



COMMENT & ANALYSIS

How SMEs can be more nimble and innovative

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Small and medium enterprises (SMEs) often lack resources and are buffeted by unpredictable events. But their very smallness means they can also be nimble.

According to a Nanyang Business School study of more than 350 entrepreneurs in Singapore from Nov 2015 to Dec 2016, this flexibility — both in redeploying resources and changing goals — can lead to innovation.

Here are four ways this process can take place:

Recombine Resources

The most skilful entrepreneurs recombine their resources to solve new problems and are able to imagine new possibilities for what they already have.

For example, the founder of a remittance company, who could not afford to hire more workers, created a mobile app for customers to wire money without queuing at the shop, thereby eliminating the endless queues and chaos during peak periods.

Another SME, which offers a university application advisory service, started off with little expertise but tapped every industry expert, vendor of educational resources and college representatives they could, and built up structured processes from scratch.

A start-up wanted to rent iPads to tour companies but there was little demand. Talking to a banker during an event, it struck on the idea of developing an app and renting iPads for paperless conferences. The team developed a prototype within a month, combining their existing resources, and pitched the idea to the bank, securing their first, and subsequently recurring, client, allowing them to launch the service.

Exploit Contingencies

Contingencies — events that are unpredictable and somewhat random — are often part-and-parcel of what entrepreneurs have to deal with. **Innovative** entrepreneurs turn lemons into lemonade by converting challenges into new opportunities.

For example, an SME was developing an easy-to-use home machine with limited features for older diabetic patients to monitor the condition of their blood vessels. But when the team talked to the patients and nurses at the dialysis centre, they realised that patients were not interested in monitoring their own blood vessels.

On the other hand, nurses who were in charge of monitoring the dialysis process were keen on a monitoring device that could alert them of any abnormalities.

The team quickly changed their target product and market from a simple home device for dialysis patients to a more professional device with a range of features for nurses.

Another example is a company that manufactures temperature sensors and thermowells.

They had a temperature sensor that, due to the vibration it caused, generated a significant amount of customer complaints. Such vibrations were common among the products in the market, but the company came up with a new vibration-proof sensor that has drawn new customers.

The elimination of vibration also removed other problems that tended to result in customer complaints and servicing, thus improving productivity.

Be Willing to Cannibalise Existing Investments

Those companies that are more willing to cannibalise existing investments are able to more effectively exploit new contingencies.

For example, a game-developer company originally had a grand vision of producing a game that allows the player to progress in a non-linear fashion.

As the company developed the product, it realised that non-linear progress would generate an unlimited number of routes that users would take. This would require the company to develop an endless number of routes and mechanisms within the game.

Realising this was unfeasible, the entrepreneur abandoned the project but recombined existing resources into a new game that did not allow users to move in non-linear ways, but highlighted the strengths of the game mechanics — fast-paced and exciting functions. The new game was voted to be launched in a crowd-sourced gaming site (which votes on whether a game should be launched), and even received an award in India.

Entrepreneurs need to be flexible in abandoning projects when such an action is called for, regardless of the amount already invested into the project.

In another example, a firm was developing a med-tech device targeted at developing countries.

The entrepreneur's team, based in the United States, was unsuccessful in securing investments from venture capital (VC) funds from the country. In a chance encounter, the entrepreneur met a VC investor in India, who wished to invest in the company, on the condition that the company moved to India.

The company realised that this was a good opportunity to gain the required investments and be based in a target market. But it meant forgoing the investments in people and networks the team had cultivated in the US.

The team decided to take the opportunity, even though it meant that they would need to build a new employee team in India, as most of the US employees were not willing to move. It was only because of the company's willingness to cannibalise its existing investments that allowed the company to move to the next phase of expansion.

Generate Options

While researching ideas, entrepreneurs may develop ones that are not immediately useful, but might be worth considering in future.

For example, an equipment repair company mooted the idea of developing software to monitor the conditions of customers' equipment, to facilitate equipment maintenance. However, the cost of developing this software was prohibitive.

Nevertheless, he continued to cultivate this option by sending his staff for training in the related domain. When he felt that the technology was sufficiently mature, his company became one of the first to market with such a software.

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