About the authors

MICHAEL SCHAPER

Michael Schaper (BA, MComm, PhD) is an adjunct professor at Curtin Business School, Curtin University of Technology, Western Australia, and is also deputy chairman of the Australian Competition and Consumer Commission. Michael was previously dean of Murdoch Business School and head of the School of Business at Bond University, and held the foundation professorial chair in Entrepreneurship and Small Business at the University of Newcastle, Australia. He has extensive experience in the area of small business through his previous roles, which have included appointments as Small Business Commissioner for the Australian Capital Territory, and as President of the Small Enterprise Association of Australia and New Zealand.

Before his academic career, Michael worked for several years as a professional small business adviser in Australia. In addition, he ran his own business and was involved in numerous other start-up projects. He holds a PhD and a Master of Commerce degree from Curtin University of Technology, as well as a Bachelor of Arts from the University of Western Australia. Michael is the author or co-author of eight books, all in the field of business management, numerous journal articles and has been an occasional columnist for The Australian Financial Review, The Australian and Business Review Weekly.

THIERRY VOLERY

Thierry Volery is Professor of Entrepreneurship and Director of the Swiss Institute for Entrepreneurship and Small Business at the University of St Gallen, Switzerland. From September 1999 until 2002, he was Professor of Entrepreneurship and Management at EM Lyon Business School, France. He was previously a senior lecturer in Entrepreneurship and International Business at Curtin University of Technology in Perth, Western Australia.

Thierry has been a visiting professor at the China Europe International Business School (CEIBS) in Shanghai and at the Graduate School of Management, University of Western Australia. He has served on several editorial boards, including the Journal of Small Business Management, the International Small Business Journal, the Journal of Enterprising Culture and the International Journal of Educational Management. He holds a doctorate in business economics and social sciences from the University of Fribourg, Switzerland. His research interests include the nature of entrepreneurial work, the health of entrepreneurs and innovation in small firms.

PAULL WEBER

Dr Paull Weber comes from a banking background, where he directly managed over 40 staff and a portfolio of high net-worth business owners. He began his academic ‘sea change’ in 2001, completing an Honours degree, a research Masters degree and his PhD in six years. He has taught management and marketing courses in small business management, entrepreneurship, marketing
communications and marketing principles. His research activities have been concentrated in the areas of mature entrepreneurship, lifestyle entrepreneurship, small business success metrics, organisational commitment and intranet effectiveness.

Paull has contributed several book chapters, journal articles and case studies in the disciplines of entrepreneurship and tourism. He is currently the lead investigator in a long-term initiative to benchmark small business performance across all industry types in Western Australia. He is also the deputy chair of Business Foundations, a business incubator, advisory and training organisation that assists more than five hundred businesses each year.

KATE LEWIS

Dr Kate Lewis is a senior lecturer in the School of Management, and a research associate of the New Zealand Centre for Small and Medium Enterprise Research, at the Wellington campus of Massey University, New Zealand. She is also an associate fellow of the New Zealand Work and Labour Market Institute (Auckland University of Technology) and a vice-president of the Small Enterprise Association of Australia and New Zealand. Her research is primarily focused on entrepreneurship and small firms, and she has a particular interest in youth entrepreneurship. Other areas of work include enterprise policy and business assistance, environmental management and small firms, gender and entrepreneurship, and entrepreneurial identity.
CHAPTER 3 Creativity, innovation and entrepreneurship 53

Creativity 54
The three components of creativity 54
Creativity techniques 56
Factors influencing creativity 59
What would you do? Weight management 60

Innovation 61
Incremental versus disruptive innovation 61
Sources of innovation 65

Entrepreneur profile: Narayana Murthy, Infosys 66

Linking creativity, innovation and entrepreneurship 67
Knowledge development during the entrepreneurial process 68
Developing and disseminating knowledge through social networks 69

From creativity to entrepreneurship: screening opportunities 70
Is it real? Establishing the novelty, patentability and technical feasibility 70
Is it viable? Showing the superiority of the product and market interest 71
Is it worth it? Showing a positive return 72

