

Strategy Development for Globalization of India in SME (Small Medium Enterprises) in ICT (Information and Communication Technology)

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Abstract: 21st century with advancements in Information and Communication Technology (ICT), Internet and computers marked the era of international society resulting into global business. It has led to playing of the role of the developed and developing countries in improving the quality of life of the others under- developing and poor countries. Country like India has shown to the world its strong economy even under global melt down. India is very strong both in corporate and SME (Small and Medium Enterprise) sector. Thus India can play leading role in development of its neighbouring countries like Sri Lanka, Burma, Bhutan, Bangladesh, Nepal etc.

Keywords: Strategy, Strategy Development, Globalization, SME, ICT.

Introduction:

Strategy

Strategy is a plan of action designed to achieve a vision. Strategy is all about wining (or being prepared to gain) a position of advantage over adversaries or best exploiting rising potential. In view of the fact that future is uncertain, strategy is more about a set of options (strategic choices) than a fixed preparation. “Strategy” has been derived from the Greek word “stratēgos”; “stratos” (meaning army) and “ago” (meaning leading/moving). “Strategy” literally means “what generals do,” referring to the mapping out of military strategy in order to create the best opportunity to win the battle. Or, in other words, strategy may be defined as, “the art of bringing forces to the battlefield in a favourable position to win.”

Three types of actions are involved in Strategy:

- Determination of Long Term Goals & Objectives.
- Adoption of courses of action.
- Allocation of resources.

Strategy Development

Strategy development helps to establish a framework for setting direction, and in determining the criteria for day-to-day decisions. It answers the question: “Where are we going?” and “How are we going to get there?” When there are clear answers to these two questions, the path opted for strategy development would be specific and purposeful.

Strategy Development Process	Objectives	Platform Issues	Representative Activities
Mission, Vision and Values (What business are we in, and Why?)	To reaffirm the highest - level guidelines about organizational purpose and conduct	Establish the Vision in terms that are conducive to execution	<ul style="list-style-type: none"> • Mission Analysis • Vision Statement • Core Values • Enhanced Vision
Strategic Goals (Where are we going?)	To clearly define the highest level financial and mission goals that will drive the strategy	Establish the economic model that will be used throughout the strategic management process	<ul style="list-style-type: none"> • Macro mission measures • Value gap decomposition • Strategic themes • 3 to 10 years goals • Financial Model
Strategic Analysis (What are our key issues?)	To identify through structured analysis, the event forces and experiences that impact	Define the linkage between the influencing forces and the process of value creation	<ul style="list-style-type: none"> • Environmental Scan (PESTEL) • Internal Scan (SWOT) • Strategy of record

	and modify the strategy		review
Strategy Formulation (How can we best compete?)	To define where and how the organization will compete	<ul style="list-style-type: none"> • Ensure that changes in strategy are linked to changes in the planning and execution process • Establish the boundaries of permissible change 	<ul style="list-style-type: none"> • Key issue identification • Where to compete (Niches) • Differentiators (Value proposition) • How to compete (Strategy Map) • Financial Model • Strategic change agenda

Table – 1 Strategy Development Process Model

Thus it can be seen that strategy development involves – Mission, Vision, Values, Strategic Goals, Strategic Analysis and last but not the least Strategy Formulation or in short we can say a properly executed and well planned strategy is the pillar for strategy development.

Globalization

Globalization means the coming together of different societies and economies via cross border flow of ideas, finances, capital, information, technologies, goods and services. The cross border assimilation can be social, economic, cultural, or political. In concrete terms, globalization presents itself as the Breaking down of national barriers in terms of trade; flow of information and capital, and in terms of ownership of key industries. Multinational corporations are increasingly displacing local ownership in key and dynamic sectors of national economies.

In context to India, this implies opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNCs in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad; carrying out massive import liberalization programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization has been identified with the policy reforms of 1991 in India.

Globalization refers to the integration of economics and societies all over the world. There are two types of integration—negative and positive.

