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# Entrepreneurship and Small and Medium Enterprises Management

Name : \_\_\_\_\_

Class : \_\_\_\_\_ (     )





## Revision notes

### Entrepreneurs

#### What is an entrepreneur?

An entrepreneur is a person who takes risks in starting a business for the purpose of making a profit.

#### Characteristics and aptitudes of entrepreneurs

The characteristics of entrepreneurs include:

- 1 A strong motivation to succeed
- 2 Willing to take initiatives
- 3 A strong desire for independence
- 4 Energetic
- 5 Self-confident
- 6 Persistent and determined
- 7 Initiates changes to stay ahead of competitors
- 8 Eager to seek new opportunities
- 9 Receptive to innovative ideas

#### Importance of entrepreneurship to business and the economy

Entrepreneurship contributes to our business and economy in the following ways:

##### **Competition**

- Entrepreneurship brings more and newer products and services to the market.
- It creates better ways of using resources and promotes competition.
- Consumers benefit because they enjoy a diversity of products and services at a lower price and with better quality.

##### **Production**

- Entrepreneurs organise production for goods and services. They put people and resources together to start a business.
- Without entrepreneurs, the economy would collapse as no one would carry out production.

##### **Innovation**

- Entrepreneurs always look for and are able to seize market opportunities.
- By turning their innovative ideas into products and services, they build many successful businesses.
- Innovative products and services can create a new business and even an entirely new market.



## Business plan

A business plan is a document in which the owner of a start-up company sets out the basic ideas for a business and describes the related start-up arrangements.

### Importance of a business plan

#### *For the company*

- It provides a statement of the company's goals and the strategies to be used to achieve those goals.
- The company can provide information about the business to outsiders including prospective customers, suppliers, lenders and investors.
- A well-prepared business plan can help the company gain the trust of its suppliers and secure favourable credit terms.
- Customers are more willing to buy its products or services if they know more about and develop confidence in the new company.
- A business plan can help a start-up company get financial support from banks or attract prospective investors.

#### *For an entrepreneur*

- It forces him to think about issues that are important for the success of the business.
- Possible risks and problems that may arise are also identified in advance.

### Contents of a business plan

A typical business plan includes:

- 1 Title page
- 2 Table of contents
- 3 Executive summary
- 4 Vision and mission statement
- 5 Company and industry
- 6 Marketing plan
- 7 Operating plan
- 8 Financial plan
- 9 Management plan

### The process of developing a business plan

- Step 1 Gather information about the economy and industry relevant to the business
- Step 2 Evaluate market opportunities for the business
- Step 3 Examine market threats, identify major competitors in the market and study changes which may adversely affect the business.
- Step 4 Decide on the company's vision, mission and objectives
- Step 5 Develop business strategies, project the financial resources needed
- Step 6 Write up the business plan



### Small and medium enterprises

- Small and medium enterprises (SMEs) are firms that are independently owned and operated, and are not dominant in their markets.
- In Hong Kong, according to the definition by the Trade and Industry Department, an SME is an enterprise which
  - (i) employs fewer than 100 persons (in the manufacturing sector), or
  - (ii) employs fewer than 50 persons (in the non-manufacturing sector).
- SMEs can be found in both secondary and tertiary industries.
- SMEs can operate as sole proprietors, partnerships or limited companies.
- Most entrepreneurs start their businesses in the form of SMEs because they have little capital and are unable to get loans from banks.

### Characteristics of SMEs in Hong Kong

- 1 Independently owned and operated by single individuals
- 2 Limited resources and capital, usually small in terms of finances and manpower
- 3 Family members are involved in managing the business
- 4 Focus on narrow markets in which large companies are not interested
- 5 Relatively more innovative than large companies in that they are eager to explore new opportunities in the market and are more receptive to new ideas
- 6 Have greater flexibility in operations and making decisions than large companies

### Contributions of SMEs to the local economy

- 1 Provide specialised goods and services
- 2 Provide job opportunities for unskilled and inexperienced labour
- 3 Introduce new products and services to attract customers, so that they can compete with large companies
- 4 Support large companies by providing goods and services



## Differences between small and large businesses

The following are the differences between small and large businesses:

	Large business	Small business
<b>Ownership and management</b>	<ul style="list-style-type: none"> <li>• Ownership and management are usually separate.</li> <li>• Professional managers manage the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Usually no separation of ownership and management.</li> <li>• Most are managed by the owners and their family members.</li> </ul>
<b>Business Scope</b>	<ul style="list-style-type: none"> <li>• Usually have greater capability to produce more products and services.</li> <li>• Business operations are fairly complex.</li> </ul>	<ul style="list-style-type: none"> <li>• With fewer resources, offer limited number of products and services.</li> <li>• Business operations are relatively simple.</li> </ul>
<b>Planning</b>	<ul style="list-style-type: none"> <li>• Make plans in a formal and systematic way.</li> <li>• Plans are usually made to spell out the future direction of the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Plans are often loosely made by the owners in an informal way.</li> <li>• There is no long-term plan but only short-term and operational plans.</li> </ul>
<b>Organising</b>	<ul style="list-style-type: none"> <li>• Usually have a tall organisational structure.</li> <li>• Unity of command is commonly used.</li> <li>• Complicated structure makes communication difficult.</li> </ul>	<ul style="list-style-type: none"> <li>• Have a relatively flat structure.</li> <li>• Staff often communicate with each other face-to-face.</li> <li>• Usually no unity of command.</li> </ul>
<b>Leading</b>	<ul style="list-style-type: none"> <li>• Delegation is common.</li> <li>• Participative leadership or laissez-faire leadership is more commonly used.</li> </ul>	<ul style="list-style-type: none"> <li>• Autocratic leadership style is common.</li> <li>• The owner possesses all the power to make decisions.</li> </ul>
<b>Controlling</b>	<ul style="list-style-type: none"> <li>• More systematic in controlling.</li> <li>• Have formal control mechanism and processes.</li> <li>• Workers have to comply with many rules and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Have informal and loose control mechanisms.</li> <li>• Fewer rules and regulations.</li> </ul>
<b>Decision-making</b>	<ul style="list-style-type: none"> <li>• Decisions have to go through different levels and departments.</li> <li>• Employees are often involved in the decision-making process.</li> <li>• Slow in making decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Most decisions are made by the owner himself.</li> <li>• Decision-making is simpler and faster.</li> </ul>



## Government support for SMEs

The following table shows how the government supports SMEs in Hong Kong:

Types of assistance	Government support available
Setting up a business	<ul style="list-style-type: none"> <li>• Business Start-up Centre</li> <li>• Small Entrepreneur Research Assistance Programme</li> </ul>
Financing	<ul style="list-style-type: none"> <li>• SME Loan Guarantee Scheme</li> <li>• Small Entrepreneur Research Assistance Programme</li> </ul>
Business operation	Hong Kong Productivity Council
Marketing	<ul style="list-style-type: none"> <li>• Hong Kong Trade Development Council</li> <li>• SME Export Marketing Fund</li> <li>• Small Entrepreneur Research Assistance Programme</li> </ul>
Employee training	The Funding Scheme for Workplace English Training
Support services	<ul style="list-style-type: none"> <li>• SME Development Fund</li> <li>• Industries Support Division of the Trade and Industry Department</li> </ul>



### Demo Question

Read the case below and then answer the questions.

Mr Wong is the owner of a design house. His wife and son help him with the administration and daily operations of the company. Even with their help, Mr Wong works long hours everyday.

Mr Wong's company specialises in the desktop publishing of annual reports and newsletters. His company is an outsourcing partner of many large corporations. Over the years, he has helped many large companies publish annual reports and newsletters. Mr Wong often receives many orders at the end of financial years. Many public limited companies like Mr Wong to publish their annual reports because he always finishes their jobs on time. Although Mr Wong will also take jobs like poster designs and advertisement designs, these are not his core business.

- Explain three characteristics of SMEs that you can find at Mr Wong's firm. (6 marks)
- Many economic analysts say that SMEs are the driving force of Hong Kong's strong economy. What is your opinion? Use Mr Wong's case as an example to support your argument. (6 marks)





## Troubleshooter

- 1 The focus of the case study in the examination is to ask students to make use of the information given and answer the questions accordingly.
- 2 There may be many points listed in the textbook but not mentioned in the cases. For example, regarding the characteristics of SMEs, there are other characteristics that have not been mentioned, e.g., limited resources and capital, innovation. Students have to distinguish which characteristics have been mentioned in the case.
- 3 Question (b) is a typical example that requires students to apply the techniques mentioned in point 2. The question actually asks students how SMEs contribute to Hong Kong's economy. The answers derived from the case are that they 'provide specialised goods and services' and 'support large companies' and 'provide jobs', rather than 'introduce new products and services'. The examination requires students to answer the questions in an intelligent way. That is, not all the material that appears in the textbook is useful. Students should be selective about giving the answers that best suit the case.
- 4 Answers should be specific to the case. Students should not give a general answer. In other words, students should extract the relevant details given in the case and elaborate on them. Giving the answer that the question asks is very important in examinations.



