

Entrepreneurship: new business assignment

[Business](#), [Marketing](#)



Introduction Over the past one or two decades, the IT industry in Singapore has grown tremendously. The IT industry is foundational to the creation of value in this new world economy. This is why the Singapore government promotes the IT industry, because they want to use this to gain competitive advantage against other countries. Businesses invest in the IT industry, because they believe that this industry offers growth and profits. IT plays an important role in establishing and maintaining a company. Based on the IDA Annual Survey on Infocomm 2008, there are a total of 145, 500 jobs in the Infocomm industry, out of which, 6, 500 are vacancies.

The bulk percentage of vacancies (14. 5%) falls under the category called Infrastructure Support. In summary, there is a lack of resources in the Infrastructure Support space in the Infocomm industry in Singapore today. The latest Singapore Department of Statistics shows that there are a total of 5, 943 Information & Communication Services establishments in Singapore. Out of which, 4, 052 are IT Services companies. In general, IT services comprise of Hardware, Software, Telecommunication Services, Content Services & Infrastructure Support.

Coupled with the data gathered under the IDA Annual Survey on Infocomm 2008, there is still room for entrance of companies which offers IT Infrastructure Support. This assignment report is done as part of the Entrepreneurship Module in the Bachelor program in Business Administration. The content of this report is based on numerous interviews with Mr Pher Ong, founder and Managing Director of TACHub Systems (Asia) Pte Ltd. The reason why TACHub was chosen as the company of choice is because of its status of a Small Business and unique offerings in its business.

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The relationship between Individuals and opportunities Mr Pher Ong is a young entrepreneur who left his job of 6 years as an IT Support Engineer to pursue his dreams and ideas of an IT Professional & Services company with a unique concept of educating customers on IT improvements and revenue increment. Pher, with his profound knowledge in Information Technology, started his IT Services company as a Sole-Proprietor back in 1st June 2006. He picked up the passion to assist and educate his customers in their IT Infrastructure and facilitate their business via proper IT Infrastructure setup.

The reason he went into Sole-Proprietorship is because he was unsure of his own business model and the success of his company with only a limited breath of customers. However, his business picked up tremendously within the first 3 months into the business. With many companies seeking his professional services, Pher began to feel exposed to financial risks such as his personal liabilities being a Sole-Proprietor. He then registered his company under private limited as TACHub on 1st January 2007.

Pher then tried to apply for the Micro-loan from Spring Singapore but was subsequently rejected because of the nature of his business being in IT company. However, it did not really matter to him as business soon picked up not long after he started his new business. In 1st February 2007, he even managed to increase his company's paid-up capital to S\$10k from a mere S\$2 when he first started. Although there is higher set up and maintenance fees involved in private limited companies compared to sole-proprietorship legal type due to tighter operation regulation. It allows perpetual existence and spread of ownership.

The dialogic relation between Pher and the opportunity is Entrepreneurial Reproduction. There is an organization called the Spirit of Enterprise (www.soe.org.sg) that actively promotes entrepreneurship in Singapore. They have run networking sessions among like-minded SME entrepreneurs which have proved to be very helpful to emerging entrepreneurs. Ability to determine business direction. - The main advantage of starting a new business is able to mould the direction on the new business, for instances, determine the organization cultures, the products and services, the target customer base and the design the set up.

In the case of TACHub, Pher is able to incorporate his idea of knowledge transfer and educating his customers in maximizing IT utilization towards the success of his customers' lines of business. Apart from determining the concepts, Pher also ensures the highest level of professional services to his customer base. With his high level of Internal Locus of Control, he was determined to make his business a success. Cost Minimization. - When asked why Mr Pher Ong did not purchase or inherit an existing business, he spoke with confidence that existing concept and business directions may defer from what has in mind.

Business processes may not be in sync as well. However, Pher did mention that the advantages are that there will be existing customer base, employees and operational systems in place. Another reason why he did not pursue purchasing an existing business is because of limited financial resources because upfront investment is much higher buying over existing assets. Having a new business means no ongoing costs or bad debts incurred

due to inefficiency of previous owners therefore it is considered relatively lower start up cost compared to acquiring another existing business.

