

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

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Day 3:

**Creating the ecosystem to finance and develop SMEs
Effective policies management for SME development**



LEARNING OBJECTIVE

for Day Three

- Understand how to creating the ecosystem for financing and developing SMEs in current economic trends
- Learn how effective policies management for SME development can contribute to the bigger economic development
- Identify how to monitor and evaluate effectiveness of polices



Developing Government Policies to Promote SME Development

Session 1 : SME Cluster Development to Enhance Global Competitiveness – since 2010



THE APPROACH TO HELPING SMES – PRINCIPLES

- Partnership
 - Build a network of valued relationships and resources
 - Partner with business chambers, industry associations and market players
- Consultative
 - Consult extensively with partners and market players when developing market-based solutions to address SMEs' needs
- Self-help
 - Adopt a self-help approach (where possible) in the delivery of Government services to SMEs
- Cost Sharing
 - Adopt a cost-sharing arrangement between the private sector and government



THE APPROACH TO HELPING SMES – 3 WAYS OF MACRO-APPROACH

- ✓ Provide Broad-based Support
 - ✓ Nurture a pro-business environment by partnering public agencies and market players
- ✓ Build Industry Capabilities
 - ✓ Partner lead industry associations to develop critical capabilities and infrastructure for SMEs in key industries
- ✓ Develop Enterprise Capabilities
 - ✓ Develop key capabilities
 - ✓ Groom SMEs with high growth potential to become future home-grown MNCs



SMEs Development Strategies

- Broad-based Strategies
 - Facilitate access to information and services
 - Enhance SME financing
 - Promote entrepreneurship
 - Improve access to market and business opportunities
- Industry Level Strategies
 - Strengthen Industry Leadership
 - Set Up Critical Industry Infrastructure
- Enterprise Level Strategies
 - Develop key capabilities in people, management and systems



CLASS ACTIVITY : GROUP DISCUSSION

- ✓ What do you think is the key role for government in helping SMEs ?
- ✓ List down the roles by government



Economic Strategies Committee 2010

**ECONOMIC STRATEGIES
COMMITTEE (ESC)
RECOMMENDED THAT THE
SINGAPORE
GOVERNMENT SHOULD DO
MUCH MORE
TO HELP SMES ACCESS CAPITAL,
BUILD
CAPABILITIES, ESTABLISH
NETWORKS
AND NURTURE TALENT.**



Five Key Proposals

a. Develop an Export-Import bank-like institution:
As overseas business opportunities for Singapore companies expand, the need for cross-border financing will increase. The proposal recommended that the government develops EXIM (Export-Import) banks for cross-border financing, including a commercially-managed specialist institution.



Five Key Proposals

b. Catalyse supply of growth capital:

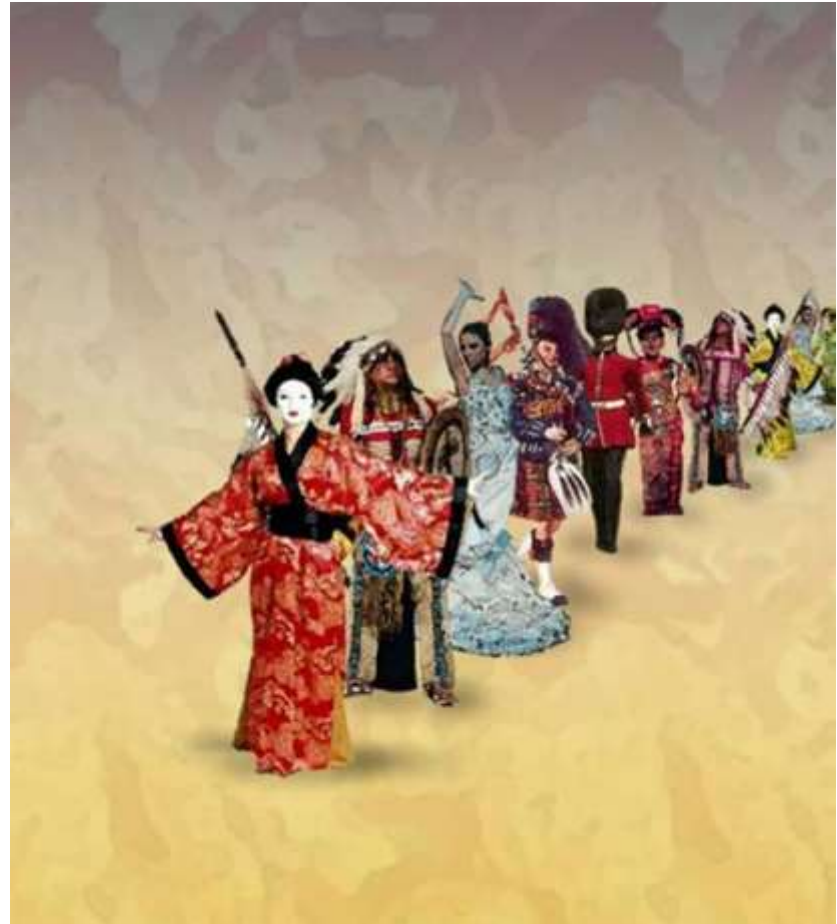
The ESC report said that feedback from both local companies and the financial sector suggests that there is room to develop and catalyse market financing of SMEs.

The government announced during the Budget that it will set up partnerships with the private sector that will see \$1.5 billion, over 10 years, directed to helping smaller firms expand overseas. Half the funds will come from the government, with the rest from private fund managers with expertise in the venture capital field.



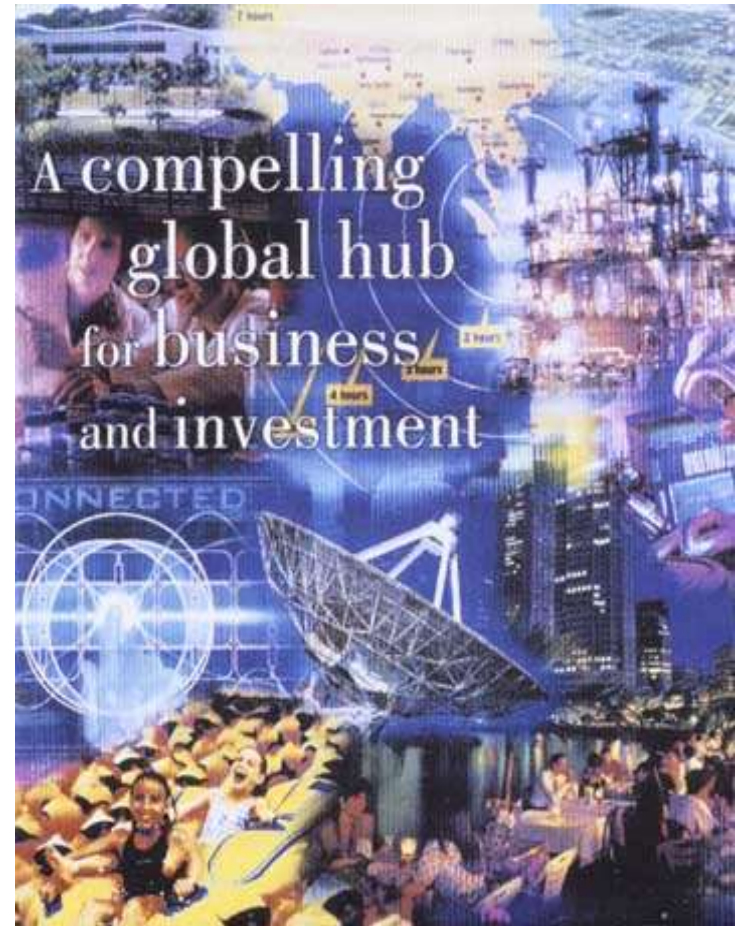
Five Key Proposals

c. Empower local trade organisations to drive growth and internationalisation:
The report recommended that the government strengthens trade organisations' institutional capabilities and empowers trade associations and chambers like the Singapore Business Federation to serve as industry champions and market facilitators.
The government will commit \$100 million over five years to scale up support for business associations through initiatives such as the Local Enterprise and Association Development programme, and the Enterprise Development Centers