## Answers

- (a) As shown in the case, Mr Wong's firm shares many characteristics of small and medium enterprises. The three characteristics are:

*Focuses on narrow markets*

Mr Wong's firm focuses on narrow markets. It specialises in the desktop publishing of annual reports and newsletters. Large companies may not be interested in these areas. (2 marks)

*Owned and managed by single individuals*

Mr Wong owns and manages the design house. (2 marks)

*The involvement of family members in managing the business*

His family members, his wife and son, are involved in managing the business. They help him with the administration and daily operation of the design house. (2 marks)



- (b) I agree that SMEs are the driving force of Hong Kong's strong economy as SMEs contribute to Hong Kong's economy in a significant way. Using Mr Wong's case as an example, we can see that:

*SMEs support large companies*

It is not possible for large companies to produce all products and services themselves. Mr Wong's company helps large companies by desktop publishing. It helps them publish their annual reports and newsletters. The workload of large companies can be reduced as a result. (2 marks)

*SMEs provide specialised goods and services*

It is costly for large companies to publish their annual reports and newsletters themselves. If large companies hire people to do the desktop publishing job, these employees may not have so much design work to do. It can be a waste of human resources. With its specialisation in desktop publishing, Mr Wong's company can do the job better for large companies. (2 marks)

*SMEs provide jobs for Hong Kong workers*

More than half of Hong Kong's workforce is now employed by SMEs. Mr Wong hires two persons. He is self-employed. Thus, SMEs are very important to the economy of Hong Kong. (2 marks)





## Revision Exercises

### Multiple Choice Questions

(2 marks for each question)

1 Which of the following concerning entrepreneurs is true?

- (i) Entrepreneurs refer to persons who set up their own businesses.
- (ii) Entrepreneurs must be energetic.
- (iii) Entrepreneurs must be well educated.
- (iv) Entrepreneurs can be men or women of any age.

- A. (i) and (iii)
- B. (ii) and (iv)
- C. (i), (ii) and (iv)
- D. All of the above

2 Which of the following is/are the aptitude(s) of entrepreneurs?

- (i) Strongly motivated to succeed
- (ii) Determined
- (iii) Persistent
- (iv) Initiates changes

- A. (i) and (iii)
- B. (ii) and (iv)
- C. (i), (iii) and (iv)
- D. All of the above

3 Which of the following concerning entrepreneurship and entrepreneurs is false?

- A. Entrepreneurs are usually very innovative.
- B. Entrepreneurs can raise funds easily.
- C. Entrepreneurship promotes competition.
- D. Entrepreneurship brings better products to customers.

4 A business plan is important for both the company and the entrepreneur except that

- A. a company cannot succeed without a business plan.
- B. the entrepreneur can identify possible risks and problems in the business by preparing the business plan.
- C. the business plan provides a statement of the company's goals.
- D. outsiders can learn more about the company with the information provided in the business plan.



- 5 The following table shows the contents of a business plan. Which of the following is incorrectly classified?

A. Marketing plan	Product strategies, pricing strategies, distribution strategies, promotion strategies
B. Operating plan	Duties of various posts at a firm, including the CEO
C. Financial plan	Projected capital expenditure, breakeven analysis
D. Management plan	Organisational structure, employee recruitment and training

- 6 Arrange the following elements of a business plan in the correct sequence.
- Analyse market opportunities for the business
  - Collect information about the economy and industry relevant to the business
  - Develop business strategies, calculate the financial resources needed and plan what to do in terms of marketing, operations and management
  - Assess market threats and identify major competitors in the market
  - Determine the company's vision, mission and objectives
  - Compile and analyse all the information and write up the business plan
- (i), (ii), (v), (iv), (iii), (vi)
  - (ii), (i), (iii), (iv), (vi), (v)
  - (ii), (i), (iv), (v), (iii), (vi)
  - (iv), (ii), (v), (i), (iii), (vi)

- 7 Which of the following concerning SMEs in Hong Kong is false?
- Most SMEs try their best to diversify their products and services for different types of customers.
  - SMEs are usually more innovative than large companies.
  - Most SMEs are financed by their owners.
  - SMEs are usually faster in decision-making than large companies.

