

Entrepreneurship under Turbulent Times: From “Hobson’s Choice” to Grabbing Opportunities

ISED Discussion Paper

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ISED Small Enterprise Observatory
Jointly with
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Preface

The MSME question today, especially in the context of the on-going Pandemic, is multidimensional. It has implications for markets, livelihoods, value chains, and for the labour market. Being the second largest sector of the Indian economy, these dimensions, put together, poses both threats and opportunities. These dimensions need to be properly identified and analysed, so that the forward looking sections of the business community can explore strategic options.

Under the India MSME Communication Programme(IMCP), the Observatory, in co operation with the various Knowledge Centres of the Institute, makes a rigorous analysis of the latest currents in the MSME constituency, leading to a unique 'Development Report'. This study is a spill-over of this exercise of Development Reporting on micro, small and medium enterprises (MSMEs) at the ISED.

While the team of the Observatory did a meticulous job under the guidance and support of the Project Leaders, individual members of the Team, including the editors and the Associates, have made their special contribution in specific thematic areas. While this title is significant in the present context of the Indian economy , and of the MSME developments in specific, I hope it will contribute to wider discussions in the subject area.

As this title come out as a joint output of the Observatory and the ISED Centre for Enterprise Development, the Institute wishes to thank, without fail, the pains and efforts of the authors, and all who have supported it through inputs and suggestions. ISED has taken best efforts to ensure the quality and reliability of this paper. However, for the findings and views, the authors alone are responsible.



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October 29,2021

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Abstract

The MSME question today, especially in the context of the on-going Pandemic, is multidimensional. It has implications for markets, livelihoods, value chains, and for the labour market. Being the second largest sector of the Indian economy, these dimensions, put together, poses both threats and opportunities. These dimensions need to be properly identified and analysed, so that the forward looking sections of the business community can explore strategic options.

Key Words: Covid 19, India, entrepreneurs, survival strategies.

1.0. Introduction

The MSME question today, especially in the context of the on-going Pandemic, is multi-dimensional. It has implications for the markets, livelihoods, value chains, and for the labour market. Being the second largest sector of the Indian economy in relation to human participation, these dimensions put together, against the disruptive environment, poses both threats and opportunities. These opportunities and threats, *ipso facto*, need to be identified and analysed, so that the forward looking sections of the business community can explore strategic options. The purpose of the following discussion is to draw lessons from the point of view of public policy and business strategies. Besides it also examines the key strategy areas from the point of view of existing businesses and, their present constraints, and opportunities.

2.0. Key Lessons from the Present MSME Crisis

The on-going Pandemic and the disruption in the MSME economy therefrom, has some uniqueness that calls for innovative solutions under an anticipated “new normal”. However, such new solutions are contingent upon what and how we learn from evidence and experience. The key lessons for entrepreneurs, emerging from the discussion so far, are as follows:

2.1. Manufacturing: From Mass Production to Point-of –Demand Production

There has been a radical change from mass production

to mass customisation, where the customer and not the plant is going to be the point of attention. Making available products at point-of demand necessitates strategic choices to stay competitive. This radical shift from production of competitive products and chasing the market, is giving way to a strategy of focusing on small local markets, and tailoring the manufacturing strategies accordingly.

Under this ‘point-of-demand model’, as it emerges, the distance separating the manufacturer from its customers will be sharply reduced. Customers can reasonably demand from mass producer’s products that look and feel like they were made next door. Such personalized products that are best suited to customer needs will enjoy higher sales margins.

2.2. New Rules of the MSME Game

The main objectives of firms are often discussed in relation to some broad areas, such as: 1) Profit maximisation; 2) Sales maximisation; 3) Increased market share/market dominance; 4) Social/environmental concerns; 5) Profit satisficing; and 6) Co-operatives. There can also be overlap and shifts in objectives, according to particular circumstances. For example, seeking to increase market share, may lead to lower profits in the short-term, but enable profit maximisation in the long run. The size of business is often considered as deterministic of such objectives. The old division between large businesses and SMEs is being redrawn in the following manner:

1. The golden rule of market power is changing from scale to scope.

2. The focus on absolute competition is changing in favour of a mix of sustainability, competition, and survival.
3. Technology and capital size is going to play a big role in cost control and profitability.
4. Knowledge base is going to be central to MSME performance.
5. Community as the immediate constituency of business is likely to be strengthened.

For every firm to stay in business, the 'Sustainability Triangle', involving sales volume, profit margins, and innovation, become crucial. For enhancing sales volumes, community reach is critical. Profit margins can be enhanced through strategies. Innovation demands greater infusion of capital and technology.

2.3. Evolving Scenario of the World of Work

The COVID-19 pandemic ushered in the opportunity to rethink how we work. 'Platform work' is an employment form in which organisations or individuals use an online platform to access other organisations or individuals to solve specific problems or to provide specific services in exchange for payment. A 'platform' is a business model that creates value by facilitating exchanges between two or more interdependent groups, usually consumers and producers. In order to make these exchanges happen, platforms harness and create large, scalable networks of users and resources that can be accessed on demand.

The 'platform work business model' is a sea change that occurs less than once in a generation and has the potential to reshape society in countless ways. It has implications and lessons for various stakeholders. There is need for humility as leaders, organizations, and employees grapple with learning best practices, testing solutions, and admitting that nobody has all the answers in hand.

According to the McKinsey Report (2021), for employers, the risks are high in 2021. The recent surveys found that 40 per cent of workers globally are considering leaving their current employers by the end of the year. Since the start of the pandemic, 42 per cent of employees globally have reported a decline in mental health. Mental-health conditions cause absenteeism, presenteeism, and

approximately \$1 trillion worth of lost productivity a year, according to the World Health Organization. All these indicate that, owners and operators must move to a zero-trust mind-set and need to improve their systems' ability to respond and establish control.

2.4. Trust Deficit

The global trend, as it gets evolved, according to the McKinsey Report (2021), is towards a sharp fall in trust, which is a basic building block of business. Without trust, transactions cannot occur, influence is destroyed, leaders can lose teams and salespeople can lose sales. Trust and relationships, much more than money, are the currency of business. Trust is the natural result of thousands of tiny actions, words, thoughts, and intentions.

The lesson for SMEs is clear. Owners and operators must move to a zero-trust mind-set and need to improve their systems' ability to respond and establish control. Despite having technological tools at their disposal, many managers are uncomfortable with having employees work from home. Since home has also become the office in the case of employees who work remotely during the pandemic, complaints abound that managers often try to control and monitor workers more closely than they did in the past. This signals a lack of trust between managers and employees, writes David De Cremer in this opinion piece. Organizations that are able to develop strategies to build trust between managers and employees will see stronger work relationships as well as performance.

Trust in businesses grew during the COVID-19 pandemic, and business remains one of the public's most trusted institutions, according to the 2021 Edelman Trust Barometer. However, public trust declined in most industries — with technology, fashion, professional services and automotive seeing the most significant reversals. Since business is more trusted than the government and media, 86% of the public now expect CEOs to take the lead in addressing societal issues — such as the pandemic's impact, job automation and local community challenges. COVID-19 has added to the public's personal and societal fears, with many worried about the future of the workforce. For example, the majority of Trust Barometer respondents are