

APPENDIX 1

The Enterprise Survey

The objectives of the empirical research of SMEs are to highlight the technological, marketing and human capital capabilities of Mauritian enterprises; to analyse the influence of the policy regime on small firm competitiveness; and to examine the adequacy of institutional support for small firms.

Three industries were selected in order to identify both the issues common to all SMEs and those specific to a sector. The choice of industries, textiles, printing/publishing and IT, was made on the basis of suggestions for strategically-important industries contained in Lall and Wignaraja (1998).

SMIDO arranged appointments with up to twenty of their members, spread across these three sectors. Semi-structured interviews of between one hour and three hours were held with nineteen companies, followed (where appropriate) by a visit to the factory or offices. Four companies had more than the 100 employees specified as the maximum for the SME sector. Three were included for the following reasons:

L'inattendu Ltd – A woman-headed firm, and also as an example of good management practices. Aline Wong, the entrepreneur, has won a prize in the US for being a successful female business manager, and is well known in Mauritius for the achievements of her business.

Beachwear Export Ltd – A company specialising in a high-value, niche product group (swimwear). High-value, niche products offer small companies in Mauritius more favourable opportunities for entering and succeeding in export markets.

Bowman International Sports Ltd – A call centre operation. This use of IT, leveraging the bi-lingual capabilities of Mauritians, presents a much larger opportunity for the exporting of IT services. The interview suggested that the value of exports is extremely large placing this company outside the SME sector.

Self-completion questionnaires were sent to all the interviewees plus an additional 31 companies, also spread across the three sectors, making a total of 50. Twenty-five responses to the questionnaire were received. The table below shows the composition of the total sample of 34 companies researched.

Table A.1: Composition of Sample Survey

Industry sector/Company	Main product	Value of exports (1997 \$US)	No. of employees
Textiles			
Beachwear Export Ltd	Swimwear	N/A	125
Exotic Design	T-shirts and casualwear	48,309	120
Fleur de Lys	Lingerie	Not exporting	15
G&T Action Wear Ltd	T-shirts, shorts	N/A	45
Island Style	T-shirts, shorts	170,240	35
La Chance Ltd	T-shirts, shorts	538,164	98
L'inattendu Ltd	Ladies jersey casualwear, children's wear	1,410,500	130
Maraly Fashion	Lingerie	Not exporting	15
Meem Ltd	Baby and children's wear	4,865	7
Metro-Garments Manufacturing Ltd	School uniforms, shirts, T-shirts	53,500	20
Nancy Garment Ltd	T-shirts	Not exporting	40
Nobee Ltd	Children's wear, ladies wear	4,860	10
M R Rambarran Brothers	T-shirts	Not exporting	6
Mr D Ramgoolam & Sons	Uniforms, tailored suits for men and women	Not exporting	5
Tamak Ltd	Jersey garments	Not exporting	N/A
Woven Labels (Mauritius) Ltd	Woven labels + printed suits for men and women	N/A	300
Zubda Co Ltd	Babywear	Not exporting	6
Printing and publishing			
Arsenius Printing and Stationery Ltd	Books, general stationery	Not exporting	5
Badat Printing	General stationery	Not exporting	2
BL Cataland	Pre-press and pre-media	2,918,140	20
CompoCenter	Pre-press	583,640	40
Cosmoprint Co Ltd	Corporate stationery	Not exporting	10
De Luxe Printing	General stationery	Not exporting	23
Kalligraphia Ltd	Corporate stationery, point of sale material, packaging	Not exporting	9
MediaDesign Ltd	CD-Roms	Not exporting	5
Nu-print Ltd	Printed materials for the textile industry	7,287	21
Précigraph Ltd	Books and corporate stationery	424,130	70
Quad Printers	Corporate stationery	1,952	16
St Francois Printing Co Ltd	General stationery	Not exporting	5

Industry sector/Company	Main product 1997 \$US	Value of exports,	No. of employees
IT			
Babic Co Ltd	Computer hardware	252,901	11
Bowman International Sports Ltd	Call centre	N/A	210
D&H Computer Services	Software development	Not trading	6
London Information Systems Ltd	Photocopier consumables, IT services	N/A	22
Mauritius Computing Services	Software for the sugar industry	Not exporting	29

Industry sector – Of the 34 firms researched, 17 are in the garment manufacture business, reflecting the general distribution of SMEs. Twelve firms are in the printing and publishing sector, and five are engaged in various information technology activities.

Main product – Ten of the thirteen firms in garment manufacture produce casualwear, predominantly from cotton weave and cotton jersey. Two specialise in baby and childrenswear, and the others in swimwear, lingerie, woven labels, uniforms and tailoring.

Of the printing and publishing companies, eight produce corporate and general stationery, i.e. annual reports, brochures, posters, letterheads, etc, one specialises in labels and tags for the clothing industry, two are in pre-press and pre-media, and one produces CD-Roms.

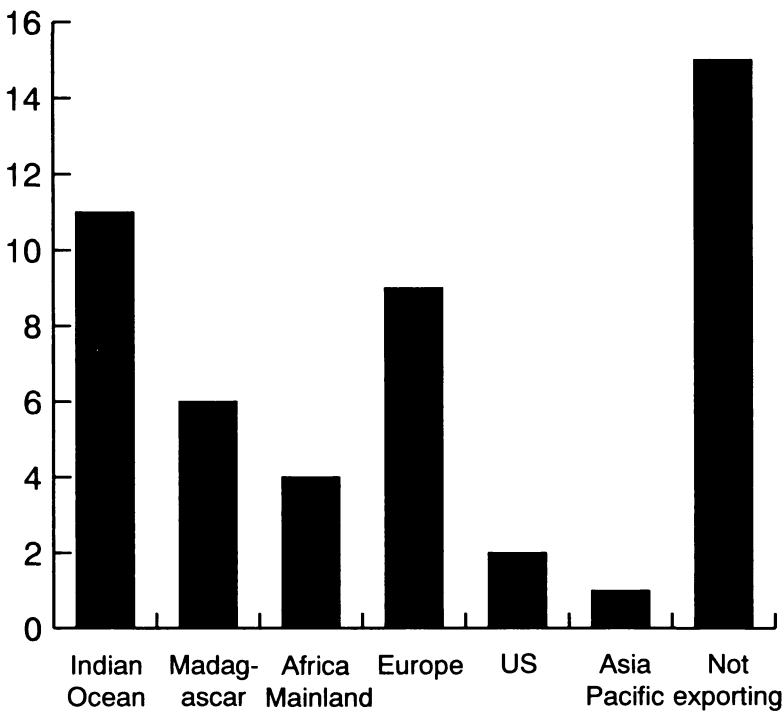
Within IT, one company is solely involved in the sale of computer hardware. Another has three areas of activity: the sale of computer hardware, the sale of photocopier consumables and IT services. Yet another operates as a call centre, taking sporting bets from the US, another company develops software for the sugar industry, and one acts purely as a production department of a UK company, upgrading software for the steel industry.