- 8 Which of the following concerning SMEs is/are true?
- SMEs produce goods and services for small markets which are often neglected by large companies.
  - SMEs can be found in both the secondary and tertiary industries in Hong Kong.
  - SMEs offer goods and services to large companies.
- (i) and (ii)
  - (i) and (iii)
  - (ii) and (iii)
  - All of the above



- 9 Which of the following are included in the management plan of a business plan?
- (i) Organisational structure
  - (ii) Employee recruitment strategies
  - (iii) Staff development strategies
  - (iv) Professional experience of the management team
- A. (i) and (ii)  
B. (iii) and (iv)  
C. (ii), (iii) and (iv)  
D. All of the above
- 10 Which of the following concerning government support to SMEs are correct?
- (i) The Hong Kong Trade Development Council provides SMEs with useful market information.
  - (ii) The Hong Kong Productivity Council offers customised business solutions and management training to SMEs.
  - (iii) The Hong Kong Small and Medium Enterprise Association runs the Business Start-up centre to provide office facilities and administrative assistance to business starters.
  - (iv) The Support and Consultation Centre for SMEs provides consultation services to SMEs.
- A. (i) and (ii)  
B. (iii) and (iv)  
C. (i), (ii) and (iv)  
D. All of the above
- 11 Under which of the following conditions can an entrepreneur apply to the SME Export Marketing Fund?
- (i) William wants to participate in a local export fair.
  - (ii) Martin wants to join an overseas trade fair.
  - (iii) Elaine wants to organise a local trade exhibition which is export-oriented.
  - (iv) Johnny wants to borrow money to support the daily operations of his company.
- A. (i) and (iii)  
B. (ii) and (iv)  
C. (i), (ii) and (iii)  
D. All of the above
- 12 Non-profit-distributing organisations can apply to the \_\_\_\_\_ to finance their technology demonstration projects.
- A. SME Development Fund  
B. Innovation and Technology Fund  
C. SME Loan Guarantee Scheme  
D. Small Entrepreneur Research Assistance Programme



13 Before writing a business plan, Ms Lee carefully studies the interest rates and price levels over the past few months. This is done to

- A. gather information about the economy.
- B. identify market threats.
- C. realise the company's weaknesses.
- D. project the financial resources needed.

14 \_\_\_\_\_ provides financial assistance to SMEs for employee training.

- A. The Innovation and Technology Fund
- B. The Funding Scheme for Workplace English Training
- C. The SME Loan Guarantee Scheme
- D. The SME Development Fund

15 Which of the following concerning the characteristics of SMEs is false?

- A. SMEs provide goods to large companies to support their operations.
- B. The owner's family members usually occupy key positions in an SME.
- C. The owner of an SME often draws up the company's mission and objectives clearly.
- D. SMEs usually have a relatively flat structure.

16 Mrs Leung wants the government to act as a guarantor in obtaining loans from a bank. To which fund should she apply?

- A. The SME Loan Guarantee Scheme
- B. The SME Development Fund
- C. The SME Export Marketing Fund
- D. The Small Entrepreneur Research Assistance Programme

17 Which of the following are included in the marketing plan of a business plan?

- (i) Nature of the business
- (ii) Analysis of target market
- (iii) Promotion strategies
- (iv) Pricing strategies

- A. (i) and (ii)
- B. (iii) and (iv)
- C. (ii), (iii) and (iv)
- D. All of the above

18 Which of the following are true about large businesses, compared with small and medium enterprises?

- (i) They usually have a tall organisational structure.
- (ii) They tend to be more systematic in controlling.
- (iii) They make plans in a formal way.
- (iv) They usually hire professionals to manage the firms.

