

## **Challenges of Managing a Small & Medium Business in Times of Growth**

**By**

***Sudhir V. Sohoni, Founder Director – Purple HR Consulting Private Limited***

In India according to the Report (January 2010) of the Task Force on Micro, Small and Medium Enterprises set up by the Prime Minister there are about 2.61 crore enterprises of which a microscopic minority of 15.52 Lakh Units are registered. These 15.52 Lakh Units employ around one crore employees. Of these, 41,373 Units are Private Companies and 8,216 are Public Limited Companies. MSME's contribute 8% of the country's GDP, 45% of manufactured output and 40% of the exports.

High growth sectors such as Textiles and Garments, Leather and Leather products, Auto Components, Drugs and Pharmaceuticals, Food Processing, IT Hardware and Electronics, Paper, Chemicals, Telecom Equipment etc have not only high growth potential but can also significantly contribute towards further increasing exports for the country thereby earning valuable foreign exchange.

Most of these companies are experiencing unprecedented growth. With growth comes responsibility and the need to manage without being at the site of action all the time. This puts enormous stress on the entrepreneur. The entrepreneur, having experienced the joys of growth now wants to plan for the same. Hitherto he/she was led by market forces in most cases, entering areas wherever opportunities for making money were seen.

The key challenges which come up in such a scenario are the following:

- 1) Getting the desired price for products/services.
- 2) Raising capital including working capital for capacity expansion and day to day operations.
- 3) Price escalation of inputs including manpower.
- 4) Limitations in the execution of capabilities of key employees in most cases.
- 5) Attrition of skilled and proficient manpower.
- 6) Supply chain problems relating to distribution and transportation, especially exports.
- 7) Capacity challenges.

If one were to go deeper, the problem in many a case rests in the entrepreneur himself/herself. He/she is unwilling to adopt a hands-off policy. There are trusted loyal and sometimes efficient members in his team. He/she has either blind faith or no faith whatsoever. In both cases he/she needs to double check on every activity. Most of the time ignorance adds to the situation. The company goes from one crisis to the next. People take great pride in saying we have resolved a monumental crisis. But nobody bothers to ask, "At what costs?" Are we providing the quality of service to all the customers? There is a customer issue and a supplier issue as well. Opportunistic responses rule.

A visit to any of these units for a single day is enough to assess the kind of chaos that exists. In such situations how in the world will the entrepreneur ever have time to think about the future needs of the business? Or do some strategic thinking? There is no time for any meaningful review. There is no time to celebrate success or delve deep to diagnose a problem area.

There is always a time to change tracks. There are very few if any things in this world which cannot be changed. It is here that you must turn to Purple HR Consultancy:

Purple HR Consultancy works in the following areas:

Most businesses have no concept of an Annual Budget and are weak in measuring revenue and expenses with comparison to what was last year and what is this year. This is fundamental. Holistic data at company level is of no use. Data has to be by location, function, product or service and any other unit which can be isolated for the purpose of accounting. Without access to such data how can performance be measured at all? How can accountability for performance be ascertained?

- 1) In the areas of purchasing, scrap sale the entrepreneur is deeply involved. As his business grows and becomes more complex his expertise may fall short due either to incompetence or to lack of time. It is then high time to sit back and evaluate options on how to go about it.
- 2) In the area of employment practices the situation is even worse. Compliance with labor laws is marginal at best. Employment practices are non transparent. All this under the false belief that if letters of appointments, increments, transfers etc were to be given they would create liabilities in some way. And then the entrepreneur complains that attrition is a problem. Hence only those who were with the entrepreneur at the commencement of the business stay on and the rest are in transit. The coterie does not allow induction of competence turning the whole exercise into a vicious circle.
- 3) Most companies, as they grow, realize that infusion of more qualified and capable manpower is need of the hour. Efforts are made in that direction. But, working conditions, lack of handing over key components of the position, lack of delegation and authority all lead to frustration in the new incumbent. Here, the importance of certain processes and systems with regard to management of business has to be correctly understood which will lead to sustainability and growth.
- 4) In most companies the review process is simply missing. Why? Because the entrepreneur feels that since he himself looks into the running of the enterprise on a day to day basis there is no need to waste time in meetings. This is the furthest from being true. First, it is not humanly possible to oversee everything everyday even if you employ just 50 employees. Second, there are power centers which hold all good and bad data and information to themselves without realizing the implications on the business. A robust review process which accurately measures relevant and important performance parameters is an absolute prerequisite to sound management.
- 5) Most of these organizations are designed over a long period of time and determined by competence and skill sets of people rather than by a logical fit. So empowerment does take place for the chosen few. But what is this empowerment for? Being the conduit to the owner of the company for any personal problems or favour at the time of increments and promotions. The empowerment is not necessarily in relation to work areas or for delivering an outcome.
- 6) More often than not there is no auditing undertaken this precludes any chance of detecting errors or any act of fraud. Even if material reconciliation is done, it may not always be possible to be verified with a complete physical stock taking exercise. All this obviously then leads to arbitrary adjustments.

There are many more areas. The intent is to highlight a few representative areas without being exhaustive.

The question that one can ask is – what is the real scope and potential then for our country to become competitive in the global markets? With our current level of working we can contribute much more. As a country we can achieve a greater amount if remedial steps are taken in this direction. We have to not only incorporate the right processes and systems into our small and medium enterprises but also ensure their successful implementation. I leave the reader to introspect on this issue.