

Understanding SMEs and Their Business Environment

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PART 1

introduction

SMEs Represent:

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- 75% of all business
- 60% of the work force
- 86% of new jobs being created
- 45% of all sales
- 40% of the GDP
- 24X more innovation than large corporations (based on dollars invested)

Why SMEs Are More **Innovative**

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- They have the entrepreneurial culture
- They have no bureaucracy (unlike big corporations that are bloated with bureaucracy)
- They are more willing to take risks because the penalties of risk are smaller for them
- They are closer to customers and listen better to the VOC

Other Advantages of SMEs

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- They have **shallow org pyramids**. They are close to the problems and they have more information. The result is better and faster decision making. Improved decision making produces better enterprises
- They have better **communications** and better sense of belonging. The loyalty factor is much stronger

Emotional Advantages of SMEs

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- **Motivation.** People enjoy wearing multiple hats and being involved in different aspects of the business
- **Enthusiasm.** Progress and results are easily seen (in real time). Employees don't have to wait for corporate announcements or Wall Street to find out how the company is doing

Emotional Advantages of SMEs

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- **Independence.** People get the sense that they control their own future --- they are not mere order takers
- **Rewards.** Growth is not only a motivational factor, but also a major carrot. People know that growth will eventually translate into bigger bonuses and opportunities to share the wealth with the owners or senior execs

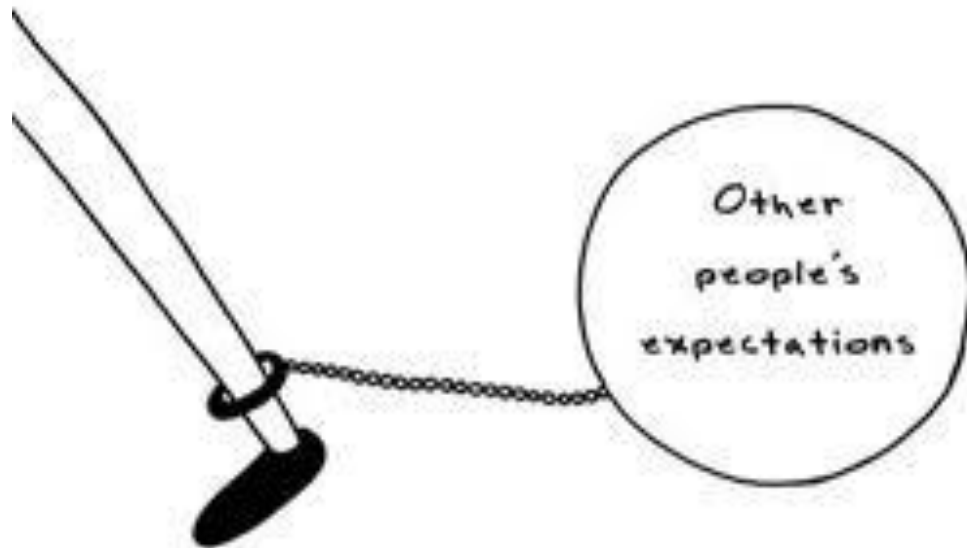
Emotional Advantages of SMEs

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- **Happiness.** Happy for not having to attend endless and boring meetings of execs that are interested in CYA games. Happy for not having three people telling you what to do. Happy that office politics, backstabbing and tripping are kept to a minimum. Happy for being out of the rat race
- **Fun.** Friendlier environments and easy-going attitudes

Who Wants This?

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Remember:

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A “job” is working for someone else, making someone else rich. Is that really what you want in your life?

Running your own business can help you build an estate for your family. You are giving them an asset and a livelihood for life!

Emotional Advantages of SME Owners

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- **Satisfaction.** According to Harris Poll of 2,000 enterprises, “2/3 of business owners consider themselves successful even beyond their own expectations, and if given the chance to start all over again, fully 78% of the respondents said they would choose to be in the very same business they are now”



Emotional Advantages of SME Owners

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- **Freedom.** Freedom to do as one pleases. Freedom from bosses and tyrants. Freedom from being kept down and having your ideas trashed. Freedom from other people's schedules and rigid hours. Freedom from working on other people's ideas and making them rich. Freedom from nonsense
- **Status/Prestige.** You are the business owner. You are the “Big Cheese”