Five Key Proposals

d. Establish track record with significant consumers:
The Singapore domestic market, though small, has significant consumers with sophisticated demand and large purchasing power.
One major source of significant consumers are multinational companies (MNCs). The proposal recommended that the government provides incentives to facilitate partnerships in which MNCs, including large local companies, assist local companies to develop new partnerships and capabilities.



Five Key Proposals

e. Enhance access to human capital: Enterprises need talent to drive their growth. The ESC recommended that the government broadens the scope of internship programmes at the polytechnic and undergraduate levels and facilitates a network of advisors and mentors to provide strategic expertise to SMEs. The government will commit \$45 million over five years to enhance SPRING's Business Leaders Initiative – an umbrella programme to attract young talent into SMEs, and groom a future generation of SME managers and entrepreneurs.



Deliverables over next 10 years

BY IMPLEMENTING THE FOLLOWING STRATEGIES, IT IS POSSIBLE TO **DOUBLE THE NUMBER** OF LOCAL ENTERPRISES WITH REVENUES OF OVER \$100 MILLION TO 1,000 OVER THE NEXT 10 YEARS.



CLASS ACTIVITY : DUAL GROUP DISCUSSION

- ✓ Is there a difference between the role of government in a small country compared to a large country in policy making to help SMEs ?
(Define small country as population < 6 million)
- ✓ If there is, explain the role of each government (big or small) ?
- ✓ If there is not, explain your rationale



CLASS ACTIVITY : INDIVIDUAL

- ✓ What do you understand by cluster development ?



MNC-SME Linkage Development in Singapore

Singapore had done well in attracting FDI since its inception

Effective government policies that are foreign investments-friendly and institutional arrangements that facilitate sub-contracting

Growing trend towards international subcontracting and significance of MNCs operating out of Singapore

One key is to foster greater and closer partnership between SMEs and MNCs, with a key initiative called LIUP (Local Industry Upgrading Programme)



One-North Singapore



Buona Vista and One-north MRT



One-North Residences



One-north Park



Biopolis



Wessex Estate



Min Jiang @ Rochester Park



Fusionopolis



LIUP Programme – Phase Development

Develop in 3 phases

Phase 1 :

- To improve the operational efficiency of participating SMEs such as production planning and inventory control, plant layout, financial and management control techniques etc.

Phase 2 :

- New products or processes are introduced and transferred to domestic SMEs

Phase 3 :

- Joint product or process research and development are undertaken with MNC partners



LIUP Programme – Selection Criteria

Identification of a LIUP manager (Seconded from MNC to EDB)

LIUP manager will then identify and select several SMEs for assistance very year (usually existing or potential suppliers)

Assess the suitability of their performance and business plans, the attitude and receptiveness of management, as well as capabilities such as quality of their products and services, reliability, delivery and cost competitiveness

Outcome – effective way for SMEs to attain a high level of technical competence



Industry Wide Upgrading

Focus on industry wide to raise generic business skills

Eg. \$20 million Industry Productivity Fund launched in 2000

Reverse transfer of “soft technology” and local technology to MNCs from SMEs

Successful SMEs transformed from OEM to ODM or OBM

As such, MNCs also tend to be more pro-active in technology transfer and nurturing SME suppliers to become more technologically sophisticated

