

# THE POTENTIAL OF THE SMALL BUSINESS

A SMALL BUSINESS OFFERS MANY CHALLENGES, WITH THE RISK OF SMALL BUSINESS OWNERS BEING EASILY OVERWHELMED BY THE NUMBER OF ROLES THEY MUST PLAY. HOWEVER, THE POTENTIAL OF SMES IS OFTEN UNDERESTIMATED, WITH SMALL BUSINESS OWNERS NOT REALISING THE NUMEROUS PROSPECTS AVAILABLE TO THEM. LORRIEANN VELLA SPEAKS TO PROFESSOR GODFREY BALDACCHINO ABOUT HOW SMALL BUSINESSES FROM SMALL ISLANDS CAN SUCCEED.



“One characteristic of small islands is that domestic product demand is typically below the level required for profitable economic activity,” explains Prof. Baldacchino. “In other words, a viable local business cannot depend on local sales only and must export its products if it wants to remain competitive in the long term.”

This is, of course, a daunting prospect for many small, family owned concerns who may, after all, genuinely wish to keep their operations small, simple and manageable. According to Prof. Baldacchino, the routes out of this impasse include tapping into tourism, where the ex-

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port market is actually visiting the small island, and incurring all transport costs, rather than the other way round. Businesses can also focus on services, which do not usually suffer from the need to establish economies of scale; or establishing a clearly identifiable and top quality product niche, which reduces or removes competition, and for which products can secure a higher market price.

But what are the advantages for those companies who do wish to venture beyond our shores? Prof. Baldacchino explains that being small, and typically family owned, provides a certain charm and an air of authenticity to one's operations. “The explicit association with a ‘small island’ can add to that romance, and establish a link between product and the place of manufacture and service provision,” he says.

Prof. Baldacchino states that the world wide web today provides ample opportunities for advertising products from small producers the world over; but it is easy to get lost in that enormous marketplace. “Thus,

a deliberate link between product and place is one potentially lucrative way of being both noticed as well as identified as somewhat unique: just think of Scotch whisky, or French Champagne, or Italian pasta, for some of the successful examples of place branding,” he says.

In fact, in recent years, Malta has made much progress in exploiting this marketing strategy: distinctly Maltese products can command a market niche and this automatically cuts down on competition, other than from other local firms. “Think beer, wine, lace, filigree silver, decorative glass and stone, but even IT services, English language training, and electronic gaming,” he adds.

Prof. Baldacchino explains that the pre-requisite for success is a stable and reliable political and business climate, something we tend to take for granted but which is essential to minimise risk. “You need a commitment to quality, delivery schedules and customer care: a ‘fast buck’ may be possible; but it would severely damage and tarnish any

future operations from the same firm, or associated industries, giving Malta a bad name," he says.

He adds that a company needs to develop trust and relationships with potential agents and wholesale dealers abroad: this is preferably done by means of face-to-face contacts. "You need to be supple and flexible, with a keen eye and a sharp ear for a dynamic and turbulent market, identifying opportunities as they emerge, just as much as sensing that fashions and tastes may change, leaving you, and your products, stuck on a shelf or in a warehouse," he stresses. "And, perhaps most of all, you need to be persistent and resilient: success may not be immediate, and learning from failure is part of being in business."

In this scenario, the matter of maintaining our 'small island' identity is brought into question. Can this in fact be retained, while still sustaining the economy? "Rather than jeopardising our small island identity, I think we can make so much more of our island home and background. We need to develop a stronger pride in who we are and

what we do, rather than just seek to satisfy what we think the customer wants," says Prof. Baldacchino.

He states that Malta needs to move away from being an essentially mercantile nation to a more industrial one. "We should be proud of our diversified economic activity: where tourism, construction and real estate, finance, retail and wholesale trade, communication and information technology services and manufacturing persist as significant players, in almost equal measure."

Prof. Baldacchino highlights the importance of injecting a more pro-business mentality in our culture, just as much as employers and investors need to invest in the professional development and skill upgrading of their employees. "Nicheing is the way to go; and the small island background is ideal for such a purpose," he says. "But such a strategy needs to be accompanied by commitment to quality, delivery, price sensitivity, a pro-business culture and pro-employee corporate policies."

I ask Prof. Baldacchino about the tangible benefits of a strong collaboration between academia, gov-

ernment and business. "Look at the way in which these three sectors operate in practically mutually exclusive silos, with considerable suspicion of each other, and you can sense my answer," he says.

"What I certainly do not like is the lack of pride and a widespread diffusion of responsibility when things are not in order. I think it is important for us Maltese to conceptualise businesspersons as actually valuable to our society and culture; as much as to acknowledge that a firm is only as good as its human resources, especially those at the front line, facing the customer," he says. "These micro-issues may be even more fundamental to business success than the macro 'big picture' questions regarding state-business-university liaisons." ■

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