Summary 73
Case study: NoWaterWash 74

CHAPTER 4 Small business: definitions and characteristics 77

Defining small business 78
Generic definitions 78
National definitions of small business 79

Characteristic features of a small business 81
General aspects 82
Differences between small and large businesses 83
The advantages and disadvantages of operating a small business 85

Entrepreneur profile: Lovie’s Test and Tag 86
Factors leading to success and failure 87

The economic significance of the small business sector 90
General importance 90

Entrepreneur profile: Jessica Kiely-Schebesta, The Frank Team 92
Global significance 92

Entrepreneur or small business owner-manager? 95

What would you do? The shirt on his back 97

Summary 97
Case study: Ronir — a tale of two perspectives 99

PART 2 Getting into business 103

CHAPTER 5 Options for going into business 105

Issues to consider before going into business 106
The entrepreneur/small business owner: personal goals and abilities 106
Resource availability 107
The opportunity 108
Starting a new business 108
The advantages of starting a new business 108
What would you do? Start-up team or solo franchisee? 109
The disadvantages of starting a new business 110
Costs of a start-up venture 111
Purchasing an existing business 111
Entrepreneur profile: Carolyn Creswell, Carman’s Fine Foods 112
Establishing a purchase price 112
Questions to ask 116
Other issues 117
Entering a franchise system 117
Advantages and disadvantages of franchising 118
Comparison of options 120
Procedural steps when starting a business venture 120
1. Undertake market research 121
2. Check the statutory requirements 121
3. Access suitable core resources 122
4. Critically evaluate options: buy, start-up or franchise? 122
5. Work out financial projections 122
6. Prepare a business plan 123
Summary 123
Case study: Potential in pitas 124

CHAPTER 6 Market research and strategy formulation 127

The role of market research 128
What to research? 128
Constraints on research 130
Conducting research 131
Secondary information 132
What would you do? Aussie Play Panels 135
Primary information 135
Developing a strategy 138
Two perspectives on strategy 138
Market-led perspective on strategy 139
Entrepreneur profile: Paul Greenberg and Michael Rosenbaum, DealsDirect 143
A resource-based theory of entrepreneurship 144
Developing a business model 146
Components of the business model 146
Use of business models 148
Summary 149
Case study: GetTV 150

CHAPTER 7 Preparing a business plan 155

The concept of a business plan 156
The advantages and disadvantages of planning 157
Elements of a business plan 158
Title page 159
Executive summary 159
Background 159
CHAPTER 9 Financing new and growing business ventures

A typology of financing
Debt versus equity
Short-term versus long-term finance
Early-stage versus expansion finance
Financing challenges for start-ups and innovative SMEs
Debt finance
Bank overdraft
Trade credit
Term loan
Leasing
What would you do? Anemoi Power
Equity finance
Owner's equity
Family and friends
Business angels
Venture capital
Publicly raised equity
Entrepreneur profile: Peter Marshall, Tallon Marine
Alternative sources of finance
Debt factoring and discounting
Government-backed schemes
Summary
Case study: QuickBiotech

CHAPTER 10 Accessing business advice and assistance

The business adviser
What would you do? Off the rails?
The evolution of business advisory services
Types of professional adviser
Entrepreneur profile: Jack Hughes, Darwin Region Business Enterprise Centre
How much are advisory services used?
Advisory styles
Sourcing advisers
Choosing a professional adviser
Forms of support for new and small firms
Government assistance
Private sector assistance
Business incubators
Summary
Case study: Shepherds
PART 3 Managing key functions

CHAPTER 11 Marketing

The concept of marketing 268
An overview of the marketing process 268
  Goal setting 269
  Understanding the market 270
The marketing mix 271
  The product or service 271
  Promotion 272
  Price 273
Entrepreneur profile: Justin Miller, CEO of Sensear Pty Ltd 274
  Placement 283
  People, process and physical evidence 284
What would you do? Who are the green Chuppies? 285
Evaluation of marketing 286
Summary 287
Case study: Home Sweet Homeware 289

