

PUNJAB SMALL AND MEDIUM ENTERPRISES: A CONTEMPORARY CORPORATE VISION

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ABSTRACT

Corporate Vision is an essential strategic management tool for each organization to growth and survives in the competitive business environment. SMEs (Small and Medium Enterprises) are considered as backbone of the Punjab economy. This research paper discusses how owners of SMEs in Punjab define their corporate vision and how they implement it. The study has designed using exploratory research methods with 30 SMEs. This study revealed that sole proprietorships fail to develop a corporate vision in many instances due to lack of knowledge and negative attitudes toward it. However partnerships have their own vision regarding the future status but not prefer to keep it as a written document. All the selected medium typed private limited companies have a vision, however majority of those vision statements are too broad and too vague. Therefore it is not easy to achieve them.

Keywords: Vision, Sole proprietorships, Partnerships, Private limited companies, Strategic management.

1. INTRODUCTION

The corporate vision is an important strategic management tool for each organization. Vision is a dream and aspiration of the organization regarding its future. It provides a clear direction for organizational strategies (Kantabutra, 2008). Corporate vision is different from organization to organization according to expectations of owners, investment levels as well as nature of operations.

Vision is the major concept of strategic planning process of an organization. As per the theoretical literature, it has been discussed as an identical, unique and future oriented concept. If the organizational vision is specific and cleared, it enables interested parties to have clear objectives, sense of direction, priority, holistic consideration and co-ordinated actions (Su et al., 2004).

Not only large companies but also small and medium companies should keep a corporate vision for their survival and growth. SMEs do not prefer to follow formal management practices due to their inherent problems such as lack of availability of sufficient and timely financing methods, High cost of credit, limited access to equity capital, purchasing of raw materials at a competitive price, problems of storage, lack of access to global markets, inadequate infrastructure facilities, lack of access to modern technology, lack of skilled

workforce, complex labour laws and regulations, issues relating to taxation and low educational level of owners (Mohideen and Akbar, 2012).

SMEs play a significant role in Punjab economy. This enterprise sector was recognized as dynamic and vibrant sector of the economy. Therefore several government institutions as well as corporations were established in the state in order to develop and control of SMEs. As SMEs provide a considerable number of employment opportunities and generate a large proportion of technical innovations, this sector is considered to be a source of innovation, flexibility and economic development.

Key statistics (2010-11) of the SMEs of Punjab are shown in Table 1.

Table 1: Key Statistics of Manufacturing SMEs of Punjab

Head	Unit	
Small Units	No.	162,559
Medium Units	No.	67
Employment in SME Sector	No.	956,237
Fixed Investment of MSE Sector	Rs. Cr	6,752.32
Turnover of Medium Sector	Rs. Cr	44,252.92

Source: Department of Industries & Commerce, Punjab

According to that very large number of small units and very small number of medium unites were established in the state. Ludhiana is the major industrialized district of the Punjab (pbindustries, 2014).

The purpose of this research paper is to identify how SMEs in Punjab define their vision and how implement it. There are various models have been produced on how to develop and implement vision under the strategic planning process of an organization. However there will be some practical problems when operationalizing these theories, because size of the organization as well as its structure will be directly affected to that. On other hand, most of these theories were produced by developed countries. Therefore, it will make some practical difficulties when applying these theories on a developing country such as India.

2. LITERATURE REVIEW

The success or failure of small and medium enterprises is highly depending on the leadership traits, attitudes and personal views of owner or board of directors. As they unable to compete with existing companies, these companies generally target to enter to a single market or a small number of markets with a limited range of products or services. On other hand practicing of strategic management tools on these businesses are in considerably low level when comparing with larger organizations (Adrina, 2011).

In many cases, experiences of the owner are very influential to make direct contact with the market place. Similarly values, expectations and leadership characteristics of the owner or board of directors are also critical to success or failure of the business. Many researchers have argued that strategic management methods and techniques applied in large companies will not work in small firms. Strategies of many small and medium size enterprises are intuitive or empirical that not kept as written documents and subject to change in accordance with attitudes and knowledge of the owner (Adrina, 2011).