Value of exports for 1997 in \$US – In our sample, figures were available for 14 companies. These range from nearly \$3 million to as low as \$1,952. Fifteen companies do not export and one company is not trading at all.

Number of employees – With over 100 staff, five enterprises should be categorised as large firms. Nine are micro-enterprises with less than 10 employees. Two could be classified as a medium-size enterprises, one with 98 employees and the other with 70, and the remainder fall into the category of small enterprises, with employees numbering from 10 to 45.

The graph below shows the export destinations of the sample.

Figure A.1: Number of Companies Exporting and Their Destinations



APPENDIX 2

A Framework for Evaluating SME Capabilities

Any firm, whether large or small, exists as part of a broader infrastructure, a macro-environment that is shaped by the impact of global trade, national policies, industry structures and sources of competitive advantage, the availability of and access to resources, and competitor activity. The way in which an individual enterprise responds to these macro-environmental influences the nature and degree of its performance.

Performance can be measured in many ways. Volume of sales, profitability, return on investment, market share are just some of the quantifiable measures that can be an organisation's commercial objectives. For the purposes of this study, and as a reflection of the principle imperative for national economic growth in developing countries, we have chosen export performance as the key focus, and the value of exports as its simple measure.

A successful growth process, in this case towards exporting, involves the enterprise in capitalising on external opportunities and implementing appropriate and timely responses or changes in the firm's internal organisation. This process depends on: (i) the growth or export-orientation of the owner-manager (driven by his or her managerial characteristics); (ii) the strategy pursued; and (iii) the competences (within the enterprise) that can be employed to implement strategic decisions. The figure below illustrates how these three factors contribute to the export performance of SMEs at the level of the enterprise. This framework is adapted from research by Chetty and Hamilton (1996), and builds on a number of other studies on the determinants and influences of export performance and behaviour, particularly in the SME sector.¹

Strategy

Strategy is defined as the decisions made by the firm as to the products that are sold to which markets and how the company leverages competitive advantage, i.e. the benefits delivered to customers that are distinctive and differentiated from their competitors.

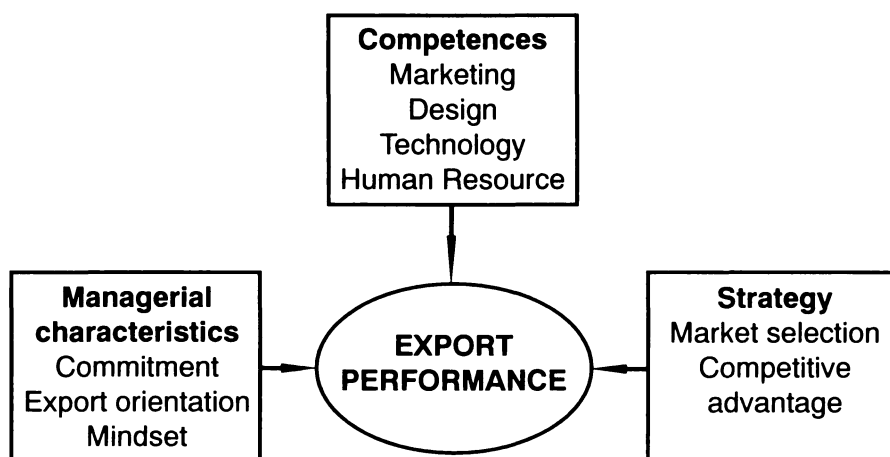
Market selection – Unlike larger companies, the SME lacks the scale and resources to compete on an industry-wide basis, producing many products or services and selling to a diversity of markets. A niche strategy, as suggested by Porter (1980) (and supported by numerous studies on SMEs²), offers the best route to sustainable performance. Here, the

¹ For example, Philp (1998), Aaby and Slater (1989), Bilkey and Tesar (1997), Louter et al. (1991).

² See Barber et al (1992); Hall (1995) for quantitative research confirming the link between performance and a focus or niche strategy. See also Gantisky (1989) for examples of the implementation of niche strategies by SMEs in a small country.

firm focuses on a narrow range of products or services targeted at one or a limited number of customer markets. In order to make sound decisions on market selection, the enterprise must have information about future or existing markets. It has to evaluate the potential of these markets and assess the strategic fit between market and the firm's ability to meet those needs.

Figure A.2: Enterprise Dynamics and Exporting



Competitive advantage – The firm must choose the basis on which it aims to compete. For example, establishing its position on the price-quality spectrum, taking into account the benefits to customers and the offers made by competitors. The package of benefits provided is termed its ‘proposition’ and this needs to be differentiated from the competition in a way that is perceived by customers as delivering value. Sources of competitive advantage are numerous. The SME, pursuing a niche or focus strategy, might include unique high-quality products, fast delivery, a propensity to innovate, or close relationships with customers or distributors.

Competences

Competences are defined as the capabilities at the functional level of an enterprise that are used to implement strategy. In most cases, competences relate to the functional areas of a business: marketing, production and the use of technology, human resource and finance. They also include support activities such as research and development and design. For the purposes of this study, we have chosen to examine SMEs in terms of their competences in marketing, design, the use of technology, and human resource.

