

RESOURCE PERCEPTION OF KERALA MSME WITH SPECIAL REFERENCE TO ENGINEERING SECTORS IN THE DISTRICT OF ERNAKULAM

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Abstract

Micro, Small and Medium Enterprises play a pre- dominant role in the era of globalisation. Modern globalised industrial society is patented with constant changes in the methods and procedures in connection with regressive competition. The brick and mortar way of doing business is being gradually replaced with modernised means and methods. The importance of Micro, Small and Medium enterprises gained importance in India in the year 2006, after the constitution of Ministry of Micro, Small and Medium enterprises. The establishment of Ministry fostered the growth of manufacturing sectors especially of MSMEs at the rate of 38 percent towards GDP, with significant contribution made by each State. The current paper analyses the perception on resources which are necessary for sustainable competitive advantage of Kerala MSME with special reference to engineering sectors in the district of Ernakulam. The perception on both tangible and intangible resources is analysed. The proposed methodology adopted includes frequencies, simple percentage, and Chi square, and t test are employed.

Keywords: Globalisation, brick and mortar, MSME, Sustainable Competitive Advantage, sustainable parameters, structured capital, social capital.

INTRODUCTION

The Micro, Small and Medium Enterprises are considered as an instrument for economic growth and a key driver for fostering equitable development. In most of the regions they make up around 50 percent of total enterprise and contribute around 37.54 percent towards country's GDP and 40 percent of exports.

Sustainable Competitive Advantage is the ability of the firm to develop distinct competencies with the help of the resources they possess, both internal and external. These resources enable the firm to have superior performance which ultimately outperforms existing and future players. MSMEs in Kerala are still on the roads of miserable path with a higher opposition,

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because of globalisation and there is a striving need to develop sustainable competitive advantage to withstand in the environment. The basic unit of analysis for measuring Sustainable Competitive Advantage using Resource Based Theory includes physical, financial, human, commercial, technological and organisational assets.(Barney 1991). Firm is viewed as a collection of resources (Penrose 1959) Firm's resources should be of having some heterogeneity. The resources possessed by the firm should be distinct from rivals. For maintaining competitiveness and growth, firms must continually upgrade their resources (Argyris, 1996 ,Robins & Wiersema 1995,Wernerfelt & Montgomery,1988).Learning and knowledge are the important parameters of Sustainable Competitive Advantage (Hana, 2013). The main focus of Resource Based View is difficult to imitate attributes as a source of superior performance. (Hamel and Prahalad, 1996). The firm that employs resources that are distinctive are capable of innovation. Previously focused on large firms, changes need to be attempted to acquire essential resources in small firms (Rangone 1999) Firms are born as a result of interactions with social entities where the concept of social capital emerged, as the social capita is viewed as an asset(Lages, Silva, Styles, Pereira, 2009)Firms in a given social structure can extract benefits , both visible as well as invisible. Intangible resources are can be considered as important as they are difficult to imitate (Mcevily & Chakravarthy 2002).Talented staff also constitute strong foundation for sustained competitive advantage (Olian et al 1998), (Brush and Chaganti, 1999 list down the attributes such as family characteristics, education ,experience, skills and motivation of owner cum employees as the basis of human capital for developing Sustainable Competitive Advantage. To develop sustainable competitive advantage the firm should possess the resources that provide them with unique capabilities. These resource s are inputs for firm's production which involves property based and knowledge based. Property based can be classified as structured capital and knowledge based can be categorised as social capital.

Statement of the problem

Firm resources are advantageous to conceive of and implement their strategies. The present study is focused on the types of resources the firm possess and also the perception of entrepreneurs towards them. The study addresses the following questions:

- What are the perceptions regarding different types of resources the firm possess?
- What is the relationship between employee satisfaction and sustained competitive advantage?

Objectives

1. To study the perception regarding the types of resources employed by the firm.
2. To analyse the level of satisfaction of employees towards sustainable competitive advantage.

Research Methodology

A descriptive study is attempted for the paper by interviewing 15 entrepreneurs and 50 workers. The workers in the plant are taken in the study as they are the core contributors towards output. Data is collected from primary and secondary sources. Interview schedules are administered among entrepreneurs and workers. Secondary sources include articles, journals, websites and books .