Living the American Dream

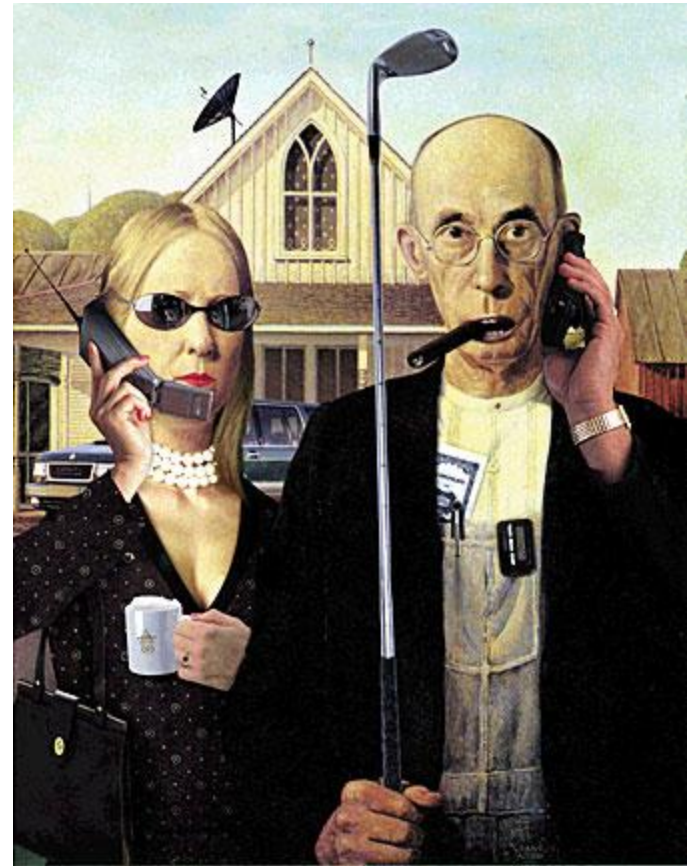
Other Advantages Of Owning Your Own Business

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- Set your own salary
- Have the satisfaction of creating jobs
- Hire the people that you want to hire
- Choose and pursue the challenges you want
- Make the decisions you want to make
- Grow at your own pace
- Perform your own time management
- Give to the charities of your choice
- Exit when you want to exit

The American Dream

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Key Realization

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- Good people with good ideas create their own companies every day!
- All it takes is guts, willingness, commitment, IQ, and a little bit of luck to get started
- Degrees, race, age, race, sex, previous history or background do NOT matter
 - Of America's 35 richest individuals, half of them are high school dropouts, and of the rest, 67% are college dropouts. In other words only 6 of them are college graduates

An Interesting Perspective

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- **Compaq** started with only \$3,000
- **Apple** started with only \$1,000
- **HP** only started with \$538
- **Domino's Pizza** only started with \$75

However, don't get fooled by these numbers. Having the right startup and working capital is hugely important

Mega Trend

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- It is projected that in the next 10-20 years 70% of the workforce will be self-employed --- either as business owners or as 1099 employees. This is due to:
 - Corporations are eliminating their full time employees
 - Outsourcing is NOT a bad word. It is a necessity
 - Technological advances --- technology eliminates jobs
 - ✦ Computers
 - ✦ Software, computerized systems and applications, AI
 - ✦ Robots and flexible automation
 - ✦ Hard automation
 - ✦ Sensors, vision systems and other intelligent devices

The Future

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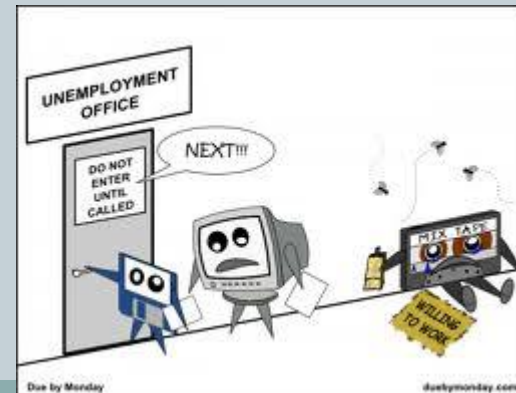


Time Magazine Estimates:

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- 1,500 jobs are lost DAILY due to:

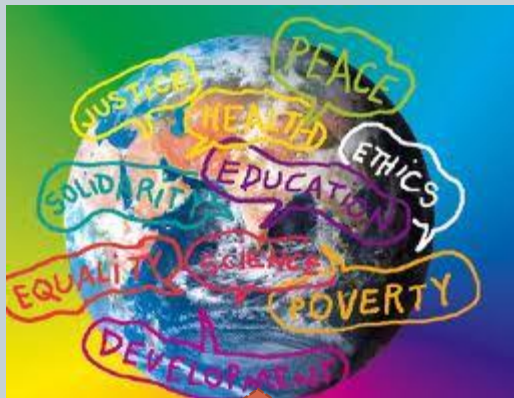
- Deregulation
- Corporate mergers
- Global competition
- Outsourcing
- Technology
- Technological changes
- Trends in society



