

## A Feasibility Study on Business Consulting Services to Small Medium Enterprises (SMEs) by Public University in Malaysia

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**Abstract** Realizing the potential market opportunity for business consulting services for Small Medium Enterprises or SMEs and the need for university to generate its own income, most public universities in Malaysia plan to embark on business consulting services with the vision of enhancing SMEs capabilities to its full potentials. Furthermore, it also means that public universities can capitalize its resources (infrastructures and human capital) to spearhead revenue-based activities. This feasibility study has enabled public university, the Universiti Sultan Zainal Abidin (UniSZA) in this study to clearly see what business the entity is in and where it is headed. The university no longer sees itself as simply in the business of consulting industry. It now sees itself in the business of "developing talent in SMEs sector". By defining the business in this way the university has identified possible new services such as contract service agreements and training. It sees new opportunity in helping SMEs Malaysia by capitalizing enterprising brains at public university via the establishment of strategic business unit (SBU) with its branding – "Empowering SMEs – Nurturing Leaders".

**Key words** Business consulting services, SMEs, feasibility study, public university

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### 1. Introduction

Malaysian Small Medium Enterprises or SMEs are a vital component of the country's economic development. According to SMECorp (2010), SMEs accounted for 93.8 percent of companies in the manufacturing sector. They contribute 31.9 per cent of total Gross Domestic Product (GDP), 19 percent to export market, and employ 59 per cent of the country's workforce. In addition, value added products from SMEs are expected to be worth RM 120 billion — or 50 percent of total production — in the manufacturing sector by 2020.

Since SMEs sector is that important, its dynamics significantly influences the overall development of national economies and even social sphere (through employment) in many countries. This forces to constantly analyze facilitators and obstacles of SMEs growth. Numerous support programs were developed in various countries for reducing/removing obstacles for SMEs growth. Most often, they concentrated on financial support (loan programs) or educational influence. These influences together with SMEs support programs' activities have been rather well analyzed and documented (Chrisman, McMullan, 1996).

However, many other influences on SMEs development and growth can also be observed. One of them is the use of professional business consulting services that bring additional expertise and give a certain push to SMEs growth. This happens because consulting integrates informational, technical, training and other external influences with characteristics of individual companies.

Thus, this feasibility study aims to identify problems and opportunities, determining objectives, describing situations, defining successful outcome and assessing the range of costs and benefits associated

with the setting up of public university strategic business unit (SBU); Universiti Sultan Zainal Abidin (UniSZA) in this study to offer business consulting services to SMEs in Malaysia. These objectives will be assessed via the Dimensions of Business Viability (Thompson, 2003) in which are Market Viability, Technical Viability, Business Model Viability, Management Model Viability and Economic and Financial Model Viability.

## 2. Methodology of research

In order to validate public university business consulting services to SMEs in Malaysia, case study method has been adopted. The case study method as defined by Yin (1993) is an empirical inquiry that investigates a contemporary phenomenon within its real life context, addresses a situation in which boundaries between phenomenon and context are not clearly identified and uses multiple sources of evidence. The purpose of exploratory research according to Bourma (1996) is to assemble a body of information that enables the researcher to develop a comprehensive and an extensive overview of the research subject(s). Such wealth of information generated by case studies is crucial when answering ‘the question “what is going on?”’.

When this research was carried out the case study method, the researchers aim to achieve the following objectives:

1. To gain an in-depth understanding on the use of business consulting services among SMEs in Malaysia
2. To understand factors that contribute to the use of business consulting services among SMEs in Malaysia spanning from educational background, income sources, access and lack of access to resources, barriers or limitations to services etc
3. To analyze how SMEs in Malaysia were selecting and using business consulting services during the different phases of its development
4. To analyze how different types of business consulting services influence SMEs growth in terms of sales volume and employment.
5. To identify problems and opportunities, determining objectives, describing situations, defining successful outcome and assessing the range of costs and benefits associated with the setting up of public university business consulting services to SMEs in Malaysia. These objectives will be assessed via the Dimensions of Business Viability as follows:
  - Market Viability;
  - Technical Viability;
  - Business Model Viability;
  - Management Model Viability;
  - Economic and Financial Model Viability.

The sample of companies was based on companies list provided by SME Corporation Berhad which being categorised as medium sized that have yearly turnover more than RM5 million. The companies participated in this study are as AI Sdn.Bhd (AISB), AF Sdn.Bhd (AFSB), NI Sdn. Bhd (NISB) and NMF Sdn.Bhd (NMFSB).