- A. (i) and (ii)
- B. (iii) and (iv)
- C. (ii), (iii) and (iv)
- D. All of the above

19 Which of the following are the characteristics of a SOHO?

- (i) People who want to sell their products on websites can consider operating their companies in the form of a SOHO.
- (ii) SOHO is commonly used by SMEs.
- (iii) SOHO is suitable for businesses which do not require face-to-face contact between sellers and buyers.
- (iv) SOHOs' owners can save on rent expenses and operating costs.

- A. (i) and (iii)
- B. (ii) and (iv)
- C. (i), (ii) and (iv)
- D. All of the above

20 Which of the following are included in the financial plan of a business plan?

- (i) Income statements
- (ii) Financial objectives
- (iii) Breakeven analysis
- (iv) Projected capital expenditure

- A. (i) and (ii)
- B. (i), (iii) and (iv)
- C. (ii), (iii) and (iv)
- D. All of the above

21 Which of the following concerning large companies is false?

- A. Large companies usually have a tall organisational structure.
- B. Employees in large companies often communicate with each other face-to-face.
- C. Unity of command is commonly used by large companies.
- D. In large companies, the job duties of employees are highly specialised.



22 A business plan is important because it

- (i) sets out the objectives for the company to strive for.
- (ii) provides a direction for the newly set-up business.
- (iii) helps an entrepreneur assess the risks and problems in his business.
- (iv) provides a logical framework for an entrepreneur to develop business strategies.

- A. (i) and (iii)
- B. (ii) and (iv)
- C. (ii), (iii) and (iv)
- D. All of the above

23 Which of the following concerning the contributions of small and medium enterprises are true?

- (i) SMEs provide specialised goods and services to Hong Kong.
- (ii) SMEs introduce new products and services to attract customers so that they can compete with large companies.
- (iii) SMEs support large companies by providing goods and services.
- (iv) SMEs provide job opportunities for unskilled and inexperienced labour.

- A. (i) and (iii)
- B. (ii) and (iv)
- C. (ii), (iii) and (iv)
- D. All of the above

24 Which of the following concerning the Funding Scheme for Workplace English Training is true?

- (i) The fund sponsors in-house English training programmes.
- (ii) The fund focuses on improving spoken English, rather than written English level, for employees in Hong Kong.
- (iii) Employees who want to take a specified international business English examination can apply to the fund.
- (iv) The fund is limited to \$2,000 per company.

- A. (i) and (ii)
- B. (i) and (iii)
- C. (ii) and (iii)
- D. (iii) and (iv)



25 Which of the following concerning the characteristics of small and medium enterprises are true?

- (i) The family members of SMEs' owners are usually involved in managing the businesses.
- (ii) SMEs are usually small in terms of manpower.
- (iii) SMEs tend to target as many customers as possible and focus on wide markets.

- A. (i) and (ii)
- B. (i) and (iii)
- C. (ii) and (iii)
- D. All of the above

### Short Questions

1 How do the following entrepreneurs' aptitudes contribute to business success?

- (a) A strong motivation to succeed (3 marks)

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- (b) Receptive to innovative ideas (3 marks)

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2 How can customers gain from the contributions made by entrepreneurs? (4 marks)

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- 3 Mr Leung is the owner of a fast food restaurant in Mongkok. He started the business 20 years ago. His wife and his daughter help him in the daily running of the restaurant.

Students are Mr Leung's target customers. His restaurant mainly serves breakfast and lunch for students. It is open from 6:30 am to 7:00 pm.

Although the fast food restaurant is not big, Mr Leung often introduces new dishes and beverages. He also creates his own recipes. In order to attract customers, he changes his menu frequently.

- (a) Is Mr Leung's fast food restaurant an SME? Why? (2 marks)

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- (b) Explain four characteristics of SMEs that you find in Mr Leung's fast food restaurant. (8 marks)

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- 4 Charmaine has been working as a customer relationship manager at a leading bank for 20 years. Recently, she was laid off. As Charmaine has longed to be an entrepreneur, she regards this as a good opportunity to realise her dream.

Charmaine wants to set up her own business. However, she faces a lot of problems. First of all, she cannot afford to start a large business. With limited capital, Charmaine does not know what kind of business to start.

- (a) Name the governmental organisation Charmaine can turn to for help under the following situations.