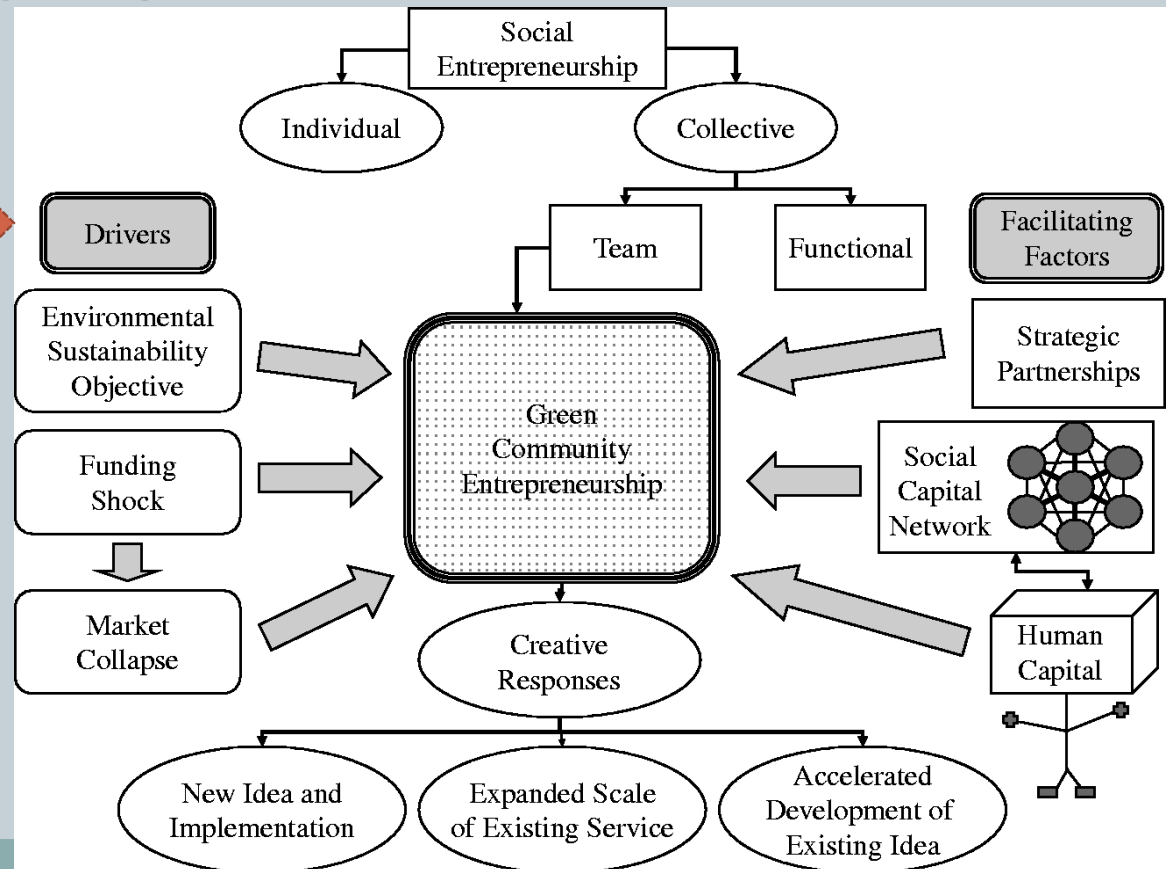
In Case You Didn't Know ...

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- There is a huge transformation of our society and business world going on



Post-Carbon Society
Post-Industrial Era Society
Post-Peak Society
Environmentalism
True Globalization
One World (Oneness) ...



Why Outsourcing Is Necessary

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- Specialists (mostly SMEs) can do the job better-faster-cheaper
- SMEs have much lower overhead and in most cases lower salaries
- SMEs are nimble and more responsive
- SMEs have a stronger sense of responsibility and accountability. They understand that messing up may mean the end of their contract and the end of their livelihood. That sense is lost in large bureaucratic enterprises