Marketing – Marketing capabilities are the way the firm uses the tools of the marketing mix to deliver competitive advantage. These tools relate to decisions on product – what products or services are produced and with what characteristics; price – the level at which prices are set and how prices may be varied; distribution – how products or services are made accessible to customers; and promotion – how customers are made aware of products and services.

Design – Design has an important role to play in delivering competitive advantage by making tangible the needs and aspirations of customers. For example, fashion design in the garment manufacturing business, creates clothing that the target customers will find more appealing than that of competitors. Graphic design creates promotional material to communicate with and persuade the target market. Interior design can create a physical environment that supports a high quality retail outlet. The way that organisations use design skills and manage design projects is a competence that is increasingly identified as a major source of competitive advantage.

Technology – A firm's choice of position on the price-quality spectrum, or any other basis on which it chooses to compete, is facilitated by the use of appropriate and up-to-date technology. However, in many industries, the nature of the technology employed is increasingly shifting emphasis from capital equipment for production towards the effective use of information and processes. Technological competence is the way the firm uses all aspects of technology to deliver competitive advantage.

Human resources – There is a growing recognition that any organisation's single, most valuable resource any organisation has is its people. Strategic decisions are made and implemented by people; functional capabilities are realised by people. The performance of individuals is a function of their own personality, their skills and training, their motivation and the organisational culture of the workplace. The firm's ability to attract, retain and nurture its people is a key competence.

Managerial characteristics

The characteristics of senior staff, in particular the owner-manager, underpin the firm's growth or export-orientation and define its strategic choices and the way it develops and uses key competences. These "soft" factors are increasingly viewed as critically important for the SME, where the influence of the owner-manager is paramount.³ Additionally, identification of the managerial characteristics that are most conducive to pursuing export targets can help the SME allocate the appropriate resources services. We have considered three characteristics: commitment to growth, export orientation, and a global or international mindset.

Commitment to growth – Not all small businesses aim for growth. Those that do, will benefit most from assistance from external sources. The identification of a growth

³ Philp (1998); Jennings and Beaver (1997); Moran (1998); Srinivas (1995).

orientation should be a major criterion for the allocation of resources offered by business development services.

Export orientation – Similarly, not all small businesses are interested in exporting. Those that are, make a conscious decision to allocate scarce internal resources to exploiting export opportunities and to bear additional risk.

A global or international mindset – Where an owner-manager has a personal outward orientation and, often, direct exposure to international influences, the greater his or her propensity to engage successfully in exporting.

APPENDIX 3

Permits/Clearances Required for Setting Up of an Enterprise

Before starting their operations, industrialists are required to obtain a number of administrative permits. The following is a list of main permits/clearances required for establishing an enterprise.

- | | |
|------------------------------------|--|
| Development/Building Permit | <ul style="list-style-type: none"> i. A development permit for construction purposes from the Local Authority concerned (i.e. Municipalities in urban areas and District Councils in rural areas) where the construction of a building to accommodate the factory is envisaged. A building permit is also required from the Municipality in urban areas and from the Ministry of Works in rural areas. ii. A permit for the running of a business from the Local Authority (Municipality or District Council). |
|------------------------------------|--|

Permit from Local Authority	<p>Before the issue of permit at (ii), clearance from the following Ministries/Departments is required by the Local Authority:</p>
------------------------------------	--

- | | |
|---|---|
| <ul style="list-style-type: none"> a) Ministry of Health, Regional Public Health Office (Sanitary Issues) b) Ministry of Environment, 9th Floor, Ken Lee Tower, Cr. St. Georges and Barracks Streets, Port Louis (Environmental Impact Assessment) c) Factory Inspectorate, Ministry of Labour and Industrial Relations, 16 Dr. Eugene Laurent Street, Port Louis (Health and Safety) d) Fire Services, Cr. St. Georges and De Poivre Streets, Port Louis (Fire Security) e) Police Department (District Headquarters) (Police Security) | <p>Relevant information and documents should be submitted to these Ministries/Departments</p> |
|---|---|

- | | |
|------------------------------|--|
| Electric Motor Permit | <ul style="list-style-type: none"> iii. An Electric Motor Permit from the Ministry of Public Infrastructure, is necessary when the factory is located in rural areas. |
|------------------------------|--|

- | | |
|---|--|
| Application for Foreign Investment | <ul style="list-style-type: none"> iv. Application for foreign investment in respect of foreign investors should be made to the Prime |
|---|--|

		Minister's Office. Funds can be transferred only after Letter of Intent is issued by the Prime Minister's Office. After the funds are transferred, that Office issues the certificate of Authority which allows the non-citizen to acquire shares in Mauritius.
Work Permit	v.	Application for Work permits in respect of expatriate staff, including foreign investors to the Ministry of Education and Human Resource development, 10th Floor, Sterling House, Lislet Geoffroy Street, Port Louis.
Residence Permit	vi.	Application for residence permit from the Passport and Immigration Office, Line Barracks, Port Louis, in respect of expatriate staff, including the foreign investors.
Water Supply	vii.	Application for water supply to the Central Authority, Royal Road, Phoenix.
Electricity Supply	viii.	Application for electricity supply to the Central Electricity Board, Royal Road, Curepipe.
Telephone and Telefax Services	ix.	Application for telefax and telephone services to the Mauritius Telecom, Telecom Tower, Edity Cavell Street, Port Louis.
National Pension Fund	x.	Registration as an employer at the Ministry of Social Security for contribution to the National Pension Fund in favour of their employees.

Application forms in respect of (iv) and (v) above are available at the One Stop Shop.

Source: Ministry of Industry and Commerce (1998)

APPENDIX 4

Profiles of Selected Institutions and Policies for SMEs

Box 1 – Mauritius Week: Carnival in the Indian Ocean

MEDIA organises a range of promotional activities in Mauritius itself, but these are dispersed throughout the calendar year. As a result, they lack focus and profile and are expensive to promote on an individual basis. Mauritius Week would consolidate all of MEDIA's island-based promotion into one extremely high profile "extravaganza".