- (i) Charmaine wants to obtain useful market information and analysis. (1 mark)

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- (ii) Charmaine wants to apply the skills she has developed at the bank. She wants to consult someone on what kind of business to start. (1 mark)

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(iii) Charmaine wants to have assistance about office facilities and administration. (1 mark)

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(iv) Charmaine wants to receive management training. (1 mark)

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(b) List and explain three aptitudes that Charmaine should possess as the owner of a small novice enterprise. (6 marks)

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(c) Suggest two factors that Charmaine should consider when deciding whether to start a small or a large business. (4 marks)

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\_\_\_\_\_

**5** Maggie writes articles and books on parenting. She has been self-employed for many years. Maggie works mainly at home. By working at home, she can take care of her nine-year-old daughter and have a career at the same time.

(a) Is Maggie's business a SOHO? Why? (2 marks)

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(b) What are the advantages for Maggie in setting up a SOHO? (4 marks)

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- (c) As Maggie is becoming more well known, she is thinking of delivering talks at universities and learning centres. She also intends to organise parenting skills workshops in her business. Forecast two problems that she will face if she does the above at home. (4 marks)

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- 6 Mr Chan is the owner of a small family-based supermarket. Mr Wong is the major shareholder of a large supermarket chain. Although the two supermarkets are in the same industry, their operations and organisational structure are totally different.

- (a) Explain two differences of the two supermarkets in terms of their ownership and management. (4 marks)

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- (b) Explain two differences of the two supermarkets in terms of planning and organising. (4 marks)

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- (c) Explain two differences of the two supermarkets in terms of leading and controlling. (4 marks)

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- 7 Sunny owns a company which manufactures pencil sharpeners. He has a factory in Hong Kong with 50 workers. His products are mainly exported to the US and Brazil. Due to the financial tsunami, the company's export sales are declining.

Sunny feels the need to explore overseas markets. He is thinking of developing the European market. However, the machinery in his factory is wearing out. Sunny is badly in need of funds to buy new machinery.

- (a) Is Sunny's company an SME? Why? (2 marks)

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- (b) What support can Sunny obtain from the government to solve these problems? (6 marks)

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- (c) In what ways can Sunny's company, being a small firm, contribute to consumers through innovation? (4 marks)

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- 8 Mr Cheung owns a small pet shop in Cheung Sha Wan that sells pets, healthy pet foods and pet grooming accessories. He hires four people to help him with the daily running of the shop. In order to compete with large pet shops, Mr Cheung often sells new pets and rare species.

Mr Cheung is very kind and has maintained a good relationship with his customers. Mr Cheung always welcomes customers to consult him on his pet raising knowledge free of charge. Because of his kind and friendly service, Mr Cheung's business is doing very well.

Mr Cheung has also formed a strategic alliance with other pet shops. They will help each other in providing services.

(a) State four contributions made by Mr Cheung's pet shop to the Hong Kong economy. (8 marks)

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(b) What are the typical characteristics of Mr Cheung's pet shop in terms of leadership and controlling? (8 marks)

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(c) What are the typical characteristics of Mr Cheung's pet shop in terms of ownership and management? (6 marks)

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## Chapter 8 Entrepreneurship and Small and Medium Enterprises Management

### Multiple Choice Questions

(2 marks for each question)

- 1 C
- 2 D
- 3 B Entrepreneurs usually start with a small business and usually have difficulties in obtaining loans from banks.
- 4 A An entrepreneur may succeed without writing a plan. A business plan cannot directly help firms succeed. Firms may fail due to their inability to carry out a business plan. However, if an entrepreneur writes a business plan, the chance of success is higher.
- 5 B
- 6 C
- 7 A Most SMEs do not diversify their products and services. On the contrary, they often focus on narrow markets, in which large companies are not interested. SMEs tend to tailor their products and services to cater for the needs of a particular group of customers.
- 8 D
- 9 D
- 10 C The Vocational Training Council, instead of the Hong Kong Small and Medium Enterprise Association, has been appointed to run the Business Start-up centre to provide office facilities and administrative assistance to new businesses.
- 11 C
- 12 A
- 13 A
- 14 B
- 15 C
- 16 A
- 17 C
- 18 D
- 19 D
- 20 B
- 21 B
- 22 D
- 23 D
- 24 B
- 25 A

