

Topic Overview	
Topic	BAFS Compulsory Part - Introduction to Management C04: Entrepreneurship and SMEs Management - SMEs Management
Level	S4
Duration	2 lessons (40 minutes per lesson)

Learning Objectives:

1. To understand the characteristics of Small and Medium Enterprises (SMEs);
2. To explain the importance of SMEs to the local economy;
3. To distinguish the differences between small and large businesses from management perspectives; and
4. To identify different governmental support measures for the development of SMEs.

Overview of Contents:

Lesson 1	Characteristics and Importance of SMEs
Lesson 2	Governmental Support Measures for SMEs
Extended Learning Activity	Research Project on Governmental Support Measures for SMEs

Resources:

- Topic Overview and Teaching Plan
- PowerPoint Presentation
- Student Worksheet with Answer

Suggested Activities:

- Group Discussion
- Matching Game
- Case Study
- Research Project

Lesson 1	
Theme	Characteristics and Importance of SMEs
Duration	40 minutes

Expected Learning Outcomes:

Upon completion of this lesson, students will be able to:

1. Describe the characteristics of SMEs; and
2. Explain the importance of SMEs to the local economy.

Teaching Sequence and Time Allocation:

Activities	Reference	Time Allocation
Part I: Introduction		
<ul style="list-style-type: none"> ◇ Teacher starts the lesson by asking the class questions about SMEs. ◇ Teacher explains to the class about the definition of SMEs in Hong Kong. 	PPT #2-13 PPT#14	10 minutes
Part II: Content		
<ul style="list-style-type: none"> ◇ Teacher explains the characteristics of SMEs. 	PPT #15-17	10 minutes
<ul style="list-style-type: none"> ◇ Activity 1: Group Discussion <ul style="list-style-type: none"> ■ Students are divided into groups of four to five. They are required to discuss about the importance of SMEs to Hong Kong economy. ■ Students are invited to present their ideas. ◇ Teacher concludes the importance of SMEs to the economy of Hong Kong. 	PPT#18 Student Worksheet p.1 PPT#19	15 minutes
Part III: Conclusion		
<ul style="list-style-type: none"> ◇ Teacher concludes the lesson by reviewing the key points covered. 		5 minutes

Lesson 2	
Theme	Governmental Support Measures for SMEs
Duration	40 minutes

Expected Learning Outcomes:

Upon completion of this lesson, students will be able to:

1. Distinguish small and large businesses from the management perspective;
2. Discuss the difficulties SMEs face; and
3. Describe the support measures for SMEs provided by the Government.

Teaching Sequence and Time Allocation:

Activities	Reference	Time Allocation
Part I: Introduction		
◇ Teacher starts the lesson by reviewing the characteristics of SMEs.		2 minutes
Part II: Content		
◇ Activity 2: Matching Game – Small versus Large Businesses <ul style="list-style-type: none"> ■ Students work in pairs. Have them cut out the set of matching cards in the student worksheet. ■ Have students identified which the key features of small business are and which the key features of large business are. 	PPT#20 Student Worksheet pp.2-4	5 minutes
◇ Teacher goes over the answers of the matching game by presenting the Powerpoint slides.	PPT#21-23	10 minutes
◇ Activity 3: Case Study <ul style="list-style-type: none"> ■ Divide students into groups of four or five to study the case of RockCat Games Limited and identify the difficulties SMEs face. ■ Invite students to present their ideas to the class. 	PPT#24 Student Worksheet pp.5-7	15 minutes
◇ Teacher describes the governmental support measures for SMEs.	PPT#25-26	5 minutes
◇ Teacher shows students the related websites and goes		

through the web-pages. ✧ Teacher explains the 'Extended Learning Task' (<i>Optional: see next section for details</i>).		
Part III: Conclusion		
✧ Teacher concludes the session by reviewing the key points covered.		3 minutes

Extended Learning Activity	
Theme	Research Project on Government's Support Measures for SMEs
Duration	Varies

This part is optional and serves to further enhance students' knowledge on the major governmental support measures for SMEs.

Divide students into 5 groups. They are required to carry out an outside class research project. Each group is assigned a topic from the following list.

1. SME Loan Guarantee Scheme
2. SME Development Fund
3. SME Export Marketing Fund
4. Support and Consultation Centre for SMEs (SUCCESS)
5. Small Entrepreneur Research Assistance Programme (SERAP) of the Innovation and Technology Fund

Students are required to organise a mini-exhibition in the classroom. The purpose is to enhance a better understanding of the governmental support measures among the class. A prize may be awarded to the group with the best presentation. Also, each group is required to submit a written report of not less than 1,000 words.

