

# Developing Government Policies for SME Development Workshop for Central Asia Organized by ADB

*Conducted By*

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*Toyonaka Investment and Consultancy appointed by ADB*

*25-30 Oct 2015*



26 October 2015

Day 1:

# Understanding the development of SMEs in Singapore and various SMEs development stages



# ICE-BREAKING SESSION





**At the end of the programme, we will all learn .....**

**What do you want to achieve at the end of this programme ?**

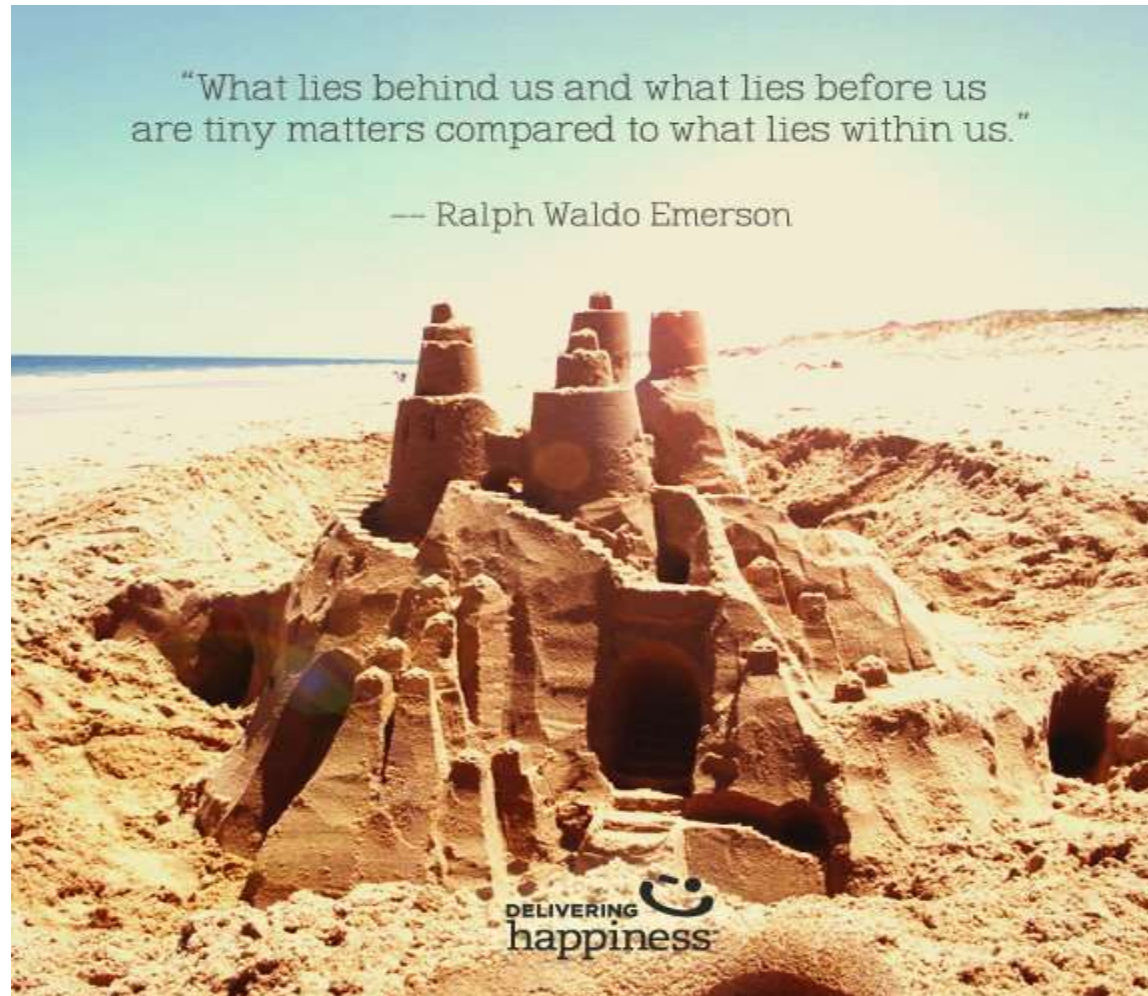
**List down your wishes ....**

**But DO NOT list down the following ...**

**“I wish to learn about SME Development “**



**At the end of the programme, I hope to share this .....**



# LEARNING OBJECTIVE for entire programme

Singapore's SME development is only for reference and each country is different in its own ways

We are all here to learn from each other

We are all here to exchange ideas and information

Everyone is to respect the opinion of another

At the end, we become a better person with additional knowledge to make our respective countries or societies better



# Deliverables at the end of course

- All participants are to develop a framework for promotion of SMEs in each groups at the end of the course on last day
- Every group will be divided into groups accordingly base on today's discussion
- Each presentation to be at most 15 mins (about 20 slides or less)
- Each presentation to encompass the following :
  - Current investment climate
  - Assess the current situation of SMEs
  - Identify why is SME important for current economic development
  - Identify what are areas that SMEs can contribute to economic development
  - Develop a framework to promote SMEs in this particular city/province/country



# LEARNING OBJECTIVE

## for Day One

- Understand and take reference on Singapore's Government effort in creating its SME's policies in a globalized economy
- Understand the mechanism of Singapore Government's SME policies and frameworks for effective private sector collaboration





# Developing Government Policies to Promote SMEs' Development

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Day One :

Singapore Government's SME policies and frameworks for effective private sector collaboration