## 3. Market gap analysis

Based on the facts and findings, obviously all the SMEs above outsourced their accounting, tax and auditing functions to the external parties or accounting firms. However, all the practices were just to fulfil the regulatory requirements of Companies Act 1965 where they need to log and produce audited income statement every year. In nutshell, SMEs were not really benefited from the financial statement being produced since it was being processed after accounting year and they were not involved at all in preparing the statement. In other words, SMEs did not use the financial statement as a tool in planning their strategic directions as well as in decisions makings.

In regards to other consulting services besides accounting and auditing services, some SMEs had familiar with financial services offered by various government agencies such as MARA, SME Bank, SMECorp, PUNB etc. Again, all the SMEs were exposed to that because they really need the funding to expand their businesses. At this stage, they did the business plan or strategic plan because it was the requirement of the

founder. After loan being approved, nobody bothers about the business plan. As a result SMEs always loss directions in expanding the businesses though SMEs have huge potentials to grow.

Besides that, SMEs also quite sceptical about consulting services offered by external parties. First, they see SMEs information, financial information in particular is purely internal matters and company's secret and should not being disclose to somebody outside their stakeholders. Secondly, they perceived consulting services are expensive and out of their budget. On the other hand, findings showed that they knew they need the consulting services in helping them in strategic direction, business planning, marketing strategies, human resource management as well as technical advisories. However, all the perception above somehow renounces them to make strategic move to engage consultants.

Thus, the establishment of strategic business unit (SBU) at public university to offer business consulting services could fill in the market gap that required by SMEs in Malaysia. SBU as university set up could reduce the perception of trust faced by SMEs. Running by academicians and expertise, which attached to the university, SBU is a better position being seen as non-profit government organization with the objective to help SMEs grow. SMEs are already familiar with various government agencies before this, and SBU establishment would complement the others.

Looking into market positioning, SBU will offers various consulting services from accounting/finance/business related services up to technical services by capitalizing all the faculties and facilities at the university as well as its human capital (graduates and lecturers). In addition, all the services will be offered as a very affordable price from as low as RM300-500 per month depends on type of services required by SMEs. SBU niche or value creation would be its business coaching approaches instead of consulting approaches. As SMEs faced various weaknesses; business management in particular, the business coaching approaches would be the key success factors in developing SMEs. Thus, it would be the high time for SBU to develop new breed of SMEs Consultants (knowledgeable, energetic with passion) that can bring the SMEs to the next level with the tagline of "Empowering SMEs – Nurturing Leaders".

#### **4. SWOT and Resource-Based View (RBV) Analysis**

Based on the above findings and market gaps this study conducted SWOT and Resource-based View (RBV) analysis as follows:

##### **4.1. SWOT Analysis**

###### **4.1.1 Strengths**

- SBU is able to respond very quickly as it has no red tape, and no need for higher management approval as compared to other government related agencies;
- SBU is able to give really good customer care by focusing only to SMEs clients consulting means we have plenty of time to devote to the customers;
- SBU will capitalize the reputation of its human capital (the Professors and lecturers) as well as other faculty members and expertise;
- SBU has low overheads, make consulting services affordable and offer good values for SMEs clients.

###### **4.1.2 Weaknesses**

- SBU has little market presence or reputation;
- Depending on lecturers and graduates which are vulnerable to time constraints due to current commitments;
- Lecturers and graduates have lack of exposures on SMEs environment and business coaching skills;
- SBU cash flow will be depending on government training grants at early stage of the venture.

###### **4.1.3 Opportunities**

- Government supports for SMEs sectors are very promising with a huge budget for trainings and human capital developments;
- Very few consulting companies that really want to focus on SMEs; majority of them in corporate consulting;

- The government policy on knowledge transfers program from university to community; opportunity for SBU to develop best practice on SMEs consulting model;
- The micro franchising model adapted by SBU has a huge potential for scalability and profitability in the long run.

#### *4.1.4 Threats*

- Developments in technology may change this market beyond our ability to adapt (example: free consulting tools /resources in the internet);
- A small change in the focus of large competitor might wipe out any market position SBU has achieved.

### **4.2. Resource-Based View (RBV) Analysis**

Having all the resources above, the question now is how the SBU to gain sustained competitive advantage? A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of the strategy (Barney, 1991). Based on the resource-based view (RBV), the SBU will develop the strategies as follows:

#### *4.2.1 Valuable Resources*

The SBU will capitalize the abundance of resources (university facilities) currently have by university to develop integrated business consulting services to increase efficiency and effectiveness in SMEs sectors. Synergies among various faculties would become added value to the SBU as a whole.