BAFS Compulsory Part Introduction to Management

Topic C04:

Entrepreneurship and SMEs
Management - SMEs Management

Technology Education Section
Curriculum Development Institute
Education Bureau, HKSARG
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Introduction

This session aims to address students with the fundamental understanding of the characteristics and importance of small and medium enterprises (SMEs), the differences between small and large businesses, as well as the support measures provided by the Hong Kong Government.

Duration

Two 40-minute lessons

Contents

Lesson 1 – Characteristics and Importance of SMEs

Lesson 2 – Government Support Measures for SMEs

How much do you know about SMEs in Hong Kong?



1. A **manufacturing firm** would be classified as a small and medium enterprise (SME) if the number of staff is fewer than:

- (a) 100
- (b) 150
- (c) 200



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BAFS Compulsory Part
Learning and Teaching Example

Lesson 1

Start the lesson by asking short questions to test students' knowledge on SMEs.

See next slide for the answer.

Answer

- (a) 100
- The official definition of SMEs in Hong Kong is manufacturing firms with fewer than 100 employees.



Manufacturing is defined as the physical or chemical transformation of materials or components into new products. The work could be performed by power-driven machines or by hand. The products could be made in a factory or at the worker's home. It could also be wholesale or retail. Manufacturing also includes assembling component parts of the products and recycling waste materials.

See United Nations Statistics Division, *International Standard Industrial Classification of All Economic Activities*, Revision 3 (<http://unstats.un.org>)

How much do you know about SMEs in Hong Kong?

2. A **non-manufacturing firm** would be classified as a SME if the number of staff is fewer than:

- (a) 50
- (b) 100
- (c) 150



See next slide for the answer.

Answer

- (a) 50
- The official definition of SMEs in Hong Kong is non-manufacturing firms which fewer than 50 employees.



Non-manufacturing firms are firms that are not engaged in manufacturing business.

How much do you know about SMEs in Hong Kong?

3. How many SMEs are there in Hong Kong?

- (a) approximately 150,000
- (b) approximately 280,000
- (c) approximately 500,000



See next slide for the answer.

Answer

(b) approximately 280,000

- As of the third quarter of 2006, there were approximately 280,000 SMEs in Hong Kong.



Check the Census and Statistics Department website (<http://www.censtatd.gov.hk>) for updated figure.

How much do you know about SMEs in Hong Kong?

4. What is the **percentage** of enterprises that are SMEs?

- (a) 60%
- (b) 80%
- (c) 98%



See next slide for the answer.

Answer

- (c) 98%
- As of the third quarter of 2006, 98% of enterprises were SMEs.



Check the Census and Statistics Department website (<http://www.censtatd.gov.hk>) for updated figure.

How much do you know about SMEs in Hong Kong?

5. How many **people are employed** by SMEs?

- (a) 1.2 million
- (b) 1.8 million
- (c) 2.4 million



See next slide for the answer.



Answer

- (a) 1.2 million
- As of the third quarter of 2006, SMEs employ about 1.2 million people.



Check the Census and Statistics Department website (<http://www.censtatd.gov.hk>) for updated figure.

How much do you know about SMEs in Hong Kong?

6. What is the most common **source of finance** for SMEs?

- (a) Stock market
- (b) Bond market
- (c) Owner's fund



See next slide for the answer.



Answer

- (c) Owner's fund
- The capital for SMEs is too small to be raised from stock or bond markets.



Definition of SMEs

- Manufacturing firms which employ fewer than 100 people; or
- Non-manufacturing firms which employ fewer than 50 people.



Repeat the definition of SMEs to reinforce students' memory.

Characteristics of SMEs

- Independent ownership and operation.
- Close control by owners who also contribute most of the capital.
- The owners make the decisions.



Explain the characteristics of SMEs.

(Remarks:

- *Most SMEs are owned and operated independently, for example, a barber shop, a café, a boutique, a small import and export firm, and a tutorial centre.*
- *Capital of a SME mainly comes from the owner(s) and/or loans funded by family, relatives or friends.*
- *The owner(s) of SME is(are) usually the manager(s) and the decision maker(s.)*

Characteristics of SMEs (cont'd)

- Small office home office (SOHO)
- Industries
 - Wholesale, import and export trade
 - Retail trade
 - Manufacturing
 - Restaurants and hotels
 - Financial, insurance, real estate and business services

Continue the discussion of the characteristics of SMEs.

