



**MAURITIUS RESEARCH COUNCIL**

# **RESEARCH STUDY ON SMALL AND MEDIUM ENTERPRISES**

**Final Report**

*December 1998*

**MAURITIUS RESEARCH COUNCIL**

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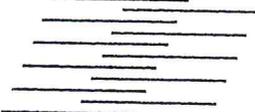
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**RESEARCH STUDY ON  
SMALL AND MEDIUM ENTERPRISES**

**Final Report  
Recommendations**

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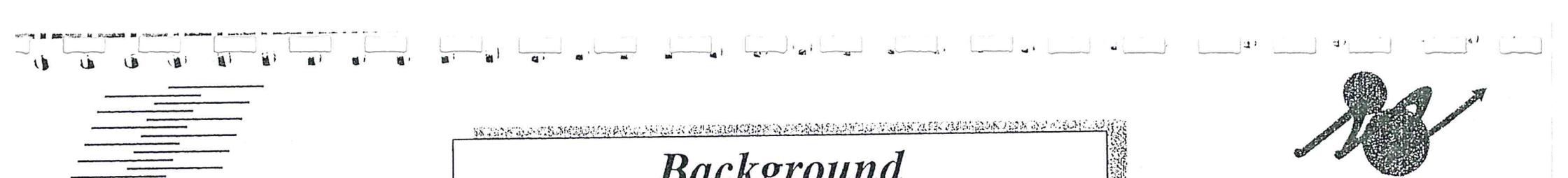
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## Background

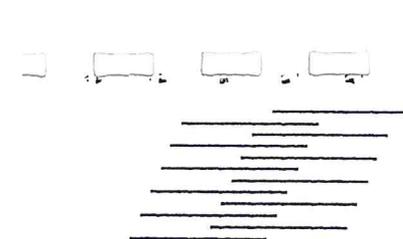


- This report sets out recommendations based on the results of the *Research Study on Small and Medium Enterprises* (SMEs). The objective of the assignment was to make an in-depth appraisal of the constraints faced by SMEs with respect to the following:
  - Macro Level sector policies
  - Finance
  - Technical
  - Marketing (both locally and overseas)
  - Human Resources
- A detailed survey was carried out between 3rd April and 16th April 1998.
- The survey was conducted among *55 enterprises*, which are as follows:
  - 40 enterprises registered with the SMIDO.
  - 15 enterprises not registered with the SMIDO.



## *Background*

- The definition of an SME has been based on the Industrial Expansion Act 1993, that is:
  - The enterprise should be engaged in a manufacturing activity.
  - It should be using production equipment whose aggregate CIF value does not exceed Rs 10m.
- The sample has been carefully designed so as to respect the following industry groups:
  - Food and Beverages
  - Leather and Textile
  - Paper and Printing
  - Chemical and Plastic
  - Jewellery and Ceramics
  - Metal products
  - Others



## *Background*



- The sample also considered the following criteria:
  - Number of employees
  - Amount of investment
- In view of having a complete picture of the SME sector, we have also considered *women entrepreneurs* in our sample.
- As per our proposals, three questionnaires have been sent to registered SMEs in Rodrigues.
- The Final Report 1 provides an insight into the present situation of the SMEs coupled with a focus on the constraints to which they are subjected.



## *Set and Realised sample*

<i>Sub-sectors</i>	<i>No. of SMEs registered</i>	<i>No. of SMEs not registered</i>	<i>No. of SME registered in Rodrigues</i>
Food and Beverages	9	3	1
Textile, Wearing Apparel and Leather	5	2	1
Wood Products and Furniture	8	3	1
Paper Products and Publishing	4	1	-
Chemical, Rubber and Plastic	3	1	-
Jewellery and Ceramics	2	1	-
Metal Products and Workshop	5	2	-
Others	4	2	-
<b>Total</b>	<b>40</b>	<b>15</b>	<b>3</b>



***PART I: Macro level policies***



## *Macro level policies - Members*



- Overall, members have a good awareness regarding incentives to registered SMEs with only 15% members unaware of incentives.
- Incentives most frequently mentioned are:
  - *Duty free rebates on equipment (55%)*
  - *Training courses (25%)*
- 30% members did not encounter any major problems to start their activity.
- The problems mentioned prior to setting up are:
  - *Raising of finance*
  - *Establishment of marketing plan*
  - *Access to technical know-how*
- 80% members are satisfied with the procedures for registration of enterprises at SMIDO.
- 50% members who have asked for permits or clearances have not encountered major problems while the other 50% mentioned lengthy delays.
- 75% members have asked for duty exemptions on equipment and among those, 70% have not encountered any major problems.
- Large enterprises have subcontracted with only 22% members.
- 27% members have subcontracted products parts with other enterprises mainly SMEs.



## *Macro level policies - Rodrigues*

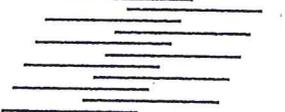


- All respondents are aware of incentives offered to registered SMEs.
- Incentives most frequently mentioned are:
  - *Duty free rebates on equipment*
  - *Training courses*
- The problems mentioned prior to setting up are:
  - *Limited financial assistance.*
  - *Inadequate floor space.*
  - *Lack of information concerning machinery and equipment.*
- Two members have asked for permits and clearances and both complained about lengthy delays.
- Two members have asked for duty exemptions on equipment and they have not encountered any major problem.
- The three enterprises interviewed claim that they are too small for sub-contracting.

## *Macro level policies - Non members*



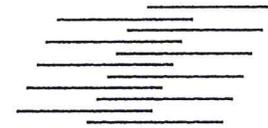
- 53% non members are unaware of incentives offered to SMEs registered with SMIDO.
- 47% non members perceive the package incentive of SMIDO interesting and advantageous.
- Main reasons mentioned for not having registered with SMIDO yet are:
  - *Insufficient information (26%)*
  - *Small size - family operated business (13%)*
  - *Possibility of emergence of problems due to operation in a residential area (13%)*
  - *Use of locally-made equipment thus no advantage to be derived from registration (6%)*
- The problems mentioned prior to setting up are:
  - *Lack of finance*
  - *Lack of information on equipment and suppliers*
  - *Unadapted labour*
  - *Difficulty to obtain permits*
- 47% enterprises surveyed have asked for clearances or permits and they complain mainly about:
  - *Lengthy administrative procedures.*
  - *Lack of precise guidelines from any Ministry.*
  - *Lack of competency for permit delivery.*
  - *No help from any institution.*
- Large enterprises have subcontracted with 27% non members.
- Only one respondent has subcontracted products parts with another SME.



