

## SMEs must know their market, limitations

By Tom Addyman on Monday, August 03, 2009

The international press has not been particularly kind to the UAE in recent months. We all live and work in a city that welcomes investors large and small. Not something you may realise when reading the online headlines.

Despite the bad press, SMEs still account for a fair few vertebrae that makes up the backbone of foreign direct investment in the Emirates. The opportunities for start-up businesses remain plentiful, but never easy.

I suppose it depends to some extent when you arrived in the UAE. The past decade has of course been unprecedented, and by definition that means that there is no history to use as a reference point. For some of the businessmen and women who came early and had a great idea, a clear plan and a realistic view on their returns (in terms of both time and profits), this really was the perfect chance to either start or build their business.

And for those that stuck to their guns, it has paid dividends. (For SMEs, more figuratively than literally.)

For many of the later arrivals, and we have all seen plenty of them, it has been a case of catch-up. It's been very much a tortoise and hare scenario where the "slow and steady wins the race" phrase comes into its own.

Unfortunately for those now struggling, their mantra was more "too fast and too furious". The basic business practices were suddenly swept aside and normally no-brainer decisions became lobotomy jobs. So many of the new companies in the UAE didn't stop to catch their breath, and where their eyes had been fixed firmly on the top line, the hares soon resembled the proverbial rabbits caught in the headlights.

The catch-ups made fundamental errors. When things are going well, take stock – again figuratively speaking – and reinvest in your business. The profits of so many SMEs went towards new ventures, rapid expansion projects and generally unqualified and irresponsible investments. Maybe the rewards were potentially enormous, but the truth is common sense went out the fiscal window.

One of the great business drivers is the need to supply a product or service that is in some way specialised and separate to your competitors – a differential. Over recent times, the greatest differential for any SME has been a solid base, a strong plan and the foresight to see what is and isn't sustainable. These are the companies that now find themselves in the strongest positions. So, build yourself a niche, enjoy your differential and bask in the fact that you are different.

However hard they may try, SMEs can't compete with the 'big boys'. Economies of scale, distribution logistics and pure manpower are

never going to put you on a level playing field. We have seen so many cases where spiralling costs, restricted cash flows and increased borrowing have left the hares looking down the end of a double barrelled overdraft with nowhere to run. What smaller enterprises can offer is a personal service, a fast turnaround and a solid loyalty base.

Friends who aren't involved in finance or business in any way say it's obvious such a boom could never have lasted, and why didn't supposedly astute economists and financiers see the bust coming? The truth is that the healthy businesses you see today did see it coming and made every effort to ensure they would ride out the storm that was going to rain on everyone's parade. It's called contingency and it's a word that needed introducing long before it was needed.

There's no way to make sure a fast buck isn't the last buck and the slow and steady race is testament to that. For those that don't know the full tale, the hare didn't actually run so fast that he spontaneously combusted, but he instead he took a nap during the race allowing our more steady friend to reach the finish line first.

Apart from speed, the SMEs now struggling to survive also had another common feature with the hare: complacency. The lack of provision for darker days has been one of their greatest failures. Thankfully, and despite those headlines mentioned before, there are plenty of SMEs here who did act responsibly and took a measured approach to their own growth.

There is a plain and simple message, which applies to any SME: know your market – it's what you make it; understand your limitations – you don't have corporate muscle and build on your strengths – a plan in your head, a belief in your heart and a shell on your back.

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