(Remarks:

- *Many SMEs are rather small in size, employing a few people and have a small office. Some SMEs even have no employee. The owner would work from home. The term SOHO (Small Office Home Office) was created to describe such phenomenon. Ask students whether they know anyone who runs a one-man company or who works at home.*
- *SMEs in Hong Kong engage in different industries. The highest concentration is in the wholesale, import and export trade sector, followed by retail trade, manufacturing, restaurants and hotel, and then financing, insurance, real estate and business services.)*

Characteristics of SMEs (cont'd)

- Most large corporations started as SMEs
- They work as the outsourcing partners of large corporations
- Very high failing rate in the first year



Continue the discussion of the characteristics of SMEs.

(Remarks:

- *Most large corporations grow from SMEs, for example, Microsoft was originally started by Bill Gates and Paul Allen in their garage and Cheung Kong Holdings in Hong Kong was grown from a small plastic flower factory founded by Li Ka Shing;*
- *Many large corporations outsource some of their work to SMEs, e.g. a large bank outsources its computer system development work to a medium-sized software house. SMEs work as outsourcing partners of large corporations; and*
- *SMEs have a very high failure rate due to limited capital, lack of management expertise, weak market position, etc. In Europe, over 80% of SMEs fails in the first year.)*

Conclude the discussion of the characteristics of SMEs. Students may start from a small enterprise if they consider setting up their own business.

Activity 1: Group Discussion

- Form groups of four to five.
- Why are SMEs important to our economy?



Activity 1 :

Ask students to form groups of four to five to discuss the importance of SMEs to Hong Kong economy.

Require students to write down their views on their Student Worksheet p.1.

Invite students to present their views.

See next slide for discussion of the importance of SMEs to HK economy.

Importance of SMEs to The Economy of Hong Kong



- Economic growth
- Job creation
- Entrepreneurship
- Innovation
- Support to large firms



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Learning and Teaching Example

Follow up with the discussion on the importance of SMEs to Hong Kong economy.

(Remarks:

- *Economic growth - In Hong Kong and other countries in the world, SMEs (although there are different definitions) play an important role in the economy. SMEs in Hong Kong represent 98% of all business establishments.*
- *Job creation - As at the third quarter of 2006 (update if needed), there are about 280,000 SMEs in Hong Kong. They hire 1.2 million people which is 50% of employment in the private sector.*
- *Entrepreneurship - Many entrepreneurs start their business in the form of SMEs.*
- *Innovation - In Europe, 64% of commercial inventions are from SMEs.*
- *Support to large firms – Many large corporations outsource some of their work processes to SMEs.)*

End of Lesson 1

Activity 2: Matching Game Small versus Large Businesses



- Identify which key features belong to small or large businesses



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BAFS Compulsory Part
Learning and Teaching Example

Lesson 2

Activity 2 :

Prepare sets of matching cards before the lesson from Student Worksheet p.2 or ask students to cut the set of cards out from their student worksheet.

Ask students to work in pairs. The key features of small and large businesses are printed on each card. Students are required to distinguish the key features of small and large businesses.

The answer of the matching game is shown on the next 3 slides.

Small versus Large Businesses



Key Features	Small Business	Large Business
Form of ownership	Sole proprietorship, Partnership or Limited Company	Mostly limited company
Source of capital	Capital is mainly from owner(s), self-financed	Capital is raised from shareholders
Management	Usually managed by owner(s)	Managed by professional managers
Organisation structure	Simple organisation structure	Formal and complex organisation structure

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BAFS Compulsory Part
Learning and Teaching Example

Discuss the differences between small and large businesses:

- Form of ownership – A lot of small businesses are set up in the form of sole proprietorship or partnership while most large businesses are limited companies and many are listed companies.
- Source of capital – Small businesses are usually financed by the owner him/herself but large businesses are able to raise funds from many sources such as the stock and bond markets.
- Management – Owing to the scale and lack of resources, small businesses are usually managed by the owner. Most large businesses hire professional managers to run the business although some large businesses may also be managed by owners or owners with professional managers.
- Organisation structure – Organisation structure of small businesses is simple but large businesses usually have formal and complex organisation structure with many hierarchies due to higher job specialisation and division of labour.

