

## STRATEGIC COMPETENCY AND BUSINESS PERFORMANCE OF SMES (WITH SPECIAL REFERENCE TO CHENNAI CITY)

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### **Abstract**

Business firms in the globalised era have to be competitive in various dimensions to survive and succeed. Everyday some innovation enters in the market posing a challenge for the existing product or service. It is not sufficient for a firm to be technically and financially sound nevertheless they should be prepared to accept, face and handle the competitions coming in the way in the most efficient manner. A product or service given by a firm has to be engaged in continuous research and wherever possible an improvement or change required has to be incorporated to combat successfully. A successful business firm's entrepreneur should have strategic competency to design a plan, execute and control the challenges posed by the innovative challenges and situations. Hence an attempt is made in this article to focus on the strategic competency and its relations with the business performance of a Small and Medium Enterprises (SME). The strategic competency are planning strategy, standardization, business success and development strategy. The study concludes that the strategic competency listed out in the analysis is having significant relationship with business performance and leads to efficiency and success of business firms and enables a SME to survive in this competitive world for a long time.

**Keywords:** Strategic Competency, Business Performance, SMEs, Regression Analysis.

### **INTRODUCTION**

Business firms in the globalised era have to be competitive in various dimensions to survive and succeed. Everyday some innovation enters in the market posing a challenge for the existing product or service. It is not sufficient for a firm to be technically and financially sound nevertheless they should be prepared to accept, face and handle the competitions coming in the way in the most efficient manner. A product or service given by a firm has to be engaged in continuous research and wherever possible an improvement or change required has to be incorporated to combat successfully. A successful business firm's entrepreneur should have strategic competency to design a plan, execute and control the challenges posed by the innovative challenges and situations.

### **STRATEGIC COMPETENCY**

Strategic Competency concentrates on the development of appropriate strategies during various unprecedented situations to combat successfully which leads to good business performance in terms of profitability and efficiency. The continuous development of the product through research and development in an efficient manner will enable an entrepreneur to be strategically competitive. The goals and vision of the organisation should be the underlying direction for the strategic competent decision making. The consequences of management innovation are complex, because so many different stakeholders are potentially affected. The four components of strategic competency are planning strategy, standardisation, and business success and development strategy. In the globalized era, strategic competency is a must for an entrepreneur of SMR to achieve success in the business world.

**Chart 1 Strategic Competency and Business Performance**



## STRATEGIC COMPETENCY

### 1. Planning Strategy

The strategy, competency of some entrepreneurs is very important for the successful business venture. The goal orientation and vision and mission of SMEs can be accomplished through their planning levels as well as their execution levels. The planning strategy is essential for the success of SME's.

### 2. Standardization

The quality of a product ensures the sustenance in the market area for a long period. An entrepreneur by establishing high standards for his product builds up a good reputation thereby enhancing the brand image of his company. By completely standardizing the various phases of the process of a product, quality is ensured continuity in a nutshell develops a healthy culture in the organization not only with the product manufacturing but in all walks of business.

### 3. Developmental Strategy

The strategies chalked down for the development of the business decides the success of the business. The various strategies aimed at developing the different process of business like marketing, production, purchase helps the business to be on the right path.

### 4. Business Success

The success of an some entrepreneur depends on his ability to form successful development strategy. Not only can the success of a SME, even the failure or sickness be predicted through these strategies. The ability to have a wide network also helps the entrepreneurs to be successful in his ventures.

## BUSINESS PERFORMANCE

### 1. Efficiency Augmentation

The success and sustenance of a firm depends upon its efficiency executed in different sphere of business, whether it is in investment or operation or skill development, it is inevitable to augment the efficiency on a day to day basis.

### 2. PROFIT ORIENTATION

The main goal of business is earning profitability. It provides a yardstick to measure the profit or failure of the organization. An SME that increases the profitability indicates in a clear way the efficiency of the organization.. The main impetus profitability enables the entrepreneur to work with motivation and zeal for achieving the assigned goal.

## REVIEW OF LITERATURE

Noor Hazlina AHMAD Hasliza, Abdul HALIM (2012) made an attempt to analyse the strategic competency prevalence in small and medium sized enterprises's entrepreneurs in Australia and Malaysia. The authors conducted sequence of interviews among a sample of 20 SME entrepreneurs to analyse their strategic competency behaviour. The study throws light on the momentum received by strategic competency in managing and running the ventures across the country. In a nutshell, the study emphasises the importance of strategic competency for a successful entrepreneur during various cycles of business which will equip them with the skill to combat even the negative impact of the business environment.