Mega Trend

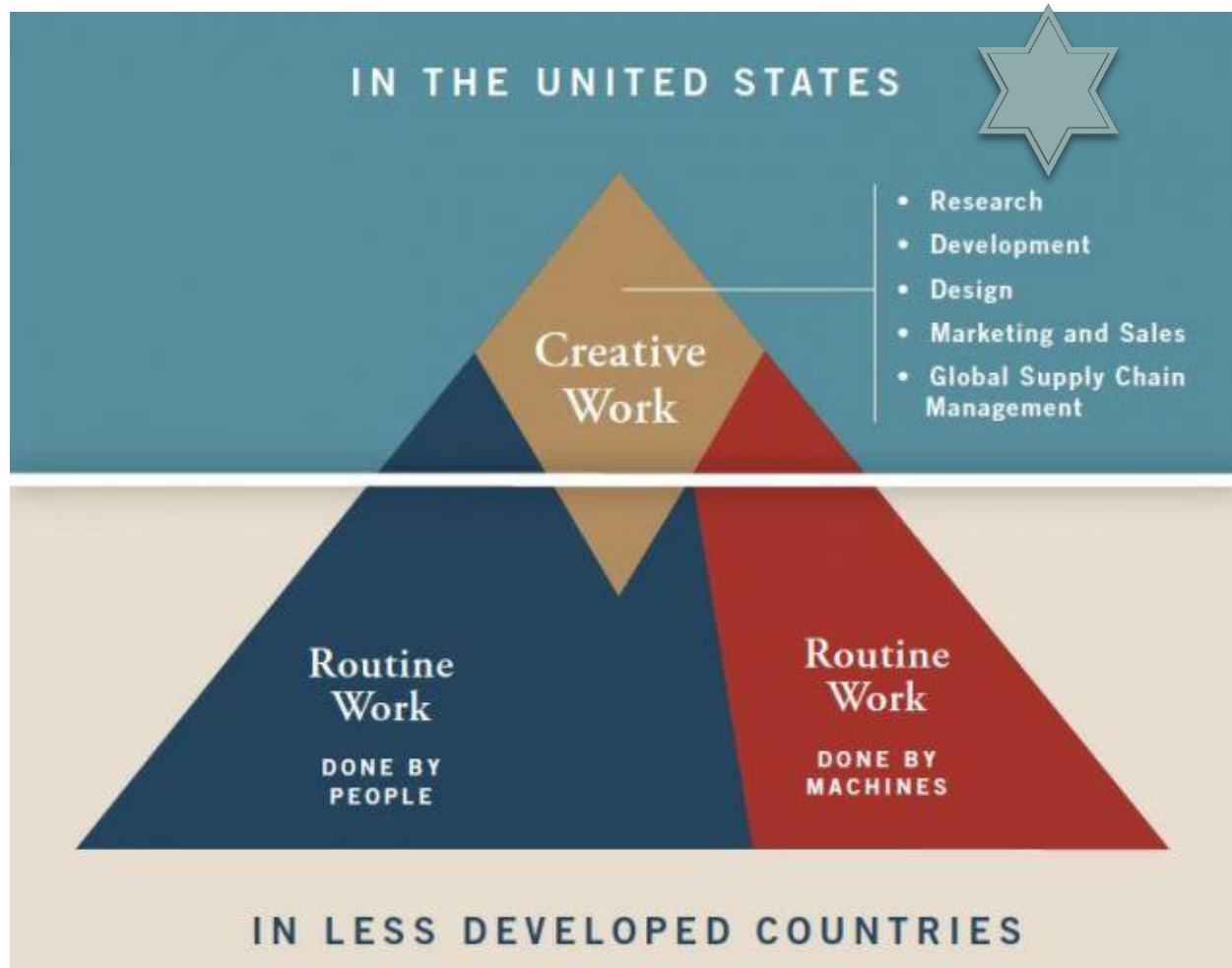
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*“We are shifting from a managerial society
(large corporate world) to an
entrepreneurial society (SME world).”*



Entrepreneurism Depends Heavily On Creativity and Innovation

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Do You Realize That

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- With computers, Wi-Fi, cell phones, cloud computing, networks and networking applications (such as WebEx and Go-to-Meeting), e-fax, answering machines, overnight delivery services and the like, people can work at home (telecommute) and can be as productive as any F-500 company employee working in a cubical feeling like an inmate



Key Technology

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What Your Employees Would Give Up to Telecommute