Small versus Large Businesses (cont'd)



Key Features	Small Business	Large Business
Number of employees	Limited number of employees	Huge number of employees
Decision Making	Quick and flexible decision making	Decisions are made through formal procedures
Corporate culture	Family-like corporate culture	Well defined corporate culture
Market share	Limited market share	May dominate the market as a market leader

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BAFS Compulsory Part
Learning and Teaching Example

Continue the discussion on the differences between small and large businesses:

- Number of employees – Small businesses have limited number of employees. Companies need to employ 50 or more people (for non-manufacturing firms) or 100 or more people (for manufacturing firms) to be classified as large businesses.
- Decision making – Small businesses managed by owner with limited number of employees can make quick and flexibly decisions. Large businesses usually involve many people in their decision making process with a formal procedure.
- Corporate culture – Small businesses are usually family-owned businesses and their culture is family oriented. Large businesses usually have their well-defined culture.
- Market share – Small businesses can only occupy a small part of the market but some large businesses can dominate a substantial part of the market, e.g. a small café versus a fast food chain.

Small versus Large Businesses (cont'd)

Key Features	Small Business	Large Business
Market segment	Focus on certain market segment(s) only	Serve more than one or all segments of the market
Line of business	Specialise in one or a few products	May have many diversified lines of businesses
Customer relationship	Close contact with customers and react quickly to the changes in the market	More distant from customers and sometimes react slowly to the changes in the market
Production	Have difficulties achieving economies of scale	Achieve economies of scale easily

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BAFS Compulsory Part
Learning and Teaching Example

Continue the discussion on the differences between small and large businesses:

- Market segment – Small businesses occupy a small segment of the market while large businesses may serve more or all segments of the market, e.g. a small fashion boutique selling young lady's dress versus a popular brand clothing business selling man, woman and child clothes.
- Line of business – Small businesses normally specialise in one or a few product(s) while large businesses may engage in different lines of businesses, e.g. Hutchison Whampoa engages in different businesses such as mobile phone, petroleum, harbour, properties development, etc.
- Customer relationship – With smaller number of customers, small businesses are able to have a closer contact with their customers. They are able to react faster to the changes in the market as a result of quicker decision-making process and simpler organisation structure. Large businesses, with numerous customers and more complex organisation, are more distant from customers and sometimes could not respond to the changes in the market as quickly as small businesses.
- Production – It is difficult for small businesses to achieve economies of scale due to their small sales volume. It is easier for large businesses to achieve economies of scale and lower cost of production. Thus large businesses can be more competitive in setting their prices than small businesses. To compete with large businesses, small businesses have to do better in other aspects such as product features, product quality, after-sale service, and innovation.

Activity 3: Case Study

- Form groups of four to five.
- Study the case of RockCat Games Limited and identify the difficulties being faced by the company.



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BAFS Compulsory Part
Learning and Teaching Example

Activity 3 :

Ask students to form groups of four to five to study the case and identify the problems and difficulties faced by RockCat Games Limited. Invite volunteers to present their answers.

Suggested answers:

Problems and difficulties faced by RockCat are:

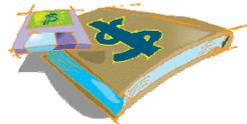
- Financial problem – RockCat only has limited capital and it is also difficult or costly for them to borrow money.
- Lack of management expertise – Thomas Tse has to take care of different management functions that he may not have the required skills or expertise.
- Weak market position – The company is facing competition from large businesses. RockCat does not have a strong market position in terms of competition.
- Human resource problems – It is difficult for RockCat as a small company to attract or retain good people, or to provide sufficient training and development for their employees.
- Lack of marketing network – RockCat lacks experience, expertise and resource to promote and market their products.
- Insufficient research and development – Due to lack of capital and other resources, RockCat may not be able to further research and develop their new ideas and innovations.
- Unable to bear large losses – RockCat may not be able to take up very profitable but highly risky projects.

Summarise the points and introduce the major government support measures for SMEs. See next two slides for details.

Government's Support Measures for SMEs



1. SME Loan Guarantee Scheme
2. SME Development Fund
3. SME Export Marketing Fund



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BAFS Compulsory Part
Learning and Teaching Example

Following the case study, briefly describe the measures provided by the Government to support SMEs.