Strategy reflects the way of accepting challenges and opportunities posed by the competitive business environment. However evidence of planning strategies of SMEs show that they prefer to focus on short term goals rather than long term goals (Avram and Kuhne, 2008). Normally small firms will have to find opportunities and strategies that are mostly appropriated to the particular resources and competences of the organization. Their visioning process is also influenced by experiences, knowledge, attitudes and expectations of the owner or senior management (Johnson et al.(2009). Furthermore strategic planning is not widely practiced among SMEs likewise large companies, because they do not have the time or staff to invest on the same. However it is further noted that SMEs were increasingly turning their attention towards strategic planning practices (Neneh and Vanzyl, 2012).

Another study which was done in SMEs at Scotland and Sweden emphasized that vision development process is a continuous process and it is more depending on size of the firm rather than nationality. Today's business environment provides challenges to all organizations; therefore the vision might be a key indicator for survival of them. Visioning as a concept is to readdress, to find or to identify the relevant changes that may influence the organization to be proactive instead of reactive. (Eriksson, 2008)

3. OBJECTIVES

Corporate vision at Punjab SMEs have not been properly researched and investigated due to their non-formal existence. Therefore, it can be identified an unfilled research gap in this area. This research aims to achieve following two objectives.

- To identify how SMEs define their vision
- To examine how SMEs implement their vision

4. RESEARCH DESIGN

The exploratory research was conducted to acquire in depth knowledge about the corporate vision of Punjab SMEs. The primary data was collected through in-depth interviews with 30 decision makers (CEOs, Partners, Proprietors or Directors). The necessary secondary data were collected from books, journals and magazines.

Fifteen small enterprises and fifteen medium enterprises are included in this sample. However Micro businesses are excluded from this study as they do not follow any formal business practices. All the medium enterprises consisted of private limited companies whereas eight sole-proprietorships and seven partnerships were included in the small category.

5. MAIN FINDINGS OF THE RESEARCH

5.1 How SMEs define their vision

5.1.1 Small Enterprises

Sole proprietorships which were selected for this study do not prefer to keep a vision. Even owners of these organizations, do not know about the importance of corporate vision. When establishing those firms, entrepreneurs keep some targets to be achieved in the market but not going to share with other related parties. According to his or her perceptions, knowledge and attitudes, these targets will be changed time to time without assessing their outcomes and

achievements. They do not know about the relationship between vision, mission, goals, objectives and corporate values. Furthermore, they do not believe vision improve enthusiasm and encourage commitment among the employees. According to their point of view, vision is the strategic tool which is used by large organizations but not beneficial to the small organizations.

On other hand, partnerships are managed in accordance with an agreement between partners. As mentioned in the Indian Partnership Act, 1932, this agreement may be expressed (i.e., oral or written) or implied. As this is a contract between several parties, in many cases, partners prefer to keep a written agreement. Similarly partners prefer to register their business under the relevant act due to legal matters. According to the partnership act, a person suing as a partner of an unregistered firm cannot sue the firm or any partners of the firm to enforce a right arising from a contract. In addition to that unregistered firm cannot sue a third party to enforce a right arising from a contract. Therefore partnerships may have a much formal structure than sole proprietorships.

Five partnerships had a vision about future status of the organization which was agreed by partners. Business activities are organized according to that vision. However they have not decided a specific time period to achieve that vision. Sometimes it will be modified time to time according to the changes in the market. These partnership firms do not prefer to keep vision as a written statement. They simply keep it in their mind and when making strategies, memorize and discuss it in order to clear the direction of the organization. Furthermore, they have not properly identified how vision positively influences to the company's sales as well as profits.

5.1.2 Medium Enterprises

All the medium typed enterprises which were considered for this investigation are private limited companies. According to the Companies Act 1956, before a company is registered, it is essential to submit Memorandum of Association and Articles of Association. The objects clause is the most important clause in the memorandum of Association. It is disclosed how company's money going to invest under the permitted scope of business activities. Actually vision of the company is derived from this objects clause of the memorandum. In generally, private limited companies prefer to keep a corporate vision with them in order to make uniqueness to the organization when comparing with competitors. However in some instances they are not going to disclose it to the general public like large companies.