- **Negative integration** is the breaking down of trade barriers or protective barriers such as tariffs and quotas. But the removal of barriers can be beneficial for a country if it allows for products that are important or essential to the economy. For example, by eliminating barriers, the costs of imported raw materials will go down and the supply will increase, making it cheaper to produce the final products for export (like electronics, car parts, and clothes).
- **Positive integration** on the other hand aims at standardizing international economic laws and policies. For example, a country which has its own policies on taxation trades with a country with its own set of policies on tariffs. Likewise, these countries have their own policies on tariffs. With positive integration (and the continuing growth of the influence of globalization), these countries will work on having similar or alike policies on tariffs.

Globalization is a factor responsible for both repression and the social boom. Mainly there have been positive impacts of this global phenomenon - through liberalization, privatization and globalization (LPG). Due to globalization, there has been significant flow of inward foreign direct investment. MNC companies are getting a chance to explore various different markets across economies and explore the untapped potential.

Small and Medium Scale Industries

The Small and Medium Enterprises (SME) play a decisive role in the industrial development of any country. The importance of the SME sector is well recognized world over from its significant contribution in satisfying various socio-economic objectives, such as higher growth of employment, output, promotion of exports and fostering entrepreneurship.

The impact of globalization on SME can be analyze with the help of environmental factors or by analyzing the impact of various factors like Human Resource Development (HRD), Multinational Companies (MNC), financial, marketing and various rules and policies, as elaborated below:

A framework to analyze SMEs in the age of globalization

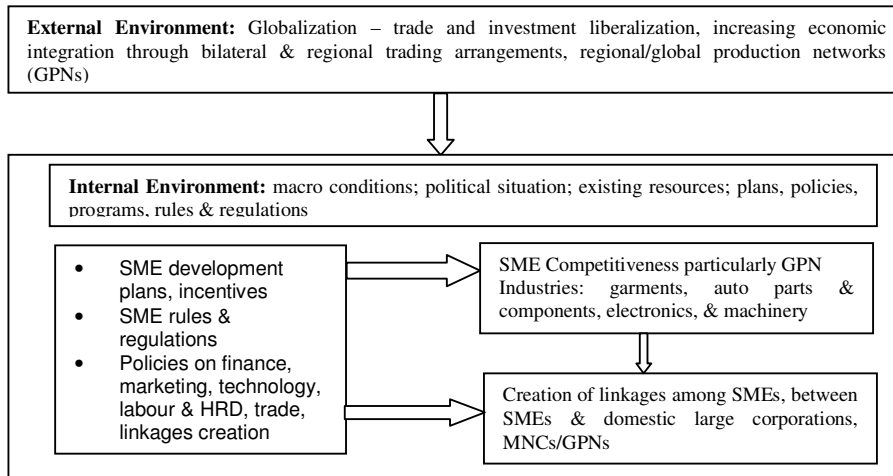


Figure - 1 Source: Aldaba (2008).

It can be observed that by and large, SMEs in India met the expectations of the Government in this respect. SMEs developed in a manner, which made it possible for them to achieve the following objectives:

- High contribution to domestic production
- Significant export earnings
- Low investment requirements
- Operational flexibility
- Location wise mobility
- Low intensive imports
- Capacities to develop appropriate indigenous technology
- Import substitution
- Contribution towards defence production
- Technology – oriented industries
- Competitiveness in domestic and export markets

At the same time some of the limitations of SMEs, are:

- Low Capital base
- Concentration of functions in one / two persons
- Inadequate exposure to international environment
- Inability to face impact of WTO regime
- Inadequate contribution towards R & D
- Lack of professionalism

Information and communication technology (ICT)

Information and communication technology (ICT) is observed as a dynamic force in shaping global economy in the 21st century. Small and Medium Enterprises (SMEs) is one of the areas where governments of developing countries can invest since SMEs play a critical role in economic growth.