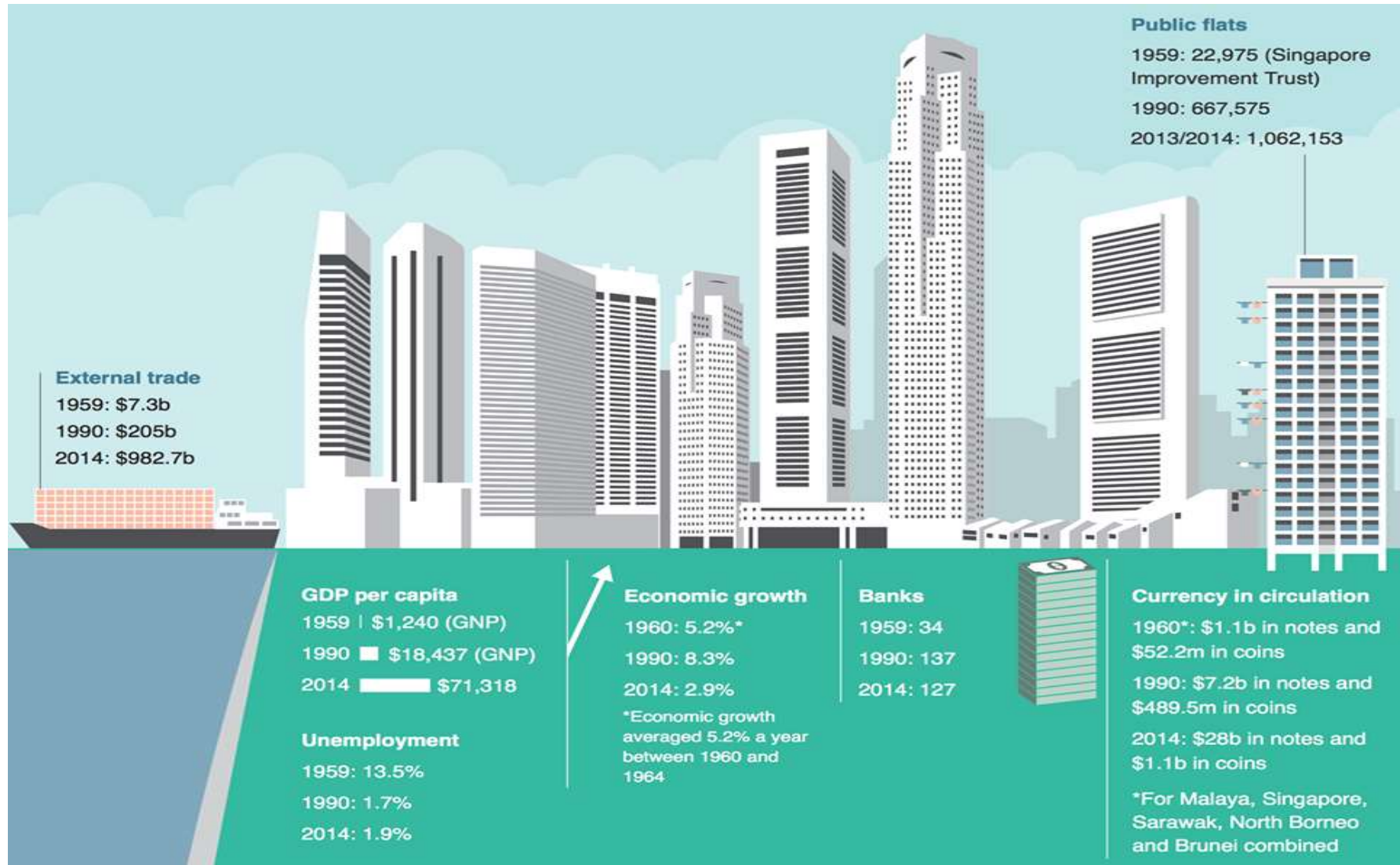
# Developing Government Policies to Promote SMEs' Development

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Session 1 : Singapore's historical SME's strategies and policies



# Snapshot of Singapore's economy 2015



# Singapore's SMEs Sector

The Singapore Competitiveness Report defined 3 tiers of domestic enterprises according to the role they play in the economy :

1. World Class companies with global orientation, market dominance, strong core competence and brand name
2. Strategic value-adding partners and suppliers to MNCs which tend to be manufacturing companies that indirectly target export markets via MNCs
3. Domestic-market oriented SMEs which make up most of the domestic enterprises, and are concentrated in the services sector such as commerce, community, personal and social services, construction and real estate





# Singapore's SMEs Sector – Trends in Definition

Several definitions for SMEs over the years :

**1960**

- Defined by Economic Development Board (EDB) as one that employed less than 50 workers with fixed capital assets of less than S\$250,000

**1979**

- Defined a small company with fixed productive assets not exceeding \$2 million

**1988**

- Under SME Master Plan, SME is a “company with at least 30 per cent local equity and not more than \$8 million in net fixed asset investment if it is in manufacturing, or employs not more than 50 workers if it is in commerce or services”

**2000**

- The SME21 plan defined SMEs as companies with at least 30 per cent local equity and fixed productive assets (ie. Net book value of building, machinery and equipment) of not more than \$15 million and staff strength of not more than 200 if they are in commerce or service sectors



# Definition of SME in Singapore today

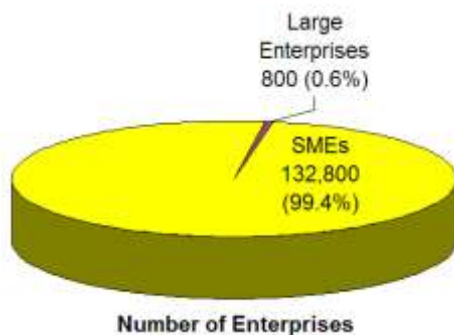
**From 1 April 2011, small and medium-sized enterprises in Singapore are defined as businesses with annual sales turnover of not more than \$100 million or employing no more than 200 staff**



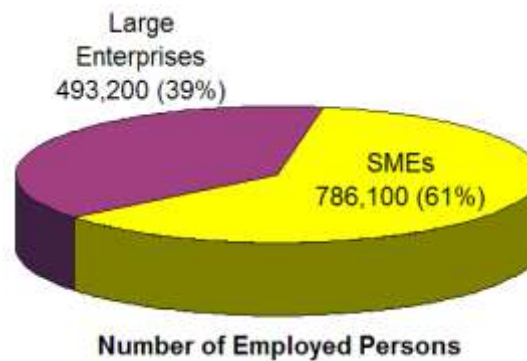
## ***SME Sector's Contributions in Singapore***