Lack of established customer base. – By definition, the formation of a new business means that the entity does not have any customers of its own. (Schaper & Volery, 2007) A considerable amount of investment of time, effort and money in marketing efforts to reach out to target market group is unavoidable if choose to start from scratch. Attracting new customers is important consideration when setting a new business venture. Takeovers of existing business often provide the advantage of taking over existing clientele who provided a good heads up.

When TACHub first started, they have to leverage on business relationships with IT Distributors such as Avnet Technology Solutions and Ingram-Micro Asia. Pher had to negotiate for tie-ups on professional services outsourced to him via the IT Distributors. It took Pher at least a couple of months before their customer base started growing. And when it grew, the growth was exponential. From the perspective of the franchising or takeover from existing business, such options attract entrepreneurs who find value in existing business concepts with certain level of confidence in operation profits.

On the contrary, a new business venture required a lot of thought and effort going into designing a marketable product and services with particular attention to business development, training of staff, marketing and development of brand, business and administrative processes that support success of new venture. Which approach a small business owner will be

undertaking is dependable on how he/she want to manage a business. Pher Ong was determined to build a new business by his own, and without the power of advertising and marketing. Target Group. TACHub's customers are mostly companies which do not have an existing IT department. These customers are mainly SMEs which are growing steadily and need IT as their backbone of support for their businesses. Pher managed to build strong relationships with these SMEs and helped in educating the business owners and managers understand more of IT and how it can improve their businesses. With good testimonies and relationship with these customers, Pher began to receive many leads and referrals. Learning Curves expenses. – Although IT services is not new in Singapore, it is an Entrepreneurial Reproduction.

Steep learning curve expenses in the initial set up such as deciding the office location, regulations related issues such as licenses and other government regulations, operational related things such as sourcing for the most affordable supplies compared to existing inventory and equipments etc. There may be lesser time and effort spent in operational related things if Pher were to buy up an existing IT services business and carried on the business from there. However, the idea of TACHub was to differentiate themselves amongst other competitors therefore a lot of effort was put into developing the brand and recruitment of the right people.

Marketing Strategy Product. The products that offer by TACHub are industrial recognized brands such as IBM, HP & Cisco. These core products represented are established premium brands in the IT Industry. Apart from tangible

products, professional services is key to Pher's success in his business.

TACHub offers Business Continuity consultancy which helps to understand the customer's line of business. Besides this, they also have IT Maintenance support for customer's IT Infrastructure. Pher has set up a helpdesk team called TACare to facilitate to customers' need to maintain their IT Systems.

IT Outsourcing is also a service that TACHub provides to customers who do not have IT headcount in their company. The company's focus is to offer their services using premium products backed by a constant premium services rendered by TACHub's engineers. This is to ensure the quality of their products and services with consistency and consumers' satisfaction.

Price. TACHub's products and services are priced competitively in the market. Although vast majority of the customers are price sensitive, especially SMEs, Pher maintains his professional services level at the highest standards. Promotion.

Pher does not emphasize a lot on promotions and marketing efforts and this contribute to a weakness for TACHub. The only effort put into promoting his business is through tie-ups and outsourcing of their services to established IT Distributors. To generate growth in the business and attract new customers, Pher mainly rely on business relationships with both customers, distributors and software development companies who requires Infrastructure Support.

Place. The location of an IT Services company in Singapore is somewhat irrelevant to the business as services are mainly done at the customers' site.

Pher's small office space is located in the western suburb of Singapore and is away from the city centre. However, this is also a contribution to TACHub's

weaknesses because they are not able to conduct training and proof of concept pre-sales solutioning at their premises. Present Strategy TACHub uses focused differentiation as their marketing strategy. By providing training and knowledge transfers as a post-sales service, they differentiate themselves from the competitors. This training is usually done at the customer's site and a full set of proper documentation on the customer's IT Infrastructure is being handed over to the customer.

