

Usage of Information in Strategic Management Process with a Reference to Small and Medium Sized Enterprises of Bihar

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Abstract – Strategic management is a current direction of management types. It is applied in all types of businesses, including small and medium-sized enterprises. However, the use of its principles is limited in SMEs. The limits are caused by the size of these enterprises related to greater focus on operational management. For SMEs, cumulating of functions is also typical; oral communication is more common than written, etc. Despite those limitations, implementation of strategic principles in the management of SMEs is able to increase their competitiveness, reduce costs, improve decision-making, facilitate the introduction of employee motivation, shorten delivery times, provide better customer care, etc. The paper discusses whether and to what extent SMEs implement the principles of strategic management and whether its use is effective. The basic principle of strategic management is the formulation and selection of a strategy.

Keywords: Strategic, SME, Employee

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INTRODUCTION

Most of the SMEs in the sample formulated a strategy. However, a written strategy was designed mostly by enterprises with more than 25 employees; enterprises with fewer employees designed a written strategy only exceptionally. Classified by the type of activity, a strategy is seen less frequently in wood-work enterprises. On the other hand, enterprises operating in trade and services, including transport, designed a strategy, or even a written strategy, the most often. Quality and stabilisation were the most monitored characteristics, regardless of the number of employees or business type. Profit was the least monitored strategy in the sample.

Positive effects after the introduction of strategic management principles were rated as significant by 27% of the subjects analysed and by 36% as moderate, and 38% of enterprises had no positive effects. The most striking positive effect, after the introduction of strategic management principles, was achieved by 44% in decision-making and costs. The smallest number of enterprises, only 8%, had a positive effect of the introduction of strategic management principles in the area of internal communication. The results show that the introduction of strategic management has a positive impact on small and medium enterprises, and it is highly

desirable that its principles were introduced into these entities.

Development of small and medium-sized enterprises reduces unemployment rates. This group of companies more quickly and more readily responds to demand changes. Disadvantages in comparison to large enterprises are represented by situations when insufficient use of capacities leads to increased manufacturing costs, which may be seen as a barrier to further development including management development or, in extreme cases, as the cause of the company wind up. Another disadvantage is represented by prevailing orientation of small and medium-sized enterprises to local markets and limited ability to enter international markets.

Another frequent problem is represented by insufficient funds for research, development, orientation and further education of employees and the facilitators and barriers to workplace learning.

SME management has a number of specifics. In a small company with a low staff and managerial staff numbers, many functions are cumulated in a few employees. Small enterprises are also characterised by prevalence of oral overwritten internal communication.

SMEs target at effective governance leading to competitive edge. For an enterprise to successfully stand up to its challenges, compliance between company goals and human resource management is desirable. In a hierarchically managed company, people mainly do what they are evaluated by. That is why performance indicator setting is so important as a measurable target in compliance with corporate strategic objectives. Achievement of strategic objectives is conditioned by the ability of company managers to choose the right direction of investment in human resources and assess return of such an investment on the basis of cost analysis, gains and expected risks like in other areas of corporate governance.

Today, quality of their human capital is one of the key factors of success for more and more SMEs. In the past human work could be assessed by methods exactly specifying individual performance or operations, such as work standardisation. At present the demand for human work and its quality is much higher, and in addition human capital quality is understood in a much broader context.

USAGE OF INFORMATION IN STRATEGIC MANAGEMENT PROCESS IN SME'S

With the increasing proportion of services in economy, the work is more and more often based on mental abilities and skills of the worker which cannot be measured and assessed with indicators like standard quantity and quality. Therefore the benchmarks today must correspond to the current requirements for human resource management and evaluation.

The area of human resource management includes all activities focused on increase of professional competences of employees, their lifelong education, high-standard internal communications within the company, harmonisation of professional and private life and implementation of tools against all kinds of discrimination. This also includes an active approach of the company to employment of disabled employees, activities against all kinds of social exclusion, etc. Human resource management, like other processes implemented in SMEs, has its specifics making it different from processes applied in large corporations.

