BUSINESS NETWORKING, MARKETING AND INDUSTRY ANALYSIS: A Proposed Framework for SMEs in Mauritius

By Guru Dev Teeluckdharry (MBA – University of Leicester)

Gateways to Larger Enterprises

SMEs (Small and Medium Enterprises) in Mauritius play a massive role in the development of the economy. According to statistics, “SMEs contribute to 37 per cent of GDP (gross domestic product), produce some 120 billion rupees worth of output annually and employ 250,000 men and women” (see livecomm news – smes shaping the future of Mauritius). Nowadays, there is significant discussion about globalization of SMEs. If we want our SMEs to succeed in this context, then we need to reframe our strategies, planning and methodologies. For instance, a framework could be implemented by SMEs under the aegis of the Ministry of Business, Enterprise and Cooperatives. A particular framework where business networking, marketing and industry analysis are all knotted together, is being proposed in this paper with the main objective of allowing SMEs in Mauritius to merge, cooperate, grow and expand into LEs (Large Enterprises) in the future. In line with this initiative, SMEs would no longer be viewed as „Smaller Enterprises“ but instead as „Gateways to Larger Enterprises“.

Business Networking

According to Farinda (2009) et. al business networking allows the firm to gain more clients and acquire a source of „ownership advantage“. Many SME businesses worldwide are concentrating on business networking as it is a model that promotes business success and allow them to think „outside the box“ creatively. As cited in the article, six predictive motives such as necessity, asymmetry, reciprocity, efficiency, stability and legitimacy could be used to form business networks. This model has been proposed for the Malaysian SMEs and we could consider such a model for Mauritian SMEs. With regard to necessity, we could encourage SMEs to register themselves with a body such as SME Mauritius, National Empowerment Foundation (NEF) or National Women Entrepreneur Council (NWECC). This would offer opportunities for SMEs to benefit from consultancy services and thus they would not be left on their own. With regard to the importance of asymmetry, SMEs could consult and seek ideas from SMEs from other countries. In the context of Mauritius, SMEs could build business networks with SMEs from nearby countries in the African region such as

Rodrigues, Reunion, Seychelles, Agalega, Madagascar, Comoros and Maldives in specialist and advanced domains. They could also collaborate where there are complex issues such as approvals for licences, loans, trade mark registrations and business permits. Reciprocity would help SMEs tackle business opportunities such as cooperation, joint ventures, mergers and acquisitions. These reciprocal business strategies would promote productivity. SMEs would enjoy comparative advantages via such an interactive network over self-sufficient firms because they could learn from one another in terms of resource base, technology, e-commerce and organizational capabilities. As a consequence, they would also achieve higher efficiencies. With business networking, SMEs would achieve stability in what they would do and be able to forecast risks and uncertainties. They would also be able to share resources and participate together in activities such as joint research, co-branding, co-production, co-sponsoring, business mentoring services and development of business plans concerning strategies to gain market power. As far as legitimacy is concerned, this could be promoted by association of local SMEs with unique, famous, and efficient SMEs and even LEs in the foreign markets in certain segments. In other words, this would thus allow Mauritian SMEs to become more competitive and enhance their reputations and brands globally. Implementation of business networking in other words, would allow Mauritian SMEs to operate in dynamic clusters rather than in isolation.

Marketing

“Marketing functions pertaining to strategic marketing, market planning, market and competitor monitoring are least understood aspects...” (see Synopsis for seminar conducted by Mauritius Research Council). Furthermore, it is noted that brand management is extremely important if SMEs want to go international in the context of globalization. “Studies carried out reveal that Local SMEs also do not have appropriate marketing plan (see Executive Summary of Mauritius Research Council). Conventional marketing practices (such as marketing mix, and advertising) which are push strategies” could be reviewed and even replaced by new marketing techniques. For instance, Internet Marketing which is a pull strategy could be adopted by Mauritian SMEs. As per Doiron (2009), “a strategic approach Internet Marketing [for SMEs] is the only way to achieve sustained, long term results”. We should also carry out a survey in order to spot all those „Good Dominant Logic’ SMEs (GDL SMEs). What is needed is a „Service Dominant Logic’ strategy (see Vargo and Lusch (2004)). As per Kaski et.al, concrete tools would be needed to help align SME operations according to the requirement of „Service Dominant Logic’ (SDL) and this would enhance the shift from “inside-out driven [strategies] not capturing opportunities and focusing on value co-creation”. This plan would allow replacement of goods-oriented strategies” by the

services-oriented strategies” so that customers in the SME industry would be regarded as co-producers of service rather than consumers of goods. In other words, if we want our local SMEs to succeed in the foreign markets, then the methodological shift from GDL to SDL is imperative. Mauritian SMEs should in fact focus on retaining existing customers rather than looking for new customers. Relationship marketing should be strongly encouraged rather than conventional marketing which would produce short term results. Such an entrepreneurial orientation would indeed reinforce the positions of Mauritian SMEs in the global context.

Industry Analysis

In addition to marketing strategies, a profound industry analysis should be carried out that would allow new SME entrants to cooperate together and penetrate into certain markets monopolized by LEs. For instance, a Barrier to Entry Plan could be developed that would promote co-opetition rather than competition amongst SMEs. Competitive rivalry should be replaced by co-opetitive rivalry in the SME industry. As cited in Mundim (2000) et. al, Campbell [1997] suggests that “SMEs should concentrate upon a specialisation/niche strategy [in the globalization context]”. An Opportunity and Threat plan could be elaborated that would take into account weaknesses of LEs and recommend the implementation of a niche marketing strategy. This would allow SMEs to capitalize upon the weaknesses of LEs and acquire competitive advantages. With respect to the attractiveness and intensity of the market, Porter 5 Forces Analysis (see Porter (2008)) including threat of new entry, bargaining power of customers, bargaining power of suppliers, threat of substitute products and services, and rivalry among existing competitors should be carried out. This would help develop an Industry Plan for Mauritian SMEs where strategies to cope with competition would be elaborated.

Conclusion

This framework entailing business networking, marketing and industry analysis would focus on the growth and expansion of Mauritian SMEs to the fullest extent. It would also encourage Mauritian SMEs to challenge and review the dominant logic of conventional business strategies. Last but not the least, it would help SMEs enhance their “Made in Mauritius” brand and add value to the global economy.

References

Ana Paula FreitasMundim, Rossi Alessandro, Andrea Stocchetti, SMEs in Global Market: Challenges, Opportunities and Threats, Recife, June 26th, 2000

Abdul GhaniFarinda, YusnizaKamarulzaman, Apnizan Abdullah, Syed Zamberi Ahmad, Building Business Networking: A Proposed Framework for Malaysian SMEs, International Review of Business Research Papers Vol. 5 NO. 2 March 2009 Pp. 151-160

MAURITIUS RESEARCH COUNCIL, Entrepreneurship and Marketing strategy: „The Mauritian SME under Globalisation’

Michael E. Porter, THE FIVE COMPETITIVE FORCES THAT SHAPE STRATEGY, January 2008 Harvard Business Review

TimoKaski, KatriOjasalo, TuijaToivola, Service Business Development in Small and Medium-Sized Enterprises (SME): A Case study on methods and tools enhancing SMEs“ transformation to service dominant business logic.

SMEs shaping the future of Mauritius, <http://livecomm.mu/news/smes-shaping-the-future-of-mauritius>

Stephen L. Vargo& Robert F. Lusch, Evolving to a New Dominant Logic for Marketing, Journal of Marketing Vol. 68 (January 2004), 1–17