Small Enterprises in developing countries can use ICTs very efficiently to simplify business activities and create links with trade development partners across the globe. ICT revolution brought opportunities and challenges to developing countries like India in their efforts to strengthen the SMEs. In the wake of globalization, developing countries have no choice but to take advantage of the opportunities and face the challenges. The last decades saw developing countries taking action to strengthen and modernize their SMEs using the existing ICT.

ICT as a Job

The ICT can be the biggest job for the SMEs, when applied with careful evaluation and right implementation. The major ICT enablement in SMEs can be categorized in two areas -

1. Office Automation

Office automation delivers to the SMEs a means to support his day to day operations with ease.

The ICT tools that can be used by SMEs to perform better and faster are:

Computers: A computer on every small table is the first step that an SME enterprise needs to have to initiate taking the benefit of the technology.

Internet: Connectivity to the Internet is another fundamental building slab for the SME. The Internet is not just an information resource, but can be a powerful marketing tool.

Internet enables the SMEs

- To extend to potential customers, partners and competitors
- Getting access to industry directories and niche publications
- Search engines can be good, cost-effective marketing podium.
- Provide email and messaging options at fraction of every other communications.

Open-Source Software: Open-source software now builds an option for reasonable solutions to SME's. The use of open source software (OSS) paves the way from expensive per seat based product-centred software supply towards new business approaches that focus on services linked to that software. This approach called ASP model is very useful and appropriate for SMEs.

Broadband: High-speed connectivity to the Internet and across an enterprise's headquarters is very critical for business. It helps the SME to get linked to a larger and use more of internet/connectivity at reasonable price.

Wireless: Perhaps, the biggest observable technology revolution that is going to help SMEs is the explosion of wireless networks. GSM and CDMA networks are creating cell phones available to millions who were previously deprived of telecom services. SMS (Short Message Service) has already become a choice of communications for the SME on the move.

Instant Messaging: The other communications revolution that has helped the SMEs is the instant messaging. These direct online one to one interactions offer closure of deals amongst SMEs in real-time across locations through both voice and chat interfaces. The new releases of the instant messengers also support video via web cams.

Office Automation Software: Word-processing, Excel and Database applications on every desktop of the SME entrepreneur helps him to support his office operations smoothly. Entrepreneur presentation skills are enhanced by applications like power point. Calendar and Personal information manager boosts the personal productivity of the SME.

Small Business Accounting Software: These applications help SMEs to follow the business transactions and help in managing the cash flow in electronic form.

2. E-Business

Use of electronic mediums for enabling business is E-business. "E-Business" was coined by Prof. Nicolas Negroponte, to represent the shift from physical products to digital products and processes. For e.g. from print media delivered in paper form at the newsstand to digital information delivered via a website over computer networks.

E-Business = EC + BI + CRM + SCM + ERP

EC= E-commerce uses digital technologies such as the Internet and barcode scanners to facilitate the buying and selling process. In other words, e-commerce is about transactions.

E-commerce involves distribution channels and e-tailing. Normally people confuse E-commerce as E-business, but in actual it is a sub-set of e-business.

BI = Business Intelligence refers to the congregation of secondary and primary information about competitors, markets, customs and more. The Internet is a good BI tool.

CRM=Customer Relationship Management involves retaining both business and individual customers through strategies that ensure their contentment with the firms and its products.

CRM uses digital processes and integrates customer information composed at every customer "interface point" – mail, telephone, Internet, web and direct. The result of these interactions is integrated to build a complete picture of customer characteristics, behaviours and preferences.

The interactions of customer records are held in databases in electronic environment for effective CRM.

SCM=Supply Chain Management engross co-ordination of distribution channels to deliver products and services effectively and efficiently to customers.

For e.g., when a customer fills up a form for ordering a product over the web, the instruction is passed to the warehouse, to pick up the product and ship it to the customer fast. Also, the inventory is reduced by one automatically, and if the inventory falls below the defined minimum level, requests new products for the warehouse to the manufacturing unit. These processes called integrated logistics are enhanced by Information technology.