Mauritius Week would be a week-long series of activities and events running simultaneously in a number of locations across the island. Its objectives would be to:

- Promote Mauritius as a desirable location for foreign investors;
- Promote Mauritius as a desirable tourist destination;
- Promote Mauritius as a world-class conference centre;
- Showcase Mauritian culture and achievements – art and craft, music, dance, drama, education, trade, innovation, etc;
- Celebrate the "joy" of Mauritius.

As such, Mauritius Week would target overseas investors, tourists, trading partners, and cultural partners. It would also serve as a focus for Mauritians themselves to acknowledge, promote, work towards and celebrate their own achievements.

Appropriate events and activities are numerous, but might include:

- The existing MITEX and buyer/seller meets
- Trade fairs specifically for the SME sector
- Conferences, seminars and workshops on a range of topics and subjects
- Open days at key institutions, such as the University, or the Clothing Technology Centre
- Organised visits to model factories, farms, etc

- Nature trails and outdoor activities and competitions
- A fashion show

Mauritius Week would raise considerable revenues during the week itself, as well as develop longer-term opportunities. Hotel prices could be raised and to supplement limited accommodation, a scheme such as “At Home in London” currently operating in London, could be implemented. Here, individual households are encouraged to make available rooms in their homes for tourists, who pay them an amount based on the quality of the accommodation. The scheme is operated by specialised agencies and householders are exempt from tax up to a certain level of income.

By focusing all of the island-based promotion into one week and extending its remit to encompass, not only trade, but also culture, Mauritius Week would have the critical mass and impetus to become a major date in the international calendar.

Box 2 – “Mauritian Soul”: A showcase for Mauritian excellence

Tourists come to Mauritius with money to spend and go home with much of it in their pockets. There is virtually nothing for them to buy. They may take advantage of the cheap prices of cashmere sweaters, but they will find little of any quality to give as presents or to remind them of their holiday.

Mauritian Soul is a working title for a network of shops offering art, crafts, homeware, jewellery, fashion accessories and other products of the highest quality, all reflecting the culture of Mauritius. The shops would be located in prime positions in Port Louis and the main tourist destinations. They would have a strong brand identity, their interiors would embody good design and sophisticated merchandising, and product selection would be stringent.

It is acknowledged that these products do not exist currently in Mauritius. However, the twin forces of the Design House creating the impetus at the production end, and Mauritian Soul providing the retail outlet, will enable scores of micro-businesses to be formed or existing businesses to improve the quality of their products.

Mauritian Soul, together with the Design House, would contribute to the creation of a Mauritian style that could play a major role in all aspects of export promotion.

The Design Council will be responsible, initially, for developing and managing this initiative in order to set and maintain design and quality standards. Once established, the shops represent an opportunity for franchising.

A similar initiative has been successful in Israel.

Box 3 – Trade Promotion Offices: Getting Closer to the Customer

Trade Promotion Offices are established in key export markets for a number of purposes. To:

- Create a national presence in the export market as a focal point for inward enquiries related to importing, direct investment, etc;
- Gather data and information on environmental factors in the export market, e.g. tariffs, economic conditions, regulatory issues, etc;
- Identify and make contact with potential customers, using techniques such as direct marketing;
- Facilitate involvement in trade fairs and exhibitions, run seminars and workshops, and generally raise awareness of the value of Mauritian products and services;
- Act as a showcase for Mauritian products and services, through the use of a showroom, brochures, CD-Roms, etc.

A recent study examining the impact of Trade Promotion Offices on the exports of developing economies into OECD countries demonstrated that the presence of a TPO in a country is positively correlated with a higher share of imports coming from developing countries for product groups available from both developed and developing countries (Gabriel, Benito, Gripsrud, 1997).

For a TPO to be generally effective, it must exhibit the following characteristics:

- A high profile in the location and physical design of office, presentation of information and marketing collateral;
- A clear marketing plan with a targeting strategy based on a sectoral approach;
- A proactive stance in identifying and making contact with potential customers;
- Sufficient numbers of staff with appropriate skills.

For a TPO to be able to provide support for the SME sector, additionally it has to:

- Identify a match between the capabilities of SMEs and the requirements of customers in terms of price and quality, volume, delivery and distribution;
- Identify opportunities for sub-contracting linkages and for clusters of SMEs, as opposed to individual firms, to fulfil customer requirements;
- Disseminate information in a way that is easy for SMEs to access and understand.

MEDIA has representation in a number of export markets. However, it fails to exploit TPOs sufficiently for the following reasons:

- The distribution of overseas offices and representatives falls short of creating a significant presence in key OECD markets, such as the US, the EU and Japan;
- One-person offices are unable to engage in the required range of activities, or the type of proactive results-driven direct marketing;
- TPOs are not sufficiently integrated into the overall strategy of MEDIA.
- TPOs take little account of the SME sector.

TPOs represent a highly cost-effective mechanism for entering and penetrating overseas markets and should be given greater importance in MEDIA's future plans.

Box 4 – The Business Link

The proposed Business Link is adapted from the model established and operating effectively in the UK. The key elements of the concept are as follows:

- The principle purpose of the Business Link is to address the major factor of small business failure – weakness in management skills. The Business Link acts as a hub providing information and advice in all areas of the SME's operation, addressing both its external and internal environments. It is primarily targeted at established businesses with clearly identifiable growth potential, but can also direct start-ups and micro-businesses to appropriate assistance and advice.
- The Business Link operates as a professional, client-centred business offering a range of tailored services, adopting a culture of high quality, and monitoring and evaluating the effectiveness of its overall service and individual service offers on a regular basis. All advice offered by the Business Link is independent and objective, and tailored directly to the individual needs of its clients.
- Although not seeking to maximise profit, the Business Link is a commercial body with a public purpose. It is funded partly from public sources and partly from client fees. It is accountable to all of its stakeholders for the quality and effectiveness of its provision.
- The Business Link works together with partners in both the public and private sectors to foster an integrated approach to service delivery. It utilises

existing, effective service provision, where appropriate. It also acts as a catalyst for the development of a network of service suppliers, thus creating the demand for a new sub-sector of independent small businesses.