## Short Questions

- 1 (a) A strong motivation to succeed
- Entrepreneurs have a strong desire for excellence and success in competitive situations. They often set challenging goals for themselves and their companies. Goals give people targets to strive for. (1 mark)
  - The desire for success is a powerful motivator for entrepreneurs. They are always motivated to work hard. (1 mark)
  - With a strong motivation to succeed, entrepreneurs always do their best to achieve their goals. They do not give up easily in the face of difficulties. (1 mark)
- (b) Receptive to innovative ideas
- Entrepreneurs are receptive to innovative ideas and they like to create new ideas for their businesses. By turning their innovative ideas into products and services, they can build successful businesses. (1.5 marks)
  - Entrepreneurs see things from different angles and are willing to accept new ways of thinking. They are more creative than other people. With creativity, they can view problems from a different perspective and work out better solutions to problems. (1.5 marks)
- 2 Customers can gain in the following ways:
- Entrepreneurship brings more and newer products and services to customers. Customers can enjoy a diversity of products and services. (2 marks)
  - Entrepreneurship promotes competition in the market. As companies face keen competition, they must operate more efficiently and make continuous improvements. As a result, consumers can enjoy lower prices and better quality. (2 marks)
- (Any other reasonable answers)
- 3 (a) In Hong Kong, according to the definition of the Trade and Industry Department, an enterprise in the non-manufacturing sector that employs fewer than 50 persons is considered as an SME. Thus, Mr Leung's fast food restaurant is an SME. (2 marks)
- (b) Characteristics of SMEs found in Mr Leung's restaurant:
- Owned and managed by single individuals: Mr Leung owns and manages the fast food restaurant himself.
  - Family members are involved in managing the business: Mr Leung, his wife and his daughter work in the fast food restaurant.
  - Focus on narrow markets: Mr Leung's shop targets students as its customers.
  - Innovative: Mr Leung's restaurant often introduces new dishes and beverages. Mr Leung also creates his own recipes.
  - High flexibility in operations: Mr Leung changes his menu frequently.
- (Any four of the above, 2 marks for each point)



- 4 (a) (i) Hong Kong Trade Development Council (1 mark)  
(ii) Support and Consultation Centre for SMEs (SUCCESS) (1 mark)  
(iii) Business Start-up Centre (1 mark)  
(iv) Hong Kong Productivity Council (1 mark)
- (b) • She should have strong motivation to succeed, since having her own business is very challenging and tough. Without a strong desire to win, the chance of succeeding is dim.  
• She should be very proactive and take the initiative. Unlike working as an employee, she has to plan and initiate work.  
• She should be very independent. When operating a small business, she cannot expect many staff members to give her advice about work and the decisions she needs to make.  
• As the owner of a small enterprise, she has to be energetic and must prepare to work long hours.  
(Any other reasonable answers)  
(Any three of the above, 2 marks for each point)
- (c) • As she has no experience in operating a small business, she has to choose a type of business which is relatively simple to operate. This will allow her to learn the job easily and hopefully be able to work on her own. (2 marks)  
• Also, she may not want or be able to invest a large amount of capital in her company. Thus, she cannot start her business as a large firm. Therefore, the second criteria that Charmaine should consider is that the set-up cost should not be high. (2 marks)  
(Any other reasonable answers)
- 5 (a) Small Office Home Office (SOHO) refers to businesses started by self-employed persons that mainly operate at home. So Maggie's business is a SOHO. (2 marks)
- (b) There are two advantages:  
• Low cost: Rent expenses can be saved if Maggie works at home. (2 marks)  
• High flexibility: Maggie can stay at home and handle household matters such as taking care of her children. (2 marks)
- (c) • As she works at home, Maggie will not have a meeting venue with business partners.  
• SOHO is generally regarded by people as an informal business operation and that it is relatively small in scale. Business partners may not have confidence in its creditworthiness. The opportunities for business development will somehow be limited.  
• The SOHO mode of working can only be used by businesses which do not require face-to-face contact between sellers and buyers. If Maggie needs to deliver talks and organise workshops, she cannot work at home and take care of her daughter anymore.  
(Any other reasonable answers)  
(Any two of the above, 2 marks for each point)
- 6 (a) • Since Mr Wong's supermarket chain is large in size, it is likely that there is a separation of ownership and management. In other words, the supermarket has probably hired some professional managers to manage the company. (2 marks)  
• Most likely, Mr Chan's small-scale supermarket has no separation of ownership and management. Mr Chan may be managing the supermarket himself. (2 marks)

