

## **Best Practices for SMEs**

There is a great deal of discussion about best practices in the SME arena because it is now widely accepted that the smaller size of an enterprise does not exclude it from adopting processes and procedures that, over time and through experience, have demonstrated to yield the most satisfying business results. In working with SMEs to grow their revenues and create tangible value Tudog has a series of best practices the Firm works to integrate into the operational process of the company. The integration serves to standardize the practice, making it, over time, a typical and anticipated course of action. The integration of best practices in any lesser way, Tudog has witnessed, can lead to a temporary enhancement rarely sustained over time.

### **Defining Best Practices**

Best Practices is the term used to classify a set of rules and activities that typically result in the successful achievement of business objectives. Often taken to mean associated with IT, but also for critical operational processes. When referring to IT (computer assisted) resources, the general goal of best practices is to improve operations through better knowledge, operational efficiencies, and improved accountability. Operationally, best practices are the incorporation of processes that positively influence the execution of administration, marketing, sales and other critical business functions.

### **SME Soft Spots**

If, as stated, best practices are adopted to improve operations, it is necessary to establish which operational “soft spots” are most tender in SMEs. In doing so, the best practice that serves to alleviate the soft spot can be better recognized. SME soft spots include:

- Target Market Identification
- Intelligence Gathering
- Distribution & Logistics
- Marketing
- Pricing & Positioning
- Sales
- Operations
- Management & Administration
- Growth Management
- Competition
- Technology Integration

### **Best Practices for SMEs**

Tudog has 12 best practices for SMEs. They are:

**1. Train in the Technical Aspects of your Business** - SMEs are often not the primary priority to technology companies partly because the revenue they provide individually is significantly less than larger companies, and partly because a technology meltdown is perceived to be less critical. In order to decrease your dependency on an outsourced technology maintenance company, make sure at least one of your employees is fully

competent in all technical & engineering function that are critical to the on-going and smooth operations of your business.

**Soft Spot Relief:** Logistics, Operations, Growth Management, Technology Integration

**2. Invest in Knowledge Development** - Knowledge is the foundation upon which all of a company's strategic and tactical decisions are made. Without the proper information about the market, consumer behavior, trends, competition, your own internal capacities, etc., certain decisions will be made based on false assumptions – meaning the wrong decisions will be made. With less “strategic depth” than larger companies, SMEs have less room for mistakes, particularly avoidable mistakes. Invest time and money in developing your knowledge and the systems that will feed you knowledge.

**Soft Spot Relief:** Operations, Marketing, Sales, Administration, Growth Management

**3. Use your Employees to Define Skills Needed** - SMEs are more dependent on the skills of their employees, because, again, they have less capacity to absorb mistakes. The smaller size of the SME has an advantage however in that the culture and environment are still very much in control of management. The creation of an environment that allows employees to determine their level competency is a great asset to the SME because it empowers employees and energizes them to enhance their skill sets. Hewlett Packard, back when it was an SME, used to have a program whereby they encouraged employee innovation and free thinking by announcing a tolerance for what was termed “intelligent failure”. This basically meant that mistakes were acceptable as long as the logic behind the error seemed sound. By empowering your employees you are expanding the scope of your capacity to perform and innovate.

**Soft Spot Relief:** Logistics, Distribution, Growth Management, Operations, Marketing, Sales

**4. Cross Utilize Skill Sets** - You never know what talents are hidden under the day-to-day tasks your employees perform – unless you allow them to expand their horizons and take on new challenges. AN SME doesn't have the luxury to restrict their employees to single, narrowly defined tasks. The amount of work that needs to be done and the amount of people available (never enough) mean that the SME needs to have its people multi-tasking. Bring that multi-tasking tradition one step further – to cross-tasking and you have the ingredients for a dynamic environment. People with different orientations view things differently, so when you bring a tech person and a marketing person together and ask them to problem solve you get very diverse responses. In an SME, that's exactly what you want.

**Soft Spot Relief:** Operations, Marketing, Technology Integration, Growth Management

**5. Stay Engaged on an Industry Level** - All too often SMEs “give” their sector over to the larger companies by not getting and staying involved on an industry level. While you cannot hope to compete against the larger companies in terms of sponsorships, you can make certain that you have a presence at industry conferences, and you can earn your way onto the Boards of industry organizations, and you can present for articles for publication in industry magazines. In other words, in many ways when it comes to being involved on an industry level, size doesn't matter. Meanwhile, by becoming and staying involved you get exposed to much of the same information as the larger companies and

participate in the same discussions on trends, market forecasts and industry performance. You also get to know all the players, opening up opportunities for joint ventures and strategic partnerships.

**Soft Spot Relief:** Market Identification, Competition, Intelligence Gathering, Positioning.

**6. Train for In-House Equipment Operation** - Similar to the dependency you seek to avoid on the technology side, so too must you avoid being dependent on an outsourced service provider that repairs your critical equipment. Make certain that you have provided training to select employees that enables them to troubleshoot problems that might result in operational downtime. The need to train is especially true for new equipment, although the rule should be followed for all critical equipment.

