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Getting ready for the market

Seddiqi believes big businesses can help build small enterprises

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Dubai: This week's announcement by Dubai of an exclusive ranking system for SMEs merely reconfirmed what had been glaringly obvious for some time. The short and the long of it is there has never been a better time to launch a start-up or be the owner of an existing small- or mid-sized enterprise (SME).

Dubai is not alone in this initiative. Though the emirate has the frontrunner status, specific steps are being taken elsewhere in the Gulf to create fertile grounds for SMEs. And the authorities charged with these responsibilities are working overtime to make it all happen in the shortest lead time.

One such effort relates to Enterprise Qatar, by which Qatar expects to create a vibrant SME community. The framework for the project is being worked on, for which the Gulf state has brought in a Saudi-based consultancy, Capitas Group International (CGI).

Gulf News spoke to Naveed Seddiqi, the firm's CEO, to offer insights into what it will be doing to shape Enterprise Qatar.

Gulf News: What is the precise mandate for Capitas Group's SME practice group in regard to the Qatar project?

Naveed Seddiqi: Our SME practice group — CGI LEAP (Leadership, Entrepreneurship and Progress) — has the mandate to develop and deliver financial and training platforms that support the development, growth, and competitiveness of SMEs, create jobs and spur economic development.

We use a completely local approach to developing these platforms. That means that CGI doesn't apply readymade solutions from other markets to its projects.

And we make sure we engage all relevant stakeholders to understand the local context from all angles as we approach our engagements.

Two other things are critical differentiators. The first is that we are a team of experienced practitioners who have established businesses around the world.

That experience as entrepreneurs gives us an insight into the mind of other businessmen — and women — allowing us to create relevant SME platforms. Finally, as a company, CGI has adopted a build-operate-transfer model in which, as required, we develop and launch platforms, operate them through stabilisation and finally work to transfer operations to a local management team.

Other firms usually just offer designs and blueprints and don't offer that kind of involvement in a project.

Unlike the UAE and Saudi Arabia to an extent, Qatar does not have a well-defined SME space. In fact, the large enterprises run the show across all sectors. How does that affect SME development?

To a certain extent large corporations certainly have an established foothold in most markets. But this should not necessarily be characterised as a negative for the SME sector.

For example, in Saudi Arabia, the growth of the oil sector and the establishment of Aramco had a very positive effect on SME development, especially in the Eastern Province. When Aramco was initially established a host of small, local businesses were chosen as sub-contractors for much of its work.

Some of these were transporters while others assisted in more technical matters. The point is that many of those same businesses have now matured into large corporations specialising in specific aspects of the oil industry based on the technical skills and know-how they acquired from their work with Aramco. A similar strategy can be employed with the larger corporations in Qatar where both SMEs and larger corporations benefit from collaborative effort.

Are there benchmarks from other jurisdictions that Capitas looks at in creating SME frameworks for specific countries?

Every market is unique. What works in one place doesn't always work in another. At the same time there is a need to reference other countries' experiences, particularly countries in the region that face similar challenges and opportunities, which provides a measuring stick for various policy and programme alternatives.

Our team has experienced these issues firsthand rather than just looking at theory. The knowledge is based on practical experience working with SMEs around the world.

From academic research to policy advisory, SME finance, training and development and business support services, CGI's team has hands-on knowledge of successful programmes in markets across Asia, Europe and the Middle East.

That know-how of what really works in different markets is part of our storehouse of knowledge of best practices and case studies from a host of different SME contexts. We deploy or adapt these if required on our engagements.

Policy and regulation reform are important for SME development. What other initiatives must be put in place?

Aside from setting an SME definition and working on regulatory amendments to create an enabling environment, it's crucial that these businesses and entrepreneurs have access to capital along the full lifecycle for a venture. That means they should be able to secure equity funding and debt financing from concept stage through growth and stabilisation. Finally, various training and business support services need to be developed along with the incentives that draw vendors and growing businesses to participate in them. This holistic approach is the only way to ensure that SMEs have the range of services and programmes that support their development.

Middle East markets are now working overtime to create a more fertile ground for SMEs. But do you feel the full transition to such a vibrant environment - even with the entire supporting infrastructure in place - will take longer than expected?

Clearly, Middle East markets are aware that a successful SME sector is critical to meeting ongoing economic and social demands. For example, the World Bank estimates that by 2020, up to 100 million new jobs will need to be created in order to keep employment levels where they are today.

This poses a major challenge for the Arab world with regards to job creation as young individuals begin to enter the workforce. SMEs are the most effective means to address this issue. It is important to keep in mind that SME policy matters have a myriad of interplaying factors that not only affect them but the broader market as a whole. Therefore, most initiatives involve numerous interested parties and stakeholders, so change takes time.

The best strategy in dealing with the SME landscape is to prioritise initiatives. The starting point should be areas that create an enabling environment for SMEs and have the largest impact on their success, such as streamlining business registrations and improving access to finance.