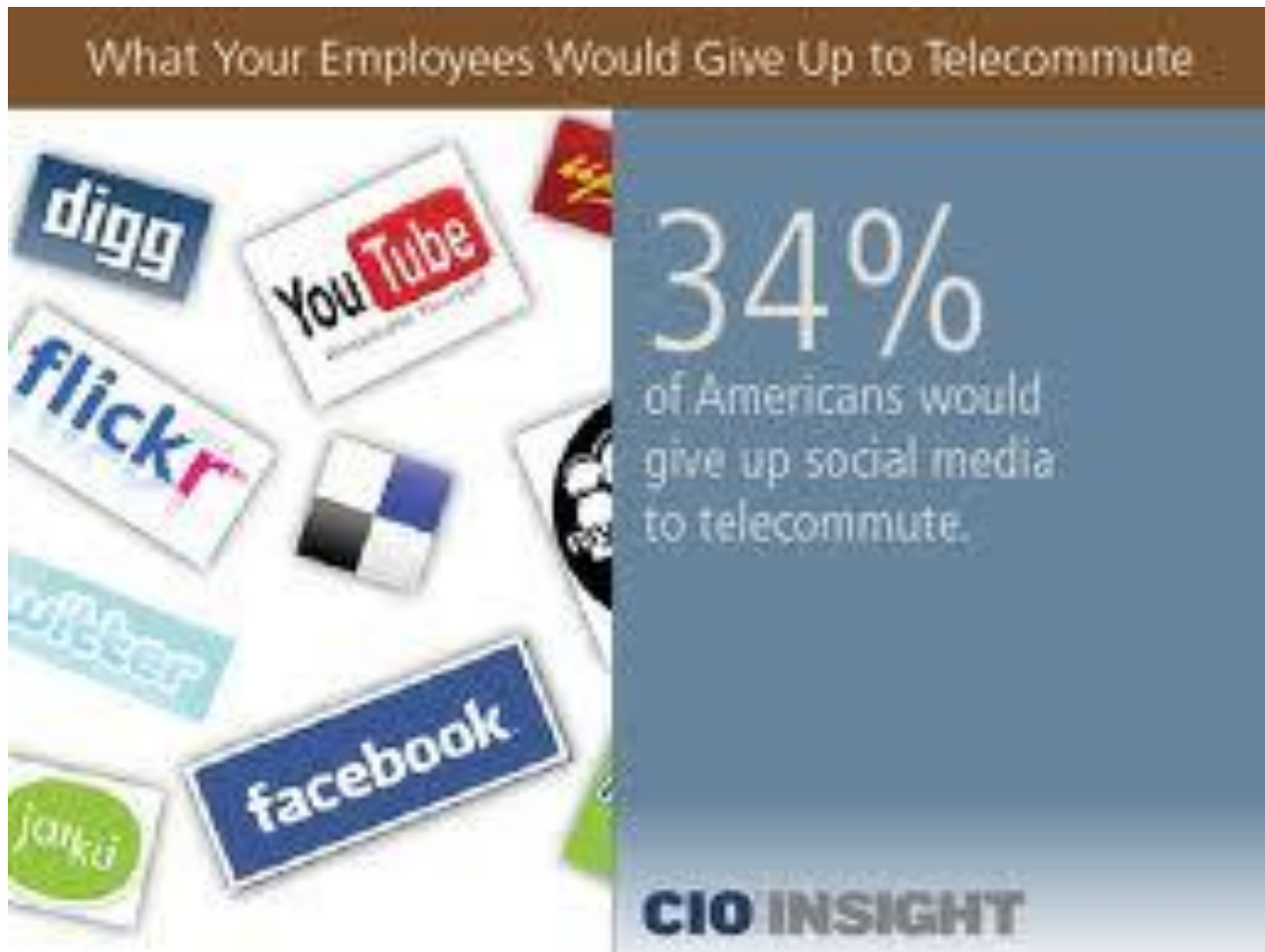


53%
of survey participants
say smartphones
and tablets are
increasing the use of
telecommuting.

CIO INSIGHT

Answer To The Question

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It Is Real

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What Your Employees Would Give Up to Telecommute



62%

of survey respondents
say more people
want the option to
telecommute than ever
before.

CIO INSIGHT

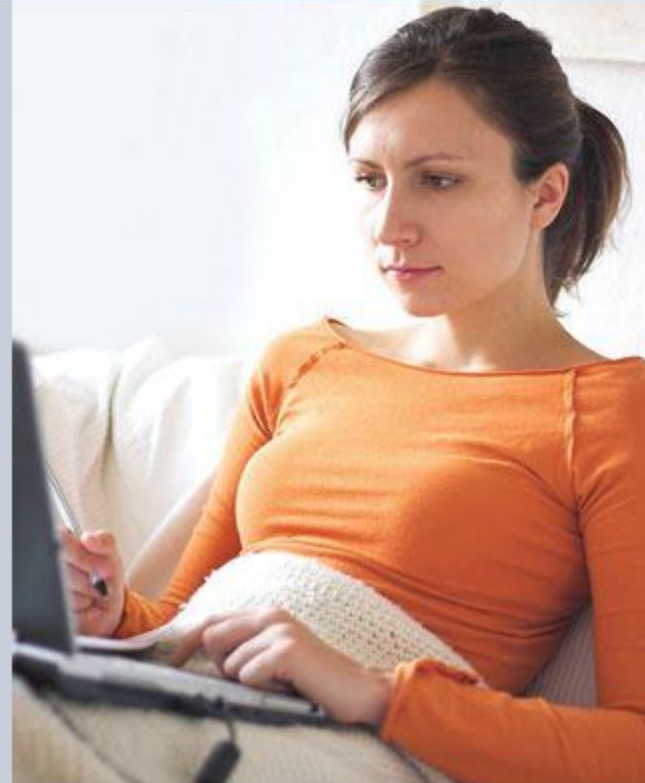
The Number Is Increasing Every Year

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What Your Telecommuters **Are Really Doing**