Research states:

- Their markets are usually much more local and compact.
- They operate in many small areas with significant dependence on the local environment. Most employees come from the area as well as most customers.
- They are free to invest in activities directly connected with the local environment and targeting the given local conditions.

- Their planning horizon is shorter, and advantages of investment show early in obtaining of more orders. SME stability then retrospectively strongly affects their commercial success and is beneficial for the local area (taxes, employment, etc.).
- SMEs find it harder to seek ways towards unifying and sharing information.
- Reports on their activities are disseminated with merciless impact.
- Sponsoring is often detached from corporate strategy.
- SME administration is relatively noncomplex, allowing for quicker and not so cost-intensive introduction of changes.

Results of research dealing with processes implemented in SME with an emphasis on the human resource management process have shown that only 37.09% of businesses out of the total research population (188 companies) have a human resource management strategy, with just 5.96% having the strategy in written form. The same research has also shown that the order of preference of individual processes on the part of SMEs (evaluated by managers or manager-authorised respondents) differs from the generally declared statements and knowledge. In the context of relevance of the examined processes, the human resource management area is ranked sixth (in the opinion of managers of the addressed companies).

These point to the fact that human resource management is not yet understood by company managers as one of the key factors of business success, even though authors of theoretical publications and managers in general speak about HR management as a crucial factor. Human capital is accumulated knowledge and skills existing within the company and representing employee capital.

Human capital can be measured by employee acquisition and maintenance (employee fluctuation), costs of employee training and development and ability to innovate. Management of human and intellectual capital is more than just attracting and attaining employees. It also means giving the employees a chance to develop as that will increase the corporate knowledge base, both for the individuals and for the company as a whole. Good working conditions and a good reputation help the company to be attractive and maintain and develop its human capital further.

DISCUSSION

Another outcome of the present research is the extent to which the HR management process works in SMEs. Table 1 shows that according to the company managers' opinion, this process works at

69.09%, which makes it rank fifth among the other corporate processes. So much for HR management as a whole, the following chapters will focus on selected aspects of HR management, in particular:

External communications in the context of strategic decision-making are highly relevant for increased performance of SMEs and optimisation of their governance. Effective communication link setting is important not only for harmonisation of all work activities but also for encouraging performance, work conduct, employee loyalty and motivation.

Corporate social responsibility (CSR) is a policy every company can incorporate in its business activity voluntarily.

Table 1

Order of preference of individual processes in the opinion of respondents (own survey)

Types of processes	1—most important 9—least important	Rank of preferences
Production process and services	1.80	1
Business activity and sales	2.25	2
Financial management	3.01	3
Quality management	3.08	4
Marketing	4.41	5
Human resource management	4.48	6
Internal communications	5.28	7
Social responsibility	6.04	8
Communication with the public, media	6.26	9

This is a policy formerly reserved for big companies, but now it is expanding to the SME area as well. Its basic strategy may consider moral and ethical aspects in excess of standard business and managerial activities. This means consideration of sustainable development, environment-friendliness, employee and stakeholder relation fostering and transparent business conduct. In the area of human resource management, this tightly corresponds to employee education and career development, motivation, stabilisation and fluctuation.

Employment with a SME has its advantages in comparison to being an employee of a big company. These include a personal approach to employees and their motivation.

CONCLUSION

Employee motivation has recently been increasingly supported by more demanding work requiring more time, flexibility and independence. SMEs usually do not offer career development, promotion, or a secured job, which on the other hand worsens the employee relationship to their company. That is why correct employee motivation is a vital part of managerial work. Good employment relationships, involvement of employees in the governance process, acceptance of their proposals for improvement of corporate processes and quality of their work, whether in the form of continuous or radical innovation, may contribute to employee loyalty and stabilisation and reduction of voluntary fluctuations.

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