SMEs are defined as:

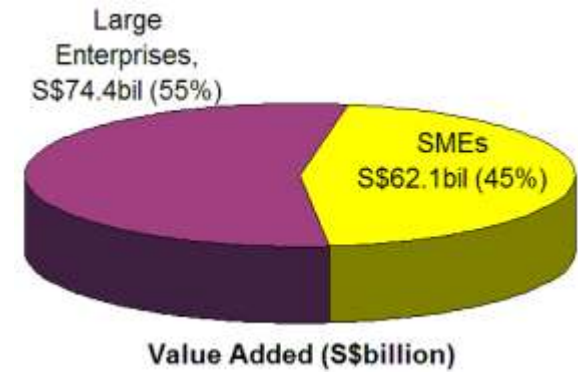
- manufacturing enterprises with net fixed assets investment less than \$15mil
- services enterprises with less than 200 employed persons



99% of enterprises are SMEs



Employs 61% of workforce



Contribute to 45% of Value-Add



# Singapore SMEs to create 15,000 new jobs by 2015

ECONOMY | Staff Reporter, Singapore

Published: 21 Mar 12



But despite this government-supported growth SMEs still face short-term hardships, says trade minister Teo Ser Luck.

The Singapore government handed out \$98 million last year on upgrade projects for small and medium-sized enterprises (SMEs), and these will create a torrent of new jobs, yet the current business environment poses many pitfalls for failure.

"When fully implemented within the next three years, these projects would create more than 15,000 new jobs and generate an additional value-added of \$4.4 billion for the economy. This expansion would contribute to sustaining economic growth in Singapore over the longer term," said Teo Ser Luck.

"Both SMEs and SMPs (small and medium-sized practices) face business challenges. Resource constraints, talent attraction, productivity and rising business costs are some of the key common issues that have always plagued small business set-ups. Beyond these challenges, SMPs also have to constantly develop their capabilities and technical expertise to meet clients' rising expectations and keep abreast with the latest knowledge and trends in the accountancy profession," he said.

"As we move forward amidst the backdrop of a more subdued economic outlook, global economic conditions are still expected to be uncertain and volatile. For example, global demand and trade are expected to deteriorate, and credit market conditions may tighten if the economic situation worsens. Singapore, as an international hub with a small and open economy, will certainly face challenges arising from these global development," he added.





# ***Singapore's past growth strategies***

Success economic development of Singapore so far based on predominant role of large enterprises...

Why ?

1. Economic development had centred on export-oriented growth, encouraging firms to look outward and compete with local players
2. Initial base of entrepreneurship was not wide, especially shortage of industrial expertise in early years. Therefore, Singapore had to quickly attract or nurture firms capable of competing in world markets and generating jobs



# ***Singapore's past growth strategies***

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Singapore is not unique to this “large enterprise” focus, with many south east asia countries, and even Japan and Korea, though not reliant on foreign MNCs, local conglomerate like Keiretsu in Japan or Chaebols in Korea played a decisive role in industrialization.

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Only exception were Taiwan and Hong Kong, larger on account of the broader base of entrepreneurs they inherited. SMEs were driving force behind Hong Kong's exports in the years when it had a vibrant manufacturing economy. For Taiwan, the dynamic entrepreneurial culture had allowed its SMEs to compete against the large enterprises.

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State of SMEs in East Asian Economies – mostly in the domestic and informal sectors, and caught in low cost, low productivity activities.

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Unlike US, Taiwan, Germany and several European economies, where SMEs are often internationally competitive and most dynamic sources of growth. Eg in US, SMEs account more than 50% of innovations, and 75% of fresh jobs.



# ***Singapore's future growth strategies – fostering the development of SMEs***

More competition from emerging economies like China and India, as well as other east asian countries



Rapid emergence of knowledge based economy



Foreign MNCs should remain an important source of investments, technology and jobs for Southeast Asia – cannot write off the role of MNC-centred, export-oriented manufacturing



# ***Singapore's future growth strategies – fostering the development of SMEs***

Need to pay a greater attention to the development of SMEs. Why ?

- Firstly, Strong SME sector will help cluster strategies to work.
  - MNCS will focus on their core competencies and outsource non-core work. Availability of competent and high quality suppliers will enhance their decisions. Therefore, helps to anchor MNCs
- Secondly, more difficult to spot winners and pick potential champions.
  - Greater churn and shorter company life spans and the markets will produce the winners.
  - A broad and diverse pool of companies will improve chance of economic success, and provide greater resilience to economy
- Thirdly, promoting SMEs has the importance to domestic enterprise in capturing value in knowledge based economy.
  - Need a complementary strategy in capturing values by developing own products and owning the associate intellectual property





# CLASS ACTIVITY : COUNTRY DISCUSSION

- List down the challenges faced by your country's SMEs today



# Singapore's SME Strategies and Policies

## Historical Challenges :

- Government had been providing financial and non-financial assistance to SMEs since 1960s
- Done in haphazard way rather than based on focused strategy
- Pre-occupation with MNCs and development of state-owned enterprises
- But increased efforts since 1980s
- EDB co-ordinated a multi-agency effort to draft a master plan for SME development
- Government decided to take this approach rather than set up a standalone SME agency which would have duplicated functions and responsibilities of other government agencies



# Singapore's SME Strategies and Policies

## SME Master Plan 1988

Objectives – To build up and strengthen the capabilities of domestic SMEs to develop indigenous world class enterprises

Main Aims :

Promote domestic entrepreneurship and innovation

Increase informational market efficiency by encouraging information exchange and improving the dissemination of information about new methods and opportunities

Promote best practices in business through easy access to consultancy adoption and training

Encourage domestic enterprise to grow and expand internationally



# Singapore's SME Strategies and Policies

## SME Master Plan 1988 – 5 Main Thrusts

### i. **Technology adoption, application and innovation**

- SMEs to adopt and apply appropriate technology to improve quality, efficiency and add value to their products and services. SME to give emphasis on information systems, automation and product design and management