Post-sales support services with TACare's 24 hours hotline is also presented as part of the scope of work. In the interview with Pher, basically, what he wanted to push is future business that customers may want to consider because by providing training, he also instills the ideas across to his customers on the benefits of future growth in their IT Infrastructure. In conclusion, priority of the business is not targeted at the mass market by being the lowest cost provider therefore it make sense to focus on niche market and customer training approach.

Competitive Advantage The business or service provider's perception of value is related to the concept of business competency. TACHub's competitive advantage will be its unique offerings on training and knowledge transfer as well as innovative ways to improve their customers' business. Their service level is to the highest of standards. They have a special helpdesk setup in TACare services which offers 24 hours support to their customers. From the beginning of the sales process, they offer price transparency in order to keep pricing as competitive as possible.

This will also provide trust in their customers as Pher does not hide unnecessary margins. Pher hired 3 engineers who are well trained in the IT Infrastructure support services and provide very detailed and comprehensive reporting to their customers. Many of their customers return to them for future upgrades because of the comprehensive offerings by TACHub.

Personalized Services Even the smallest concerns are addressed with care and sensitivity. This is Pher has instilled into his engineer's mind and set it as a mission statement. All engineers are trained to be meticulous and quick to respond to customers' requests.

They keep a very personalized customer database for each client that they keep as references and history of the customers' Infrastructure environment. Researcher discussed that the consumer perception of a value proposition is as a contribution towards a result that the consumer is looking for from outside their remit. The value of the contribution the level of satisfaction the consumer feels concerning the delivery of a successful result of their driving need and the perceived scarcity of, or significance of acquiring the resources necessary to perform the contribution internally. (Perrey et al, 2004)

Competitive Forces

Threat of New Entrants. Given the nature of the IT industry, TACHub generally face a high threat of new entrants as the barrier of entry is low. No substantial amount of initial capital outlay is required to enter this industry and relevant expertise can be easily attained through experience and courses in IT and Business. **Bargaining power of suppliers.** Suppliers in this situation range from equipments, products such as network switches &

servers. Since there are many suppliers of equipment, these suppliers would be competing with each other for a company's business instead of the other way round therefore it is considered low.

As for the staff, a company will prefer selecting the better few, the main challenge will be the ability to select the best candidate for the job. Bargaining power of buyers. With the vast supply of IT Infrastructure Support companies, a company is still able to be highly selective in choosing. On the other hand, good services will be a deciding factor of success once a customer has made his choice, although the cost of switching is very low in terms of money and time. Customers will not switch very often if they are satisfied with existing services. In relation to these, customers are said to possess a fairly high amount of bargaining power.

Threat of substitutes. This is relatively low as there is hardly an acceptable substitute for IT services with training offerings. However, during tough times such as economic recession, the need for IT Infrastructure support services will probably be reduced while fixed operating costs remain, therefore this will be significant enough to be of any threat when demand drops. Rivalry of current competitors. As discussed earlier on, due to low barrier of entry, competition between one another is very high, price wars and promotions are common in the industry.

In the case of TACHub, being in a niche market with good reputation and track record are the strengths that keep customers returning. Competitive analysis identifies that the following will be the main 4 weaknesses associated with the business. Products and services provided in the IT services industry are

homogeneous. Competition increased as consumer compared the potential of alternative products and similar providers to find the best provider of required services. Low barrier of entry is one of the key weaknesses; sustainable competitive advantage is tough when fresh ideas are easily copied by competitors.