**Soft Spot Relief:** Logistics, Operations, Management

**7. Use External Expertise** - The resistance to be reliant on outsourced service providers should not be confused with a need to utilize external expertise whenever your company is lacking a necessary skill set or seeks additional expertise and know-how. The use of external knowledge is often less expensive than bringing the talent in-house, and also has the added advantage of being removed from the dependency on the company (meaning external experts are freer to say what they think, even if it's unpopular with management). SMEs need to rely more on external expertise to supplement their existing skills, a practice large companies employ regularly.

**Soft Spot Relief:** Operations, Marketing, Sales, Administration, Growth Management, Technology Integration

**8. Mentor From Within** - One of the most critical assets the SME has is its human resources, and it is also one of the most vulnerable. SMEs are consistently raided by larger companies able to offer better compensation. One way to counter the brain drain is to mentor and develop your human resources and provide with a sense of belonging and a future. By identifying and embracing those employees you want to grow with your company, you will be insuring such growth by making sure the know-how, ambition, and commitment necessary to grow are in-house and experienced.

**Soft Spot Relief:** Management, Sales, Marketing, Growth Management, Technology Integration

**9. Promote from Within** - Not that far removed from mentoring from within, the idea of promoting from within is a way to retain those employees you want to hold on to. Just as the large companies raid SMEs for well trained employees, SMEs often seek to lure away mid-management from larger companies by making them management in the smaller company. While this practice may bring in some know-how and relationships you might otherwise be lacking, it is also a clear signal to your employees that their future growth with the company is not a certainty. This is not the message you want to send to the very people you need to fuel your growth. Promoting from within demonstrates commitment and gratitude. If you don't have anyone on staff suitable for a senior position than you either have not been training your employees well or have not been hiring the right people.

**Soft Spot Relief:** Operations, Marketing, Sales, Administration, Growth Management

**10. Help your Employees Get & Stay Involved** - Often being involved in industry organizations costs money and takes time. The upside to involvement is business intelligence, networking, and greater commitment. Your task, as an SME, is to be as involved in your sector as possible. This often means encouraging – indeed empowering – your employees to get and stay involved by covering the cost of their involvement and giving them the time they need to be active.

**Soft Spot Relief:** Marketing, Sales, Competition, Growth Management, Intelligence Gathering

**11. Train in People Skills** - It cannot be reinforced enough – knowledge is the foundation of your strategic and tactical health. If you lack the people skills to lead, to communicate vision, to excite and motivate, to encourage and instill common purpose, you will ultimately fail in growing your business. The centrality of human resources in the success of SMEs is so critical that the lack of people skills can cause significant barriers. Conversely, the better your people skills the more able you'll be to retain excellent employees and provide them with the leadership they need to be great.

**Soft Spot Relief:** Marketing, Sales, Management, Growth Management

**12. Establish Technology Relationships** - One of the most haunting disadvantages SMEs have is their access to new technologies. Often expensive to buy and integrate, technology companies often target the larger companies first, only years later providing watered down versions of the technology at price points within SME budgets. One way around this problem is to establish relationships with technology sources early in their development. For example, many technology departments at universities are looking for small companies to serve as beta sites for technologies. So too do technology start-ups seeking to verify their technologies and create a market presence before they approach the larger companies. In both of these scenarios, the SME is the perfect partner. The access to these opportunities has to be developed by the SME.

**Soft Spot Relief:** Logistics, Operations, Technology Integration

### **Competing Against the Big Companies**

The need to compete against big companies is a fact of life for SMEs and the topic really needs to be a subject of an entire separate article. However, a discussion of best practices needs to include some mention of competitive practices that help SMEs succeed against larger companies that have more resources and strategic depth. The tactics SMEs can use include:

- Market from the Peripheral Inward – don't compete directly at first with huge market leaders. Find a niche and work your way from the niche to the mainstream.
- Pay Attention to Customer Service – smaller companies are better equipped to build genuine relationships with their customers. Make them feel special and they'll be interested in working with you and not the larger companies that make them feel anonymous.

- Be Closer to the Market – As a small company you can be closer to the market, meaning you can better understand what customers are looking for – and give it to them.
- Be Flexible – large companies are burdened by large organizations, meaning that the ability of the average employee to make a decision or execute a request is limited. SMEs, on the other hand, have a shorter distance from market contact to decision maker, allowing for faster responses and greater operational flexibility. This can prove to be a significant market advantage.
- Adapt to Changes Quicker – once again, because of their larger organizations, large companies are sometimes slow to recognize and adjust to changes in the market. The SME, because they are closer to the market and have smaller organizations, can adapt quicker. This can be converted into meeting the immediate (and changing) needs of the market better. That's a great competitive advantage.

The Small and Medium Size Enterprise is the backbone of every modern economy. The better they perform the more stable the economy. This market verified reality means that the SME has a central role to play as borders breakdown and globalization becomes more embedded. The universal adaptation of best practices will assist SMEs in meeting the challenges of the future.

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