- (b) • Planning and organising in a large supermarket chain is formal and systematic. Plans are usually long-term, which spell out the future direction of a company. The company's structure is complicated and it may have a tall organisational structure. (2 marks)
- At Mr Chan's small supermarket, plans are often loosely made. In addition, plans are usually carried out in an informal way and are short-term, focusing on operational issues, rather than strategic issues. The organisational structure is rather simple and may have a flat structure. (2 marks)
- (c) • Delegation may be very common at Mr Wong's supermarket as many tasks are necessary at a large supermarket chain. Employees are often involved in the decision-making process. Managers at Mr Wong's supermarket may practise a participative leadership style or laissez-faire leadership style. Mr Wong's supermarket may have formal control mechanism and processes. (2 marks)
- At Mr Chan's small supermarket, an autocratic leadership style is expected. Usually, power is concentrated in the hands of the owner, that is, Mr Chan. Controlling is loose and informal. (2 marks)
- 7** (a) In Hong Kong, according to the definition of the Trade and Industry Department, an enterprise in the manufacturing sector that employs fewer than 100 persons is considered an SME. Thus, Sunny's company is an SME. (2 marks)
- (b) • Sunny may apply to the SME Loan Guarantee Scheme to obtain a loan to acquire machinery. The SME Loan Guarantee Scheme (SGS) helps SMEs obtain loans from participating lending institutions with the government acting as the guarantor. The loans are used to acquire business installations and equipment and meet capital needs. (2 marks)
- To attract potential buyers in Europe, Sunny can apply to the SME Export Marketing Fund in order to take part in local and overseas trade fairs and exhibitions. (2 marks)
- He can also seek advice from the Hong Kong Trade Development Council on how to reach overseas buyers. (2 marks)
- (c) • Small companies have an edge in creativity and innovation when compared with large companies. In terms of innovation, Sunny can look for new ideas which can be turned into new products. Consumers can enjoy a greater variety of products. (2 marks)
- Sunny can apply new technology to his production so that resources can be used in a more efficient way. As a result, customers can benefit from better product quality and lower price. (2 marks)
- (Any other reasonable answers)
- 8** (a) Mr Cheung's shop contributes to the Hong Kong economy as it:
- provides jobs. Mr Cheung is self-employed and he hires four staff. (2 marks)
- introduces new and rare pets to customers. Customers can enjoy a wide variety of products. (2 marks)
- provides healthy pet foods and consultancy services which are specialised goods. (2 marks)
- supports the pet industry by helping other pet shops in providing services. (2 marks)



- (b)
- Mr Cheung may not delegate power to his staff.
  - Mr Cheung may practise an autocratic leadership style in managing his staff.
  - Power may be concentrated in the hands of the owner (Mr Cheung) and his family.
  - The controlling process of Mr Cheung's shop may be informal.
  - The controlling process of Mr Cheung's shop may be loose.

(Any other reasonable answers)

(Any four of the above, 2 marks for each point)

- (c)
- Mr Cheung's shop may not have a separation of ownership and management.
  - Mr Cheung may not hire any professional managers to manage his pet shop.
  - Mr Cheung may manage the pet shop himself.
  - His family members may help manage the pet shop.

(Any other reasonable answers)

(Any three of the above, 2 marks for each point)

## Chapter 9 Business Communication

### Multiple Choice Questions

(2 marks for each question)

- 1 A Two-way communication usually requires more time and therefore is less efficient than one-way communication.
- 2 B Face-to-face communication between supervisors (on behalf of the company) and the staff can enhance the effectiveness of communication. The company can share more about the rationale behind the layoff with the staff. Also, the staff can ask questions to ease their doubts and worries.
- 3 B Feedback refers to responses given by the receiver which is part of two-way communication, but not one-way communication.
- 4 C
- 5 D
- 6 A
- 7 B
- 8 D
- 9 A
- 10 D
- 11 B
- 12 C
- 13 C
- 14 B Instead of using one communication channel, we had better use several communication channels to ensure that the message has been delivered to the receiver.
- 15 C Data is turned into information after processing.
- 16 A
- 17 C
- 18 C
- 19 D
- 20 D
- 21 B
- 22 C
- 23 A Sending SMS via mobile phone is normally regarded as an informal way of communication. Work-related messages should be sent in a formal way, e.g., by email. The annual dinner is a social occasion, which may not be suitable for announcing work practices.
- 24 D