

ALL Small and Medium Enterprises (SMEs) have an important asset – an entrepreneurial founder. These founders have a vision and execute that vision well, resulting in a successful SME. Most SMEs, however successful, will hit a limit to their growth. This is largely because the founder CEO does not have the time to think about creating innovations as a means of growing the company. Often, the business culture within most SMEs is also not designed for dissenting voices or differing opinions. Hence, growth soon hits a ceiling.

It is important for SMEs to realise how to increase their revenues and as a result their profits even as they are struggling to use innovation as a vehicle for growth.

No SME is an island. Usually, an SME offers a value in one part or link of a value chain. Value chains start from component/material production and end in the product reaching a customer's home or office. While an SME can respond to limited opportunities if it operates in isolation, it can find new means of increasing its revenues by becoming part of a Virtual Enterprise, or VE.

A VE can be defined as the coming together of a number of SMEs, each in a different non-competing part of a value chain, to respond to larger business opportunities that no single one of them will be able to respond to in isolation.

There are some interest-

Should SMEs hunt in a pack?

Doing so helps each increase its growth

ing questions to be answered. We will list some key questions and offer some suggestions for each of them.

1 How can VEs be formed?

VEs are best formed through networking among trusted partners. The business associations such as Singapore Chinese Chamber of Commerce and Industry (SCCCI) can organise networking events to bring together disparate SMEs to meet each other. The speed dating technique could be used for SMEs to get to know other SMEs in their value chain. An example was the World Chinese Business Network that Institute of Systems Science had created sometime ago. That was done to bring together Chinese businessmen across countries. It may be prudent to create face-to-face meetings among companies within a country or city first and then pursue cross-border relationships.

2 What new regulations may be required to create VEs?

A first step is, perhaps, to use an umbrella organisation,

that is the coming together of relevant SMEs under one operating entity for the purpose of forming a VE. Company secretaries and lawyers can suggest whether there is a need to lobby for new regulations for the creation of such entities. Clearly, a VE will require a nominal head and that has to be one of the CEOs of the various SMEs in the VE. CEOs of the different SMEs could take turns to be the CEO for the VE, thus ensuring fairness to all the participating SMEs.

3 Can any agency help SMEs identify potential partners for forming a VE?

In Singapore, SPRING could be the government agency that can facilitate the creation of VEs. Other agencies such as the Singapore Business Federation, SCCCI, Singapore Indian Chamber of Commerce and Industry and Yayasan Mendaki (the Council for the Development of Singapore Malay/Muslim Community) can also help enable the creation of VEs.

4 Can an SME be a part of more than one VE?

Many times, the products and services

provided by an SME can be used in more than one value chain, whether within one or across multiple industry verticals. So, an SME can certainly participate in more than one VE as a means of increasing its revenue with existing products and services. However it is important to ensure that no SME overcommits its deliverables by participating in more than the number of VEs it can truly support.

Now, the million-dollar question is: Should and will SMEs hunt in a value chain pack? SMEs can certainly hunt in packs provided the CEOs of the individual SMEs are prepared to leave their egos outside the doorstep of the VE. Individual CEOs have to decide what is more important – their ego or the company's growth?

Arcot Desai Narasimhalu is director of Institute of Innovation and Entrepreneurship, Singapore Management University.

In association with



NPS



UNIVERSITY of CAMBRIDGE
International Examinations

CAMBRIDGE INTERNATIONAL CENTRE