- The Business Link employs only staff of the highest calibre in order to deliver the highest possible quality of service and to ensure the level of credibility needed for it to be effective in its own marketplace.

The Business Link offers the following core services:

Gateway Service – the first point of contact with the customer and a means of determining the nature of the support that the customer requires.

Information Service – provides customers with access to desk research and business intelligence, primarily through on-line databases.

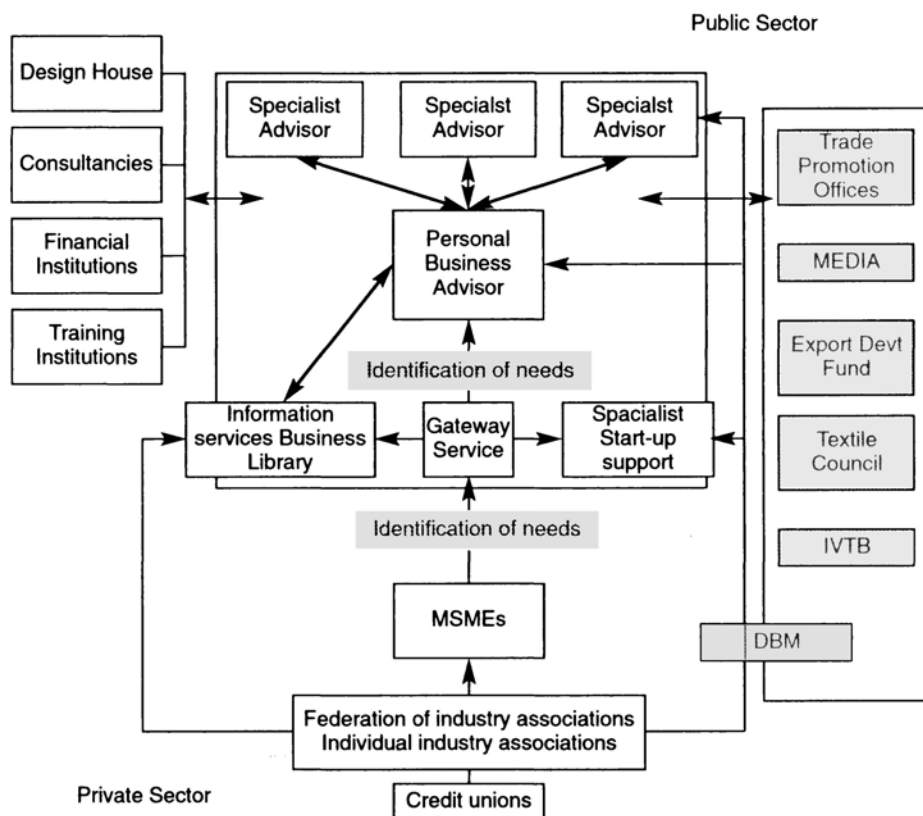
Business Library – a dedicated Business Link library offering a comprehensive and up-to-date range of resource materials, supplemented by links with other libraries, e.g. university, public libraries, etc.

The Personal Business Advisor – at the heart of the Business Link concept, the PBA's fundamental role is to develop relationships with a select number of established businesses in order to help them realise growth. Elements of this role include assessing the needs of clients and directing them to appropriate service providers, managing the relationship over time, and monitoring results. Ideally, PBA's should have skills and knowledge that are appropriate to their clients.

Specialist advisors – These may be divided into a number of categories, for example: design, innovation and technology, international trade, finance, management, training and human resources, marketing, premises and planning, regulatory issues, supply chain development. These specialist advisors may be directly employed by Business Link, or as appropriate, be private sector organisations working in partnership with the Business Link.

Start-up and micro-business services – whilst the PBAs and other resource-intensive services are targeted at firms with clearly identifiable growth potential, the Business Link can direct start-ups or micro-businesses to specific assistance delivered by a specialist organisation.

Figure A.3: A Business Link for Mauritius



Box 5 – The Design House – Infusing Design Culture into Mauritius

The Design House is, literally, a building containing a number of studio apartments with workshops attached, ideally located near a beach. The design of the building itself should reflect its purpose: it should look attractive and approachable and embody good architectural design.

The aim is to fill the apartments with practitioners of different design disciplines. These might include:

- Product design
- Graphic design
- Fashion design
- Shoe design

- Interior design
- Jewellery design
- Fabric design
- Furniture design

The apartments would be offered to young designers primarily from Europe, the US and Japan. The designers need to be formally qualified and have at least two years' commercial experience. Contracts would be for one year, renewable for an additional year only, so as to ensure a constant supply of new thinking and approaches.

Designers would be expected to earn their living through a combination of teaching at Mauritian educational institutions, providing design consultancy to businesses, and running private short courses at their workshops. Design consultancy provided to SMEs would be engineered by the Business Link and partially state funded. Designers could contribute to policy-making by the Design Council, offer support to industry associations and make significant contributions to government organisations and initiatives such as Mauritius Week. They might also be able to continue with consultancy projects from their home country.

Designers would not be expected to pay rent, but would be obliged to take on an apprentice for one year. This apprenticeship could form part of a formal qualification in the relevant design discipline, if such a course is offered in Mauritius. The apprentice might be funded by the state.

It is envisaged that the proposition would appeal mostly to younger designers, whose personal circumstances would allow them the time, and who would be attracted by the novelty, the challenge and the location.

The benefits to Mauritius are many. The range of design disciplines would enable most businesses to access a relevant designer and could create the impetus for the development of new businesses. The cumulative effect of so much design input, with each designer spawning another, would enable Mauritius to build its design capability within a very short time.

Initiatives with similar objectives, but different forms of implementation, are successfully running in transition economies, notably Romania and Poland.

Box 6 – The Clothes Shop and Sample Library: Simulating Conditions in Sophisticated Export Markets

For Mauritians with little or no personal exposure to overseas markets, especially with developed countries, it is very difficult to gauge the level or nature of quality that would be competitive in those markets.