ERP=Enterprise Resource Planning also refers to back office operations such as order entry, purchasing, invoicing, inventory control, etc. ERP systems allow organizations to optimize business processes while lowering costs.

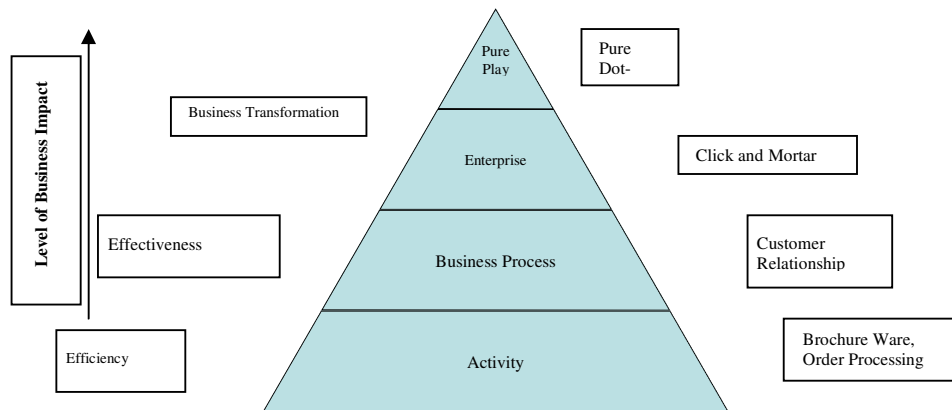


Figure -5 ICT as a Job

E-Business can be approached in many different ways depending on the specific business processes that a SME company requires for its particular business situation and strategy. The e-commerce approaches that are universally adopted by SMEs are:

1. Public relations
2. Company promotion
3. Pre/post sales support
4. Order processing; and
5. Payment management

Benefits of ICT for SMEs

Although companies in the SME sector utilise IT and e-business in their business, ICT plays a momentous role in SMEs by the way that their product is produced, promoted and provided. Online channels have become solutions for marketing, communication and interaction with customers. A necessary requirement for such services is a dominant ICT infrastructure, such as a broadband connection between service providers and users.

E-Business Benefits:

- **Power shift from Sellers to Buyers**

Both individual and business buyers are supplementary demanding than always because they are just one click away from surplus of global competitors, all compete for their business. In the new environment buyer attention is an insufficient commodity and customer relationship capital a precious asset.

- **Increased Velocity**

Change in digital economy is lightning fast. In the transparent environment of e-business, competitors know instantly what the others are doing and imitation is easy.

- **Zero Distance**

Geographic location is no longer a factor when join forces with business associates, supply chain firms and customers.

- **Global reach**

Internet and web creates a borderless global economy where marketers can reach an amazingly larger number of people than with the traditional media. This creates challenges as well as opportunities to distribute products worldwide and provide support at lower costs and time.

- **New Channels**

Buyers and sellers avoid the traditional intermediaries by creating new channels for distribution and marketing, through Internet and other electronic mediums.

- **Time Compression**

With e-initiatives time is no longer a restraint factor in communication between firms and stakeholders. Online stores can be open 24x7, and people can communicate asynchronously as their schedule permits. Time zones disappear for managers needing to team up with business partners, half way across the globe.

- **Knowledge Management is the Key**

Marketers have better information about their customers, which they congregate from the channels and third party sources. Enterprises gather this information and build databases about the consumer behaviour, buying habits and transaction records which are when conditional through business managers and consultants show the way to valuable knowledge, which can drive the business strategies.

- **Market Deconstruction**

In the absence of time and space constraints traditional product packaging no longer holds. This is especially true when physical products can be separated from information with which they are linked.

- **Interpretability**

Use of open standards in the software design creates systems, which will work collectively and inter-operable.

- **Interdisciplinary focus**

Marketers have to understand the technological capabilities in order to harness its power. The result is that that they not only should know about how to market and reach the customer, but what kind of message should be delivered in which media and how to manage the demand-supply balance with the manufacturing unit. This requires multidisciplinary skills.