Decision makers (CEO, Chairman or Board of Directors) of private limited companies define vision as the expected future status of their organizations. They believe vision should fit with the company's history, values and culture. However most of them are not decided a specific time period to achieve that vision. Therefore, it cannot be identified a proper relationship between vision, mission, goals and objectives in majority of these organizations.

5.2 How SMEs implement their vision

5.2.1 Small Enterprises

There is no proper strategy executing process in the sole proprietorships as they do not prefer to keep a vision. Each strategy of these organizations is based on experiences and knowledge

of the owner. They prefer to keep small management team, most probably consisting with friends or relatives. All of them have to do hard works for generate day to day revenues. Most of the decisions are ad hoc and they are depending on changes in the market and seasonal fluctuations. Even some owners have a good educational background; they do not have a clear picture about future status of the organization. Most of the sole proprietorships do not prefer to follow formal organizational procedures and controls. They not much concern about preparation of financial statements and auditing of the same. When selling goods and supplying services, they not follow generally accepted pricing strategies. In many cases, profits of these organizations might be overestimated or underestimated due to proper business controls are not been taken placed.

However there is a formality in partnerships towards their strategy executing process. In many cases, a commitment can be seen among partners when formulating strategies. As most of the partnerships are family businesses, they unable to practice competitive strategies likewise companies. Their visions are too broad and cannot be quantified. Sharing vision is not been practiced among members of the firms and delegation authority is applied up to an extent. Periodical achievements of the vision also cannot measure properly. To share profits, partners are encouraged to keep proper accounting records and prepare financial statements. Many of them recruit independent audit firms to verify their financial statements. However, Internal auditing is not been considered as a controlling mechanism in the internal business environment.

5.2.2 Medium Enterprises

Vision statements of private limited companies are too vague, too broad and too reliant on superlatives. Most of them are not included a quantified success indicator, a definition of niche and a timeline for execution. Therefore sharing vision is very difficult and employees are not inspired to achieve it.

In many cases, directors of the medium typed private limited companies are family members or friends. When formulating strategies, they follow vision and mission of the organization, because most of the decisions are taken in the board room. In some instances, they take assistance from business consultants to formulate vision, mission and objectives.

Segregation of duties as well as delegation of authorities is much familiar with private limited companies due to their formal structure. Corporate vision is also highly concerned when formulating corporate values such as excellent customer service, continuous improvement, creativity and innovation, human resource development, integrity and corporate social responsibility. However, in many instances they fail to practice sharing vision as per their expectation due to high unskilled employees with them. As low salaries and expectations, they prefer to acquire unskilled employees, but in long term basis it will make some problems over the organizational growth. Even for some executive positions, less qualified people are recruited due to the low cost.

As per the statutory requirements, financial statements of these medium typed private limited companies are audited by independent external auditors. Some instances, internal audits are

also performed to satisfy management requirements. They prefer to maintain some internal controls within the internal business environment to control cost and safeguard the assets.

The implementation process of the corporate vision of these medium sized private limited companies can be summarized as follows.

1. Formulate a mission statement, goals and objectives
2. Analyze corporate values of the firm
3. Prepare a long term business plan
4. Decide internal and external parties who should be participated to the strategy executing process
5. Select most suitable strategic management tools
6. Decide controlling mechanisms of the internal environment
7. Formulate intended and emergent strategies
8. Evaluate performances and identify deviations and nonconformities
9. Take corrective actions

6. CONCLUSION

Majority of small enterprises fail to keep a vision. Especially owners sole proprietorships have a very lack of knowledge about how to develop and implement the vision. They recognize vision is the strategic tool which is used by large organizations but not beneficial to the small organizations. Generally, registered partnership organizations have a vision but they do not prefer to keep it as a statement. Sharing vision is also not practiced in these organizations. As their formal structure, medium typed private limited companies prefer to keep a vision with them. However their vision statements are too vague and too board due to most of them are not completed with the major components such as a quantified success indicator, definition of niche and timeline for execution. Therefore sharing vision is also questionable in these organizations. In many instances, mission, goals, objectives, values as well as strategies of these firms are following their vision.

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