For example, in the textile industry, for example, there is no substitute for one's own senses: seeing, hearing and feeling the cut of a jacket, the feel of the cloth, the colour of the fabric, the way clothes are presented in the shop, or the appearance of the shop itself.

Whilst it is always preferable to provide opportunities for Mauritians to travel to overseas markets, a cost-effective way to bring the markets for textiles to Mauritius is to create a clothes shop on the island.

It is envisaged that, within the Clothing Technology Centre, a shop is built which, in its interior design, merchandising and stock selection, would simulate an upmarket retail outlet in, say, London, Paris or New York. Stock would be sourced from world-class manufacturers, ideally on a donation basis, and renewed each season.

The nature of the shop would rotate on a regular basis. So, for example, for two months the shop would be for ladieswear, the next two months for menswear, afterwards for childrenswear, then shoes and so on. To enable this rotation, the interior fittings and merchandise fixtures would need to be flexible.

To supplement this shop, a library of clothing samples would house a much larger range of clothing, as well as the current season's clothing not displayed.

The Textile Council would manage this initiative with input from the Design House.

Box 7 – SME Clusters: Leveraging Collective Efficiency

There is mounting evidence that clustering and networking help small firms to compete and grow. By working together, firms can gain the benefits of collective efficiency, enabling them to challenge larger competitors and break into national and global markets.¹

Clusters refer to the sectoral and geographic concentration of firms, leading to incidental benefits in terms of finding suppliers, customers, skilled workers, etc. These are often referred to as industrial districts, well-known examples are to be found in Northern Italy.

Networks refer to cases of inter-firm co-operation irrespective of whether firms are geographically close. Here joint action is consciously pursued, in the form of co-operation between individual firms or groups of firms joining together in business associations and producer consortia.

The principles of collective efficiency, as suggested by Hubert Schmitz in the study noted above, are a 'Triple C' approach – a *customer-orientation* which forces firms to tackle the key problems of competitiveness; a *collective approach* which builds on the formation of groups of firms, associations, etc; and the *cumulative capacity* to upgrade through continuous improvement and, over time, to become

less dependent on support from outside.

Whether or not clusters already exist, networks pursuing conscious joint action can be stimulated through appropriate state interventions. Examples cited by Schmitz include:

Woodworking in the Brazilian State of Ceará. The Brazilian SME promotion agency, SEBRAE, channelled a government contract for school furniture to a group of small firms in one two. Their industry association engineered the bid and the co-ordination of contracts. Individual firms formed teams to discuss customer needs, technical, production and other issues. In this way, small firms began to develop a customer-orientation. SEBRAE provided additional training where needed, thus enabling the sector to develop its own impetus and processes for further development. The impact on the town was impressive. Before the contract there were four sawmills with 12 employees. Five years later, there were 42 sawmills with about 350 workers and a further 1,000 people employed in the woodworking industry. Over time, the customer base has been extended, so that 70% of output now goes to the private sector.

Surgical instrument-making in Pakistan. The town of Sialkot in Pakistan produces scissors, forceps and a whole range of specialist precision instruments. They are made from high-grade stainless steel by over 300 manufacturers, who farm out work to another 1,500 small enterprises specialising in particular stages of the production process. Alongside these firms, there are an estimated 200 suppliers of inputs and over 800 units providing various types of services. Over 90% of Sialkot's output is exported, most of it to Europe and North America. Overall, it is estimated that the cluster accounts for 20% of world exports, making Pakistan (after Germany) the second largest exporter of surgical instruments.

Box 8 – Export Houses and Export Consultancies: Creating Specialisms in the Private Sector

Two concepts underpin this proposal. The first is that one of the major barriers to SME growth is the difficulty in identifying potential export markets. Few SMEs have the resources, time and skills, to conduct comprehensive market scanning activities, or the funds to engage specialists. Even if export markets are identified, further difficulties exist in getting close enough to potential customers to know their needs and how they can be satisfied in designing and developing products and services. Yet another hurdle for SMEs is entering new export markets: making contacts with individual customers, understanding and negotiating factors within the macro-environment.

The second underpinning concept is that government-funded business

development services need to become more business-like; deliver products or services tailored, usually on a sectoral basis, to individual SMEs; and foster sustainable development, where assistance becomes finite. Increasingly, the idea of subsidiarity is emerging in the literature¹. This means that the provision of SME support services should be delegated to the lowest possible level of those who are closest to the SME sector, thus engendering a degree of “ownership”.

It is not the role of the Business Link directly to find new markets for SMEs or to facilitate their entry into these markets. Encouraging the emergence of private sector export houses and export consultancies, at the same time addresses one of the major barriers to SME growth and also creates the demand for a new SME sector. The Business Link might purchase, or part-purchase, services on behalf of SMEs as part of a financial support package on a commercial contract basis. Any firm, SME or larger, could use the services of these suppliers as and when required on a fee basis.

Export consultancies are likely to specialise in a geographic market, with a cross-specialisation in a limited number of products. So, for example, a consultancy in Mauritius might build expertise in textiles to the European Union, or food products to the African mainland. Consultancies would provide advice and information on conditions within a given export market, factors relating to market entry, competitor analysis and possibly the identification of customer groups. The Competitiveness Council, or other government organisation, could commission export consultancies to produce industry- or market-specific opportunity analysis reports.

Export houses act as extensions of an SME's marketing capability, contracting to enter an export market on behalf of one individual firm or a group of firms. Export houses might undertake the initial research, make contact and negotiate with customers, or formulate contracts. They would have the required knowledge to make significant contributions to new product or service development. As with export consultancies, these houses would be most effective if they were to specialise by product/market. Export houses could be remunerated on a fee or commission basis, or a combination of these.

It is likely that export consultancies would set up departments to act as export houses, or vice versa. The expertise gained within the consultancy is, in itself, a saleable export.

