

ENTREPRENEURSHIP

THE 'GREAT' MODEL FOR SUSTAINABILITY AND HIGH PERFORMANCE OF SMEs

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Abstract

Entrepreneurship is the venture to set up a new business or launch new products by an existing business. SMEs benefit from the Internet Age in terms of information access and marketing tactics. Proposed by the writer, 'GREAT' model is a rule of thumb for innovation in entrepreneurship. It is a function-by-function plan of action, which is more effective than brainstorming sessions. G is green; R are 4Rs to help with innovative design, that is, re-size; re-arrange; re-build and reverse. E is electronically-enabled. A is augmented technology and T is timely shipment, events, payments, etc. A case study is made on an innovative maker of micro wind turbines in Hong Kong and it is shown that the company is a practitioner of the 'GREAT' model.

What is entrepreneurship and its implications?

Entrepreneurship has become a buzzword since the seminal work by Schumpeter in the 1930's. He redefined entrepreneurs as innovators who transfer resources from a low-yield production to a high-yield production by new but untried technology¹. Entrepreneurship is the venture to set up a new business or launch new products by an existing business. Entrepreneurship is not unique to small and medium enterprises (SMEs), although their business viability much depends on it. Big corporations embark on entrepreneurship when they develop new products. This is better known as intrapreneurship, that is, entrepreneurship within and between departments of the same corporation (Hisrich and Peters, 1995). Big corporations with international brands used to rest on their laurels by virtue of the hype of their brand equity, corporate image and product benefits. Their competitive edge has been compromised since the arrival of internet. When the information asymmetry is redressed to the advantage of SMEs Dynamic pricing, e-DM, on-line orders and other social media channels are available to SMEs at an affordable cost. SMEs benefit from fickle consumerism in the digital world of information overflow and consumers' individual preferences are changing so soon that only SMEs can cash in on these niche markets whereas large-sized counterparts mainly engage in mass production and market *en masse*. Their market segmentation by demographics and other variables still leaves breathing space for SMEs because they can survive on a small batch of order.

Marketing tactics in internet age

SMEs were market-driven before the internet age so that they produced the products and services on demand by consumers. Most of them are 'me-too' products without any innovative features, which only put SMEs on a subsistence level. Internet enables SMEs to be market-driving via inexpensive social media, such as Facebook, Twitter, Google and other search engines. A brainchild product can be promoted through viral marketing to arouse the needs of prospective customers. Community marketing is achieved if customers and prospects form groups for discussions, gatherings and other activities, be it virtual or real. Experience is crucial to patronage and loyalty to a brand of an organization. A case in point is Harley Davidson Motorcycles, which organize owners' clubs for social events, gang rides, parts/accessories and other activities. A bond and community are formed among the owners, who are die-hard loyalists of the brand although there are other keen competitors in the market.

The 'GREAT' model and its connotations

SMEs are limited in manpower, financial capital and other resources. Ownership is usually vested with a family, a couple or a cohort of classmates or friends. Their decision-making process is more flexible and efficient than large corporations in response to market trends. They cannot afford whopping expenditure on R&D but innovative products can be launched through a function-by-function plan of action without much financial commitment. I put forward a rule of thumb applicable to entrepreneurship of SMEs, which can be summarized by an acronym, 'GREAT'. 'G' stands for Green, which is self-explanatory. Green features include energy saving, zero/low carbon emission, eco-friendliness and wastes able to be recycled after use. Green products comply with green trade regulations in force in most developed countries and will otherwise be subject to trade disputes, heavy levy or embargo. In addition, green products command a price premium. 'R' stands for 4Rs to innovate a product, that is, Re-size, Re-arrange, Re-build and Reverse. Re-size is to make a product bigger or smaller; Re-arrange is to combine individual features of existing products; Re-build is to change or enhance the existing functions; Reverse is to think in the reverse mode from different directions for inspirations and new concepts. 'E' represents e-DM, e-tailing, and other electronic media for promotions, orders and payments. 'A' stands for augmented technology of engineering ingenuity and superior contrivance. A small gadget or gizmo is still very rewarding if the functions or outward appearance of a product are enhanced. 'T' means timely marketing tactics, timely events, timely shipment and timely payments. The 'GREAT' model gives SMEs a guidepost to formulate their business strategy and to think out of the box. The 'GREAT' model is more productive than brainstorming sessions, which, on many occasions, end up with whimsical concepts and fanatic rows.

The 4Rs and their applications

The application of 4Rs is well illustrated by the prevalence of 'pigeonhole showcase' in Hong Kong. Hong Kong is a bustling metropolis and famous for prodigiously high commercial rents. 'Pigeonhole showcase', is a showcase with small compartments, enables SMEs to gain access to publicity and transactions at a minimal cost. Each compartment is furnished with the occupant's products on sale. I take one step further by recommending the 'pigeonhole showcase' in exhibitions to be hosted by Hong Kong Trade Development Council (HKTDC). HKTDC is keenly interested in my proposal and will make it available to SMEs in its forthcoming exhibitions, which are always fully booked to the exclusion of small and prospective exhibitors. In exhibitions with 'pigeonhole showcase', SMEs can promote their products at a fractional cost with samples, catalogues and digital photo frames in these compartments. Exhibitors are accessible to attend to enquiries and take orders. Apparently, the 'pigeonhole showcase' is to re-size the showcase and re-arrange the features of pigeonholes and a showcase in a synergetic form. My approach is to think reversely from a new perspective.

