

***Comment:***

## **The Concept and Model of Small Enterprise Hub for Developing Countries**

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### **Background**

In a rapidly changing global economy, small enterprises are increasingly a force for national economic growth. Since the 1970s, SEs and the entrepreneurs who drive them have received serious attention by planners, multilateral agencies and governments the world over. Yet there is the need for the management of the environment at the macro level to facilitate the growth of the SE sector. There is a need for setting up and managing institutions and networks which support directly, indirectly, formally, informally, the growth business at the regional and national level. This also calls for the development of entrepreneurs and their team, development of the organisation and the business.

The engine of change in all the new economies has been the small and medium enterprises (SMEs) but the growth of the sector was not a response to problems of economic crises of the 1970s and 1980s but it has been observed as a trend that emerged as a wave of change. Hence the chaos and scramble to move according to the trend. The other notable contributing factor for the emergence of Small Enterprises (SEs) is the IT business industry and the worldwide trend towards the service industry sector.

A lot of this institution building of management of the macro and micro environment of SEs has to do with scattered institutions and agencies dealing with SEs. New structures, policies and strategies are required that will help SEs start, survive and grow. In this objective the SEs must be helped and must be directed towards a one-window operation. The integrating concept is **Small Enterprise Hub**.

### **The Rationale**

In developing countries the problems are even more complex because of the lack of support infrastructure. The developed world caters for research, capacity building, training, skill development, accreditation

of certifications, standardisation, regulatory environment, fostering marriages of large and small enterprises. But such an infrastructure does not exist in developing countries. They lack the institutionalisation of experiences.

SME development would mean industrial leverage, institutional tool for economic development, employment generation, technology acquisition, internationalisation of SEs, boost to information technology and standing at par with international development. But all this needs a complete set of support institutions and the building of support institutions infrastructure for the development of SEs and integrating them into a holistic idea leading to the goals of the overall economic development plan. There is in fact an absence of comprehensive small business development policies based upon proper understanding of the contribution of SEs to the major goals of economic and social policies (other than employment creation) by the planners in the developing countries. There is little or no understanding of SEs contributing to balance of payment stability, equality and justice, price stability, and growth (Alan Gibbs).

The very concept of SEs is associated with industrial chaos, mushroom growth and clusters. To create an order out of this chaos there is a need to have support institutions: common facilities: self-help-organisations: business development services: business incubators: technology parks and technical assistance: management training, the financial support institutions. Partnership and strategic alliances. To achieve the objective for collaboration between small and large firms, we may require regulatory intervention. Small firms' lack of resources motivates them to build mutually constructive networks of support system and resource sharing. But if the environment does not exist they will sustain losses till they find, if they find, a solution through some collaborative forces.

The rationale to have a Small Enterprise Hub for the development of SEs in the Developing countries is compelling. Absence of this will be exercises in futility.

### **Objective**

Therefore the objective of this Small Enterprise Hub concept is to develop infrastructure of a system of support institutions for the development and growth of SEs. In addition it will specifically work:-

1. To manage better the overall environment for the growth of the SE sector
2. To manage better an institutional assistance environment and network for growth.
3. To facilitate SE business and foster growth of entrepreneurship for business growth.
4. To integrate the activities of the support institutions in the network.
5. To allow the independence of support institutions in the Hub.
6. To advocate policy intervention.

### **The Scope**

Small Enterprise Hub will cover through its support institutions:-

Institution building to implement the change which would be the foremost objective, and would be linked to the international agencies and regional forums.

Technical assistance to appraise and build capacity and capability. To tap a vast unrealised potential that can only be achieved through SEs.

The objective to be realised would be to create an infrastructure for the growth and development and support of SEs.