Another key weakness will be the average profits cased by active market actions in terms of price war and constantly drive up the competitive heat in new improved products or services. Compared with medium and large sized firms, smaller business are more vulnerable to environment forces, especially given the limited cash reserves and debt capacity of such organizations, their frequent over-dependence on a limited product/service line, and their tendency to rely on a niche customer base. (Schindehutte, Morris, 2001) New Business Opportunities & Developing a Strategy

The strategy concept can be approached and interpreted from several points of view. It can be seen as a plan, a ploy, a pattern, a position or a perspective. Mintzberg suggested that strategy development process should be about ' capturing what the manager learns from all sources (both from the soft insights from one's personal experiences and the experiences of others throughout the organization and the hard data from market research) and then synthesizing that learning into a vision of the direction that the business should pursue. (Mintzberg, 1994) Market-led perspective on strategy Conducting a situation analysis.

By conducting a SWOT analysis, TACHub's weaknesses as discussed earlier are factors involving their business being homogenous, low barrier of entry,

average profits and vulnerable to environment forces. Focus Strategy. The Focus Strategy concentrates on a narrow segment which attempts to achieve either a cost advantage or differentiation. By addressing to 2 of TACHub's weaknesses namely on homogenous and average profits, a very niche new business in Datacenter Hosting Services Company can be developed as this business is predominantly owned by Singtel and large system-integrators such as National Computer Services (NCS).

Many companies today do not really have proper datacenter setup in their premises and that is one reason why Infrastructure Support remains as one of the highest sought-after services in Singapore. These companies do not have the resources and expertise to service and maintain such operations. Even IT Support Services companies like TACHub only support the infrastructure, network and internet security setup but never have the intelligence and resources to support the underlining main infrastructure, which is the datacenter itself.

Datacenter Hosting Services Company may not only lease out industrial standard datacenter space. The business can be diversified into hosting Disaster Recovery Services, Cold-Site Hosting, Co-location Services, Outsourced Managed IT Services and Business Continuity Planning Services. These services can be offered to all companies whose business require IT Infrastructure services and yet do not have proper datacenter or server room setup. One of the main strategies is also to collaborate with other similar IT Services companies like TACHub to consolidate all their customers' IT Infrastructure into the new Datacenter setup.

This way, the Datacenter can be the centralized resource for the small IT Services business around Singapore. The Datacenter could also upsell the idea of ease of management and value add to their business as one of the services offerings to their customers. Besides the various services offered by the Datacenter, there are also various ways to attract new customers. Customers could take advantage of infrastructure cost-savings because they do not need to take on the financial burden of developing, designing, remodeling, building and maintaining their own facility.

Lower maintenance cost is also another attraction to customers because maintaining a secure server facility is expensive. Facilities need stable power, emergency back-up systems, controlled access, and carefully monitored climates. These requirements are time consuming and require financial resources. Datacenter provides an effective and secure environment that meets stringent business requirements, at a fraction of the cost of an in-house data center. The importance of protecting information and equipment against disaster and outside influences is a critical priority, but is also expensive to manage and maintain.

The Datacenter facility provides multiple redundant state-of-the-art security features which includes Biometric scanners, Digital Closed Circuit TV, Secure card Access, High-security, tamper-proof cabinets and racks, Restricted access and 24-hour on-site security staff. In conclusion, the Datacenter Hosting Service Company not only is able to address TACHub's 2 weaknesses of being a homogenous business and average profit but exceeds that by

addressing the other 2 weaknesses as well which are low barrier of entry and vulnerability to environment forces.

Conclusion To conclude this assignment, IT services provider should package the value proposition in a way that returns the maximum possible profit from the resources committed by the competencies. Most Small and Mid-sized Enterprises (SME) has lower barrier of entry due to many factors such as resources, financial and market constraint. This resulted in services easily copied by new entrants therefore to be competitive in the IT services industry with homogeneous products and services.

Successful business often practice adaptation, alter their strategic fit according to the macro environment and constant innovation ideas to achieve competitive advantage. Word count: 3, 229 Reference: 1. Mintzberg, H, January-February 1994. ' The fall and rise of strategic planning', Harvard Business Review,,: p. 107 2. Perrey, Randall, Johnston, Alex, Lycett, Mark and Paul, Ray. 2004. Journal of Enterprise Information Management; Volume: 17 Issue: 2; Case study, Value propositions: a new conceptualisation for integration 3.

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