

**PROFILE OF SME SUPPORT IN HONG KONG
AND THE SETTING UP OF THE
BUSINESS START-UP CENTRE**

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Abstract: SME business forms the major part of the Hong Kong economy. Over 90% of business establishments in Hong Kong are in this category i.e. employing less than 100 persons. These enterprises in total account for the employment of 60% of the local labour force. Small and medium enterprises, as the economic engine, is a major creator of jobs in all industries.

In January 1999, The Management Development Centre of Hong Kong formally set up the Business Start-Up Centre to help small business starters develop their ideas and business plans.

This paper is intended to give an account on the support given to SMEs by the government and various support groups and the setting up of the Business Start-Up Centre in Hong Kong. The promotional and operational issues encountered during the initial stage of the Centre will be highlighted and an update of the Centre's latest results and new initiatives for the future will also be presented.

SMALL AND MEDIUM ENTERPRISES IN HONG KONG

Small business forms the major part of Hong Kong's economy. About 290,000 or 98% of business establishments in Hong Kong are small and medium enterprises (SMEs)*, i.e. employing less than 100 persons. These enterprises in total account for the employment of 1.4 million workers and provide livelihood to 60% of the local labour force. Statistics also show that each small and medium enterprise on average provides employment opportunity for 5.5 persons. They are the major job creators in Hong Kong. Their performance are crucial to Hong Kong's economic revival and prosperity.

* Small and medium enterprises or "SMEs", as defined by the Industry Dept of the Hong Kong Special Administrative Region are establishments employing less than 100 persons for the manufacturing sector or in the case of the non-manufacturing sector, less than 50 persons.

THE NEED FOR ASSISTANCE TO SMEs AND BUSINESS START-UP COMPANIES

The increase in entrepreneurial activity due to the Asian economic crisis, the difficulties faced by SMEs in the present economic environment and the traditional high rate of business failures in small

and medium-sized start-up companies are all factors that have led to the need for the government, support groups in the region and public-funded organisations like The Management Development Centre of Hong Kong to provide due assistance to small business starters such that they can have a better chance to excel and grow their business.

SUPPORT RENDERED TO SMEs BY THE GOVERNMENT AND SUPPORT GROUPS

Recognizing the competitive market that SMEs and business starters are faced with, the government, in partnership with support groups such as statutory bodies, non-government organizations, industrial and trade organizations, introduced a series of government-funding schemes, services and facilities to support the viability of SMEs. The following outlines some of the major initiatives of the government and various support groups in their endeavours to support SMEs in recent years.

GOVERNMENT SUPPORT

In August 1998, the government introduced The Special Finance Scheme to ease the liquidity crunch problem faced by small businesses. Under the Scheme, the government provides guarantee to assist SMEs in securing loans from participating banks and financial institutions. The maximum commitment for the Scheme by the government is HK\$5 billion. As funds of the scheme had become fully committed by March 2000, the government ceased to receive new applications for the scheme in April this year.

SERAP (Small Entrepreneur Research Assistance Programme) is another funding programme operated by the Industry Department to help small companies carry out business-oriented research projects at the pre-venture capital stage. Firms are given a grant of not more than HK\$2 million. Initially, companies would receive 20% of the sum to do a feasibility test in the first 6 months. Upon the success of this first phase, the project can carry on for another 18 months. Ventures, however, have to repay the grant when it is able to attract revenue.

With an aim to increase the technological capability and competitiveness of the local industry, The Applied Research Fund was established as a venture capital fund which supports the technology ventures of companies in Hong Kong. The Fund is managed by private sector venture capital firms and companies will be assessed on the technical and commercial viability of their proposed technology ventures.

The SME Information Centre established by the Industry Department's Small and Medium Enterprises Office also offers a one-stop information centre on services provided by the government to SMEs. Services include an enquiry service on current services available, a mini-library and computer terminals for free access to the Virtual SME Information Centre.

