets and international business opportunities, a shortage of trained and skilled labour, unstable and unreliable infrastructure, insufficient understanding of intellectual property protection and utilization, ineffective marketing networks, inconsistent and inadequate raw material supplies, and outdated technology. Due to these limitations, this sector is less competitive than significant sectors because of its high-cost structure. Finally, the scope of the MSME sector means that the government cannot accomplish everything independently and must rely on the assistance of apex bodies and associations to help carry

out its policy. The most effective organizations for recognizing or understanding the shared issues among their members are typically MSME groups. These groups might answer issues prevalent among many MSMEs in a particular industry or market sector.

V. RESEARCH METHODOLOGY

The study, “Strategic Management - A Tool for the Growth of Micro, Small, and Medium Enterprises (MSME),” aims to examine and evaluate the implications of strategic management as a competitive tool for MSMEs to achieve long-term growth. Information was collected from various sources, including books, magazines, research papers, and articles. Additionally, informal interviews were conducted with senior business consultants. Numerous research articles were reviewed for this study.

VI. SCOPE FOR THE STUDY

Changes are happening quickly in the 21st century, and every organization seeks to improve its performance. Organizations transformed due to this strategic management idea regarding consistency, growth, profitability, and sustainability. There is much room to study strategic management to comprehend, accept, and use it within the company to realize the idea of synergy. Due to globalization and rising levels of competition across all industries, MSMEs need help formulating effective strategies by comprehending internal and external environmental factors. Compared to larger organizations, most SMEs have simple systems and processes that allow flexibility, quick feedback, a short decision-making chain, and a better understanding of and faster response to client needs. Despite these advantages, SMEs require additional support to remain competitive in domestic and international markets. Significant efforts are being made to promote the concept of strategic management. The study's time constraints and use of non-statistical methodologies for data analysis and interpretation raise the possibility that the results may only be generalizable to some markets.

VII. SIGNIFICANCE OF MSME

MSMEs are regarded as the driving force behind economic progress because they:

1. Create job opportunities.
2. Promote regional and local development by accelerating rural industrialization and linking it to a more developed urban sector.
 - a. The expansion of MSMEs aids in the fair and equitable distribution of wealth by dispersing economic activities across regions.
 - b. It helps foster a culture of self-reliance and entrepreneurship by combining skills and capital through various loan and skill enhancement programs. Additionally, it contributes to export earnings
 - c. Being indigenous is essential for sustainability and self-sufficiency, as it aids in coping with economic fluctuations and maintaining a fair growth rate.
 - d. Transforms domestic raw materials into semifinished products that are then transferred to large-scale companies with the resources, know-how, and machinery needed to transform them into finished commodities.
 - e. Give rural residents a chance to earn money and develop personally as they can work from home. This facilitates a just and equal distribution of income by generating possibilities for employment that are open to all Americans without discrimination.

Global corporations and significant conglomerates have begun to source from robust nations.

- f. SME sectors attract direct foreign investment. For large companies that operate in international markets, producing semi-finished items is particularly cost-effective due to the low labour cost.
- g. The SMEs serve as catalysts for achieving the growth goals of developing nations.

VIII. MAJOR CHALLENGES FOR MSME

1. A lack of professionalism manifested in MSMEs' poor management. They need to have the right plans, policies, or strategic judgment. Small owner-managed businesses frequently need more strategic thinking.
2. Compared to larger businesses, most SMEs have straightforward systems and processes that allow for mobility, direct feedback, short decision-making chains, and a better grasp of and quicker response to client needs.
3. MSMEs must comprehend both internal and external aspects to design effective strategies due to globalization and the rising level of competition in all industries. Despite these positive characteristics, SMEs are under significant pressure to keep up with competition in both domestic and foreign markets.
4. Consumer needs, technical advancements, and competitive paradigms constantly change the nature of global rivalry. As a result of these changes, businesses are being forced to compete simultaneously in various areas, including product creation, manufacturing, distribution, communication, and marketing. It is one of the most significant issues facing MSMEs in India today.
5. Managing finances and using resources are additional challenges. Though credit to MSMEs falls under the priority sector lending category, the percentage share of credit to MSMEs is declining as the priority sector lending is expanded to include quickly expanding areas like home loans and education loans. Only 14.2% of registered MSMEs and 3.09% of unregistered MSMEs received financing from banks in the Third All-India SSI Census (2001-2002).
6. Lack of technological innovation and understanding of market expectations is one of the main issues facing MSMEs. This is especially true for the textile industry. Since most household appliances still use outdated technology, production costs are still expensive, and the final product's quality needs to meet market expectations. Due to increased competition from imports brought on by the liberalization and opening up of the economy, MSMEs must upgrade their technology to produce goods of higher quality at lower costs.
7. India is renowned for having high-caliber human resources in science and technology. Still, because there has been relatively little technological advancement in the small business sector, its manufacturing costs are substantially greater than in other Asian developing countries.
8. Indian MSMEs lack the marketing know-how required to market their products. It results from a need for more knowledge of marketing strategies and planning. Most MSMEs cannot make the required design and technical developments to satisfy market expectations because they need more funding to support market research. Because of this ignorance, intermediaries can take advantage of and abuse the poor weavers and artisans by paying them low prices for their products and services.