Andreas Kuckertz (2010) explores the role of the two dimensions of ambidextrous strategic management (exploration and exploitation) on technology-oriented ventures' innovation and company level performance. Based on a representative sample of German venture capital backed technology start-ups from various innovative industries, we are able to provide support for the of stated assumption that the ambidexterity strategy positively influences performance. Results indicate, that both explorative and exploitative activity add to the overall success of innovation projects which consequently influence overall firm performance positively. Moreover, our data suggest that for technology-oriented ventures the timing of the second innovation project after start-up, i.e. the point in time when ventures become potentially ambidextrous, plays a decisive role.

Bernice Kotey(2013) in his study scrutinizes the interrelationships among functional area activities in their association with entrepreneurial strategy in a progressive textile manufacturing industry in China. The sample were collected from the owners/managers in the conference of the Shaoxing Textile Industry Association. Partial Least Square was applied to find out the functional area pattern of entrepreneurial strategy in Western economies. The analysis brings to the fore that the determinants of entrepreneurial strategy in the Chinese textile manufacturing industry as Networking of of customer retention management and technology.

Gary Knight (2009) points out that Globalization and the emergence of internationally active small and medium-sized enterprises (SMEs) are key worldwide trends. The study probe the interrelationships of entrepreneurial orientation, marketing strategy, tactics, and firm performance among SMEs affected by globalization. The findings of the study portrays the critical roles of entrepreneurship and marketing to assist SME managers

Rajesh K Singh(2005) examined the Indian SMEs pressures and constraints in the electronic sector with an emerging dynamic market condition for succeeding in the national and international level. Such strategies formulated will definitely pave way for making new investments, development of competencies, reduction of product cost and improvement of quality. The primary data was collected through questionnaire-based survey from 44 respondents. Through the application of statistical tests like t test and correlation analysis, the study points out the major constraints for the entrepreneurs are government support, customer support and poor financial condition. Further the analysis revealed that the quality, cost and delivery time are main pressures for SMEs in the electronics sector. To step up the value chain ladder the SMEs should frame appropriate strategies for optimum utilisation of existing resources at times of pressures and constraints.

The review of literature by various authors and the review analysis carried out by them shows that there are many studies on strategic competency and business performance. The strategic competency and its relationship with business performance of SMEs in Chennai city is still an unexplored area. This study intends to fill up this research gap.

### OBJECTIVES OF THE STUDY

- To identify the strategic competency of the SMEs in Chennai City.
- To analyze the relationship between strategic competency and business performance.

### DATA & METHODOLOGY

The present study is confined to entrepreneurs of Small and Medium Enterprises in Chennai city. The systematic random sampling method has been adopted for the study to confirm the sample size at 350. The present study is based on primary data and it has been collected through a questionnaire which is pre tested and modified as per the statistical test. The perception of the entrepreneurs has been found out through Likert's Five Point Scale and business performance based on their data. The relationship between the entrepreneurial competency and business performance is analysed through regression test.

### LIMITATIONS OF THE STUDY

- There are numerous competencies for an entrepreneur, but this study is confined to strategic competency alone.
- The results of the study cannot be generalized for all periods across the states due to variation in the study area.

### ANALYSIS & INTERPRETATIONS

**Table -1, Demographic Details of the Entrepreneurs**

Demographic Variables	Categories	No. of Respondents	Percentage
Age	Less than 25	55	15.71
	26-35	116	33.14
	36 – 45	112	32.00
	More than 45	67	19.14
Educational Qualifications	HSC	89	25.43
	UG	165	47.14
	PG & Above	96	27.43
Experience	Less than 5 years	80	22.86
	5 – 10	111	31.71
	11 – 15	96	27.43
	More than 15	63	18.00
Income	Less than Rs. 50,000	91	26.00
	Rs. 50,001 - Rs. 2,50,000	147	42.00
	Rs. 2,50,000 & Above	112	32.00

Source: Primary data

Table 1 exhibits the demographic nature of the entrepreneurs. The age group of 26 to 35 and 36 – 45 years are predominant among the respondents. The interest to take risk and work for a new enterprise and the urge to be successful is more in this age group. The respondent with Higher secondary level and UG qualification stands high with 75 per cent than the PG categories. The respondents with lesser qualification prefer to be an entrepreneur than the other category. The experience of the respondents is spread across all the four categories. Nevertheless more than 53 per cent respondents fall under the category of Less than 5 years and 5 – 10 years category. The income earning capacity of the respondents is also analysed through the percentage analysis. It reveals that majority of the entrepreneurs belongs to the middle income group of Rs.50,001 –

Rs.2,50,000. The analysis of the demographic nature of the entrepreneurs enables the study to understand the nature of the respondents.