### ii. **Business planning and finance**

- Need for proper accounting and management systems for monitoring performance and controlling costs

### iii. **Human resource management**

- SME to recognise the need for changing labour needs at different stage of organisational development as well as to compete for talent and train their staff





# Singapore's SME Strategies and Policies

## SME Master Plan 1988 – 5 Main Thrusts

### **iv. Productivity improvement and training**

- To overcome the lack of in-house expertise, SMEs can hire external consultants to identify and solve problems relating to productivity

### **v. Marketing and business partnership**

- Establish strategic alliances via marketing and business partnerships as effective ways for SMEs to overcome size constraints as well as gain access to new markets, capital and technology



# Recognising key weaknesses of Singapore SMEs

## Small (in terms of)

- Value Added
- Employment
- Profits

## Difficulty accessing resources

- Capital
- Technology
- Skilled manpower
- Marketing Capabilities

## Inability to reap economies of scale

- Purchasing
- Distribution
- Inventory Management
- Use of Technology

## Poor access to technology and innovation

- Impedes them from moving up the technological ladder
- Lags behind in R&D

## Labour shortage

## Lack of professional management expertise

## High business costs

## Face intense competition from neighbouring countries with lower costs and larger domestic markets



# Changes recommended and made

Consolidation and pooling of resources to achieve synergy and competitiveness

- Developing Clusters

Overcome skilled labour shortages

- Increase student intake at tertiary institutions
- Accelerate immigration policies to attract relevant foreign talents
- Reduce leakages of engineers to other sectors
- Encourage companies to establish dual track career paths in management and technical areas for engineers

Upgrade Management skills

- Government Incentives for training in universities, polytechnics and training centres

Promote innovation and technology

- Government financial assistance
- Closer linkages to MNCs
- Develop new industrial cluster

Adopt benchmarking techniques

- To assess technological capabilities and work practices

Build indigenous products and global brands

- Innovation
- Product and technology development
- Overseas marketing
- Overseas branding

Accelerate regionalisation and globalisation

- Broaden customer base
- Broaden technology base
- 



# New approach in 2000

## **SME 21 : Positioning Singapore for Twenty-first Century**

- **Ten year strategic plan that builds on 1998 SME Master Plan**


### **Vision**

Create a vibrant and resilient SMEs in Singapore's knowledge-based economy which encompasses


- a source of entrepreneurship and innovation
- a base of strong supporting industries and strategic partners for foreign SMEs and MNCs
- manufacturers of high value-added products and global providers of professional services
- robust domestic services sectors enhancing the quality of life in Singapore



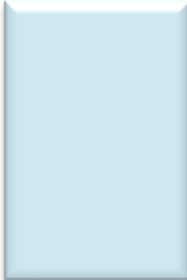
# SME 21 – Strategic Goals



Groom innovative high growth SMEs so that they can compete globally on a sustainable basis



Enhance the productivity of service-oriented domestic SMEs by restructuring, revitalising and upgrading the sectors particularly in the retail sector



Create a knowledge-based pro-enterprise environment that would encourage entrepreneurship and innovation as well as eliminate barriers to organisational growth





# SME 21 – Initiatives

## Raising Capital

- Business Angels Networks
- Business to Business Working Capital Matching Scheme

## Technology Diffusion

- TechNet (Technology Network) to facilitate connections to researchers, experts and venture capital funds

## Access to skilled labour

- - Promising SMEs programme for tertiary scholarships, internships and industrial attachment programmes to undergraduates. Training programmes to SMEs by polytechnics
- National Skills Recognition Systems (NSRS)



# SME 21 – Initiatives

## Expanding Market Capabilities

- Business Connect

## New Centres to assist SMEs

- NUS-SPRING Centre for Best Practices
- EDC (Enterprise Development Centres) with ASME, SCCCI, SICCI, Sma, SMCCI



# CLASS ACTIVITY : COUNTRY DISCUSSION

- ✓ What do you think is the current state of your country in developing SMEs' policies ?



# Developing Government Policies to Promote SME Development

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Session 2: Macro policies in developing SMEs in Singapore