Results and Discussions

Table 1
Profile of the Sample

Variable	Period	Frequency	Percentage	<ul style="list-style-type: none"> ■ 10-20 ■ 20-30 ■ 30-40 ■ above 40
Period of Establishment	10-20	2	13.3	
	20-30	6	40	
	30-40	6	40	
	above 40	1	6.7	
Variable	Type of Business	Frequency	Percentage	<ul style="list-style-type: none"> ■ Micro ■ Small ■ Medium
Types of Business	Micro	8	53.3	
	Small	6	40	
	Medium	1	6.7	
Variable	Capital	Frequency	Percentage	<ul style="list-style-type: none"> ■ below 10 lakhs ■ 10 - 20 lakhs ■ 20 - 30 lakhs ■ above 30 lakhs
Capital Invested	below 10 lakhs	3	20	
	10 - 20 lakhs	1	6.7	
	20 - 30 lakhs	4	26.7	
	above 30 lakhs	7	46.7	
Variable	Turnover	Frequency	Percentage	<ul style="list-style-type: none"> ■ below 1 crore ■ 1 - 3 crores ■ above 3 crores
Annual Turnover	below 1 crore	6	40	
	1 - 3 crores	5	33.3	
	above 3 crores	4	26.7	
Variable	Stage	Frequency	Percentage	<ul style="list-style-type: none"> ■ Startup ■ Growth ■ Expansion ■ Maturity ■ Decline
Stages of Growth	Startup	3	20	
	Growth	5	33.3	
	Expansion	2	13.3	
	Maturity	4	26.7	
	Decline	1	6.7	

Variable	Ownership	Frequency	Percentage
Nature of ownership	Sole proprietorship	12	80
	Partnership	3	20

Variable	Capital	Frequency	Percentage
Size of Firm by Employees	below 25	12	80
	25 - 50	2	13.3
	50 - 100	1	6.7

Source: Survey data

From Table no: 1 it is inferred that, above 50 percent of the entrepreneurs belong to micro units. The entrepreneurs who belong to small and medium units are below 50 percent. Also such firms are established for a period of more than 20 years. During the time period the enterprise have not shown any growth with respect to product, technology, area of operation. The unit has not shown any growth in relation to size as they stand as ancillary to public and private sector undertakings.

Hypothesis no: 1

There is no significant difference between perception of firm resources and sustainable competitive advantage

Table No: 2 Method of raising capital

Methods of raising capital	Type of business			
	Micro	Small	Medium	Total
Owned capital	8	6	1	15
Borrowed from family members	3	0	1	4
Borrowed from financial institutions	6	1	1	8

Source: Survey data

Table No: 2 reveals that 100 percent entrepreneurs use owned capital as a common method of raising funds. Above 50 percent also borrows from financial institutions. The rate of interest to be paid on the loans taken is comparatively high. Therefore the entrepreneurs step back from borrowing from financial institutions. Borrowings from financial institutions show

positive relationship between financial institutions and entrepreneurs, which constitute a major source of capital.

Table No: 3 Infrastructural facilities

Infrastructural facilities	Type of business			
	Micro	Small	Medium	Total
Availability of building	6	6	1	13
Availability of labour	5	6	1	12
Availability of warehouse	1	6	1	8
Availability of machinery	8	6	1	15
Air conditioning facilities	0	0	1	1

Source: Survey data

From table no: 3 it is clear that, Infrastructural facilities are essential resources for sustainable competitive advantage. Comparing the other facilities, Air conditioning is preferred only by one entrepreneur who runs a medium enterprise. The enterprise requires highly sophisticated machineries and equipments and thus the need for Air condition is essential.

TABLE NO: 4 Level of Perception Regarding Support from Government

	Frequency	%	Chi-Square Value	P Value	Inference#
LOW	5	33%	0.400	0.819	Not Significant
MODERATE	6	40%			
HIGH	4	27%			
Total	15	100%			

Source: Survey data

From Table no: 4 it is clear that, more than 50 percent of the entrepreneurs do not provide a positive opinion regarding support received from Government. As the State Government is responsible for the organisation of entrepreneurship development programmes, entrepreneurship skill development programmes, management programmes which is necessary for the acquisition of knowledge in connection to product designs, marketing avenues, export opportunities, selection of appropriate machinery and equipments. Support from Government is considered as an important resource as the accumulation of knowledge enables the entrepreneur to have sustainable competitive advantage.

Therefore, the null hypothesis is rejected.

TABLE NO: 5 Level of Perception Regarding Support through training institutions

	Frequency	%	Chi-Square Value	P Value	Inference#
LOW	5	33%	0.400	0.819	Not Significant
MODERATE	6	40%			
HIGH	4	27%			
Total	15	100%			

Source: Survey data

From Table no: 5, it is clear that the entrepreneurs of above 50 percent have low opinion regarding perception on training Institutions. The institutions under the Central and State Government that provide training for entrepreneurs include District Industries Centre, Micro, Small and Medium Enterprises Training Institutes. Even the Institutes organise exhibition cum training programmes, the participants are relatively less due to the opinion of waste of time. The entrepreneurs are not further communicated by the officials of Government ,even though they show a positive attitude towards Entrepreneurship Development Programmes. The Training Institutes invites eminent speakers from national and international level, and also arranges the resource persons from Central and State public sector units to present their requirements. As their requirements are highly sophisticated and unaffordable, many entrepreneurs fail to participate and therefore the null hypothesis is rejected.