## *Macro level policies - Recommendations*

- Awareness of incentives

- According to the results of the survey, overall registered enterprises have quite a good awareness regarding incentives specially for duty free rebates on equipment and training facilities.
- However, 53% non members are unaware of incentives offered to SMEs registered with SMIDO.
- In this context, we recommend:
  - *Incentives regarding registered SMEs should be more widely communicated via the press or television in order to convince non members to register so that SMIDO can help promote their development.*
  - *Intensify communication to inform existing members of incentives and services offered by SMIDO so that they can profit from existing advantages.*
  - *More communication through seminars and meetings or the organisation of events such as fairs in order to make SMIDO better known to the general public and to build its image as organisation dedicated to the development of SMEs.*

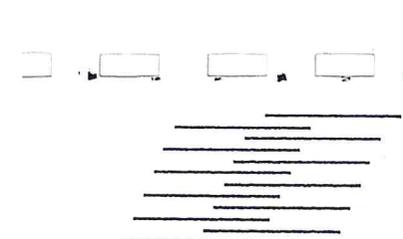


## *Macro level policies - Recommendations*



- **Setting up of companies**

- Among the problems encountered prior to their setting up, SMEs mentioned the following:
  - *Financial problems*
  - *Elaboration of a marketing plan*
  - *Access to technical know-how*
  - *Delays to obtain permits or authorisations*
- We suggest that SMIDO acts as consultant to help SMEs to start operations by:
  - *Counselling regarding administrative procedures.*
  - *Providing information on machinery to be used or on appropriate suppliers.*
  - *Providing training facilities on accounting procedures, access to credit and elaboration of marketing plans.*
  - *Providing advice on legal matters.*



## *Macro level policies - Recommendations*

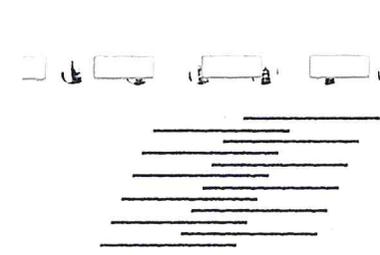


- Setting up of companies (Cont.)
  - Members also complained about lack of precise guidelines from Ministries to obtain permits or clearances. The responsible persons in various departments do not have or do not give the required information in terms of procedures and delays.
  - SMIDO could offer a one-stop-shop service for SME's to obtain all information and assistance regarding formalities and legal aspects which are tiresome and difficult for entrepreneurs.
  - We suggest that SMIDO create a department where all the necessary permits or clearances can be obtained or to act as facilitator to reduce delays.

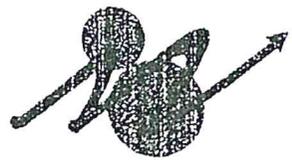


## *Macro level policies - Recommendations*

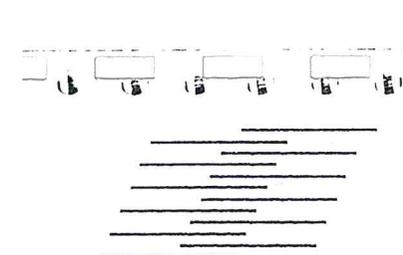
- Change in legislation
  - The main requests of SMEs are as follows:
    - *Harmonisation of fiscal regime of all SMEs.*
    - *Duty free exemption on raw materials and all other items (accessories, spare parts).*
  - Non SMIDO members are often confused regarding the conditions to be fulfilled for being registered. A clearer definition of the **manufacturing enterprise** should encourage them to register.



## *Macro level policies - Recommendations*



- Production equipment
  - 75% members have asked for duty exemption on purchase of equipment.
  - Among those who asked for duty exemption, 70% have not encountered any problem.
  - Members have however mentioned that rapid issue of duty free certificates would facilitate investment.
  - We suggest the following:
    - *Speed up the granting of certificates to obtain exemption on equipment.*
    - *Reduce administrative procedures for SMEs who have asked for duty free certificates before.*

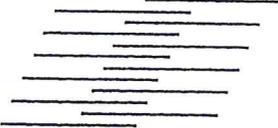


## *Macro level policies - Recommendations*



- Better communication

- One of the needs put forward by SMEs is to have more information on export markets. SMIDO could guide SMEs towards the MEDIA who would provide information on export markets. SMIDO could also support the creation of a department within the MEDIA particularly geared towards SMEs.
- SMEs complained about lack of information regarding fairs, both local and international. We suggest to create greater awareness regarding these events through:
  - *Advertisements in newspapers and magazines*
  - *Direct mailing to a pre-selected list of dynamic SMEs who are most likely to reap benefits from their participation in fairs.*
- SMEs also mentioned the fact that they would appreciate if there were a better follow-up on behalf of SMIDO. For example in cases where SMIDO participate in international fairs on their behalf, they would appreciate SMIDO's feedback regarding the appreciation of foreigners on their product.



## *Macro level policies - Recommendations*

- Better services

- Upon registration, each SME should be assigned a SMIDO representative who would visit the newly registered enterprise and explain the services offered by SMIDO. The representative would also act as consultant to follow the development of the enterprise providing support and collecting their feedback as to their requirements.
- In order to ensure better communication between SMEs and SMIDO, a zoning strategy can be adopted so that SMEs are grouped in different zones. This should facilitate communication and enable a more personalised service offered by SMIDO.
- SMEs in the region of the Indian Ocean Commission (IOC), the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC): Fresh incentives including fiscal and monetary to encourage SMEs to invest in the region via the introduction of SMEs Regional Development Certificate.



***PART II: Finance***



## *Accounting & Finance - Members*



- The low level of employees dedicated to the accounting function and the systems of book keeping seem to indicate that the accounting function is not the priority of most enterprises.
- Lack of good treasury management is one of the major weaknesses of the enterprises. This can be evidenced by cash flow problems, the high stock levels and high level of debtors and doubtful debts.
- One major difficulty that members find whenever they want to raise finance through loans is the lack of guarantee to the banks. Members also complained about the lengthy procedures of the DBM.
- Based on the survey, it seems that SME's are either
  - not confident on their chances concerning exports
  - not aware of potential export markets.



## *Accounting & Finance - Rodrigues*



- The SME's in Rodrigues are characterised by their small sizes with the number of employees varying between 1 and 6.
- Consequently, the accounting function is normally ensured by the owner himself/herself. Accounting systems seem to be basic and trivial.
- The members do not normally export but if there are exports, the destination would not be further than Mauritius.
- Rodrigues is also characterised by the necessity for credit sales and the very slow pace of debt recovery.
- All the 3 enterprises face cash flow problems.



## *Accounting & Finance - Non-Members*

- The Gross Profit margins are similar to those of SMIDO members and vary between 25% and 40%.
- Non-SMIDO members seem to be less organised than SMIDO members as far as book keeping and the accounting systems are concerned. This can be confirmed by the higher proportion of enterprises (compared to SMIDO members) which do not have any staff dedicated to the accounting function (50% compared to 30%).
- A more significant proportion of non-members than members have cash flow problems (78% compared to 60%)
- There are more non-registered SME's which export than registered SME's.
- The non-members also think that the procedures of the DBM are too lengthy.



## *Accounting & Finance - Recommendations*



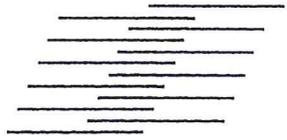
- The relationship between the SMIDO and its members seems to depend on the number of activities/events organised by the body. A more interactive relationship will have to be developed.
- The SMIDO should therefore act more as the “porte parole” of its members. One instance of such interventions would be to make a request on behalf of SME’s to the Development Bank of Mauritius to reduce administrative procedures in respect of loan applications.