## STRATEGIC COMPETENCY AND BUSINESS PERFORMANCE

### 1. Influence of Strategic competency on Business performance

The influence of strategic competency on the two factors of Business performance - Profit orientation, Efficiency augmentation is measured through the Linear Multiple Regression analysis.

**Table -2, Impact of Strategic competency on Profit orientation**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	0.466(a)	0.217	0.210	0.89070	30.973	0.000*

Source: Primary data

The table portrays the results of the Linear Multiple regression analysis. From the above table 2 it is found that R= .466, R<sup>2</sup> =.217 and adjusted R = .210 and standard error of 0.89. It implies the strategic competency factors create 21.7% variable over the factor profit orientation, the regression fit is clearly presented in the table below. It is also found that F=30.973, P=.000 are statistically significant at 5 % level. This implies strategic competency is highly responsible for increasing the profit of the SME's. Out of four factors of strategic competency business success contributes high for the profit orientation. The individual significant of the factors are clearly present in the following co-efficient table.

#### Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-0.001	0.042		-.022	0.983
	Planning strategy	0.172	0.042	0.172	4.099	0.000
	Standardization	0.033	0.042	0.033	0.784	0.434
	Business success	0.423	0.042	0.422	10.087	0.000
	Developmental strategies	0.091	0.042	0.091	2.174	0.030

a Dependent Variable: Profit orientation

From the above table it is found that planning strategy (Beta=.172, T=4.099, P=.000), Business success (Beta=.422, T=10.087, P=.000) and Developmental strategies (B=.091, T= 2.174, P=.030) are statistically significant at 5% level. This shows that the planning strategy of entrepreneurs for raw materials, finance and employers segment is directly related to fluctuation of the profit.

**Table- 3, Impact of Strategic competency on Efficiency Augmentation**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	0.531(a)	0.282	0.276	0.852050	43.939	0.000*

a Predictors: (Constant), Developmental strategies, Business success, standardization, Planning strategy

The table 3 brings to the fore the results of the Linear Multiple regression analysis. The regression table of strategic competency portrays that R= .531, R<sup>2</sup> = .282 and adjusted R= .276 with a standard error of 0.85. It implies the strategic competency factors create 28.2% variable over the factor efficiency augmentation. The statistical test results reveal F = 43.939, P = 0.000 are statistically significant at 5 per cent level. This implies strategic competency is highly responsible for increasing the efficiency of the SME's. Among the four factors planning strategy plays a highly significant role compared to other factors which is evident from the co - efficient table presented below.

**Coefficient Table**

Model	Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	0.003	0.040		0.073	0.942
	Planning strategy	0.385	0.040	0.384	9.589	0.000
	Standardization	0.302	0.040	0.302	7.527	0.000
	Business success	-0.205	0.040	-0.205	-5.105	0.000
	Developmental strategies	0.042	0.040	0.042	1.043	0.297

a Dependent Variable: Efficiency augmentation

From the above coefficient table it is found that planning strategy (Beta=.384, T= 9.589, P=.000), standardization (Beta=.302, T= 7.527, P=.000) and Business success (B= -.205, T= -5.105, P=.000) are statistically significant at 5 per cent level. This shows that the planning strategy of entrepreneurs for raw materials, finance and employers segment along with standardization and business success is directly related to fluctuation of the profit.

### CONCLUSION

An attempt is made in this study to focus on the relationship between strategic competency and business performance of a SME entrepreneur. The strategic competency components are planning strategy, standardization, business performance and development strategy. The business performance is analysed from profit orientation and efficiency augmentation. The regression analysis is applied to find out the relationship between them. The study concludes that there is a highly significant relationship between strategic competency and business performance. The result of the study is highly useful to the entrepreneurs to harness their strategic competency to be highly successful in their opted business ventures.

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