Table No: 6 No: of enterprise having enterprise software

	Frequency	Percent
Strongly disagree	12	80
disagree	2	13
Strongly agree	1	6.7

Source: Primary data

From table no: 6, it is clear that majority of entrepreneurs disagree of having enterprise software. They are of the opinion that huge investments and knowledge is required for using such technologies.

Table no: 7 No: of enterprise having internet

	Frequency	Percent
Strongly disagree	6	40.0
disagree	1	6.7
agree	1	6.7
Strongly agree	7	46.7

Source: Primary data

Table no: 7 inferred that, majority of entrepreneurs, have positive opinion on internet as they provide updated knowledge on Government policies and regulations, programmes organised by District Industries Centre, Micro, Small and Medium Enterprises Development Institutes in relation to Entrepreneurship Development programmes.

Table No: 8 No: of enterprise having laptops

	Frequency	Percent
Strongly disagree	11	73.3
disagree	1	6.7
Neither agree nor disagree	1	6.7
agree	1	6.7
Strongly agree	1	6.7

Source: Primary data

From Table No: 8, More than 70 percent of entrepreneurs do not have laptops, as most of the units are micro in nature.

Table no: 9 No: of enterprise having enterprise websites

	Frequency	Percent
strongly disagree	11	73.3
disagree	1	6.7
agree	1	6.7
strongly agree	2	13.3

Source: Primary data

From table no: 9 it is clear that, 20 percent of entrepreneurs have developed their own websites, remaining find it unnecessary as their objective is to earn a living. The units give less importance to technology and marketing, so they do not give importance to websites.

TABLE NO: 10 Level of Perception Regarding Information and communication technology as resource

	Frequency	%	Chi-Square Value	P Value	Inference#
LOW	4	27%	1.200	0.549	Not Significant
MODERATE	7	47%			
HIGH	4	26%			
Total	15	100%			

Source: Survey data

From Table No: it is clear that, entrepreneurs above 70 percent recorded low or moderate perception on the implementation of Information and Communication technologies.

As the concentration of micro and small units are comparatively high, they still stick on with the brick and mortar way of doing business. The age factor of entrepreneurs also plays an important determinant of choosing the modern methods of production. The entrepreneurs above the age group of 40 are less user friendly with computer technologies. A separate IT professional is another alternative for the entrepreneurs because placing of orders, filing returns, accounts and management are mandatory. But micro and small are unable to afford the cost. Therefore the null hypothesis is rejected.

TABLE NO: 11 Level of Perception regarding clusters as a resource

	Frequency	%	Chi-Square Value	P Value	Inference#
LOW	4	26%	.1.200	0.549	Not Significant
MODERATE	7	47%			
HIGH	4	27%			
Total	15	100%			

Source: Survey data

From Table No: 11, the p value is greater than .05, and therefore the null hypothesis is rejected. The table shows only 27 percent of entrepreneurs are having positive opinion on clusters. Clusters are considered as an important resource, because it is established by a group of entrepreneurs sharing common objective. Clusters enable sharing of resources, knowledge, updated technologies, as well as for acquiring Government assistance and support. The status of Engineering Clusters in Kerala is in the state of winding up. The members in the clusters suffered huge financial losses because of protest from local public. More supportive attitude is expected from the Government and people side.

TABLE NO: 12 Level of Perception Regarding IPR

	Frequency	%	Chi-Square Value	P Value	Inference#
LOW	5	33%	.000	1.000	Not Significant
MODERATE	5	33%			
HIGH	5	33%			
Total	15	100%			

Source: Primary data

From Table no: 12, only 33 percent of the entrepreneurs have high perception regarding Intellectual Property Rights. Intellectual Property Rights are considered as an important resource for sustainable competitive advantage. But the entrepreneur considers its acquisition of incurring huge cost. Apart from the above, most of the units under engineering sector stands ancillary to public sector and private sector units. They manufacture as per the requirements of their parent company and therefore neither any technology is invented nor a product. Hence null hypothesis is rejected.

Hypothesis No: 2

There is no significant difference in the employee satisfaction and sustainable competitive advantage

Table No: 13 Employee Satisfaction

Employee Satisfaction Variables	T test	Chi square	Inference
Skill and Personality training	-3.998	<.001	Significant
Safety education	-4.804	<.001	Significant
Awareness in new technology	-5.692	<.001	Significant
Potentials and capabilities increased by training	-5.098	<.001	Significant