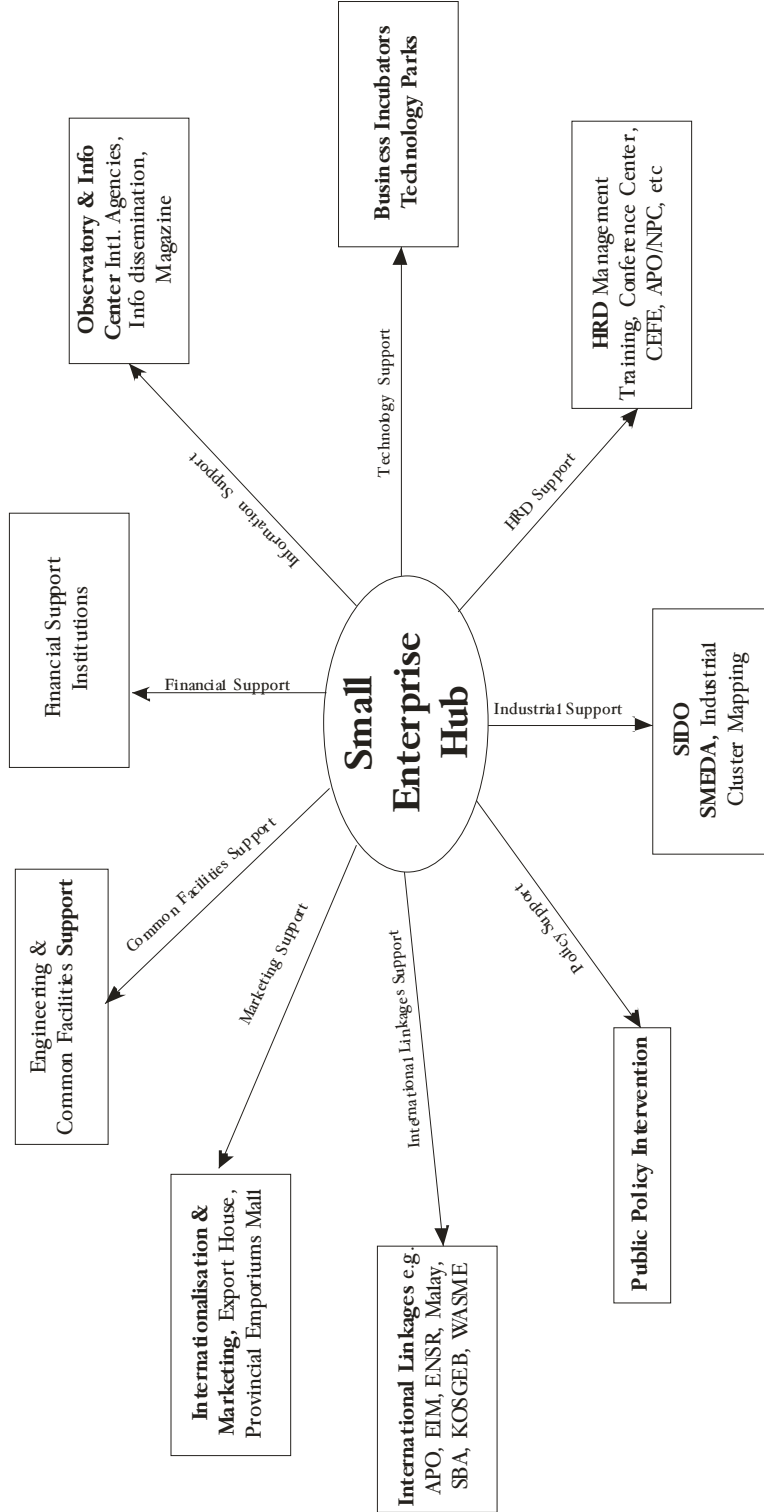
The Small Enterprise Hub is an idea that will bring about hectic activity for industrial growth. But without some degree of institutionalisation of small business the small business voice and its contribution to the economy will be weak.

### **Definition**

Therefore the definition that can be applied to the Small Enterprise Hub can be that the Small Enterprise Hub is the concept of setting up support centers and developing a framework for exploring small enterprise development practices. It will have the following:

**Figure 1: Model of the Small Enterprise Hub©**

Small Enterprises development which as an economic phenomena cannot be sustained without the full plan being implemented



© Iqbal Model of Small Enterprise Hub

**Table-1: This concept Small Enterprise Hub can be conceptualised on the basis of the economic context and the implementation context. The matrix below captures both contexts.**

<b>The Economic Context</b>	<b>The Small Enterprise Hub©</b>	<b>The Implementation Context</b>
<b>Mission Statement:</b>	Creating Support Centers for Development of Small Enterprise.	<b>Mission Statement</b>
<b>Institutional Definition</b>	The Small Enterprise Hub is the concept of setting up support centers, and developing a framework for exploring Small Enterprise Development Practices.	<b>Definition</b>
<b>Public Policy</b>	It will play the role of Small Enterprise Advocacy, lowering transaction costs and leveling the playing field for small business.	<b>Purpose</b>
<b>New Economic Criteria: Public Private Partnership-Self Help Organisations</b>	The Small Enterprise Development Practices take into account the significance of Market Economy and the framework for intervention for sustainable development. It works for the development of support centers for educational, technical, R&D, business incubation, marketing, internationalisation, HR development, cluster creation, industrial development organisations, networking, linkages and financial support.	<b>Objective</b>
<b>Institutional Initiative</b>	It creates awareness through information, sign posting, advice, training, counseling and creating a public private partnership.	<b>Strategy</b>