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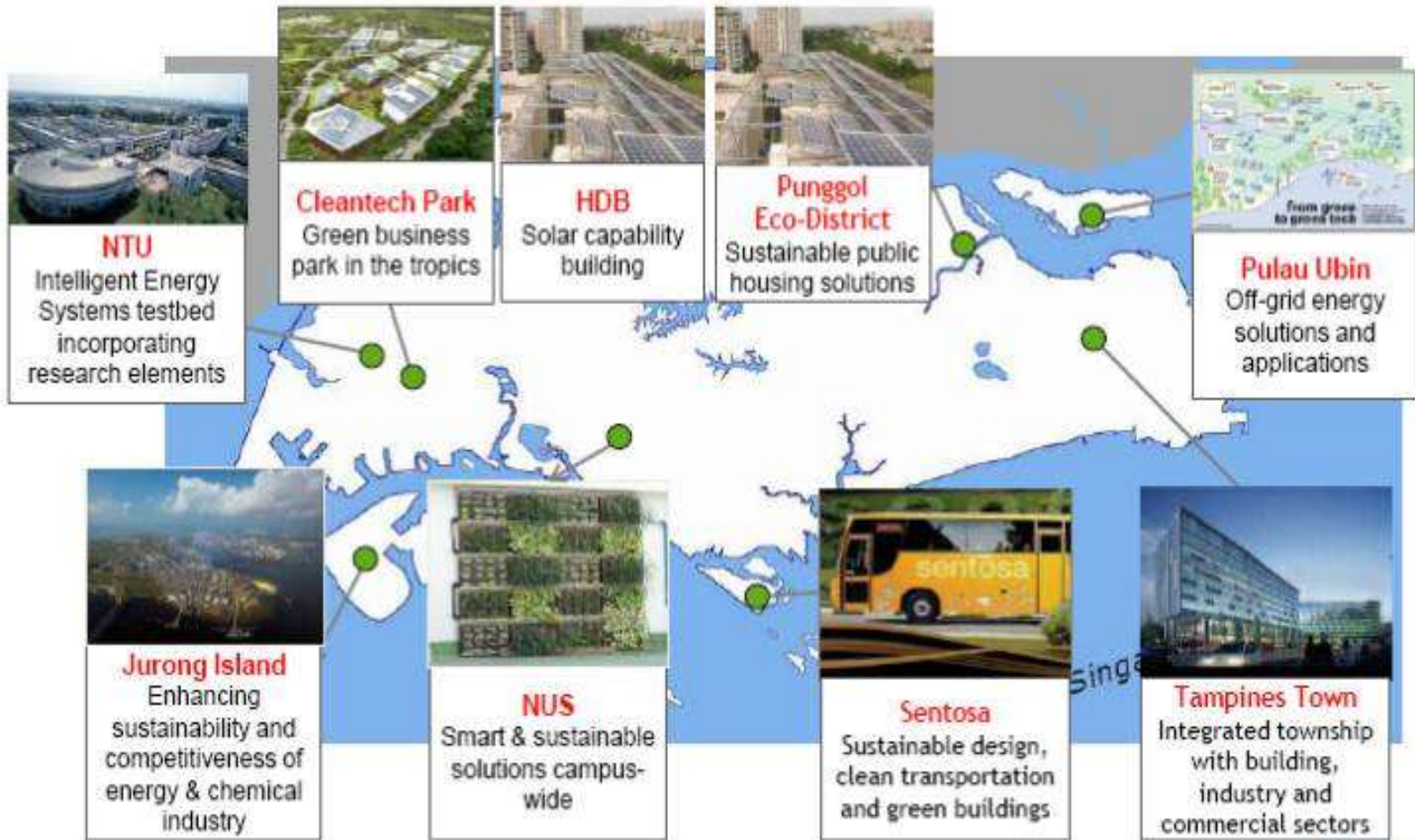