Bibliography

- Aaby, N.E and Slater, S.F(1989), "Marketing Influences on Export Performance: A Review of the Empirical Literature, 1978- 88", *International Marketing Review*, Vol.6 No.4.
- Albaum, G. et al (1994), *International Marketing and Export Management*, London, Addison-Wesley Publishing Company
- Appanah, V. (1997), *The Challenge of Productivity*, Port Louis, Edition Ocean Indien
- Autio, E., and Klofsten, M. (1998), 'A Comparative Study of Two European Business Incubators, *Journal of Small Business Management*, Vol. 36. No. 1
- Badrinath, R. (1994), 'Helping Small and Medium-Size Firms to Enter Export Markets', Geneva, *International Trade Forum*
- Bagnasco, A., and Sabel, C. (Eds) (1995), *Small and Medium-Size Enterprises*, London, Cassell
- Bank of Mauritius (1997), *Annual Report: Year Ended 30th June 1997*, Port Louis: Bank of Mauritius.
- Bannock, G. et al (1987), *Into Active Exporting*, London, British Overseas Trade Board
- Barber, J. et al (Eds) (1992), *Barriers to Growth in Small Firms*, London, Routledge
- Bilkey, W. J., and Tesar, G. (1977), "The Export Behaviour of Smaller-sized Wisconsin Manufacturing Firms", *Journal of International Business Studies*, Vol. 8, No. 1
- Birchall, D. W., Chanaron, J. J., and Soderquist, K. (1996), 'Managing innovation in SMEs: a comparison of companies in the UK, France and Portugal, *International Journal of Technology Management*, Vol. 12, No. 3
- Buckley, P., Campos, J., Mirza, H, and White, E. (1997), *International Technology Transfer By Small and Medium-Sized Enterprises*, London: Macmillan Press.
- Business Link (1997), *Service Guide No. 3*, London: Department of Trade and Industry.
- Cafferata, R., and Mensi, R. (1995), The Role of Information in the Internationalisation of SMEs: A Typological Approach, *International Small Business Journal*, Vol. 13, No. 3
- Central Statistical Office (1994), *1992 Census of Economic Activities: Vol. 1 Small Establishments and Itinerant Units*, Port Louis: Ministry of Economic Planning and Development.
- Central Statistical Office (1997), *Annual Digest of Statistics 1996*, Port Louis: Ministry of Economic Planning and Development.

- Chetty, S. K., and Hamilton, R. T. (1996) 'The Process of Exporting in Owner-controlled Firms' *International Small Business Journal*, Vol. 14, No. 2
- Commonwealth Secretariat (1998) *An Integrated Marketing Programme for the Mauritian Printing and Publishing Sector, Part I: An overview of the Mauritian Printing Industry*, prepared by J. Birkenshaw and C. Johnston, London: Commonwealth Secretariat.
- Curran, J., and Blackburn, R. (1994), *Small Firms and Local Economic Networks*, London: Chapman Publishing Ltd.
- Dawson, J. (1997), 'Beyond Credit – the Emergence of High-Impact, Cost-Effective Business Development Services', *Small Enterprise Development*, Vol. 8, No. 3
- DBM (1998) *Annual Report*, Port Louis: Development Bank of Mauritius.
- De Chazal Du Mee (1998), "Research Study on Small and Medium Enterprises: First Interim Report", Port Louis: De Chazal Du Mee.
- Dichtl, E., Koegimayr, H., and Mueller, S. (1990), 'International Orientations as a Precondition for Export Success', *Journal of International Business Studies*, Vol. 21, No. 1
- DTI (1996), *Small Firms in Britain: Report 1996*, London: Department of Trade and Industry.
- Dubois, P. R., Beedasy, J., Hurreeram, D. K., Ramgooty-Wong, A., and Seebaluck, D. (1996), *Technological Competence in Mauritian Small and Medium Enterprises*, Port Louis: University of Mauritius.
- EIU (1998), *EIU Country Report: Mauritius, 4th Quarter 1998*, London: Economic Intelligence Unit.
- EPZDA (1998) *Annual Report*, Port Louis: Export Processing Zone Development Authority.
- EPZDA (1999), "Report of Task Force on Textiles", Port Louis: Export Processing Zone Development Authority
- Gantisky, J. (1989), "Strategies for Innate and Adoptive Exporters: Lessons from Israel's Case", *International Marketing Review*, Vol. 6, No. 5
- Gibson, A. (1997), 'Business Development Services: Core Principles and Future Challenges', *Small Enterprise Development*, Vol. 8, No. 3
- Global Financial Services Ltd (undated), "Draft Preliminary Report on Venture Capital Fund and Mutual Guarantee Fund for Small and Medium-Sized Enterprises" Prepared for the European Union Delegation of the European Commission.
- Goss, D., and Jones, R. (1992), Organisation Structure and SME Training Provision, *International Small Business Journal*, Vol. 10, No. 4
- Greiner, L. (1972), "Evolution and Revolution as Organizations Grow", *Harvard Business Review*, July/August
- Hall, G. (1995), *Surviving and Prospering in the Small Firm Sector*, London: Routledge.
- Hofstede, G. (1980), *Culture's Consequences*, London: Sage