# ***Singapore's strategy for developing SMEs***

## ***- 3 key plans***

Providing a Pro-Business Environment

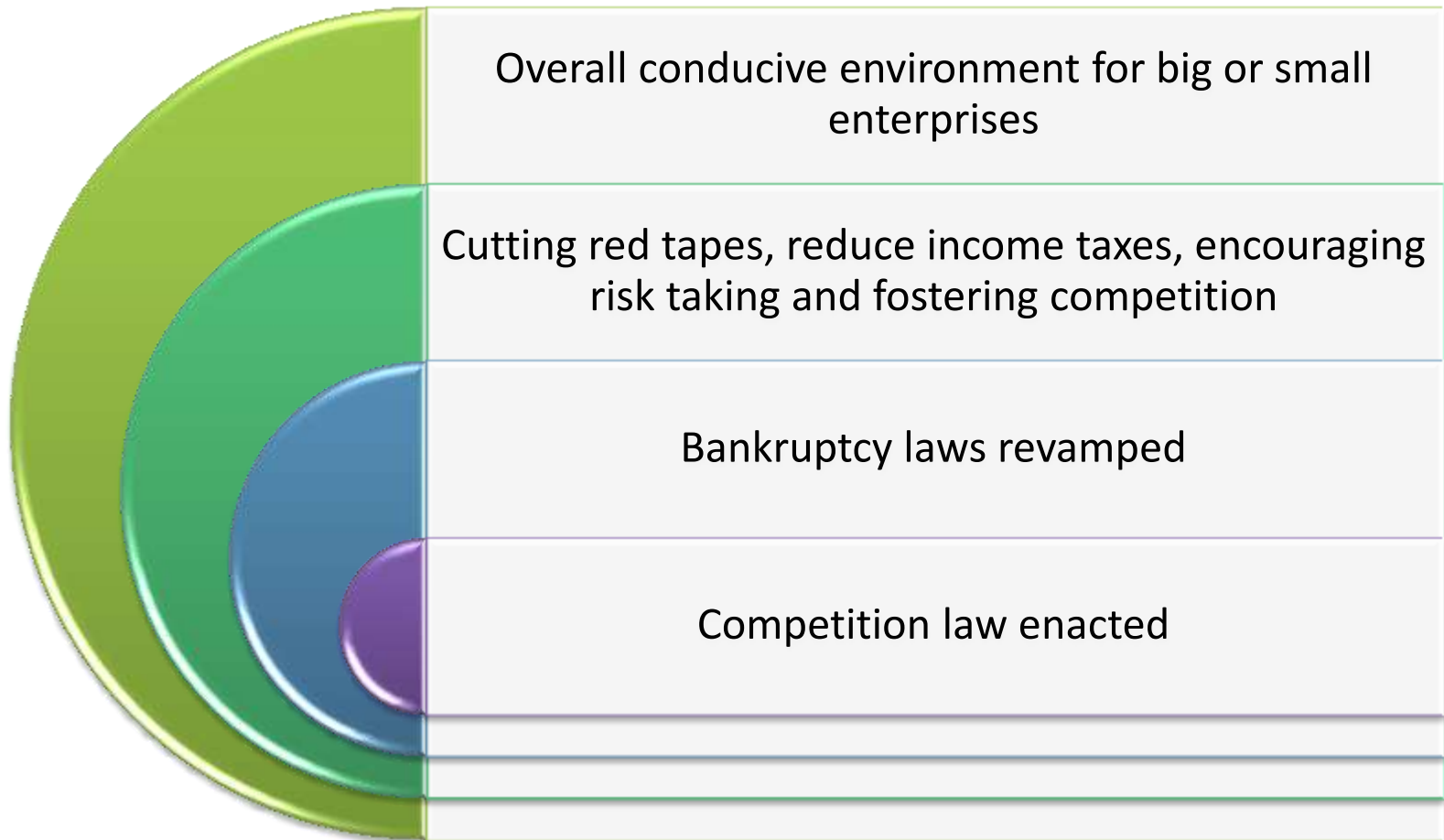
Strengthening the Competitiveness of SMEs

Shifting the focus in SME Assistance – Creating Synergies





# Providing a Pro-Business Environment



# Enforcement of Competition Law

Two ferry operators have been fined a total of about \$288,000 (\$286,766) for anti-competitive behaviour.

Batam Fast Ferry was fined about \$173,000, while Penguin Ferry Services was made to pay nearly \$114,000 for breaching the Competition Act.

The Competition Commission of Singapore (CCS) said on Wednesday, that they shared the quotes they offered to corporate clients and travel agents on two routes. The information should have been kept confidential.

The routes between Singapore (HabourFront) - Sekupang and Singapore (HarbourFront) - Batam Centre, were served by the two operators.

The watchdog said the two operators would frequently verify their pricing with one another.

Mr Toh Han Li, Assistant Chief Executive of Legal and Enforcement said: "In one particular case, with regard to corporate clients, after one competitor found that the other was charging a certain amount, he decided not to offer a discount to his client because he did not want to engage in a price war."

The price of a return ticket listed in one of the email exchanges was \$44.

Tickets sold over the counter were priced at \$47 each.

The watchdog added that these actions encourage collusion and reduce the incentive to set independent pricing decisions competitively.

The CCS said the price exchanges "further reduce the already limited competition in a duopolistic market structure".

Toh Han Li, Assistant Chief Executive of Legal and Enforcement at CCS, elaborates.