10%

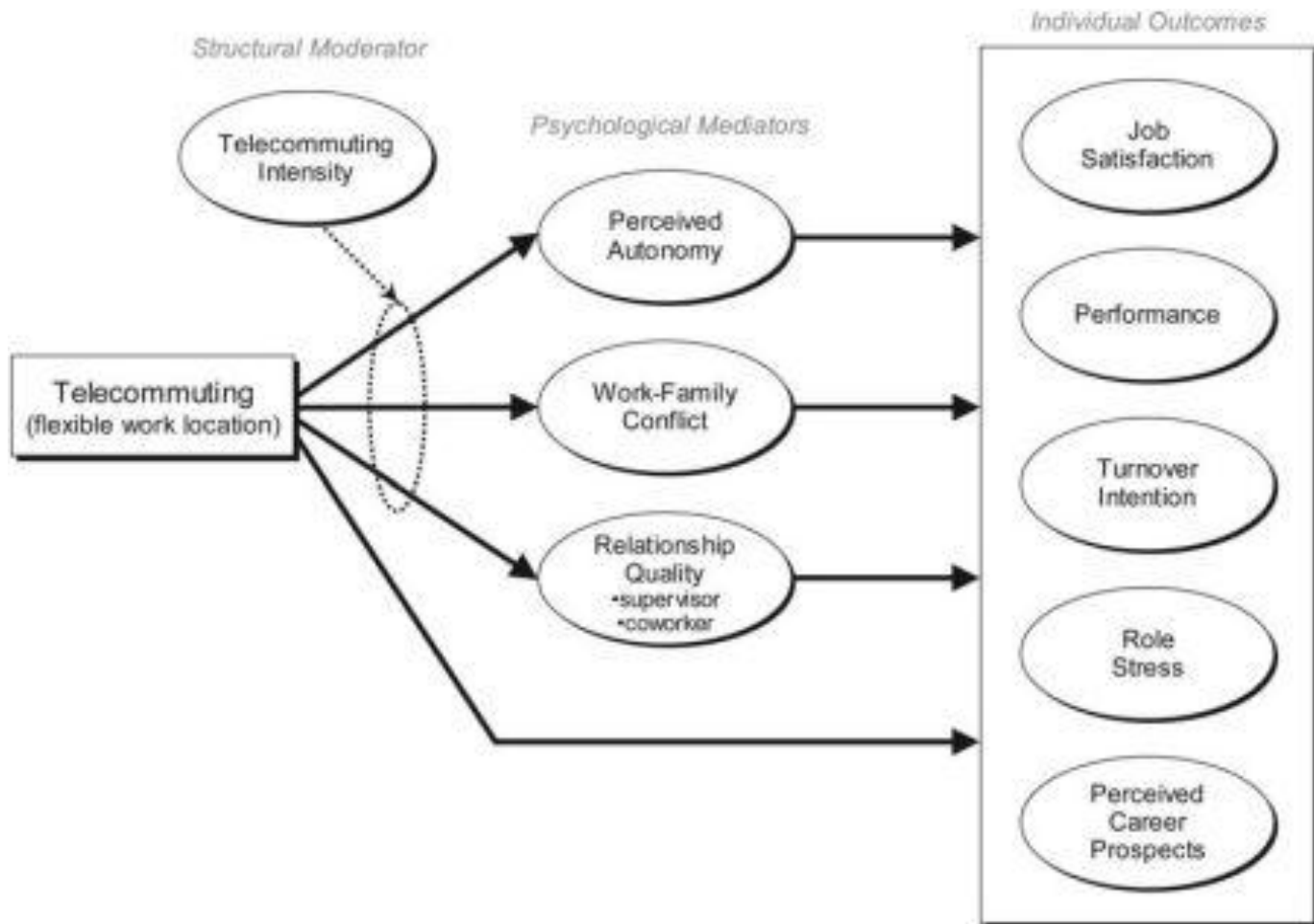
10% of respondents telecommute at least once a week, up from 8% in 2007.



CIO INSIGHT

Telecommuting Benefits

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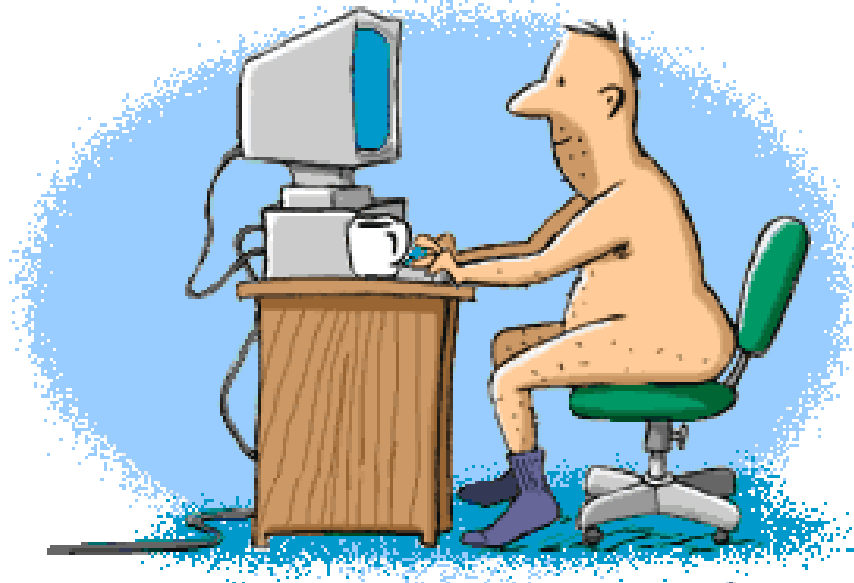
Wouldn't You Love To Work Like This?