The Hong Kong Industrial Technology Centre Corporation (Tech Centre) was also set up by the government in 1993 to provide support services to local technology start-ups. The Tech Centre's Technology-based Business Incubation Programme assists small high-tech start-ups to get off the ground by providing them with subsidized rental of office space, operating allowance and a comprehensive package of business services like marketing, management, investment matching and other general services. The Technology Transfer Programme assists local technology companies in sourcing capital and establishing marketing partners and The Seed Capital Funding Services provide funding to high-tech companies through two funding schemes; the Innovation Loan and Early Technology Business Capital Loan.

SUPPORT FROM HONG KONG TRADE DEVELOPMENT COUNCIL

The Hong Kong Trade Development Council, as a statutory organization, provides a range of services which are conducive to the development of SMEs in Hong Kong. Primarily, its SME Service Centre provides trade consulting and business advisory services to SMEs and its “Virtual SME Centre” provides up-to-date business information for small firms on the TDC website. SME Service Stations are also set up in different parts of Hong Kong to help small enterprises access its services and publications and the SME Training Centre was also established to provide a stable venue for training courses offered to small local companies.

SUPPORT FROM HONG KONG PRODUCTIVITY COUNCIL

In December 1997, the Hong Kong Productivity Council also established an SME Centre to enhance the competitiveness of SMEs. The Centre provides services to small businesses in quality management, IT application, business solutions and networking opportunities. Executive seminars and solution workshops are also being organised for SMEs on topics such as IT, operation and business management. A service named ERP (Enterprise Resource Planning) Highway offered by the HKPC also aims to help small and medium-sized companies integrate and automate key processes such as finance, manufacturing and logistics.

SUPPORT FROM THE MANAGEMENT DEVELOPMENT CENTRE OF HONG KONG

The Management Development Centre of Hong Kong (MDC), under the Vocational Training Council, was set up in 1984 with the mission to develop, promote and extend managerial effectiveness in Hong Kong. The MDC also, in recent years, provides assistance to SMEs through developing and organizing training programmes, producing videos and textbooks and offering advisory services to them for improving their skills and knowledge on managing their business.

The Owner Manager Programme, developed by the MDC, covers a great variety of business and management topics such as marketing, finance, accounting, taxation, personal effectiveness, planning, organizing, staffing and controlling. Participants are given the opportunity to seek professional advice from course tutors on problems they encountered in running their businesses.

Realizing the traditional high rate of business failures among business start-ups, the MDC had also developed a comprehensive training programme called “Business Starter Programme” to provide potential entrepreneurs with practical knowledge and skills to evaluate their business plans, carry out market research and conduct feasibility studies so that they are better equipped to start their businesses. It was estimated that a total of 20% of the participants started their business successfully after attending the programme. The success of this programme has also led to the development of a Business Starter Programme on China Business last year for business starters who wish to set up their business in mainland China.

Aside from training courses, the Centre also produces textbooks and videos for the reference and self-learning use of owner managers. In 1995, a book titled ‘Case studies in small business management’, was published to be used as teaching material and practical reference for owner managers in Hong Kong. The book’s real-life cases on small business management in Hong Kong were collected through MDC’s own advisory service. A reference book called ‘A practical guide for small and medium enterprises’ was also published in 1997 to serve as a concise guide to owner managers in business management. More than 30 topics on business operation and management are

covered in the book. In 1994, MDC also produced a training video, “Managing Service to Your Customers” for companies in the service sector of Hong Kong. The video is particularly suitable for small business owners and may be used as training material for running an in-company half-day workshop.

In its effort to provide assistance to SMEs, aside from organizing two interest groups for owner managers and business starters in the MDC, namely, the Hong Kong Owner-Manager Association (HOMA) and the Business Starters Association; the MDC also sponsors an interest group called The Hong Kong Chamber of Small & Medium Business Ltd (HKCSMB). The core members of the Chamber are small business owners and those who are concerned with the development of SMEs in Hong Kong.

Owners of SMEs generally find little resources available locally that can help them solve business problems. To improve on the situation, MDC also offers advisory services to help owner managers solve their problems and improve their skills on managing their business.

THE BUSINESS START-UP CENTRE

To provide a conducive business environment for entrepreneurs to test and implement their business plan, the MDC also set up the Business Start-Up Centre (BSC) in early 1999 with the funding from the Services Support Fund. The BSC provides business and professional advisory services, reference materials, training workshops and office facilities at favourable market rate to business starters such that they can keep their operation cost at economic level, thereby supporting them during the initial phase of their business development. It also provides networking opportunities for individuals who are at the early stage of running their businesses.

