

Secrets for SME success

They can improve growth through continuous learning and innovation

WHAT can small and medium enterprises (SMEs) do to enhance their learning capability to improve growth prospects which are crucial for sustaining success and survival? Essential building blocks of a learning-oriented innovative SME includes purposeful knowledge leadership, absorptive capacity, a culture of experimentation and team learning. Supportive strategic leadership is essential to create new value-added knowledge outcomes, for example, by combining knowledge from various contexts into something new. This might include the ability to use knowledge portals to make knowledge available in a shared base, seeking advice from external experts or the formation of new network alliances in order to innovate. An example is tropical fish exporter Qian Hu under the leadership of Kenny Yap who is successfully engaged in both open and networked in-



novation so as to scale up some of its main products in support of its internationalisation strategy. The deployment of strategic learning tools, whether low cost approaches such as mentoring schemes or the systematic mining of particular science and technology journals, has to be initiated by the SME owner-manager as knowledge leader in order to facilitate knowledge conversion and creation processes.

Leaders must nurture the absorptive capacity of the organisation, so that relevant external information of value can be acquired, absorbed within the organisation across silos and transformed into a competitive advantage through routines and processes. This may necessitate rethinking the way a firm captures, creates, delivers and extracts value. If gaps are identified, it is essential to modify the firm's business model and value networks, e.g. by becoming an innovative total solutions provider as envisioned by the chairman of Teckwah Industrial Corporation Thomas Chua. To remain competitive in the packaging business, the firm is incorporating multimedia into its packages. He recently moved its headquarters to Pixel Red, a new five-storey building in the Paya Lebar iPark, where he plans to bundle the complementary services offered by Teckwah and some of the fu-

ture tenants in a new configuration for the benefit of its customers.

An important enabler is a firm's experimenting culture with an emphasis on imagination, intense cooperation, willingness to share (not hoard) knowledge and power, team learning and relentless networking. The cross-fertilisation of ideas often leads to product and/or service innovations as illustrated by the story of the sushi conveyor belt in local restaurants such as Sakae Sushi, Osim's exercise gadget iGallop or the popularity of fish spa pedicure in Asia via the toothless Garra rufa fish from the river basins of Turkey, Syria, Iraq and Iran. The key is to start with the humble attitude that one's knowledge is not enough and the conviction that continuous learning embedded in a strategic human capital management framework pays.

While many Asian SMEs have traditionally acted as brokers (via knowledge arbitrage) between various regional communities, the rapid influx of new technologies in conjunction with ASEAN's market integration, suggests that traditional business models based on technology trading are not sustainable. SMEs can reap tangible benefits from proactive learning, such as improved productivity and skills, enhanced customer relations or greater flexibility in production and innovation. Learning is relevant to broad issues of strategy, such as understanding

how newly-acquired know-how can be used to reinforce core competencies.

SME bosses who nurture a climate of continuous team learning through regular dialogues with staff and consensus building will be very attractive for younger (Gen Y) talent who have ample employment opportunities in other sectors. Like talent elsewhere, they expect operational excellence, fairness and a convincing employee value proposition based on best practice performance management approaches. If all of the enablers of learning-oriented, innovative SMEs are in place, local enterprises will survive and grow.

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