Source : Mediacorp

18 July 2012

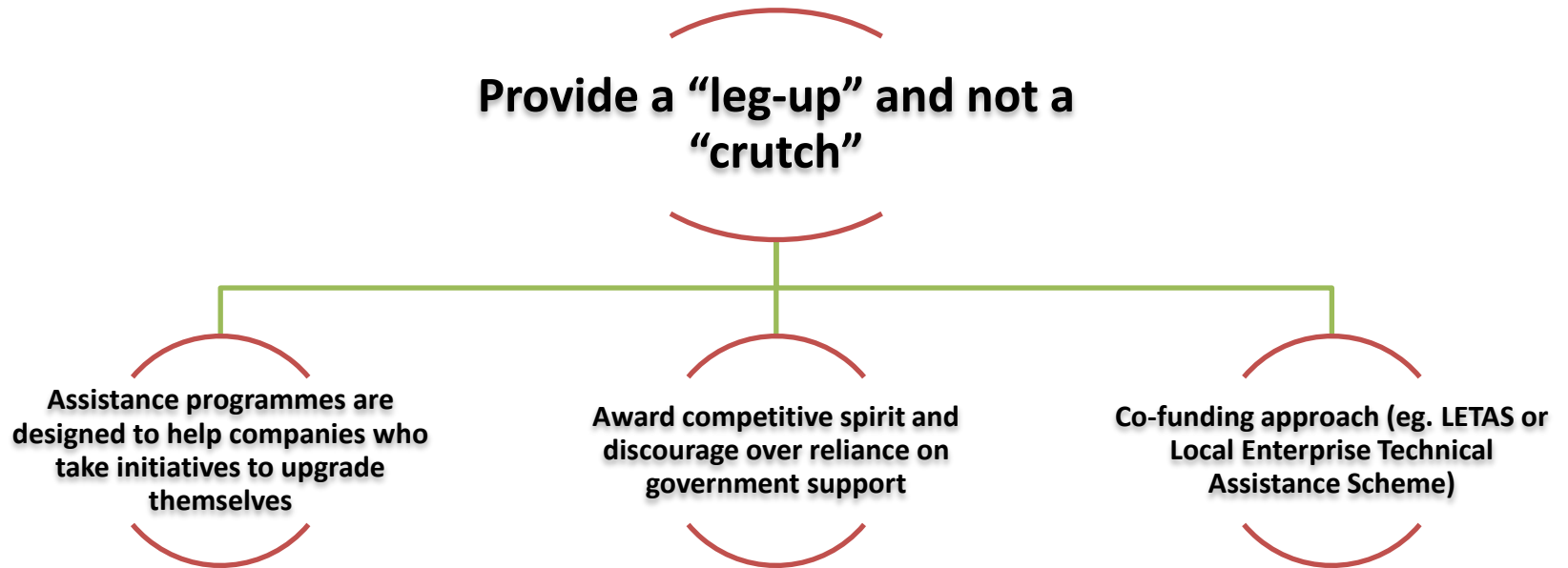


# Strengthening the Competitiveness of SMEs

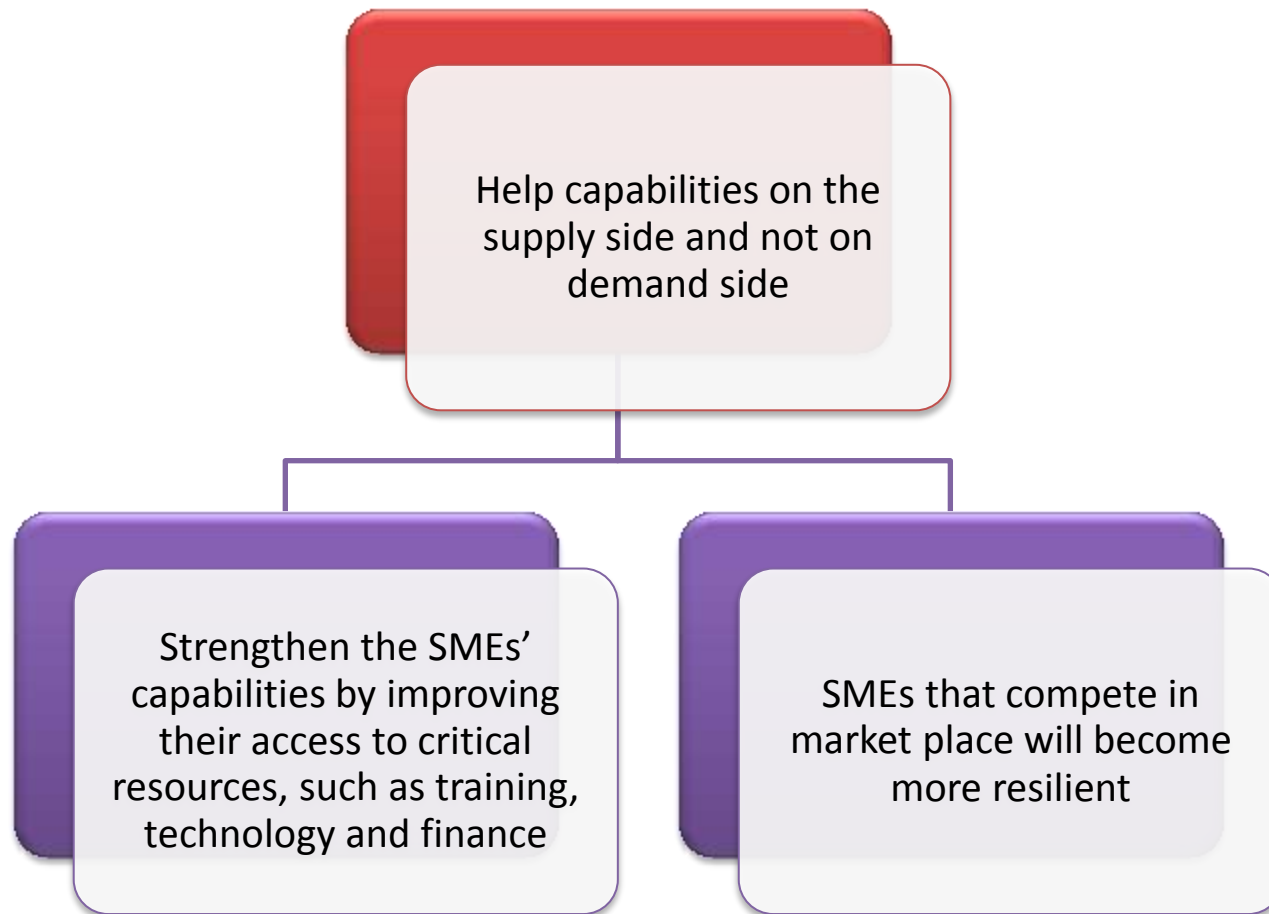
- Help SMEs to build capabilities, so to assist them to better compete
- 3 guiding principles
  1. Provide a “leg-up” and not a “crutch”
  2. Help capabilities on the supply side and not on demand side
  3. Leverage on market mechanisms rather than substitute for the market