## *Accounting & Finance - Recommendations*



- Whenever finance (whether initial or further finance) needs to be raised by SME's, the provision of guarantees and securities to the relevant banks become serious limiting factors. The SMIDO could therefore negotiate the following with the government on behalf of the SME's:
  - *Identify specific sectors where the government could guarantee loans granted to SME's*
  - *Provide funds to the DBM and commercial banks in order to finance SME's specifically at preferential rates.*



## *Accounting & Finance - Recommendations*

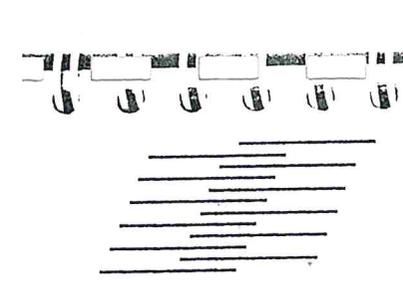


- Guidance should be given to SME's right at the start of their business, for example guidance in respect of market orientation, export or bank procedures, the necessity of feasibility studies etc. We therefore propose that a unit be established in order to provide basic counselling services in the following fields:
  - *Accounting & Finance*
  - *Legal*
  - *Marketing*
  - *Information Technology*
  - *Bank Procedures*
  - *Customs Procedures*
  - *Permits and Clearances*
  - *Tax regulations (Sales Tax, VAT, Customs Duty)*
- For the purpose, a “call free” hotline could be set up



## *Accounting & Finance - Recommendations*

- For technical issues requiring higher levels of skills the counselling unit should refer the SMIDO member to external experts such as accountancy firms, legal persons and Information Technology. Hence new adherents could be referred to an accountancy firm by the counselling unit for the preparation of feasibility studies or the elaboration of business plans.
- Lack of space has been identified as one of the constraints faced by the SME's. The SMIDO should therefore consider the setting up SME Zones throughout the island near cities and city suburbs such as Camp Levieux, Saint Pierre, Chemin Grenier, Flacq etc. Such building space could be provided at preferential rates. In order to facilitate communication and achieve synergy, desks of the SMIDO could also be settled there.



## *Accounting & Finance - Recommendations*



- An alternative to the above is to identify idle industrial building space with competitive rates and establish contacts between SMIDO members and property owners. The SMIDO would therefore act as a facilitator or agent between the SME's and the property owners.
- The SMIDO should create an awareness in its members of the VAT system and its implications on SME's through a special workshop/seminar. The workshop/seminar should also advise SME's on how to prepare/plan their businesses in view of the introduction of the new tax system.

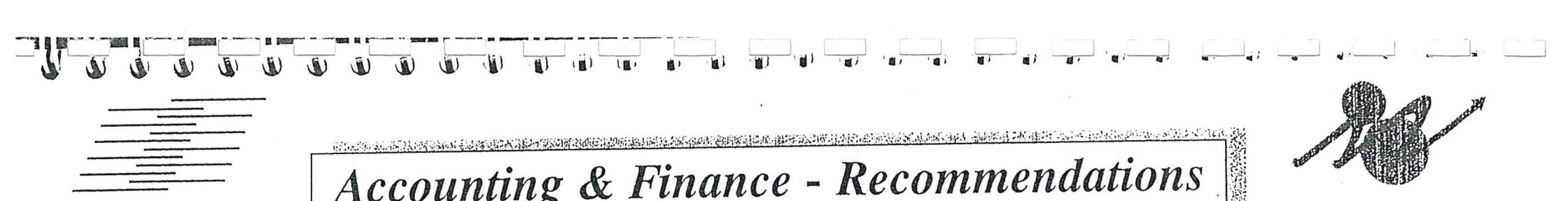


## *Accounting & Finance - Recommendations*

- Following the major weaknesses identified in the SME's during our survey, training to members in the following fields:
  - *Book keeping*
  - *Costing*
  - *Treasury and Cash Flow Management*
  - *Stock Management and Sourcing/Purchasing*
  - *Debtor Management*

These programmes could help the SME's in getting more structured and equipped to face challenges, present and future.

- Furthermore such training programmes which could be ensured by external experts, should attract allowances from the IVTB to SMIDO members.

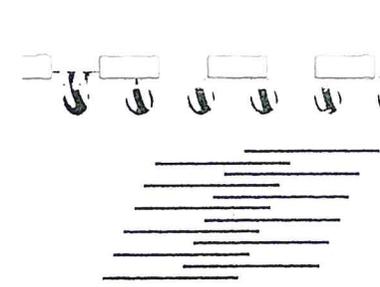


## *Accounting & Finance - Recommendations*

- The SMIDO should carry out a research on the number of players in different sectors of activity and maintain a database. Then, based on this database, further industry research should be made in order to identify sectors with good potentials for growth. Such a database will enable:
  - *The identification of non-SMIDO enterprises and therefore help in reaching out these.*
  - *The counselling unit to advise new entrants in which sectors the potentials for growth are higher.*
  - *The SMIDO to carry out, in collaboration with the Ministry of Education, career orientation guidance programmes to secondary school students and/or school leavers.*



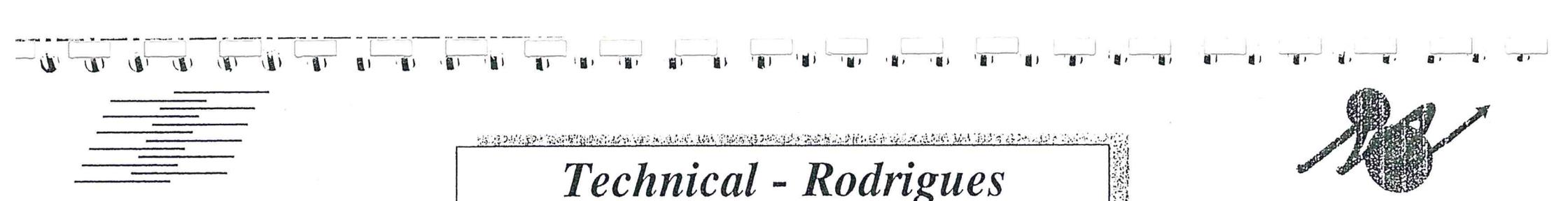
***PART III: Technical***



## *Technical - Members*



- Only 25% of those surveyed used the center at least once.
- 62% believe that the TSC's services were not up to expectations.
- Only 5% of sampled SME's are embarked upon Quality Programmes.
- 44% use computers, mostly for Office Automation purposes (26% of users).
- Only 3% are Fully Automated, while 54% have Full Manual processes.
- The main reasons for not upgrading to new technology are Funding problems and Market restrictions.
- Only 2% used SMIDO as a source of contact with technology suppliers.
  - *Only 6% made use of the Internet.*
- All operate on a 1-shift basis, but only 30% are running at full capacity.
- 91% rarely have any breakdowns - 1 or 2 times every 4 or 5 months or so.
  - *In 45% of cases, machine which do breakdown remain inoperable for a period ranging from 1 to 5 days.*



## *Technical - Rodrigues*



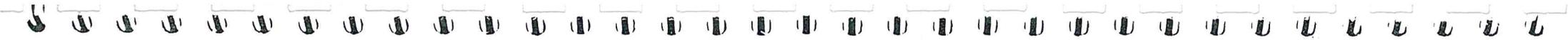
- 2 out of the 3 SME's interviewed are using SMIDO's TSC.
- One SME is using the TSC for Repairs & Maintenance support and derives a relatively high satisfaction from that service.
- All 3 operate on a 1-shift basis.
- One used SMIDO's help to gain contact with technology suppliers; the other 2 used suppliers' own catalogues.
- None is embarked upon any Quality Programme - Training on the matter is desired.
- None is using any computer.



## *Technical - Non-members*



- 18% of machines in use are aged between 7 and 12 years.
- None of the respondents is embarked on a formal Quality Programme.
- 55% have In House technicians.
- Assistance for the acquisition of Raw Materials is viewed as the most desirable service by the majority - 75%.
- The majority, 83%, claim to be using at least one PC.
- Fully Automated and Manual systems each accounts for 23%.
- 71% feel that their main obstacle is Funding.
- The main sources of contacts were 'Visits to Other Firms' (30%) and 'Other' specific sources, such as Personal Contacts and Agents (30%).
- All operate on a 1-shift basis but only 49% are running at full capacity.
- 78% experience 1 or 2 breakdowns per Quarter Year, while the remainder rarely have any (at most 1 or 2 yearly).
- 42% observe a 1-2-hour period of machine idleness when machines breakdown.