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And yes, you can do this as well!

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Casual Friday for the
Telecommuter

For more info on Telecommuting., visit:

<http://inst.eecs.berkeley.edu/~eecsba1/sp97/reports/eecsba1d/report/telecommute.html>

Key Realization

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- In order for Telecommuting to work one must have:
 - The Employer:
 - ✦ Ability to manage by results
 - ✦ Ability to project manage
 - ✦ Capable of trusting employees
 - ✦ Capable of delegating and empowering
 - The Employee:
 - ✦ Self-discipline
 - ✦ Self-motivation
 - ✦ Self-respect
 - ✦ Honesty and integrity

The Negative Side Of Telecommuting

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According to a Home Office Computing study of 4,000 home business owners, “*Not one person replied that they were happier in the corporate office than at home.*”

Telecommuting As A Double-Edged Sword

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The Disadvantages Of SMEs

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- The Achilles' Heel is **knowledge** (or lack of). SMEs are very reluctant to spend money for E&T for their own employees. The investment in **people development** is minimal
- **Groupthink**. Most employees are afraid to express their opinions due strong minded business owners. The employees start thinking and behaving like the owner --- clone-like behavior

The Disadvantages Of SMEs

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- **Culture** (or lack of). SMEs think that culture is either unnecessary or that the culture (incl. value system and ethics) of the owner is the one that is implied for all employees. Some business owners enforce their good and bad habits on everyone else