Helps to reduce accidents	-3.060	.004	Significant
Comfortable towards work	-9.391	<.001	Significant
Suggestion schemes	-5.546	<.001	Significant
Freedom in work	-9.071	<.001	Significant
Quality of supervision	-4.892	<.001	Significant
Grievance Procedure	-4.719	<.001	Significant
Effectiveness of emergency situation	-3.078	.003	Significant
Measures to control accident	-2.725	.009	Significant
Inspection of work surroundings	-.182	.856	Not Significant
Performance Appraisal	-4.903	<.001	Significant
Achievement of personal goals	-2.183	.034	Significant
promotional policies	-6.517	.000	Significant
Discipline	-5.181	.000	Significant
Challenge in work	-.538	.593	Not Significant
Feeling of competence	-1.000	.322	Not Significant
Protective equipments	-2.765	.008	Significant
Flexible working hours	-1.946	.057	Significant
Medical facility	-3.527	.001	Significant
Canteen facility	-4.705	.000	Significant
Housing facility	-1.331	.189	Not Significant
Dress code	-3.714	.001	Significant
Transport facility	.633	.530	Not Significant
Leave facility	-5.315	<.001	Significant
Recreation facility	-5.235	<.001	Significant
Infrastructure	-4.200	<.001	Significant
coolers,toilets in adequate areas	-4.128	<.001	Significant
Salary/wages	-3.498	.001	Significant
Incentives	-3.337	.002	Significant
Compensation	-1.905	.063	Significant
DA	-3.827	.000	Significant

Retirement benefits	-.185	.854	Not Significant
Bonus	-15.00	<.001	Significant

Source: Survey data

Employees are yet another resource which enables the firm to improve the profits and turnover.

From Table no: 13 it is inferred that the satisfaction of employees are significant, except in the case of retirement benefits, transport facilities, housing facilities, development of competencies and hygiene facilities. As the workers acquire necessary skills through preliminary training and experience, and mostly the units are of micro in nature, there is no technological updation in the enterprise and therefore the competencies of workers are not improved. Apart from that,

The working atmosphere is not hygienic in nature. It is most common in micro and small enterprises. The materials and machineries are scattered around different spaces, leaving no area for the workers to move around. The use of protective equipments is low in micro and small enterprises. Also measures in relation to accident are not properly taken care.

Findings and Suggestions

1. Infra structure is the primary requirement that the entrepreneurs should possess and it forms basic resource for sustainable competitive advantage. Capital also forms part of the basic resource because investments in assets constitute the definition of Micro, Small and Medium Enterprises. Majority of entrepreneurs raised capital from their own sources without relying on financial and non financial institutions.
2. The firms are capable of innovation, as they have the skill to develop technology which may reduce the cost of operation. But they are reluctant to invest because they are struggling for existence. The micro and small units in the engineering sector are mostly ancillary in nature, therefore the entrepreneur's ideas cannot be completely deployed. But they have acquired unique technology, to produce increased quality as well as quantity of products. Uniqueness in technology also constitutes an important resource in firms.
3. As the firms are less aware of the schemes and incentives proposed by Government, which enables the entrepreneurs for knowledge acquisition, more number of initiatives for the organisation of training programmes from Kerala Small Scale Industrial Associations, District Industries Centre, and Micro Small and Medium Enterprises Training Institutes.
4. The firms are capable of acquisition of patents, Therefore Intellectual Property Rights forms part of knowledge recognition resource and results in sustained competitive advantage. But majority of entrepreneurs stands ancillary to the parent company and they are not into the function of innovation. But the firms should exhibits innovation either in product, process, markets, resources, and technology.
5. Clusters are considered as another source of knowledge accumulation. Even though Clusters are given due importance by Government, the real picture about the clusters operating in Kerala is under discussion. Measures should be taken for the revival of Clusters.

6. As most of the firms in the engineering sectors acts as ancillary, to public sector undertakings they are dependent on them. Price revisions are not made by them. As the value of materials is increasing day by day, micro firms incurs huge cost for their purchase. The Public sector units should make their effort to buy their requirements from micro and small firms. The Government should also try to raise 20 percent of total requirement from micro, small and medium enterprises, as a means of survival.
7. As the workers constitute a major part towards the contribution of output, their level of satisfaction should also be considered. Most of the units do not bother about the protection of workers. There are units where women performs the same function equal to that of men. But their safety is given least importance. They are not provided with helmets, gloves as a measure of safety. The same problem encounters to men also. Apart from the above, after grabbing the necessary skills, and getting reasonable experience, they search of employment with a higher pay. Therefore workers are floating in nature. The rapport created by the entrepreneur with employee is high because they provide necessary incentives and leave facilities.

Conclusion

Micro, Small and Medium Enterprises need to develop and maintain competitive advantage with the help of the resources they may have. According to the Resource Based View, the competitiveness of a firm depends on the resources, where some firms have strong strengths in relation to physical resources and some may have strong strength of intangible assets. In order to classify the firm's resources, a preliminary investigation is made regarding perception of entrepreneur's in relation to tangible as well as intangible resources. The paper investigates that the some resources are considered superior while some others are considered inferior.

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