IT Sector Development

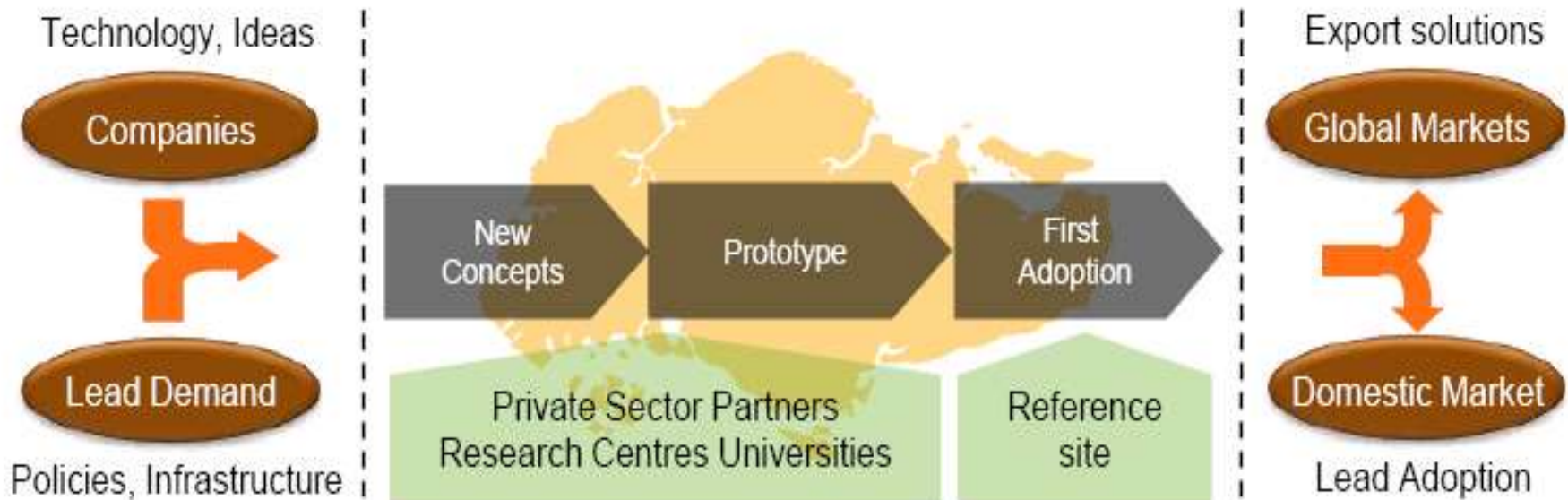


- IDA (Infocomm Development Authority) started iLIUP in IT sector
- Allowed participating SMEs to piggy back on knowledge and expertise of MNCs in IT industry
- SME exposed to state-of-art technology and can tap on MNC's global network of technical expertise which would reduce their R&D costs
- MNCs can benefit from these linkages and industry collaborations with SMEs as it helps to localise their products and SMEs can also local MNCs products quicker and more efficiently

Large Scale Living Laboratories



Singapore Positioning as a Proof of Concept Hub



CLASS ACTIVITY : COUNTRY DISCUSSION

- ✓ What is one key cluster in your country that can be developed as a test-bed or proof of concept ?