Further example of 'GREAT' model

'A' stands for augmented technology and it is best illustrated by the launch of electric cars made by Mitsubishi, known as the i MiEV. Augmented technology, in this case, lies in the lithium-ion battery, that allows for a top speed of 130 kilometers per hour. A seven-hour charge will give a mileage of about 160 kilometers. CLP Power Hong Kong Company Ltd (CLP) purchased ten i MiEVs for trial run and is committed to exploiting a new market, that is, charging electric cars. CLP has set up about 20 charging stations at public car-parks as the bridgehead to capture the market. In addition to Mitsubishi, CLP also promotes electric cars as the eco-friendly vehicle. I have sat on one of CLP's customer service advisory committees and suggested that the electric car is safer than a gasoline-driven car in case of accidents because the former is not going to blow up in a blaze and the driver is highly unlikely burnt to death. A new perspective is taken by emphasizing the safety feature rather than green features. Currently, this 4-seater electric car fetches a retail price of HK\$490,000 (roughly USD63,225) and a car buyer will not fork out such a high price unless it is a matter of life and death. 'GREAT' model allows us to systematically design the value chain of a novel product in a managed way.

A case study on entrepreneurship in Hong Kong

In Hong Kong, the business practice of SMEs is based on the Confucian values and Chinese culture because the ethnic majority in Hong Kong are Chinese (Rutten and Upadhyya, 1997). Entrepreneurship is a core value in Hong Kong, which is dominated by SMEs, accounting for 96% of the total business establishment. In Hong Kong, an SME is defined as a manufacturing establishment with less than 100 employees, or a service establishment with less than 50 employees². A typical SME in Hong Kong is a small business run by a family with its own but little capital. Clientele is built upon the original base from the owners' connections in the past. They work round the clock and make the business merely survive because the business does not offer any unique

differentiators. The success story of entrepreneurship in the manufacturing sector deserves accolades when the sector only contributes to 2.5% of Hong Kong's GDP³. This is because the majority of manufacturing operations in Hong Kong have been relocated to China to take advantage of cheap resources since the open-door policy was enacted in China in 1979.

Motorwind Ltd. in association with Motorwave Group was set up by Lucien Gambarota, an Italian-born engineer based in Hong Kong. It is an example of copreneurship, that is, entrepreneurship by a couple. The husband, Lucien, in his mid-fifties, has expertise in engineering invention and industrial design while the wife, Stella, takes over administrative duties. The workforce is limited to less than 10 workers including his son as an operative. A new 1000 sq.m. area, which is ten times as large as before, has been occupied since May in 2009. The business entity mainly engages in micro wind-power generators, known as micro wind turbines, in collaboration with Mechanical Engineering Department, University of Hong Kong. The gadget is superior in the sense that it can generate power for lightings, TVs and other small electric appliances by catching air currents with a speed as slow as 2 metres per second. The wind-power generator is run by linking plastic gearwheels with a diameter of just 26 cm. The number of gearwheels to be linked determines the power capacity to be generated in a space, be it a rooftop or a balcony, which can accommodate the micro wind-turbines.

Educational kits to demonstrate the process of power generation are available to schools for creating green mindset among students. Workout and power generation are combined by installing dynamos on bicycles and treadmills. These sports facilities are designed and set up at fitness centres by the business entity as a gizmo to attract health-conscious users to keep fit and go green together. Apart from wind energy, solar energy is also harnessed to enhance power generation. A product, known as Hybrid/Turbine Solar Panel Street Lamp Post, was just added to its product list: the street lamp is alternately powered by the wind and the sun. To ride on the craze of World Cup in June, 2010, Motorwind Ltd. designed a fun model and power was generated to turn lights on when the football at the end of a handle was kicked off. The fun model was on display at shopping malls in Hong Kong when the World Cup matches were being held in South Africa. Motorwind Ltd. also makes use of website, Facebook, newspapers and other social media for promotional activities and networking. I know the couple personally and consider the business as a practitioner of 'GREAT' model to the extent that its products are green 'G', re-sized and re-arranged 'R', electronically-enabled 'E'; powered by new technology, such as micro wind-turbines, 'A' and in sync with major events, like World Cup 2010 (T). Motorwind Ltd. has solid orders placed by NGOs, schools, businesses and governments in Hong Kong and foreign countries. For the company profile, please visit its website at www.motorwavegroup.com

Conclusions

Entrepreneurship is risky (Drucker, 1992), but it is more risky without it. Entrepreneurship is more crucial to the survival of SMEs than before because young consumers are more demanding and individualizing in the wake of media clutter. They are looking for novelty products to satisfy their shifty tastes under the influence of peer group, social media and event campaigns. Every SME must brace itself for taking the challenge, which is an opportunity for growth or demise.

Notes

1. Schumpeter defined an entrepreneur as an innovator who develops untried technology. I qualified the definition with an economic sense.
2. The definition for an SME varies from country to country. For example, the definition for an SME in China includes other criteria such as sales volume and value of assets. However, the number of employees is a universal criterion for consideration. The definition for an SME in Hong Kong is adopted by Census & Statistics Department of the Government of HKSAR for statistic purpose.
3. The figure is updated to the end of 2008. It is estimated that the figure is further reduced to the range from 2.0% to 2.3% in 2010.

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