IX. STRATEGIC MANAGEMENT AND MSME

Strategic management involves setting organisational goals, implementing them, and managing decisions to achieve them in current and future environments. Dauda, Akingbade, and Akinlabi (2010) define strategic management as leveraging a company's internal strengths and weaknesses to capitalize on external opportunities while mitigating external threats and challenges. According to Uwa (2021), strategic management is the process by which managers determine an organization's long-term direction, set specific performance goals, develop strategies to achieve these goals considering all relevant internal and external factors, and commit to implementing the chosen action plans. Schoemaker (1993) emphasizes that the primary objective of strategic management is to consider a company's overarching goal, essentially asking, "What is our business?" To shape future outcomes, goals are set, strategies are formulated, and actions are taken today. To do this, it is vital to compare the present's objectives and needs with the future's needs while considering the available and potential material and human resources. According to the research, strategic management focuses on selecting a strategy and planning how that approach will be implemented. Three components can be considered part of it: The stage of strategic choice involves formulating potential courses of action, evaluating them, and selecting one. The strategic implementation stage deals with planning how the chosen strategy can be implemented (McIvor, 2000).

Using strategic management to implement sustainable growth by generating significant employment, eliminating regional disparities, and serving as a breeding ground for entrepreneurs, the MSME sector has a vital role in India's emerging economy. According to Jocusen (2004), despite their valuable contributions, SMEs must catch up to high failure rates and subpar performance levels. According to the SIDBI annual report, 14.47% of MSMEs are deemed sick, and 21.6% have closed. According to Giriraj Singh, Minister of State for MSME (2015), India has 5.37 lakh ill MSME units, with Karnataka placing fourth with 38,277 sick units based on preliminary data from the RBI. This is quite concerning for a growing nation like India and raises curiosity about the cause of failure. 90% of Indian start-up businesses fail within five years, according to a study conducted by the IBM Institute for Business Value in partnership with Oxford Economics. Why do tiny companies falter?

Does the use of strategic management enhance the performance of MSMEs? The strategic management idea is excellent for improving business performance. Since strategic management was introduced during a brutal economic downturn and in a setting that was changing quickly, a significant percentage of empirical studies on the subject over the years have concentrated on identifying the group of business strategies believed to help organizations prosper financially. Early studies conducted by management academics concluded that applying strategic management does not typically result in higher profitability (Szewczak & Snodgrass, (Eds.) 2003). However, many recent studies contend that a profitable strategic management system can be implemented. Recent research demonstrates the direct connection between strategic management and the performance of companies. One research study by Hongal & Charantimath (2014) may conclude that firms employing strategic planning methods more closely aligned with strategic management theory exhibit higher long-term financial performance, relative to their industry and in absolute terms.

The following reasons strategic management is beneficial:

1. It offers excellent direction to the entire organisation on the vision, which is the critical component of "what it is we are trying to do."
2. It increases managers' and organisational members' sensitivity to emerging opportunities and perilous trends.
3. It supports the success of an organisation by assisting in overcoming risks and uncertainties.
4. Strategy improves the standard of commercial judgments.
5. Fostering a managerial style that is more proactive.
6. Assisting in organisational unity.
7. The rates' ongoing increase. Relative market share growth.
8. Earnings growth and earnings per share growth.
9. Adding new items and product lines is still ongoing.
10. The number of the company's customers keeps growing.
11. There are no disproportionate seasonal or cyclical changes.

Developing a dynamic business plan is promising for ensuring the company's ongoing success. Thus, strategic management can have a significant impact. Nwadike, Abuba, and Wokoma (2017) suggest that a strategic management style, where managers at all levels of an organisation collaborate on planning and implementation, has notable behavioural implications. Hornberger (2021) noted that strategic management can make a difference by creating a continuously evolving business model that leads to sustainable success for the organization.