CHAPTER 12 Operations management

Operations as a management process 292
Physical site factors 293
  Premises 293
  Location 294
  Internal layout 295
Production processes 296
  Workflow 297
Service blueprinting 297
  Inventory and supply management 300
Entrepreneur profile: Andrew Monteiro, CEO of Journal IT 301
  Operating equipment 302
Evaluating, improving and securing operational activities 303
  Assessing and controlling current operations 303
Procedural systems and quality assurance 306
Risk management 308
What would you do? The cost of quali-tea! 308
Summary 311
Case study: James’ guided computer repairs 312

CHAPTER 13 Human resource issues in new and small firms 315

Concept and functions of human resource management 316
HRM as a business strategy 317
Acquisition of staff 318
  To employ or not? 318
  Organisational structure 321
  Job analysis 322
CHAPTER 14 Financial information and management

The purpose of financial information
  Objectivity
  Financiers’ expectations
  Statutory requirements
  Viability
  Profitability
  Goal setting
  Purchase or sale of a business
  Performance appraisal

Differences between small and large firms

Regional variations in financial management

Types of financial information
  Sales mix forecast
  Cash flow statement (or forecast)
  Profit and loss statement
  Balance sheet
  A word about the goods and services tax
  Personal expenses
  Owner’s assets and liabilities
  Forecasts or historical documents?

Entrepreneur profile: Eric Rongley: In search of paying customers

Analysing financial data
  Profitability ratios
  Liquidity ratios
  Efficiency ratios
### CHAPTER 17 Corporate entrepreneurship

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimensions of and rationale for corporate entrepreneurship</td>
<td>424</td>
</tr>
<tr>
<td>Towards a definition of corporate entrepreneurship</td>
<td>424</td>
</tr>
<tr>
<td>Entrepreneur profile: Tony Fernandes, AirAsia</td>
<td>427</td>
</tr>
<tr>
<td>Rationale for corporate entrepreneurship</td>
<td>428</td>
</tr>
<tr>
<td>The new venture development process</td>
<td>430</td>
</tr>
<tr>
<td>Idea generation</td>
<td>430</td>
</tr>
<tr>
<td>Concept development</td>
<td>432</td>
</tr>
<tr>
<td>Business plan development</td>
<td>433</td>
</tr>
<tr>
<td>Incubation and commercialisation</td>
<td>433</td>
</tr>
<tr>
<td>Value capture</td>
<td>434</td>
</tr>
<tr>
<td>What would you do? Kerala Food</td>
<td>435</td>
</tr>
<tr>
<td>The key steps in developing entrepreneurial spirit</td>
<td>435</td>
</tr>
<tr>
<td>Develop a vision and a strategy</td>
<td>436</td>
</tr>
<tr>
<td>Create a culture of innovation</td>
<td>437</td>
</tr>
<tr>
<td>Develop organisational support</td>
<td>438</td>
</tr>
<tr>
<td>Reward according to results</td>
<td>441</td>
</tr>
<tr>
<td>Communication</td>
<td>442</td>
</tr>
<tr>
<td>Summary</td>
<td>443</td>
</tr>
<tr>
<td>Case study: Sino Automation</td>
<td>445</td>
</tr>
</tbody>
</table>

### CHAPTER 18 Contemporary issues in small business and entrepreneurship

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social entrepreneurship</td>
<td>450</td>
</tr>
<tr>
<td>Entrepreneur profile: Tim Bauer, Envirofit</td>
<td>451</td>
</tr>
<tr>
<td>Environmental issues</td>
<td>452</td>
</tr>
<tr>
<td>Eco-efficiency</td>
<td>453</td>
</tr>
<tr>
<td>‘Ecopreneurship’</td>
<td>454</td>
</tr>
<tr>
<td>Entrepreneur profile: Wee Sang Kiang, Eveready Manufacturing</td>
<td>455</td>
</tr>
<tr>
<td>What would you do? Profit or principle?</td>
<td>455</td>
</tr>
<tr>
<td>Gender differences</td>
<td>456</td>
</tr>
<tr>
<td>Home-based businesses</td>
<td>458</td>
</tr>
<tr>
<td>Summary</td>
<td>461</td>
</tr>
<tr>
<td>Case study: Sand and Sea</td>
<td>462</td>
</tr>
</tbody>
</table>