## *Technical - Recommendations*



The main findings of the survey showed that the TSC is being under utilised because SME's

- *do not have enough time to make use of it.*
- *do not have enough information about the center.*
- *The key problems are thus a restricted focus on the one hand, and a weak services production and marketing strategy on the other hand.*

TSC needs to focus on its core competencies and facilitate the coordination between service providers and SME's rather than become another provider of technical services. In the short run, the quality of the technical services offered by the TSC needs to be improved. Once the new image is set, an aggressive marketing strategy will be needed so as to communicate the same to SME's.



## Technical - Recommendations



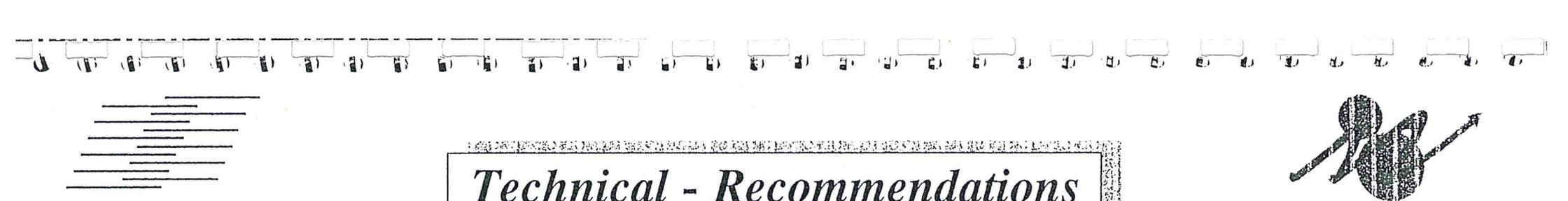
### Specialisation

The TSC should focus more on technical services where it has a comparative advantage.

Harmonising facilities offered by EPZDA, MEPZA, IVTB and UOM would enable SMIDO to strengthen its services.

#### ● Redesign Training Schemes

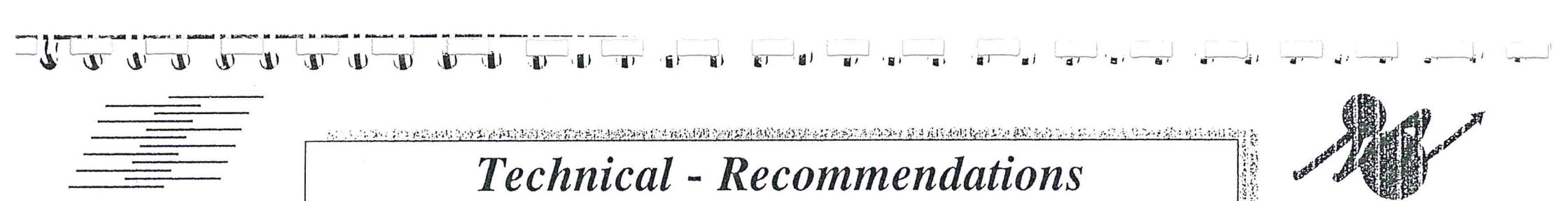
- More industry-specific training should be provided.
  - *Heavy emphasis need to be laid upon evolving techniques of production.*
  - *Training should be more practical, and less theoretical.*
- IT courses should be dispensed more frequently.
  - *Introductory courses may induce non-PC users to computerise.*
  - *Advanced courses will help existing PC users to fully take advantage of their PCs.*
  - *Courses on the use of Internet will enable SME's to appreciate it as a powerful marketing tool to access potential international suppliers and buyers.*



## *Technical - Recommendations*



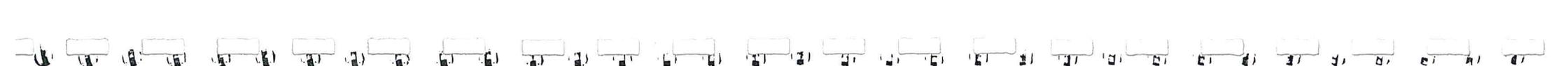
- Collaborate with the University of Mauritius.
  - *Make available the latter's library to SME's managers, e.g., those engaged in distant learning.*
  - *Get graduates, in quest of placements, to help entrepreneurs sort out their managerial problems.*
- Hosting of home pages for SME's with links to other foreign organisations should be considered.
- Promote the dissemination of information through the setting up of a state-of-the-art Information Center
  - The IT department should concentrate more upon this service since it might not be optimally provided by the private sector.
  - Provide more computers for use by members to access the Internet at marginal costs.
    - *Hence the center will facilitate contacts with Technologies and Raw Materials Suppliers.*



## *Technical - Recommendations*



- Services provided to SME's have to be strengthened. The computers could thus act as a one-stop, non-stop, desktop 'Yellow Pages'.
  - *Foreign importers' coordinates could be easily gleaned by those with exports potentials.*
  - *Entrepreneurs will no longer need to run around embassies to get hold of different countries' Yellow Pages.*
- The center can become a huge encyclopedia whereby the complete production/marketing techniques and blueprints of any product are explicitly laid down:
  - *An entrepreneur, willing to start up production of a new product, can thus access the TSC's database and get hold of the 'package' detailing the same.*
  - *It could, in the long run, become the information center, par excellence, for the whole Indian Ocean Rim and the African region.*
- The centre, in conjunction with the MSB, could carry out a selective information campaign for those who are both interested in and capable of incorporating Quality Programmes.



## *Technical - Recommendations*

- Investigate further the value that the ‘Repairs & Maintenance’ and ‘Parts Manufacture’ services are bringing to the SME’s
  - The TSC could leave these two core services in the hands of specialist third-party workshops, and continue acting as a coordinator.
  - It could create a central database from where members could source potential support firms, capable of catering for their specific needs.
  - The availability of such a pool of technicians will foster healthy competition.
  - SME’s will then benefit from the following:
    - *Chargeable rates will come under pressure and fall and stabilize at the perfect competition level.*
    - *The quality of the services will improve.*
    - *There will be greater awareness about existing workshops, and the services they provide.*



## *Technical - Recommendations*



- *Such a move will help minimize the constraints faced by SME's in the procurement of local Repairs & Maintenance*
- The TSC could act as a resource center for collecting the latest technology innovations and disseminating them to SME's.



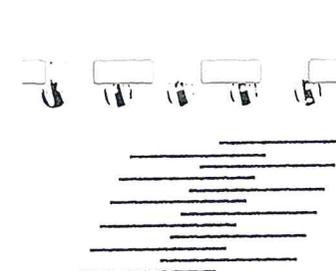
## *Technical - Recommendations*

### **Services Improvement**

In line with helping SME's develop a customer-based approach, the TSC could embark in Quality programs like ISO 9000 or National Quality Award. Furthermore investment-boosting facilities/incentives need to be considered and adopted so as to encourage expansion, automatisisation and technology upgrades.

- Improve Services offered by the TSC
  - More training should be given to technicians.
  - The courses offered should be more thorough and explicit.
  - The level of knowledge and understanding, and the qualifications of participants should be considered when training is provided.
  - Time-consuming paperwork and red-tapism need to be minimised.