The Hub will cater to the provision of the following support centres. It will develop a role for each support centre, giving it a mission statement and action plan. It will be the function of the Hub to appraise and evaluate the impact of the activity on the other support centres and on the network of the support centres. The purpose will also be to examine the economic criteria, the implementation criteria and the developmental criteria. The major function of the SE Hub will be to adapt to the overall national, economic development plan goals and at the same time recommend and advocate policy. It will thus monitor whether all the support centres are working according to the goals and also according to benchmarks observed and adopted. The following support centres have been identified for the small enterprise Hub as can be seen in Figure-1.

**1. Policy Support:** There is an absence of comprehensive small business development policy based upon proper understanding of the contribution of SEs to the goals of economics and social policies. There is need to remove retardants and remove bias in favour of large firms. Hence advocacy for policy and regulatory support in favour of SEs. Through policy we seek to organise the support environment for SE. We seek to achieve “the complementary skills and resources which are essential for competitiveness and survival in world markets” Doherty 1990.

**2. Industry Support Services:** An important part of the support network for growth is the private sector and self help organisation besides the public organisation. There is a tendency towards dependency and interdependency between businesses. The issues of disaggregation, decentralisation and spin offs lead to transfer outs and sub-contracting. There is also a growth of interest in the issues of partnerships and strategic alliances. There is also the need to bring together, through appropriate incentives collaboration between small and big firms. Besides the policy issues to support this feature of growth, there is also the need to organise and manage an infrastructure through industrial support institutions as SIDOs & SMEDAs. There is also the need to develop feasibilities and investment guides; the need for industrial cluster mapping and to identify the industrial sectors having competitive advantage. To monitor that the support centres are working according to the goals and also according to benchmarks observed and adopted.

**3. HRD Support:** SE creates a trend towards self-employment. The chain of HRD links the professional managers, the technology people, entrepreneurship and entrepreneurial competencies, full range of management training, and skill development etc. Special programmes will be required to cover the training of women, ethnic minorities, youth,

long-term unemployed, spin offs, growth business and new technology based firms.

**4. Financial Support:** It is evident that in a small business community there is not enough competence and momentum to mobilise the financial resources and adopt small loan practices. Such a resource deployment is necessary to carry through any major programme of support for small enterprise development. It is hence felt very necessary to have small enterprise Development Bank and other support financial institutions.

**5. Marketing Support:** One inherent weakness in the SEs is the ability to market their products and services or to promote themselves. Hence the need to have marketing support services. This may require common facilities arrangement as a common display centre internationalisation through an export house. It would also serve the purpose of having emporiums and sales outlets.

**6. Technology Support:** It will seek to support the development of technical innovation and new technology based firms. Information Technology has opened up many market niches. This enhances the role of Se Hub in designing and managing science parks, Technology Parks, Business incubators, Technology Support, Venture Capital. Similarly a sharing of information related to new technology emerging would enhance capability as most firms would not have access to new technology and would not be able to have competitive advantage without this.

**7. Engineering and Common Facilities Support:** Common facilities in sharing the engineering and technical support would be an important requirement of SEs. To augment the effective role there may be requirements of finishing touches or to enhance usefulness or boost marketability. To meet such requirements a common facility would be provided to all by making accessible certain machinery and processes.

**8. International Linkages Support:** In today's globalised economy it is necessary to draw out strategies to keep pace with trends and technology and communication requirements. The SE would need support to reach out to more organisations that are looking for partnerships. It is therefore necessary for SE Hub to be linked into a network of international agencies. This would keep them outward looking and developmental for the benefit of SEs.

**9. Information Support:** the role of information exchange is vital for the SEs e.g. In the production sector in process and product development are not accessible to the sponsors of SEs. Similarly market trends, new products,

new technologies and the need for benchmarking from the point of view of productivity and pricing. Furthermore sources of financing and need to hunt for strategic alliance partners. On a regional basis it is also important to exchange experience with other SEs.

### **Conclusion**

This paper has attempted to provide a concept of a network of support institutions required for the development of growth of small enterprises which need hand-holding at every stage of their development. Devoid of resources and competencies available to Large Enterprises these organisations need an environment framework to re-appraise approaches for SE growth. It suggests that in developing countries there is an acute shortage of self-help organisations, regulatory environment, incentives, policies and other infrastructure required for SE growth. It has attempted to point out an innovative approach that needs more work to develop into a public policy paper for consideration.