- Humphrey, J., and Schmitz, H. (1996), "The Triple C Approach to Local Industrial Policy", *World Development*, Vol.24, No.12
- JEC (1998), "Memorandum of the JEC on 1998/99 Budget", Port Louis: Joint Economic Council (cited as JEC in the text).
- Jeetun, A. (1997), "Policy Coherence and Small Enterprise Development", Port Louis: Mauritius Employers Federation, (unpublished).
- Jennings, P., and Beaver, G. (1997), "The Performance and Competitive Advantage of Small Firms: A Management Perspective", *International Small Business Journal*, Vol. 15, No. 2
- Katsikeas, C. S., Al-Khalifa, A., and Crick, D. (1997) "Manufacturers' Understanding of their Overseas Distributors: the Relevance of Export Involvement" *International Business Review*, Vol. 6, No. 2
- Kuada, J. (1997), "Export Motives and Strategies of Ghanaian Firms", Paper presented at the *Sixth International Conference on Marketing and Development*, Romania
- Lall, S., and Wignaraja, G. (1998), *Mauritius: Dynamising Export Competitiveness*, Commonwealth Economic Paper No 33, London: Commonwealth Secretariat.
- Little, I., Mazumdar, D., and Page, J. (1987), *Small Manufacturing Enterprises: A Comparative Analysis of India and Other Economies*, Oxford: Oxford University Press.
- Louter, P. J., Ouwerkerk, C., and Bakker, B. A. (1991)"An Inquiry into Successful Exporting", *European Journal of Marketing*, Vol. 24, No. 6
- Malhotra, V. (1994), "Programme for Development of Small Scale Industries in Mauritius", Vienna: UNIDO.
- Manu, G. (1998), 'Enterprise Development in Africa – Strategies for Impact and Growth', *Small Enterprise Development*, Vol. 9, No. 4
- MCCI (1998), *Annual Report 1997*, Port Louis: Mauritius Chamber of Commerce & Industry.
- Mead, D.C and Liedholm, C. (1998), "The Dynamics of Micro and Small Enterprises in Developing Countries", *World Development*, Vol. 26, No. 1
- MEDIA (1998) *Annual Report*, Port Louis: Mauritius Export Development and Investment Authority.
- MEDRC (1997), *Vision 2020: The National Long-Term Perspective Study*, Vol. 1 and 2, Port Louis: Ministry of Economic Development and Regional Co-operation.
- MEF (1998), *Annual Report 1997*, Port Louis: Mauritius Employers Federation.
- Meier, R. and Pilgrim, M. (1994), "Policy Induced Constraints on Small Enterprise Development in Asian Developing Countries", *Small Enterprise Development*, Vol. 5, No. 1
- Mendonca, M., and Kanungo, R. N. (1996), 'Impact of culture on performance management in developing countries', *International Journal of Manpower*, Vol. 17, No. 4/5

- Milner, C., and McKay, A. (1996), 'Real Exchange Rate Measures of Trade Liberalisation: Some Evidence for Mauritius', *Journal of African Economies*, Vol. 5, No. 1
- Ministry of Industry and Commerce (1998), *The One Stop Shop*, Port Louis: Ministry of Industry and Commerce.
- Moran, P. (1998), 'Personality Characteristics and Growth-orientation of the Small Business Owner-manager', *International Small Business Journal*, Vol. 16, No. 3
- MOIC (1997), "Enhancing the Competitiveness of the SME Sector: Project Proposal for Financing by the European Union", Prepared by the Ministry of Industry and Commerce, Mauritius.
- Murphy, D. and Suttle, A. (1998), "Study on the Activities of MEDIA" Dublin: International Development Ireland Ltd.
- Nadvi, K. (1998), 'International Competitiveness and Small Firm Clusters – Evidence from Pakistan', *Small Enterprise Development*, Vol. 9, No. 1
- Philp, N. E. (1998), 'The Export Propensity of the Very Small Enterprise (VSE)', *International Small Business Journal*, Vol.16, No. 4
- Porter M. (1980), *Competitive Strategy*, New York: Free Press
- Rabellotti, R. (1998), 'Helping Small Firms to Network – the Experience of UNIDO', *Small Enterprise Development*, Vol. 9, No. 1
- Schmitz, H. (1998), 'Fostering Collective Efficiency', *Small Enterprise Development*, Vol. 9, No. 1
- Sengenberger, W., Loveman, G.W. and Piore, M.J. (ed. 1990), *The Re-Emergence of Small Enterprises: Industrial Restructuring in Industrialised Countries*, Geneva: International Institute for Labour Studies.
- Shoham, A. and Albaum, G. (1995), 'Reducing the Impact of Barriers to Exporting: A Managerial Perspective', *Journal of International Marketing*, Vol. 3, No. 4.
- SMIDO (1996), *A New Vision for SME Development*, Coromandel: SMIDO.
- SMIDO (1998) Annual Report, Coromandel: SMIDO.
- Srinivas, K. M. (1995), 'Globalization of Business and the Third World: Challenge of expanding the mindsets', *Journal of Management Development*, Vol. 14. No. 3
- SSEAM (1998), "Memorandum to the Minister of Finance", Small Scale Entrepreneur Association of Mauritius (Cited as SSEAM in the text).
- Storey, D. (1994), *Understanding the Small Business Sector*, London: Routledge
- Theng, L. G. and Lim Wang Boon, J. (1997), "An Exploratory Study of Factors Affecting the Failure of Local Small and Medium Enterprises", *Asia Pacific Journal of Management*, Vol. 13, No. 2
- UN (1998), *World Investment Report 1998*, New York: United Nations.
- Wignaraja, G. (1997), "Manufacturing Competitiveness With Special Reference to Small States" in Commonwealth Secretariat, *Small States: Economic Review and Basic Statistics*, London: Commonwealth Secretariat.
- Wignaraja, G. (1998), *Trade Liberalisation in Sri Lanka: Exports, Technology and Industrial Policy*, London: Macmillan.

- Wignaraja, G. (1999), "Tackling National Competitiveness in a Borderless World", *Commonwealth Business Council Policy Paper Series No.1*.
- Woldekidan, B. (1994), *Export-led Growth in Mauritius*, Indian Ocean Policy Paper 3, National Centre for Development Studies, Canberra: Australian National University.
- World Trade Organisation (1996), *Trade Policy Review: Mauritius 1995*, Geneva: World Trade Organisation.
- World Bank (1994.a), *Mauritius: Technology Strategy for Competitiveness*, Report No. 12518-MAS, Washington DC: World Bank.
- World Bank (1998), *World Development Report 1998*, Oxford: Oxford University Press.
- World Bank (1998a), *World Development Indicators 1998*, Oxford: Oxford University Press.
- Wren, B. M., Simpson J. T. and Paul, C. (1998), 'Marketing Channel Relationships Among Small Businesses' *International Small Business Journal*, Vol. 16. No. 4
- Yeoh, P-L. and Jeong, I. (1995), 'Contingency relationships between entrepreneurship, export channel structure and environment' *European Journal of Marketing*, Vol. 29, No. 8.