1. SME Loan Guarantee Scheme – The overall objective of the scheme is to help SMEs improve their productivity and competitiveness. It assists SMEs to secure loans from participating lending institutions (PLIs) for the acquisition of business installations and equipment; meeting additional operational expenses related to the business installations and equipment; and meeting their working capital needs arising from provision of credit terms to their customers.
2. SME Development Fund – The fund aims at providing financial support to projects carried out by non-profit-distributing organisations operating as support organisations, trade and industrial organisations, professional bodies or research institutes to enhance the competitiveness of Hong Kong's SMEs.
3. SME Export Marketing Fund – The objective of the fund is to help SMEs expand their businesses through participation in export promotion activities.

(For further information, please refer to <http://www.smefund.tid.gov.hk>.)

Government's Support Measures for SMEs



4. Support and Consultation Centre for SMEs (SUCCESS)
5. Small Entrepreneur Research Assistance Programme (SERAP) of the Innovation and Technology Fund

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BAFS Compulsory Part
Learning and Teaching Example

4. Support and Consultation Centre for SMEs (SUCCESS) – Run by the Trade and Industry Department, SUCCESS is the Government information and advisory centre for SMEs. It collaborates with various industrial and trade organisations, professional bodies, private enterprises and other Government departments to provide SMEs with a comprehensive range of business information, advice and facilities. Free business information and practical consultation services are offered by the SUCCESS.

(For further information, please refer to <http://www.success.tid.gov.hk>.)

5. Small Entrepreneur Research Assistance Programme (SERAP) of the Innovation and Technology Fund – SERAP is a technology entrepreneurship programme for pre-venture capital stage financing of technology entrepreneurs (defined as a locally incorporated company with less than 20 employees) to start-up, carry out research and development, and to conduct market validation.

(For further information, please refer to <http://www.itf.gov.hk>.)



The End

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BAFS Compulsory Part
Learning and Teaching Example

Conclude the session by reviewing the key points learned in the lessons and stimulate students to think about pros and cons of starting up their own business.

End of Lesson 2



Activity 2: Matching Game

Small versus Large Businesses

Work in pairs. Cut out the sets of matching cards on the next two pages. Distinguish the key features of small and large businesses according to the following aspects.

Key Features	Small Business	Large Business
1. Form of ownership		
2. Source of capital		
3. Management		
4. Organisation structure		
5. Number of employees		
6. Decision making		
7. Corporate culture		
8. Market share		
9. Market segment		
10. Line of business		
11. Customer relationship		
12. Production		

Matching Cards

<i>Family-like corporate culture</i>	<i>Limited market share</i>
<i>More distant from customers. Sometimes react slowly to the changes in the market</i>	<i>Capital is raised from shareholders</i>
<i>Usually managed by owner(s)</i>	<i>Managed by professional managers</i>
<i>Simple organisation structure</i>	<i>Achieve economies of scale easily</i>
<i>Have difficulties achieving economies of scale</i>	<i>May dominate the market as a market leader</i>
<i>Limited number of employees</i>	<i>Formal and complex organisation structure</i>

<i>Mostly in the form of limited company</i>	<i>Quick and flexible decision making</i>
<i>Focus on certain market segment(s) only</i>	<i>Serve more than one or all segments of the market</i>
<i>Specialise in one or a few products</i>	<i>In the form of sole proprietorship, partnership or limited company</i>
<i>May have many diversified lines of businesses</i>	<i>Close contact with customers and fast react to the changes in the market</i>
<i>Capital is mainly from owner(s), self-financed</i>	<i>Huge number of employees</i>
<i>Well defined corporate culture</i>	<i>Decisions are made through formal procedures</i>



Activity 3: Case Study

RockCat Games Limited

	<p>Thomas Tse is the founder of RockCat Games Limited, a mobile phone games developer in Hong Kong with 10 employees. During a recent interview by a magazine, he made the following comments about the development of his company.</p>
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"I started RockCat with a friend in 2003. We only had limited capital from our own savings and loan from relatives."

"We launched our first game in 2004. Fortunately, it was well recognised by the market. We decided to expand our business but we didn't have extra capital. The SME funding schemes resolved our financial problem."



"Mobile phone game technology is not complicated; therefore, our market growth attracted many new entrants, including big players from Japan and South Korea. In order to survive, we have to be innovative with our products. However, as a small firm, it is difficult to attract and retain good people to work for us."



"We are planning to hire 10 more software developers in our team. With the growth of our company, I have to spend sufficient time on running the company. As an IT person, I am not completely comfortable with handling management related functions such as finance, human resources, sales, administration, etc."



"After 5 years of development, our brand is established in the Asian market. Now, we wish to expand to the European market, but we are lacking the experience and expertise to promote and market our products to Europeans!"