*(Management has given us to understand that it has already started enhancing the services offered by the TSC along the lines mentioned above)*



## *Technical - Recommendations*



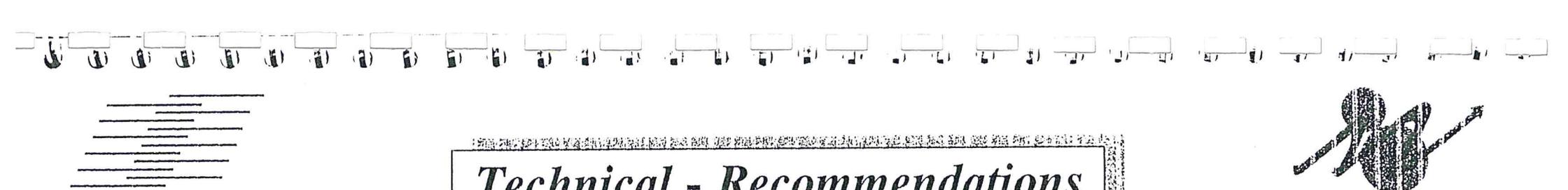
- There should be more co-ordination between SMIDO, EPZDA, University of Mauritius, IVTB, MRC and TDS, to induce technology transfers from abroad to SME's.
  - Create supply for demand - unleash the impression that 'The Client is King', and provide those services which are required and desired.
- 
- Review Existing Funding Structure
    - Guarantees demanded for securing loans need to be more flexible.
      - *SMIDO may co-act as guarantee for SME's with genuine needs for funds.*
      - *Rates of interest should be lowered to levels currently applicable for Small Planters.*



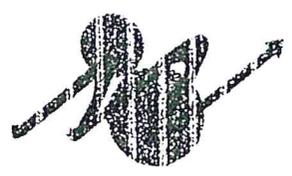
## *Technical - Recommendations*

### ● Induce Investment through Alternative Funding Strategies

- Encourage the concept of Equipment Leasing, which is still quite new and practically unused by SME's.
- Get SME's, with very good potentials, to be financially sponsored by venture funds providers, such as The Mauritius Venture Capital Fund Ltd.
- Industry-specific batches of SME's, could be encouraged to pool resources into the purchase of a single machine (where applicable) to be used by that specific batch.
- Computer Schemes such as those proposed by the DBM and the MCB should be promoted among SME's.
- SMIDO could negotiate with software vendors and obtain software packages, such as Accounting, Payroll, Costing, etc, at preferential prices.

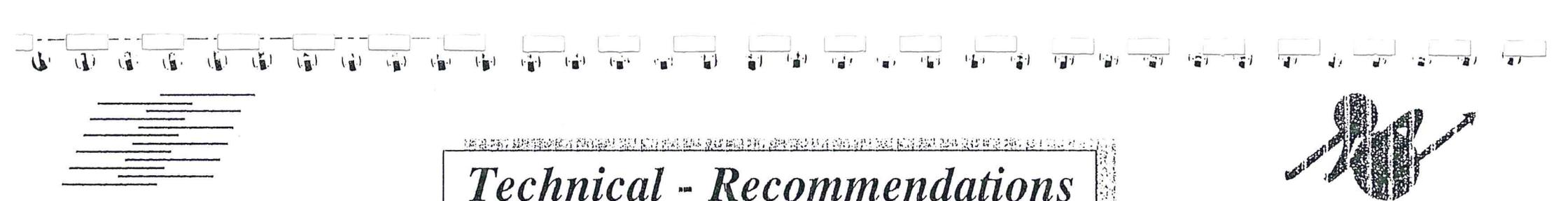


## *Technical - Recommendations*



### Provide Indirect Incentives

- Help SME's to obtain moderately-sized Industrial-Estate spaces.
  - *Those Cottage-Industry SME's, which by law are not authorized to operate in residential areas beyond 1700, will be able to operate 2 or even 3 shifts.*
- Small enterprises with space limitations might be induced to re-localise, and expand operations, with more powerful equipment.
- Provide duty exemption on the purchase of Delivery Vehicles.
  - *In many businesses, especially where perishable foodstuffs are produced, delivery vehicles are as important as any other productive equipment.*



## *Technical - Recommendations*

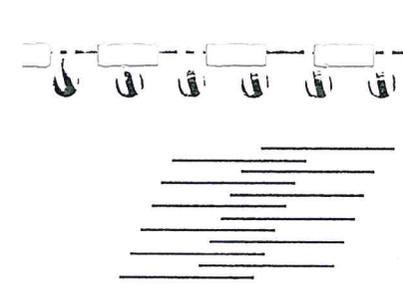


### Communication Strategies

Last, but not least, all SME's will have to be made aware of the services available. Members will thus be able to take full advantage of the centre, while non-members will get the opportunity to consider becoming a member.

- Communicate TSC Strategy

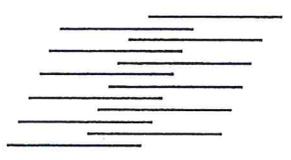
- The TSC should by all means promote its areas of excellence, clearly and loudly, so as to get a wider audience.
  - *For instance SMIDO could produce an audio version of the newsletter for*
    - ◆ Those who do not have time to read, and
    - ◆ A creole version for those who have problem understanding English.
  - *A video version of courses and training provided could also be produced.*



## *Technical - Recommendations*



- The TSC should not just produce services; it should, in addition market them aggressively:
  - *The provision of services should be specifically geared.*
  - *The potential users of a given service should be pinpointed and informed of the existence of the same.*
- SMIDO's image should be rejuvenated - a newer image has got to be projected so that trust in the centre is restored.
  - *For instance it could embark upon a Quality Programme and enhance its status as a dedicated consumer-oriented services provider.*
- More personal, one-to-one contacts with members, through frequent visits to their respective enterprises, are strongly desired.
- There need to be a non-stop interaction with those concerned - one foot of the TSC should be perpetually on-site, among entrepreneurs, to enable the built-up of confidence.



## *Technical - Recommendations*

### **The TSC as a Key Partner**

- *Hence, the TSC needs to develop a key partnership with SME's, namely by supporting them through the provision of various practical training, by facilitating their access to information, and by taking steps to induce investment in collaboration with EPZDA, IVTB, University of Mauritius, MSB AND MRC in order to avoid duplication.*
- *Besides, by specialising in certain services, and acting as a linkage between SME's and specialist third-party workshops, efficiency may increase.*
- *With good services to back itself, and a solid marketing strategy, the TSC will thus be able to satisfy existing members, and pull in new ones.*



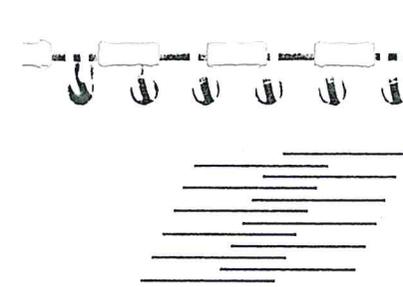
*PART IV: Marketing*



## *Marketing - Members*



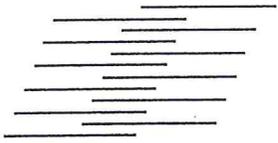
- The majority of members (55%) has a good product mix.
- 78% members seek to improve the quality of their products while little effort is made to change the design of existing products (50%) or to develop new products (45%).
- 58% members have a brand name.
- 46% members believe that packaging is *very important* and it has been noted that only 26% SMEs have good quality packaging.
- It should be highlighted that enterprises in the Food and Beverages industry are those who have the best quality packaging.
- In the determination of their pricing policy, the majority of enterprises use the cost approach (80%).
- SMEs mainly sell their products directly to their customers.
- Only a minority of members (18%) exports while 38% intend to export in future.
- SMEs lack information regarding their competitors and their market share.
- Only 38% members have ever advertised their products.