#### *4.2.2 Rare Resources*

Managerial talents (professors, scientist and technologist) by various faculties (agriculture, business, engineering etc) would the rare resources that the SBU will combine to get the utmost benefits from them.

#### *4.2.3 Imperfectly Imitable Resources*

Research and Development (R&D) culture that embedded in the university's organizational structure would another added advantage. Any new R&D will apply to university's project and patented. This will make the new approach become imperfectly imitable resources to other competitors.

#### *4.2.4 Substitutability*

The credibility of the university and the closed link with the State Government of Terengganu is the SBU can expect to obtain a sustained competitive advantage. The university has been given a first hand to embark on the project that gives impact to the society which is not an easy to get by competitors.

Applying the RBV in the SBU would be an appropriate strategy in order to capitalize all the internal strengths (resources) that university have. Since SBU has access to various government grants, deploying all the resources into the project to gain sustained competitive advantage is a challenging tasks for the near future.

### **5. Implementation plan and discussion**

In developing SMEs Consultants among graduates and lecturers, the project should be geared towards micro franchising model. In a nutshell, micro franchising is a mini franchise or licensing arrangement with a smaller value entry point relative to the economy it's working it. Its aim is to both solve big problems and empower local enterprise where its impact a) is high and b) counts most. Its power lies not in sale price of actual franchise units, but more the reach and volume of business that could be put through the model.

For this SMEs consulting project for example, the target is to enrol ten teams of students (10 groups) where they will set up their own consulting firms via the model that already developed and sell the product/services of SBU to a base of ready client in the SMEs ecosystem. A win-win situation for the graduates (the micro franchisee) as well as university (the micro franchisor).

The nature of micro franchising means that it should be low cost of entry, high impact service, and low skill level to deliver the service and take money. The micro franchisor on the other hand should give training in how to be expert in the model. The training should be low tech so it easy and simple. The advantages of this model can be described as follows:

- Government – scalability potential of micro franchising concept means more job offerings for graduates particularly in business related faculties;
- Graduates/lecturers – proven concept with high rates of success (new breed of dynamic consultant with high yield and high income);
- Stakeholders – gained high quality consulting services at affordable cost; help SMEs to grow to the next level.

However, the project comes with the risks which will limit the potential of business if not being mitigate properly. The table 1 below shows the potential that involved with the project and proposed mitigation actions to be taken:

*Table 1. Potential Risks Project and Mitigation Actions*

Potential Risks	Mitigation Actions
Change of government policy (SMEs policy)	Though it might be possible, but due to the importance of SMEs in the country's economy, the SMEs policy will remain intact. In addition, government will keep giving the priority for Bumiputra agenda in developing SMEs for long run.
Change leadership at university level	This might be the most potential threat to this project because based on track record only entrepreneurial leader understand the entrepreneurship project and process. The possible action is: To keep inform the university management that entrepreneurship is the main agenda set by Ministry of Education (MOE) and budget are all provided by MOE not from university own pocket To show the result since the first project is very crucial to buy in the trust from all stakeholders.
Perceptions among SMEs	SMEs are quite sceptical in giving information regarding their businesses and reluctant to engage consultants Hence, program awareness and buy in via university and community engagement would be better gateway to get SMEs cooperation and supports
Sustainability of the participants/students in the project	From beginning, students already being put as a group of 5 that will set up their own company after undergo 6-month training. While there is a potential dropout, there is also possibility to be replaced with new members as well as takeover by other company i.e SBU. The most important thing is project will run as usual.

## 6. Conclusions

Entrepreneurial Leadership is all about 'making sense', 'commitment', and 'execution ability' in order to achieve business performance. How the researchers align these with strategic business unit or SBU is firstly, the strategy must make sense to the member of the organization. In our case, to develop SMEs Consultant among graduates, we must make sure that our business model will generate enough income (high yield, high income) to them and 'make sense' to them for the opportunity cost that they lost (being employed). Secondly, there must be 'commitment' to the strategy. This means that the members of the organization, the graduates/lecturers in public university must have the will and desire to work to realize the strategy and feel a personal commitment to it. They should proud to be a 1<sup>st</sup> Class Entrepreneur. It also implies that the members must be ready to take on new tasks as well as give others in order to realize the strategy. Lastly, there must be the necessary energy and execution ability in SBU. This means that the members of the organization, the graduates/lecturers in SBU must have the necessary time and energy to contribute to the realization of the strategy and they must feel themselves capable of doing it. In nutshell putting the plans into effect is also part of having the ability to execute.

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