- **Intellectual Capital**

Imagination, creativity and entrepreneurship are more important resources than financial capital. Intangible assets such as intellectual capital and knowledge draw investors more quickly than tangible assets. However, it takes marketing knowledge to turn intellectual capital to profits.

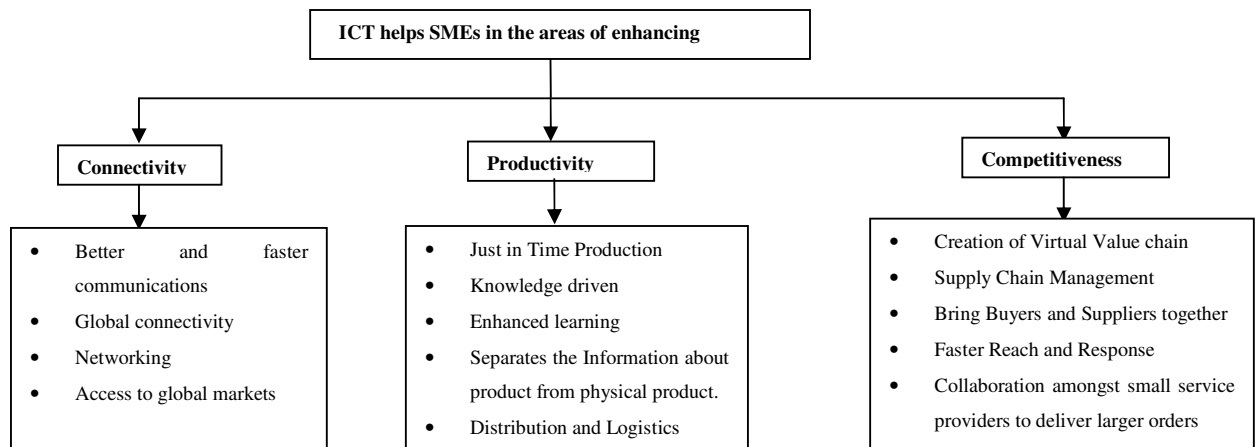
Challenges for ICT adoption in SMEs in E-Business

To make e-business more suitable for SMEs, there is a need for :

- Improving their technical and management skills: training and managerial change are key issues
- Making available appropriate e-business solutions for SMEs
- Addressing the high cost of ownership of ICT equipment
- Addressing security and privacy issues
- Making available SME-specific information on the uses of e-business, to help them in their investment decisions

ICTs allow solution to networking and communication requirements can explain SME growth in some cases whilst the act of growing itself intensifies the need for strategic ICT use.

SME support needs to fill in the gaps left by policies that only provide equipment or incentives without improving knowledge and the ability to adapt to new ways of working. It is by building the confidence that approaches with this knowledge that organizations will best be able to fasten ICT for growth.



Conclusion:

Strategy is the pillar for strategy development which acts as a vital source for globalization of India. As a result of globalization and liberalization, coupled with WTO (World Trade Organization) regime, Indian SMEs have been passing through a transitional period. With slowing down of economy in India and abroad, particularly USA and European Union and enhanced competition from China and a few low cost centres of production from abroad many units have been facing a tough time. Those SMEs who have strong technological base or we can say those SMEs who have opted ICT , international business outlook, competitive spirit and willingness to restructure themselves shall withstand the present challenges and come out with shining colours to make their own contribution to the Indian economy. ICT is the essential tool for economic development and material well-being in our age; it conditions power, knowledge and creativity; it is, for the time being, unevenly distributed within countries and between countries; and it requires, for the full realization of its developmental value, an inter-related system of flexible organizations and information-oriented institutions. In a nutshell, strategy development for globalization of India in SME in ICT can be a virtuous circle of development of Indian Economy as a whole. . This paper deliberates the use of ICT in developing a strategy for globalization of India in SMEs by the means of connectivity, productivity and enhances the competitiveness of SMEs.

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