## *Marketing - Rodrigues*



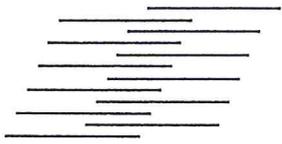
- The majority of respondents has a good product mix.
- Improvement in the quality of products, change in design of existing products or development of new products is done by 2 out of 3 respondents.
- A lack of interest in packaging has been noted among respondents in Rodrigues.
- All enterprises use only the cost approach to determine their prices.
- All SMEs interviewed sell their products directly to their customers.
- One respondent exports its products towards Mauritius while the other 2 have no intention of exporting.
- Although SMEs are aware of their competitors, they lack information regarding their market share.
- No respondent has ever advertised his products.



## *Marketing - Non members*



- 73% non members have a good product mix.
- 60% non members seek to improve the quality of their products while the effort to change the design of existing products or to develop new products is made by only 47% non members.
- A lack of interest in packaging has been noted among non members with only 20% considered packaging as *very important*.
- Only 20% SMEs have good quality packaging.
- Enterprises in Food and Beverages industry have the best quality packaging.
- The majority of enterprises (92%) uses the cost approach to determine their prices.
- SMEs mainly sell their products directly to their customers.
- 27% non members are engaged in exports and only 20% intend to export in future.
- SMEs lack information regarding their competitors and their market share.
- A high proportion of non members (53%) is engaged in the advertising of their products.

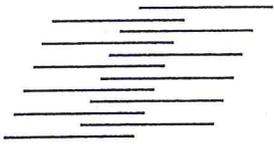


## Marketing - Recommendations



### ● Exports

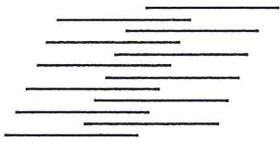
- Based on the survey, only 33% members intend to export in future revealing either:
  - *a lack of confidence on their chances concerning exports*
  - *a lack of awareness of potential export markets.*
  
- It would therefore be advisable to:
  - *Give statistical information on potential export markets, specially on countries within SADC and COMESA.*
  - *Carry out a training programme on export procedures.*
  - *Inform and invite members to participate in trade fairs abroad.*
  - *Provide support to encourage participation in fairs such as discounted air tickets and subsidised costs of stands.*
  - *Organise seminars on how to market goods and become more proactive towards export markets.*



## Marketing - Recommendations



- Marketing of products
  - Only 38% enterprises interviewed have ever advertised their products.
  - Advertising is done on a punctual basis without any defined advertising plan.
  
  - We suggest the following:
    - *SMIDO should create an awareness among its members as to the importance of advertising and communication to the general public.*
    - *SMIDO may also publish a catalogue in which products of SMEs are presented. This should attract large scale distributors and offer an opportunity for the development of SMEs.*
    - *SMIDO may provide a showroom for the display of products of its members and invite large scale buyers to visit the showroom on a regular basis. This should also promote sub-contracting among enterprises.*
    - *SMIDO may organise trade fairs for SMEs with discounted costs of stands in order to encourage participation of its members.*



## *Marketing - Recommendations*



- Market information
  - Based on the results of the survey, only 20% members have a good appreciation of their competitors.
  - Although 54% members were able to estimate their market share, only 18% have given a fairly good estimation.
  - We suggest a training programme be undertaken so as to bring SMEs to become more market focus. This should enable SMEs to:
    - *understand the importance of awareness of competing products both local and imported in terms of product range, price, packaging, advertisement and distribution channel.*
    - *make comparative analysis with competing products.*
    - *identify strengths and weaknesses of their products.*
    - *improve the quality of their production.*



## *Marketing - Recommendations*



- Market information (cont.)
  - Besides the present yearly reports and the invitations to specific events, SMIDO could publish periodicals or newsletters reporting industry issues and market statistics. These information should enable SMEs:
    - *to have a better understanding of their environment.*
    - *to assess their evolution as compared to the evolution of the market.*
    - *to assess their position on the market and to establish the appropriate strategy for their development.*

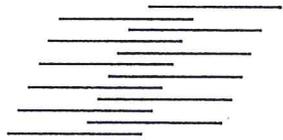


## *Marketing - Recommendations*



### ● Packaging

- 46% members believe that packaging is very important while only 26% actually have a good quality packaging.
- The survey revealed that SMEs lag behind as far as packaging is concerned. The majority of SMEs fail to understand the importance of the presentation of their product.
- We suggest the following:
  - *Adequate training should be provided to SMEs to create an awareness as to the importance of packaging.*
  - *Advice should be provided regarding design, colour and information to be included on packaging. This service could be specifically directed towards particular industry groups such as:*
    - ◆ Food and Beverages
    - ◆ Textile and Leather
    - ◆ Paper and Printing
    - ◆ Chemicals and Plastics
    - ◆ Jewellery and Ceramics



## *PART V: Human Resources*



## *Human Resources - Members*

- 7.5% respondents perform informal Human Resource Planning
- 77.5% respondents have recourse to Recruitment and Selection.
- Only 12.5% employees are provided with a formal job guideline.
- 67.5% respondents practice overtime and
  - *Out of the above respondents, 62.5% remunerate overtime done.*
- 62.5% enterprises offer training to employees.
- 50% enterprises surveyed follow grievance and disciplinary procedures against laziness, absenteeism, breaking the rule and theft.
- Medical Aid scheme is provided by only 15% respondents.
- 55% enterprises are visited by a Health and Welfare officer.
- External salary comparison is done by 47.5% respondents.
- 40% respondents have followed courses with SMIDO.
- Less than 10% respondents received counselling on Human Resources issues from  
SMIDO.



## *Human Resources - Rodrigues*



- Only 1 respondent out of three perform Human Resource Planning
- Only 1 respondent has recourse to Recruitment and Selection.
- None of the employees is provided with a formal job guideline.
- None of the respondents practice overtime.
- 2 enterprises offer on-the-job training and other courses to employees.
- None of the enterprises surveyed follow grievance and disciplinary procedures.
- No Medical Aid scheme is provided by respondents.
- Entreprises surveyed are not visited by a Health and Welfare officer.
- Salary comparison is not performed by respondents.
- No respondents have followed courses with SMIDO.



## *Human Resources - Non Members*



- 20% respondents perform informal Human Resource Planning for overtime planning.
- 73.3% respondents have recourse to Recruitment and Selection.
- No employees are provided with a formal job guideline.
- 87% respondents practice overtime
  - *Out of the above respondents, 73% remunerate overtime done.*
- Only 6% enterprises offer customer service training to employees.
- More than 70% enterprises surveyed follow grievance and disciplinary procedures against laziness, absenteeism and breaking the rule.
- Medical Aid scheme is provided by only 27% respondents.
- 60% enterprises are visited by a Health and Welfare officer.
- External salary comparison is done by 29% respondents.
- 26% enterprises are graded and out of these 33% have defined salary structure.