# Principle One

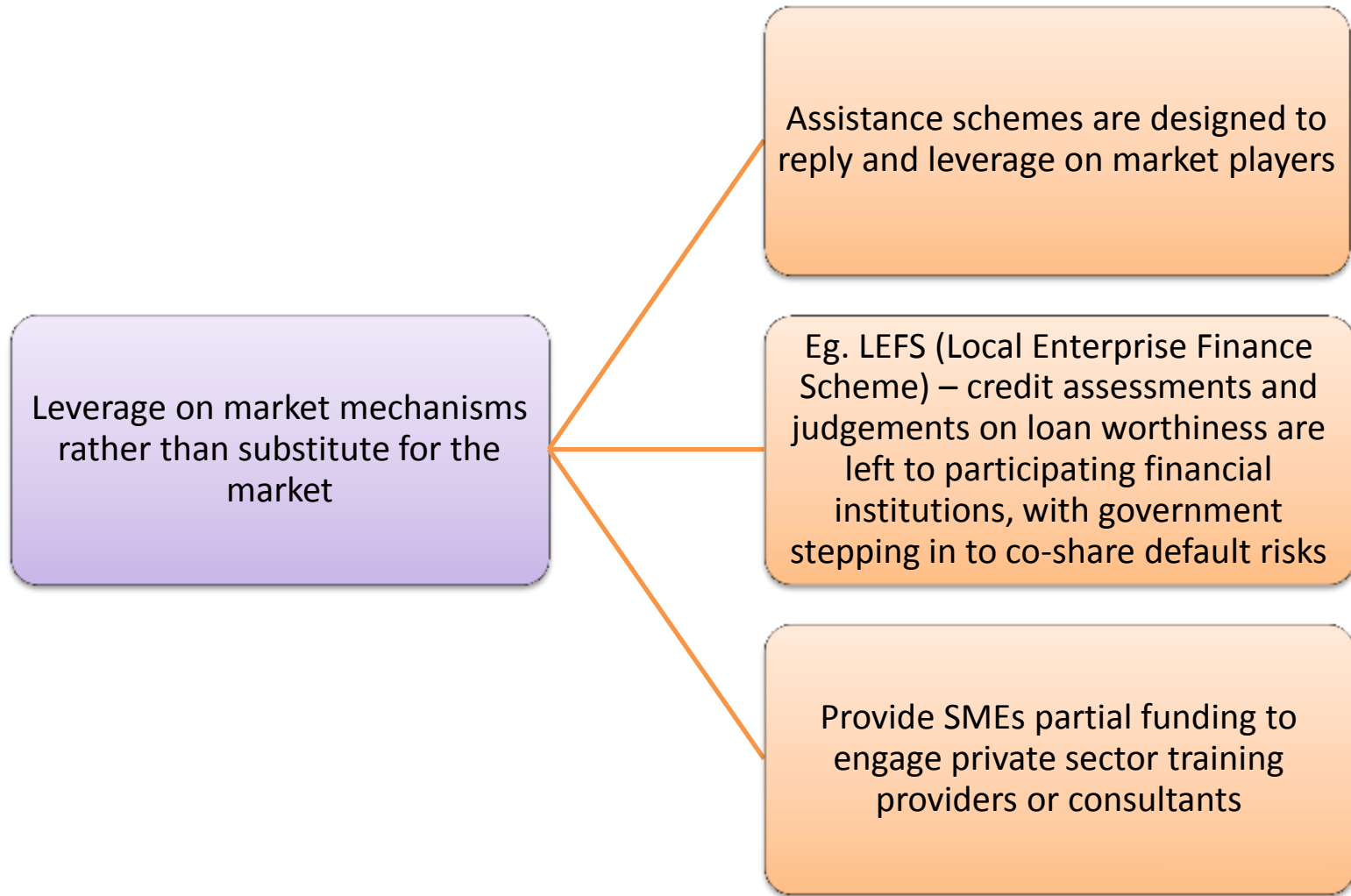


# Principle Two







# Principle Three




# Shifting the focus in SME Assistance – Creating Synergies




Evolved from catering to individual companies to one centred on cluster development




Firmed based approach had helped to strengthen internal capabilities but was sub-optimal




Need to derived a more integrated approach with other industry players



Adopted cluster approach to encourage larger companies and MNCs to share expertise with smaller supply chain partners



MNCs benefit from having more reliable and efficient suppliers and distributors, win-win situation



Industry Productivity Fund – to work together to raise the productivity of the clusters



# ***Singapore's strategy for growing SMEs***

## ***- 3 key priorities (7 approaches)***

- Availability of Finance
  - Financing for SMEs and access to capital
  - Business incubation and commercialisation
- Taking SMEs International
  - Human Resource Development
  - Adoption of ICT
  - Brand Development
  - Media Development
- Providing a springboard for Foreign SMEs
  - Export Promotion and Internationalisation



# Availability of Finance

- **Financing for SMEs and access to capital**
  - Financing is number one problem faced by SMEs especially in small market like Singapore
  - SMEs on expansion stage faced difficulties as banks traditionally lends on balance sheet than cash flows – for collateral
  - LEFS, Micro-Loan Programme, Loan Insurance Scheme to make loans more accessible to SMEs
  - Created cash flow financing, business trusts
  - Helped SMEs to improve their financial management and accounting transparency in order to make more loan worthy
- **Business incubation and commercialisation**
  - SEEDS (Startup Enterprise Development Scheme) launched in 2001 to help embryonic companies with innovative ideas to raise funds matched by government
  - Spur the availability of angel funds
  - Mechanism to strengthen the private equity market for early and mezzanine stage companies



# Taking SMEs International

Singapore SMEs can sustain their growth only through internationalisation of their products and services beyond Singapore

International Enterprise Singapore (IE Singapore) offers the following services to shorten the internationalisation learning curve, develop marketing and distribution channels, and make the right connections :

## Human Resource Development

- Training of talents in developing overseas market
- Inclusion of foreign talents

## Adoption of ICT

- Use of ICT to tap on overseas engagement

## Brand Development

- Branding of local enterprises overseas with government support

## Media Development

- Use of social media and overseas media platforms to develop overseas market opportunities



# Providing a springboard for Foreign SMEs

- **Export Promotion and Internationalisation**
  - Fostering cross-border SME alliances and collaboration
  - Attract SMEs from all over the world as a spring board to the region and beyond
  - Presence of foreign SMEs will encourage cross-fertilisation of ideas, expertise and best practices, and allow own SMEs to gain competitive advantages
  - Foreign SMEs can gain advantage by tapping on Singapore's networks and infrastructures
  - China Ministry of Science and Technology based its overseas innovation centre in Singapore, other than foreign incubators from France, German, Japan, Korea etc...
  - IE Singapore had also set up support to help companies to expand using its regional offices around the world





# Going Global and Local Strategies

Singapore is too small a market

Companies use Singapore as a springboard to invest into other regions

Different means to invest

Direct  
investments  
(contributes  
directly to FDI)

Joint Venture  
Partnerships

Merger and  
Acquisition

Consortium-led  
investments (eg.  
China-Singapore  
Suzhou Industrial  
Park, India-  
Singapore  
Ascendas  
Bangalore IT Park)



# China-Singapore Suzhou Industrial Park

- G-G collaboration model for Singapore manufacturing companies to invest and bring economic development to the local city in Suzhou, Jiangsu Province of China
- Started in 1994 and is the largest and most received FDI city in China