It is essential to highlight that strategic management has become increasingly significant for managers in recent years. By clearly defining their organization's mission, managers can provide a sense of purpose more effectively. Additionally, organizations that engage in strategic management are better equipped to anticipate future trends. In small businesses, the strategic management process often involves formal business planning, where owner-managers thoroughly evaluate their industry environment and establish a framework and direction for future actions. A purpose statement, an analysis of the company's current status, and growth projections are frequently made in the first stage (Mazzarol *et al.*, 2009); subsequently, strategies and goals are created. A monitoring-evaluation process is constructed, and these components are documented for internal and external stakeholders (Mazzarol, 2001). According to Bryce and Useem (1998), finding the optimal fit between the goal, possibilities, and the firm's skills is sometimes tricky, and external consultants are frequently engaged to help. However, the owner-manager is ultimately in charge of the plan's execution, according to Woods and Joyce (2003). Such prospects typically involve a great deal of uncertainty. Therefore, an entrepreneur must get funding and direct the team's efforts. However, a strategic plan for an established and expanding venture must address the coordination and management of strategy in alignment with available resources and organizational structure (Mazzarol *et al.*, 2014). The most critical focus for strategy will be establishing the company's strategic intent, which includes a clear vision and mission to guide operations and unite key stakeholders, particularly employees (Kakabadse & Kakabadse, 2005).

X. CONCLUSION AND RECOMMENDATION

The performance of MSMEs is impacted by strategic management. The application of strategic management also has a favourable impact on organisational profitability. It is advised that proper strategic planners, situations, analyses, and decisions be in place. Only in stages is the implementation feasible. Management should positively reassess the use of strategic management. The ultimate success of a firm or strategy hinges on the value judgment, drive, and talent of senior managers and the strategic implementation within the constraints of a volatile and unpredictable environment. Key areas where strategic management challenges are crucial include environmental and capabilities analysis, strategic formulation, execution, assessment and control, and capacity utilization. It is believed that small-scale businesses need to apply strategic management practices, and MSMEs may consider strategic management policies to improve organizational performance and address comprehensive concerns. This study indicates that MSMEs should institutionalize strategic management as it appears to be a required strategy for coping with a dynamic, fiercely competitive, and uncertain business environment after seeing the role of MSMEs in the expansion and growth of the economy. MSMEs should use a strategic entrepreneur strategy rather than the conventional approach to improve performance and get a competitive edge in the global market. MSMEs should apply formal strategies like strategic management to improve productivity, quality, cost reduction, and innovation, raise the labour force's skill to match global criteria to avert major illness and harness the sector's power.

The MSME sector is strategically significant to India because it promotes social and economic growth through creative entrepreneurship and large-scale employment. While the sector's expansion has highlighted the innovators who have effectively turned their innovative concepts into long-term business models, it has also sharply shown the numerous obstacles that Indian MSMEs face that prevent them from reaching their full potential. The primary challenge threatening this sector's potential remains limited access to financing. Banks are reluctant to provide loans to the MSME sector due to high administrative costs, increased risk perception, insufficient and inaccurate borrowing information, and lack of collateral. However, financial access is just one of the issues. Nonfinancial obstacles also significantly limit MSMEs. Other significant barriers to the growth of Indian MSMEs include a lack of information to access markets and leverage international business opportunities, a shortage of skilled and trained labour, unstable infrastructure, ignorance of IP protection and its utilization, ineffective marketing networks, and outdated technology. Due to these limitations, this sector is much more disadvantageous than the large sectors regarding cost structure. Undoubtedly, the MSME sector has a tremendous chance of eventually helping India's economy grow to be worth \$20 trillion. However, before the full growth potential of this industry can be realized, a few pressing problems and obstacles must be overcome. Indian MSMEs are showing signs of widespread illness and are losing their economic clout despite the numerous incentives and resources offered to them. Therefore, more work needs to be done to revive and support the MSME sector in India. Continuous technological innovation, quality enhancement, easy access to financing, market diversity, enhanced infrastructure, and skill upgrades can all increase this sector's efficiency and competitiveness. Therefore, it is insufficient to solve the financial restrictions alone. Building MSMEs' capability through organisations or cooperatives is urgently needed to facilitate bulk purchases of material inputs and outputs. Supporting and fostering market links between big and small manufacturers and marketplaces is critical to increase MSMEs' prospects

domestically and internationally. Above all, to decrease transaction costs associated with technology upgrades, market penetration, infrastructure modernization, etc., government facilitation is necessary.

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