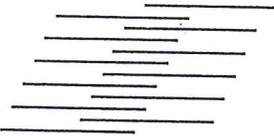


## *Human Resources - Recommendations*



- Recommendations

- Our recommendations will cover the five main components of the Human Resource functions namely, Employment Practices, Training and Development, Salary Administration and Welfare and Safety



## *Human Resources - Recommendations*



- Employment Practices

- The existence of adequate employment practices is essential to the long term success of any enterprise especially as the size of the company increases. There are three options which SMIDO could follow to assist SME's in this area:
- Option 1
  - *We recommend that SMIDO organises in association with a specialist organisation, training courses in all aspects of human resource management. A representative from each SME should attend these specialist courses so as to be fully conversant in human resource planning, recruitment and selection, preparation of job descriptions, keeping of personnel records and the design of handbooks for staff and management and organisation charts. Training should also be given on all aspects of salary administration.*



## *Human Resources - Recommendations*



- Employment Practices

- Option 2

- *We recommend that SMIDO employs a qualified Human Resources Advisor whose main role is to provide expert advice and guidance to SME's on all issues relating to Human Resources, encompassing employment practices and salary administration. An outline of the main responsibilities of the HR Advisor is shown in Appendix I.*
    - *Specimen management/staff handbooks, forms for personnel records and job descriptions should be made available for the benefit of SME's.*
    - *Furthermore, we suggest that SMIDO creates a database for the benefit of SME's. This database would contain CV's of job seekers and positions available so as to provide a recruitment service for SME's.*



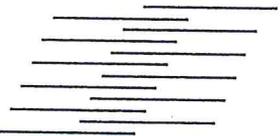
## *Human Resources - Recommendations*



- Employment Practices

- Option 3

- *We recommend that SMIDO advises SME's to employ a full or part-time qualified HR Advisor themselves depending on the size of the enterprise.*

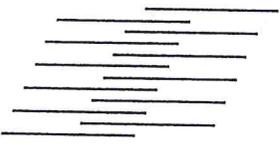


## *Human Resources - Recommendations*



- Training and Development

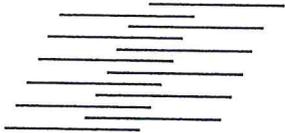
- Training is a necessary activity in all organisations as it plays a large part in enhancing the effectiveness and efficiency of the establishment and also in instilling employees with a co-operative work culture.
- 40% of members surveyed followed training courses in accounts, costing and marketing with SMIDO but in general, they have not taken much advantage of the training centre at SMIDO. They said that it does not meet their specific requirements. We have provided a list of required courses suggested by several SME's surveyed in Appendix II. Very few have attended trade fairs through SMIDO.
  - *We recommend that SMIDO employs a Training Co-ordinator to promote the use of training and development courses by all SME's. An outline of the main responsibilities of the Training Co-ordinator is shown in Appendix I.*



## *Human Resources - Recommendations*

- Training and Development

- *We recommend that SMIDO makes available model induction programmes to SME's for their new employees in order to make them productive as soon as possible.*
- *We recommend that SMIDO encourages the practice of continuous on-the-job training and familiarisation with developments in information technology.*
- *A budget should be allocated for training purposes by all SME's.*
- *Post training evaluations should also be conducted to ensure the effectiveness of the courses.*



## *Human Resources - Recommendations*



### ● Training and Development

- *We recommend that SMIDO runs evening and/or weekend courses for employees from SME's to take. Many enterprises have only a few employees and cannot afford to send a representative on training courses that are run during normal office hours.*
- *SMIDO should consider external arrangements for training and development courses with a specialist organisation. A list of selected IVTB approved courses relevant to those requested by the SME's surveyed is shown Appendix III.*
- *It is must be noted that five of the courses requested by SME's in the survey are already provided by SMIDO. We recommend that SMIDO undertakes a more aggressive marketing strategy for its training courses to make all SME's aware of them.*

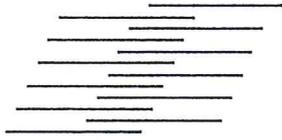


## *Human Resources - Recommendations*



- Salary Administration

- The existence of job evaluations, job grading, salary comparisons and performance appraisals are essential to the motivation of employees and to establish equity between various jobs both within the enterprise and externally. This should be stressed to all SME's.
  - *We recommend that a salary survey be conducted by SMIDO, with the assistance of a specialist organisation, on all sectors of business covered by SME's. SME's can then have access to this information to enhance their competitiveness with other organisations.*

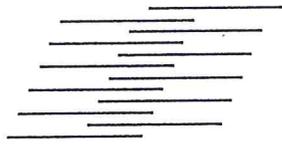


## *Human Resources - Recommendations*



- Salary Administration

- *We recommend that SMIDO encourages SME's to provide attractive packages, including salary, conditions of work, pensions and medical schemes, in order to attract and retain competent employees This will reduce labour turnover and enhance their competitiveness.*
  - *SMIDO should encourage all SME's to remunerate their employees for overtime at the legal rate.*
- Recommendations under employment practices are also applicable here as a qualified Human Resource Advisor will be fully conversant in all aspects of salary administration.



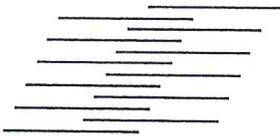
## *Human Resources - Recommendations*



- Industrial Relations

- It is very important that Industrial Relations regulations are adhered to for the development and maintenance of harmonious working relationships and practices.

- *Recommendations under employment practices are applicable here as a qualified Human Resource Advisor will be conversant in Industrial Relations regulations.*
- *Alternatively, we recommend the appointment by SMIDO of an Industrial Relations Advisor together with a Human Resources Advisor in order to provide more comprehensive services to SME's. An outline of the main responsibilities of an Industrial Relations Advisor is shown in Appendix I.*



## *Human Resources - Recommendations*



- Welfare and Safety

- The provision of welfare and safety facilities is essential as it ensures an environment conducive to productive work.
- *We recommend that SMIDO employs a Health and Safety Advisor. The main role being to conduct regular visits to SME's and provide full reports on all aspects of welfare and safety arising therefrom. An outline of the main responsibilities of a H&S Advisor is shown in Appendix I.*

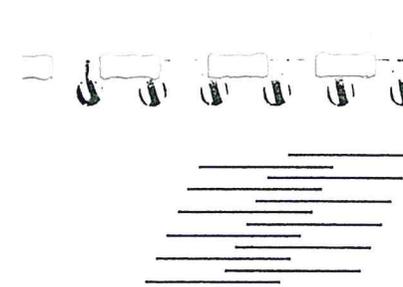


## *Human Resources - Recommendations*



- Welfare and Safety

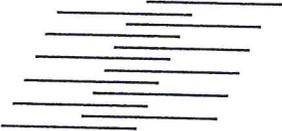
- *On average the number of visits made by H&S Officers in the enterprises surveyed is once or twice yearly. In certain sectors where employees need further protection (Chemical, Rubber and Plastic), the role of the H&S Officer is crucial and visits must be conducted more frequently.*
- *SMIDO should, through an Insurance Company, start a Medical Scheme and Pension Scheme to which SME's could form part.*



## *Human Resources - Recommendations*



- Help Provided to SME's by SMIDO
  - A majority of the SME's surveyed stated that they have little or no relationship with SMIDO. They said that their main objective in registering with SMIDO was to obtain duty free concessions on equipment.
  - In order to improve this relationship, we recommend that SMIDO:
    - ◆ Appoints a Human Resource Advisor, Training Co-ordinator, Industrial Relations Advisor and Health and Safety Advisor in order to provide comprehensive services for SME's in these areas.