# India-Singapore Bangalore Ascendas International Tech Park

- Largest IT outsourcing driven by Singapore Government Led Company, Ascendas (owned by Jurong Town Corporation)
- Pioneers in helping to promote IT software industries in India



# Example of SMEs going global

- Singapore company listed in Singapore Stock Exchange
- Started as a massage machine making company
- Acquired USA retail company called Brookstone to enter US market and recently acquired TWG, a tea-brewing company
- Diversification to different industries and regions with presence in China, South Asia, Taiwan, Hong Kong





# Examples of SMEs going global



Bahrain  
China  
Hong Kong  
India  
Indonesia  
Jordan  
Korea  
Kuwait  
Lebanon  
Malaysia  
Oman  
Philippines  
Qatar  
Singapore  
Sri Lanka  
Thailand  
Vietnam



# Examples of foreign SMEs going global



**10 minutes**  
**1000 yen**

■身だしなみに驚きを使うビジネスマン。  
■ちょっとした部分カットをしたい女性の方。  
■子供から大人までご家族と一緒に。  
ご来店をお待ちしております!!

**ご利用案内**

1000

千円札をご用意ください。  
両替はできません。

Have a ¥1000 bill ready.  
No change is given here.



券売機でチケットをお買い求めください。  
Buy a ticket from the ticket vending machine.

1 2 3



並んでおまちください。順番になりましたら  
スタイリストにチケットをお渡しください。

Get in the queue and wait. When your turn comes, hand your ticket to the hair stylist.



お好みのヘアスタイルをお伝えください。

Tell the hair stylist how you want it cut.



10分で仕上がりです。  
The haircut will take ten minutes.

**Just Cut** ヘアカット専門店

10分の身だしなみ

洗練された技術とシステムにより、10分で1000円のカットサービスを体験しました。洗髪、洗髪、顔削りなしのアメリカンスタイルです。QBハウスは、あなたを時間を大切にします。



From Japan  
Now in  
Singapore  
Hong Kong  
Taiwan



# CLASS ACTIVITY : COUNTRY DISCUSSION

- ✓ List down the names of the SMEs in your country that had become global industry players and identify which industries are they from





# Developing Government Policies to Promote SMEs' Development

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Session 3 : Singapore's economic policy  
to develop SMEs



# Singapore's Economic Policy

## Ministry of Trade and Industry (MTI)

The mission of the Ministry of Trade and Industry is to promote economic growth and create jobs. A total budget of \$3,139.02 million (excluding Other Development Fund Outlays) has been allocated to Ministry of Trade and Industry in FY2011 to achieve this mission.

MTI aims to achieve the following outcomes:

- A Competitive Economy
- A Globalised Economy
- An Entrepreneurial Economy
- A Diversified Economy



# Government to create an entrepreneurial economy

## ENCOURAGE ENTREPRENEURSHIP AND VIBRANT SMES



Copyright Lisa Benson



## 5 major initiatives and programmes

### **ONE : Enterprise upgrading and growth**

With the volatility in the global economy, it is increasingly critical that SMEs upgrade their capabilities to remain competitive. For example, they must build up their financial management capabilities to ensure sufficient and proper management of cash flow and financial resources for continued growth. SPRING will continue to work with various partners to facilitate SMEs' continued growth, in areas such as HR, business excellence, management leadership, and intellectual property management. This will be done at all levels—enterprise, association and industry.



# 5 major initiatives and programmes

## **TWO : Entrepreneurial culture**

Since its formation in 2003, the Action Community for Entrepreneurship (ACE) has worked with partners to enhance the entrepreneurship landscape in Singapore. Moving beyond promoting a conducive environment for all businesses, ACE will now provide funding support for qualifying first-time entrepreneurs. ACE will also be stepping up on its efforts to provide start-ups with mentorship and networking opportunities.





# 5 major initiatives and programmes

## **THREE : Access to financing**

SPRING provides a suite of financing schemes to meet various financing needs of SMEs. These include schemes such as the Local Enterprise Financing Scheme (LEFS)<sup>4</sup> and the Loan Insurance Scheme (LIS)<sup>5</sup>. The financing schemes were effective in helping companies gain access to financing, providing more than 5,100 loans worth about \$1.4 billion in 2011. SPRING will be reviewing the Micro-Loan Programme in 2012 to extend its coverage to more SMEs.



# 5 major initiatives and programmes

## **FOUR : Driving Productivity Growth**

SPRING will continue to drive the Retail, Food Services, Food Manufacturing and Furniture sector productivity plans. In collaboration with IDA, STB and e2i, a budget of \$15 million has been set aside for companies in the Retail, F&B, Hotels and Attractions sectors to adopt mobility solutions to increase their productivity and profitability. SPRING will also organise a series of productivity conferences, workshops, and showcasing success stories to create more awareness among the industry players in the various sectors.





## 5 major initiatives and programmes

### **FIVE : Pro-enterprise business environment**

To promote a conducive pro-enterprise business environment, the Pro-Enterprise Panel (PEP), a public-private partnership, actively seeks and acts on feedback on rules and regulations which stifle entrepreneurship. In 2010, the PEP won the Commonwealth Association for Public Administration and Management (CAPAM) International Innovation Award for its innovation in Public Service Management and Accountability. Singapore was also ranked the easiest place in the world to do business by the World Bank in 2011 for the sixth consecutive year.



# CLASS ACTIVITY : GROUP DISCUSSION

- ✓ Do you think economic policies play a significant influence on SME development ?
- ✓ Discuss and Share



# Discussion on Group Presentation

- Grouping of all participants
- Everyone will be divided into groups accordingly
- Each presentation to be at most 15 mins (about 20 slides or less)
- Each presentation to encompass the following :
  - Current investment climate
  - Assess the current situation of SMEs
  - Identify why is SME important for current economic development
  - Identify what are areas that SMEs can contribute to economic development
  - Develop a framework to promote SMEs in this particular city/province/country



# END OF DAY 1

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