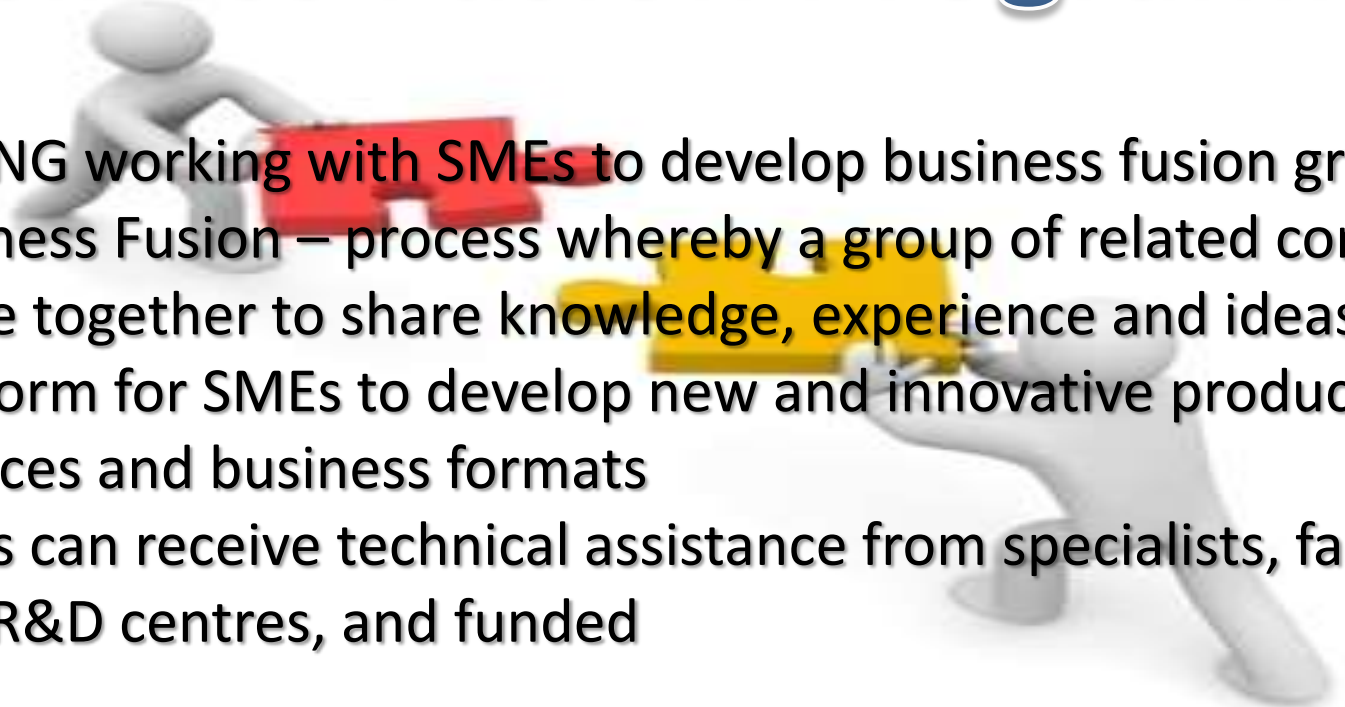
Developing Government Policies to Promote SME Development

Session 2 : Strategies for SME Competitiveness:
Clusters and Networks, Business Linkages &
Innovation



Linkages among SMEs

Business Fusion Programme

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- A 3D illustration of two white, stylized human figures. One figure on the left is holding a large red puzzle piece, and the other figure on the right is holding a large yellow puzzle piece. They are positioned as if they are about to fit the pieces together, symbolizing collaboration and business fusion.
- SPRING working with SMEs to develop business fusion groups
 - Business Fusion – process whereby a group of related companies come together to share knowledge, experience and ideas
 - Platform for SMEs to develop new and innovative products, services and business formats
 - SMEs can receive technical assistance from specialists, facilitators and R&D centres, and funded

Linkages among SMEs

Business Fusion Programme

- Industry-based fusion groups for companies within same value chain in the industry
- Promoted as a culture in which SMEs can work together by tapping on each other's resources and expertise
- Range from industries such as
 - Automotive Service and Repairs
 - Industrial Tool Calibration
 - Logistics
 - Construction
 - Silkscreen Printing
 - Medical Instrumentation
 - Transportation
 - Real Estate Services
 - Education Services