## *Human Resources - Conclusion*



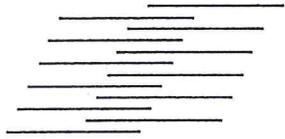
- Our recommendations include, amongst other things, the appointment of the following personnel:
  - *Human Resources Advisor*
  - *Training Co-ordinator*
  - *Industrial Relations Advisor*
  - *Health and Safety Advisor*
- Following the meeting of 10th November 1998 with representatives from De Chazal du Mee and Messrs Somtally and Ramnauth from SMIDO, it has been agreed that these positions should fall under the responsibility of the Manager (Training and Consultancy), a position recently created by SMIDO
- The Manager (Training and Consultancy) will be assisted in his duties by an Assistant Manager and a Business Development Officer



## *Human Resources - Conclusion*



- The main function of the Manager (Training and Consultancy) will be to coordinate all the activities of SMIDO in the areas covered in our report and to outsource any projects to specialist agencies/persons as and when required
- An outline of the main responsibilities of the Manager (Training and Consultancy) is shown in Appendix I
- We recommend that those SMIDO employees who are currently Assitant Managers '*acting as Managers*' should be confirmed in their positions. This is in line with SMIDO's vision to grow people from within the organisation

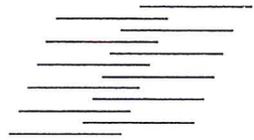


# *Human Resources - Appendices*



## *APPENDIX I*

### Job Descriptions



## *Human Resources*

**TITLE:** HUMAN RESOURCES ADVISOR

**MISSION:** To provide SME's with effective Human Resource management services

**RESPONSIBILITIES:**

1. Give advice to SME's on key aspects of human resources management to help them reach maximum productivity
2. Assist SME's in the planning of future human resource requirements
3. Provide SME's with a recruitment service by maintaining a database of CV's of job seekers and positions available within the SME sectors
4. Maintain specimen staff/management handbooks, organisational charts, personnel records and job descriptions for the benefit of SME's
5. Advise SME's on all aspects of salary administration: job evaluations/grading, salary comparisons and performance appraisals
6. Conduct salary surveys on all sectors of business covered by SME's
7. Encourage all SME's to remunerate their employees for overtime at the statutory rate
8. Liaise with the Industrial Relations Advisor regarding any legal, disciplinary or grievance procedures arising
9. Liaise with the Training Co-ordinator regarding training and human resource requirements identified

**Additional Requirements:**

Knowledge of Industrial Relations regulations



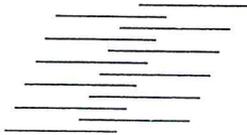
## *Human Resources*

**TITLE: TRAINING CO-ORDINATOR**

**MISSION:** To promote the use of training and development courses by all SME's

**RESPONSIBILITIES:**

1. Identify training needs of SME's - both technical (e.g. woodwork, metalwork) and skills related (e.g. customer service, team building, leadership skills and empowerment)
2. Obtain information on all relevant courses available
3. Inform SME's of course contents, dates and availability
4. Provide training courses
5. Conduct post-course evaluations to enhance training effectiveness
6. Advise SME's on the required budget for training purposes
7. Advise SMIDO on the purchase or rental of appropriate facilities, equipment and supplies for training programmes if necessary
8. Develop quality in-house trainers and/or hire external trainers locally or from abroad if necessary
9. Liaise with the Human Resource Advisor on training and human resource requirements



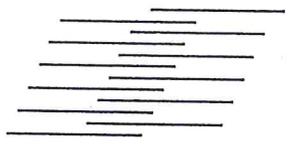
## *Human Resources*

**TITLE:** INDUSTRIAL RELATIONS ADVISOR

**MISSION:** Provide support and guidance when required by SME's on labour legislation, disciplinary procedures and grievance procedures

**RESPONSIBILITIES:**

- 1 Give general guidance and advice on the applications of Industrial Relations regulations by means of direct verbal and written contact with SME's
- 2 Advise SME's on pro-active tactics and strategies to avoid industrial action and reduce potential problems
- 3 Encourage all each SME's to communicate the company policies/guidelines to employees
- 4 Liaise with the Human Resources Advisor regarding any Industrial Relations issues arising

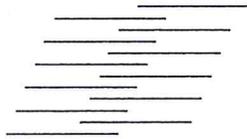


*Human Resources - Appendices*



*APPENDIX II*

Courses Requested by SME's Surveyed



## *Human Resources*

### TRAINING COURSES REQUESTED BY SME'S SURVEYED

Accounting

Computer Training

- Autocad
- Excel
- Word for Windows

Customer Service

Export Strategies

Hygiene

Management

Marketing

Production Management

Public Relations

Quality Control

Sales Techniques

Setting up of a factory

Stock Control

Technical Courses:

- Cookery
- Jewellery Making
- Metalwork
- Needlework
- Woodwork

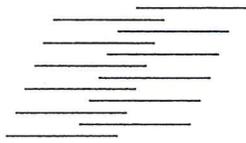


*Human Resources - Appendices*



*APPENDIX III*

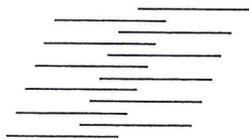
A selection of IVTB approved Courses



# *Human Resources*

## RELEVANT IVTB APPROVED COURSES

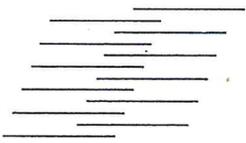
COURSE	TRAINING CENTRE (TC)	DESCRIPTION
Accounting	SMIDO Training Centre	Basic accounting for SME's
Computer Training <ul style="list-style-type: none"><li>• Autocad</li><li>• Excel</li><li>• Word for Windows</li></ul>	The IVTB directory offers a long list of Training Centres which gives courses in Computer Training	
Customer Service	Champion Marketing Co. Core Service Ltd	Customer Service Service Plus
Export Strategies	Centre for Business Studies of the MCCI De Chazal du Mee TC	Export Marketing Export Procedures
Hygiene	IBL Training Services Ltd	Formation de Base a l'Hygiene Alimentaire
Management	SMIDO Training Centre	Management for SME's
Marketing	SMIDO Training Centre	Marketing for SME's
Production Management	SMIDO Training Centre	Production Management



## *Human Resources*

### RELEVANT IVTB APPROVED COURSES (Cont.)

COURSE	TRAINING CENTRE (TC)	DESCRIPTION
Public Relations	Champion Marketing Co. Institute of Marketing and Management De Chazal du Mee TC	Public Relations Public Relations (LCCI)  PR and Communications
Quality Control	SMIDO Training Centre	Quality Improvement for SME's
Sales Techniques	Core Service Ltd De Chazal du Mee TC Price Waterhouse TC Sagittarius TC	Interactive Selling Skills Professional Selling Skills Selling Skills Development Effective Selling Skills
Setting up of a factory	Mauritius Employers' Federation Management Centre	Start your Business (last done 4 years ago) Improve your business
Stock Control	Mauritius Employers' Federation Management Centre De Chazal du Mee TC	Effective Stores Management and Stock Control



# *Human Resources*

## RELEVANT IVTB APPROVED COURSES (Cont.)

COURSE	TRAINING CENTRE (TC)	DESCRIPTION
Specific Technical Courses:		
• Cookery	Hotel School of Mauritius	Basic Food Production Advanced Food Production Basic Professional Food Production
• Jewellery Making	School of Jewellery	Jewellery
• Metalwork	Bell Air TC Le Chou TC	Welding & Metal Fabrication Sheet Metal Work Turning, drilling, milling & shaping
• Needlework	Textile Training Centre Orlan Private Secretary TC Vocational Training Institute	Garment Making Dressmaking
• Woodwork	Prof. B.S Upadhyaya TC Sir Kher Jagatsingh TC	Cabinet Making and Carpentry