Glossary

Index
Although there are many different career options in business, few offer as much potential for personal achievement and independent wealth creation as starting or running your own business. Entrepreneurs are people who conceive of new business opportunities, take the risks and then turn their ideas into successfully functioning enterprises. Small business owner–managers are the people who are responsible for the day-to-day organisation and operation of small firms. Both groups are at the forefront of many of the new ideas, new markets, new jobs and new wealth-generating activities taking place all over the world today.

Like any area of potentially high rewards, there are many risks involved in new projects. Failure rates are often much higher than for established firms; and operating systems, human resources and financing options are often different and much more limited than in larger organisations. For these reasons, intending entrepreneurs and small business owner–managers need to carefully prepare themselves before starting out on their venture.

There are many textbooks available on these subjects, but most continue to focus solely on a particular country. Even today, the majority of English-language books available are British, Australian or American, and often ignore or downplay the important legal, marketing and operational variations that occur across the Asia-Pacific region.

For this reason, we have written *Entrepreneurship and Small Business: 3rd Asia-Pacific Edition*, a comprehensive, multinational textbook that focuses on a number of different jurisdictions and countries in the region: Australia, New Zealand, Singapore, Malaysia, India, Hong Kong and China. New business ventures and established small businesses are key driving elements in each of these economies.

Finally, a word about terminology — as explained in chapter 4, it is recognised that the terms small business and entrepreneurship are not synonymous. Entrepreneurship is mainly about the creation and growth of a business venture, whereas small business management covers the daily control of a small firm. However, there is often considerable overlap between the two sets of activities. Many entrepreneurs start off by creating a small firm that subsequently grows into a larger enterprise. Both entrepreneurs and small business owner–managers are required to be familiar with many of the same technical skills and business concepts. Therefore, in the parts of this book that apply to both entrepreneurs and small business operators, we have used the terms entrepreneur and small business owner–manager interchangeably.

Whether you want to build an entrepreneurial success story or just a profitable small local enterprise, or are simply seeking to better understand these types of businesses, this book will provide the information you need. We hope you find it useful.

Michael Schaper, Thierry Volery, Paull Weber and Kate Lewis

June 2010
Acknowledgements

No book is ever solely the work of its authors. Many other people play an important part in preparing a textbook of this magnitude, and without them it is doubtful our project could have been completed in time. In particular, we would like to acknowledge the help of Geoff Baker (Murdoch University) and Ilana Boon (University of the Sunshine Coast) for research work and editing, Darryl Cahill and accounting staff (RMIT) for additional cases, as well as Dan Logovik (John Wiley & Sons Australia), who provided a substantial amount of professional assistance in the development and refinement of this third edition.

We are also indebted to the practitioners who provided access to companies as well as information and suggestions on profile and case drafts. Our special thanks go to Narayana Murthy (Infosys), Chris Anderson and Duane Dalton (Pita Pit), Jack Hughes (Darwin Region Business Enterprise Centre), Justin Miller (Sensear), Andrew Monteiro (Journal IT), Eric Rongley (Bleum), Brenda Bourne (Webwoman), Steven Quayle (3Floorsup), Damian Knowles (Howling Wolves), Charles Bellow (Local Chambers), Carolyn Cresswell (Carman’s Fine Foods), Janet Sayers (Sand and Sea), Mohshin Aziz (AirAsia), Phillip Mills and Jill Tattersall (Les Mills International).

The authors and publisher would also like to thank the following copyright holders, organisations and individuals for their assistance and for permission to reproduce copyright material in this book.

Images


Text