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Singapore as a SME Hub

MAJOR INITIATIVE FOR SME IS TO DEVELOP INTO A SME HUB



TO ENABLE FOREIGN SMES TO DEVELOP LINKAGES AMONG THEMSELVES AS WELL AS WITH DOMESTIC SMES

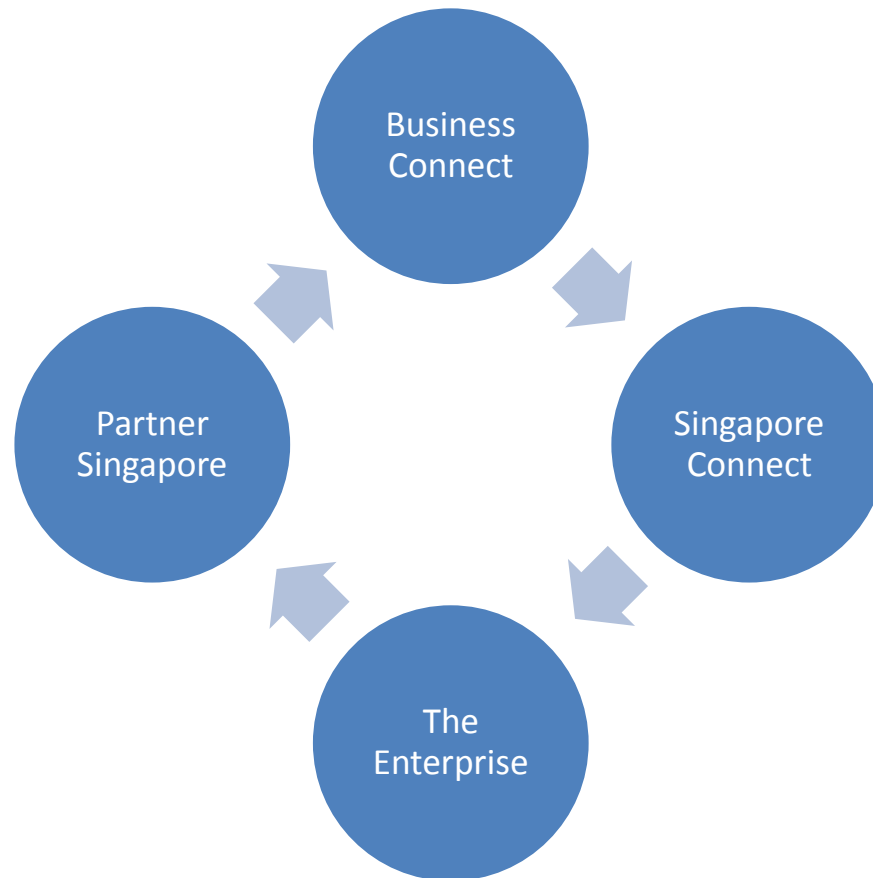
Singapore as a SME Hub

The Hub is envisaged to :

- Attract a large pool of foreign SMEs to establish their operations in Singapore and form strategic alliances with domestic SMEs to compete globally
- Attract innovative foreign start-ups to set up their operations in Singapore and use it as a springboard to the ASEAN region
- Take advantage of Singapore's advanced e-commerce infrastructure to undertake business transactions worldwide



Singapore as a SME Hub – Initiatives



Web of Foreign and Local Incubators

- German Centre

- Nordic and European Centre

- India Centre

- JETRO Japan Business Support Centre

- Mie Innovation Centre

(Mie Prefecture Government of Japan)

- Korea Venture Acceleration Centre

(Small & Medium Business Administration of Ministry of Commerce, Industry & Trade)

- Techmatch – Israeli Technology Hub

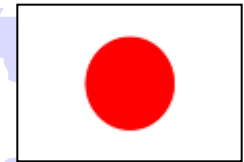
- New Zealand Technology Centre

- iPark S'pore (Korean IT Promotion Agency)

- Western Sydney IT @ Zone Asia

- French Technology Springboard

- Scottish Technology and Research (STAR) Centre



Singapore – A Human Capital Hub

For SME Development - A slogan



*“Invest in the right talents
for business growth”*



Two key approaches

- ***Human Management and Development***
 - Implement effective HR practices to support SME growth strategies
- ***Talent Attraction and Retention***
 - Develop and anchor a strong pipeline of young local talents
 - Become the employer of choice



Human Management and Development

- ✓ **UTILISE SELF-HELP HR TOOLKIT**
- ✓ **IMPLEMENT BASIC HR SYSTEMS & PROCESSES**
- ✓ **EMBARK ON LARGE SCALE HR CAPABILITY**
- ✓ **UPGRADING PROJECTS**