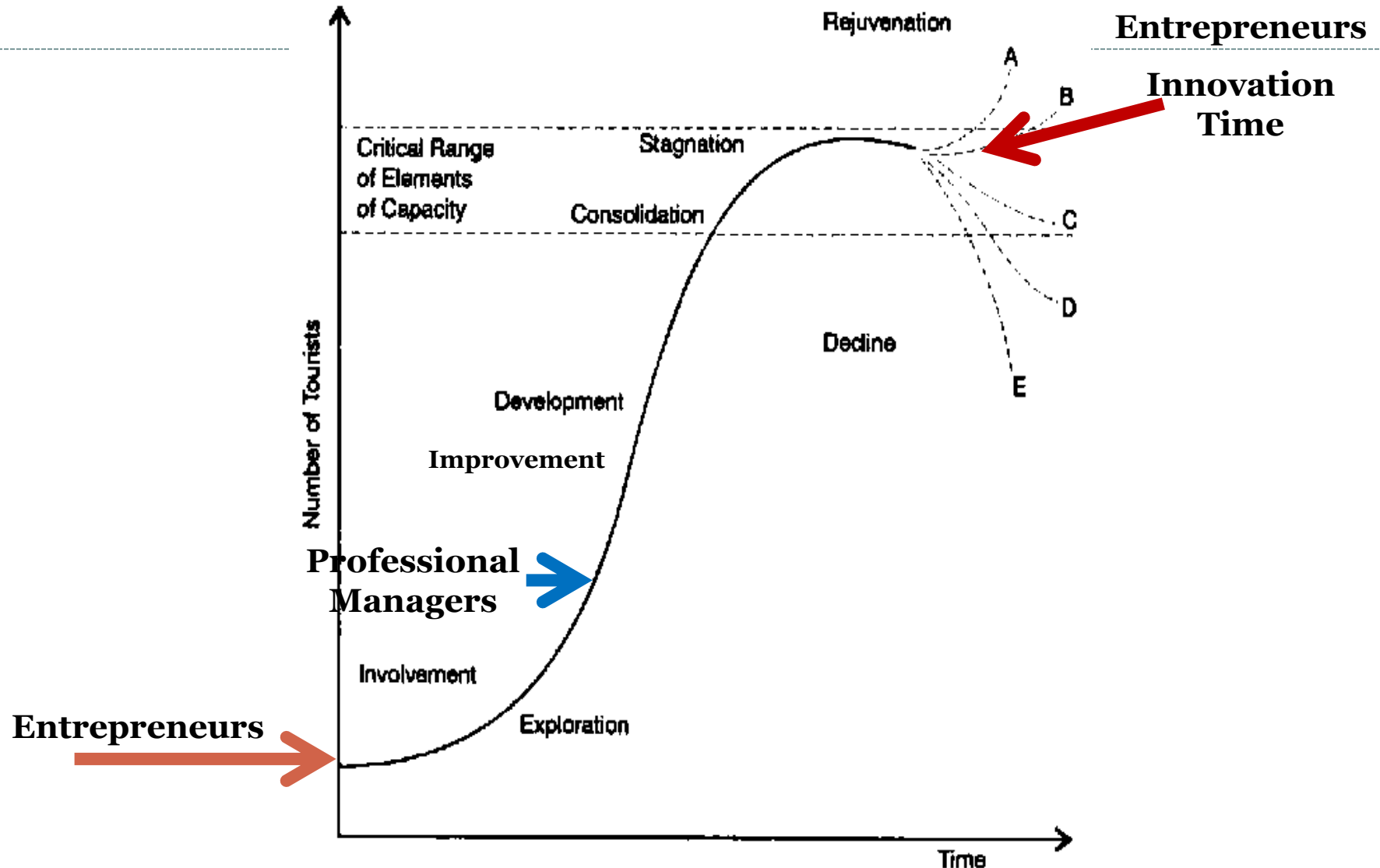
The Disadvantages Of SMEs

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- **Professional Management** (or lack of). Most SMEs lack the knowledge and skills of professional managers thinking that anyone can manage a business. Heroics are expected as the main belief is that hard work can overcome anything. Thus, many SMEs work harder, not smarter



Understanding The Dynamics



The Disadvantages Of SMEs

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- **Technology / Technical Infrastructure** (or lack of). Most SMEs are very reluctant to make the investment in technology because they see it as a tool, not as a strategic weapon to beat competition. They would rather dig the Panama Canal with spoons instead of excavators
- **Business Infrastructure** (or lack of). Most SMEs also do not pay attention to business processes, methodologies, tools, training materials, etc. Once again they try to fly by the seat of their pants

The Disadvantages Of SMEs

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- **Paranoia.** Many business owners are afraid to build up their management teams because they suffer from the paranoia that “strangers” will control their business and outshine them in front of the employees. They don’t know when to get out of their own way



The Disadvantages Of SMEs

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- **Paranoia (cont'd).** Paranoid business owners also dislike telecommuting because they are afraid that people will cheat them



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The Disadvantages Of SMEs

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- **Level Of Comfort or Level Of Competence.**
Most SMEs are afraid of growth because they know they lack the management team and skills for growth. Thus, they grow the business to a certain level and then they stagnate, not realizing that stagnation is the kiss of death

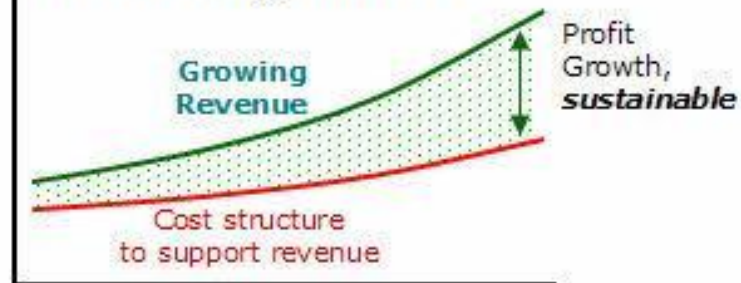
Reminders:

Stagnation kills innovation and enthusiasm!
In life's journey, opportunity waits for no one,
not even you!

GROW OR DIE!

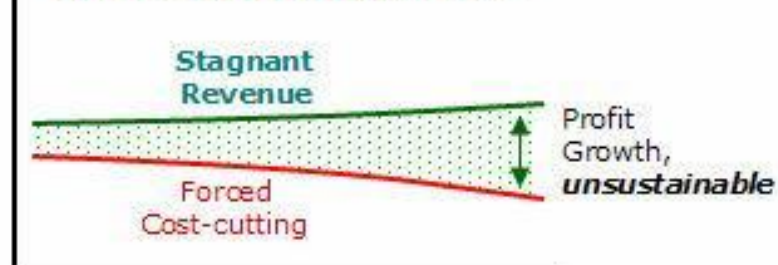
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A Growing Business



Growth is the only sustainable long-run strategy.

A Stagnant Business



Sooner or later, cost-cutting is no longer an option.
Without growth, the business will die.

However ...

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- **Growth must be done the smart way.** Bad and unmanaged growth could destroy value and harm the company by outstripping its managerial capacity and collective capability, and throwing out of whack processes, quality and financial controls. Moreover, dumb growth could substantially alter or dilute customer value propositions and the perception of what the company stands for or represents. Like everything else, growth must be done right

Everything Should Promote and Fuel Growth

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Thus:

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**WISDOM
NUGGETS**

- Start your own business
- Be your own boss
- If you are going to build a business avoid the mistakes that SMEs make and defeat your own demons, paranoias and shortcomings
- Learn to trust others and work with others. Achieve results through people
- Don't exploit or misuse people
- Share the wealth; don't get greedy

Ready To Move To Part 2

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SME Problems

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to thrill and motivate your
team or organization.

We will customize our
courses to fit your needs.