RANGE OF SERVICES

There are three types of users in the Business Start-Up Centre:

- registered users (without fixed office)
- registered users with fixed office (half-day)
- registered users with fixed office (full-day)

The following outlines the type of services provided at the Centre:

- Business advisory service
Free business advisory service from professionals on law, accounting, finance, marketing and business management;
- Business and management courses
Participation in talks, seminars and training programmes relevant to business start-ups organized regularly by the Centre;
- Secretarial service
Use of secretarial service;
- Office equipment
Use of office equipment including fax machine, computer, scanner, printer, photocopier, mailbox, locker, personalized telephone and conference room;

- *Business Start-up Association*
Eligibility for membership to the Business Start-up Association to meet business starters in various industries. Other opportunities for business networking are also available from time to time;
- *Reference materials*
Use of the Centre's collection of reference materials on business start-ups and the vast collection of management resources in the Learning Resource Centre of the MDC;
- *MDS membership*
One-year free membership of the Management Development Service (MDS) of the MDC.

Since the opening of the Centre, 181 business starters and 110 potential users had utilised the services of the BSC. Over 300 participants had also attended its training activities. A recent user profile survey indicated that business starters utilising the Centre's services are generally engaged in businesses like China trade, import business, web-content design, e-commerce, and consulting services. In March 1999, a customer satisfaction survey had also been conducted to gauge the level of user satisfaction and to identify areas for improvement. The survey results were encouraging and a high level of satisfaction was rated in most areas. Users generally rated an average of 4 or above on a 5-point scale.

The BSC was established at a time when Hong Kong was experiencing great economic recession and a high rate of unemployment. The success of the BSC has proved that starting a new business is a viable option. Since the setting up of the Centre in January 1999, over one hundred and eighty new companies had utilised the services of the Centre. A number of these companies have become successful, drawing on publicity in newspapers, magazines and TV interviews. This has indirectly created an impact on the awareness of entrepreneurship in Hong Kong. A number of organizations have negotiated with the BSC to look for collaborative opportunities such as the initiation of entrepreneurship among young graduates and vocational students and the solicitation of support from financial institutions and venture capitalists.

FUTURE INITIATIVES

As the Business Start-Up Centre has proved to be an initiative welcomed by many potential business starters, to enhance its services, new developments will be tested within the BSC in the years of 2000 and 2001. In particular, since a significant number of BSC users are IT business starters and to fall in line with the government's strategy of providing a conducive environment to high-tech industries, more resources will be invested in the installation of IT facilities and application software in order to better serve the needs of these users.

The experience of business starters of the BSC are undoubtedly valuable reference materials for would-be entrepreneurs in Hong Kong. As one of its future initiatives, the BSC shall develop self-learning videos and workbooks for the benefit of future entrepreneurs based on the past experiences of these users.

The Business Advisory Service of the BSC has also proved to be a useful support service to business starters. This service shall be further enhanced such that more proactive support would be provided through a Mentor Scheme. The Mentor Scheme assists entrepreneurs by assigning several business starters to a Duty Adviser who will act as their mentor or coach. The mentor will meet with his small group periodically and deal with their start-up problems with an aim to ensure that the start-up process is taken off ground smoothly.

A new website promoting the service of the BSC has also been planned for 2001. It is hoped that through better promotion and marketing, the services of the BSC can be broadly utilised.

Lastly, it has also been envisaged that there is the need for the BSC to develop into a forum for exchange of business ideas and a clearinghouse for business opportunities for business starters through regular meetings held at the Centre.

CONCLUSION

The success of the BSC has indicated that such a business model can be considered on a larger scale. With the foreseeable economic revival in the next quarters, it is anticipated that the demand for such services may experience considerable increase. The IT and consulting businesses are viewed as the major market niche for this type of mobile office set-up as spacious offices and lavish funding are not essential to the operation of these businesses and the essence of their success lies mainly in the imagination and generation of new business ideas.

REFERENCES

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