Talent Attraction and Retention

- ✓ **ENGAGE AND ATTRACT YOUNG TALENTS
(SME Talent Programme (STP))**
- ✓ **DEVELOP EXISTING EMPLOYEES**

*It's NOT "Why Should You Hire me?"
It's "Why Should I Work for You?"*



CLASS ACTIVITY : GROUP DISCUSSION

- ✓ Illustrate the key success factors for SME to develop its competitive advantages (at least 3 factors)



Developing Government Policies to Promote SME Development

Session 3 : Issues in monitoring, evaluation and communication of effective policies



Key Principle Measuring in Singapore SME



Key Principle Measuring in Singapore SME



Key Principle Measuring in Singapore SME



"In this business, it's all about *productivity*."



We are in the business of ...

- 1. PRODUCTIVITY
TOOLS AND
SERVICES**
- 2. TRAINING**
- 3. ASSISTANCE**



PRODUCTIVITY TOOLS AND SERVICES

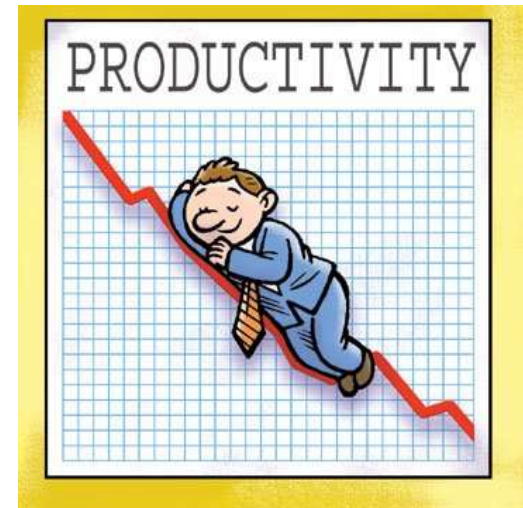
- Productivity @ Work (www.enterpriseone.gov.sg)
- Productivity Management Programme (PMP)
- Integrated Management of Productivity Activities (IMPAC)



TRAINING

Productivity Initiative in Services & Manufacturing (PRISM)

- **WSQ Certified Productivity and Innovation Manager Programme**
- **Certified Productivity Practitioner Programme**
- **Productivity Manager Programmes**
- **SME Quality Initiatives to Assist, Nurture and Grow (SME QIANG)**



ASSISTANCE

- Productivity and Innovation Credit (PIC)
- Innovation Voucher Scheme (IVS)
- Increase SME Productivity with Infocomm Adoption and Transformation(iSPRINT)
- Inclusive Growth Programme (IGP)
- Local Enterprise Finance Scheme (LEFS)
- Micro Loan Programme



Key Criteria to measure SME Policies

1. ENTERPRISE VALUE-ADD
2. VALUE-ADD PER WORKER
3. NUMBER OF CONTACTS WITH SMES
4. INCREASE IN REVENUE
5. INCREASE IN EMPLOYMENT



Key Criteria to measure SME Policies

VALUE-ADD IS

OPERATING PROFIT

+

**EMPLOYEES SALARY AND
REMUNERATION**

+

AMORTISATION AND DEPRECIATION



Entrepreneurship Infrastructure

Tasks	Resources	Information	Knowledge
Business Support Organisations	Banks	Associations	Associations
	Community-based Loan Funds	Business Support Organisations	Business Support Organisations
Professional Firms	Government Loan Funds	Chambers of Commerce	Chambers of Commerce
	Incubators	Data Banks	Know-How Networks
Small Business Development Centres	Science Parks	Government Agencies	University Programmes
	Venture Capital Firms	Libraries	
University Programmes	Venture Capital Networks	Support Networks	
		University Programmes	



CLASS ACTIVITY : GROUP DISCUSSION

- List down the 3 key infrastructures you want to develop to improve the environment for your SMEs
- Explain the rationale why you wish to do that and how it may be implemented



END OF DAY 3



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