

# Factors affecting growth of smes



Q3: What are the major challenges that you face as a manager as the company grows?

The CEO sounded more agitated answering that he had encountered the major challenge of reduced control. He claimed that as the firm grew, more and more managerial levels needed to be set up so as to manage the wide scope of the business. Further, the CEO added that he had that there was need to delegate power and responsibility to lower managers which was quite a huge challenge for him since as the main founder of the firm, he felt less trust when it comes to sharing his power with others. ‘...people can fail you...’ to quote part of his response.

The VP on the other hand, had more or less the same issues as the CEO. In his part, the VP spoke of lacking proper skills and personnel to oversee the increasing scope of the firm. In other words, since the firm has not been in the industry for so long, the system is still largely informal and therefore as the firm is growing, more need for formality is coming up of which he as a top manager is not so ready to embrace. ‘... We are experiencing a deficiency in our technicality level even as the firm becomes more complex in operation...’

Further, the VP mentions that in a way he is experiencing the pressure in the need to delegate a portion of his power to lower management and is not ‘so secure about it’. Just as the CEO does, the VP feels that he is losing control of the firm which was not the case during start up.

Q4: As an organization what challenges do you encounter during growth?

Both the CEO and the VP had almost the same issues challenging their firms as they grew as a firm. The first common challenge was financial difficulties. Even though the CEO is at better position financially as compared to the VP, they both face a challenge of acquiring more funds to better their coverage and services especially in such a competitive sector as the wedding industry. Notably, the VP mentioned that ‘...we have not yet got a grip of the market...’ this indicates that the firm in its early stages as expected has limited market coverage and are striving to acquire more market for their wedding services and products.

Q11: At your level of work, what problems affect the growth of the firm?

The main problems highlighted by the finance managers of Firms A and B are the problems of loss of important records and at times they experience grave pricing based problems due to increased competition in the market. This problem seemed more severe for Firm B than firm B. This can be attributed to the presence of better resources in Firm A which enable the firm to up their service provision standards. Further, Firm B’s major problem was insufficient funds as the firm is just too young. Of course firm A had better sources of funds.

The human resource manager of Firm B claimed that the major problem encountered is limited skills in the current employees considering the fact that the firm cannot yet ‘afford highly skilled professionals’ especially since it is still informal in most of its operations. The human resource manager of Firm A claims that most of the problems crop from coordination due to

increased firm complexity. ‘...overseeing the whole firm is a complicated issue...’

#### 4. 2. 1. 4 Growth strategies for SMEs

Q16: Do you think the higher management is doing enough to manage growth of the firm?

This question portrayed a lot of discrepancies in terms of the responses given by the 6 respondents. 3 out of 6 respondents said that their firm was not doing enough to manage growth in their firm while the other three said that their firm was doing enough to manage its growth. The three who agreed were; the design and decorations supervisors (firm A) and the foreman (firm B). The three who disagreed were; the design and decorations supervisors (firm B) and the foreman (firm A). The former three agreed based on the fact that since the design and decorations departments are closely related, funds had been allocated in plenty to improve these two sectors and so on a general view the two supervisors agreed (researchers assumption). The foreman who agreed argued that the adoption of the PPM tools was a sure great step towards managing growth of the firm. The three who disagreed, coincidentally had the same perspective, they claimed that the management (top management) was ‘ self-centered’ and that it neglected the views from low level managers. This was a sure path to retarded growth of their respective firms.

Q17: What strategies would you make for the organization to improve on growth management?

Among all the responses given for these questions, the most common answer was based upon miscommunication and/or communication barriers. This response was given by all the six respondents. It showed that the firms, especially firm A (complex structure) suffer growth hindrances due to poor flow of information between the top management and the low management. This is especially a challenge since the low management has most encounters with the customers and therefore know more of the markets demands than the top management do. They are better off with making some better decisions since they have better and first hand encounter with risks involved. Also most pointed out the poor allocation of funds for development within the firm; this reduces the effect of growth on the firm, since all firms departments must grow equally.

#### 4. 2. 1. 5 Growth Models for SMEs

Q5: Is your company's growth governed by any growth stages?

The CEO responded that they were governed by an array of anticipatory stages which when critically analyzed can be taken to be a growth model that is more or less as that of Churchill and Lewis. In their case, they consider growth phases that: existence, survival, success, take-off, and resource maturity. Asking him if it had any significance, he mentioned, '...the stage anticipations help us strategize our growth and escape trouble...' He was then asked to suggest what growth stage they categorized themselves at and he said emphatically, '...definitely past the survival level...'

The VP had a different point of view on the same question. He responded that his firm had not yet adapted any growth model as it was first

concentrating on venturing into the market and acquiring clients for their firm. In his words, ‘...at this stage, growth here is more haphazard, more spontaneous and we are not really following any pattern in our growth... it’s all about priority at this stage...’

From a critical point of view, the CEO was referring to a stage growth model alike the explored model in chapter 2. He further acknowledged the benefits that this stage model had on strategizing and thus managing growth.