



With regard to talent acquisition and retention, SMEs often lose out to more established MNCs and branded companies. In this context, the work-learn programmes benefit SMEs because they provide SMEs with an opportunity to acquire workers with more competencies and skills to scale up their respective businesses. FILE PHOTO

What the CFE report means for SMEs

Several recommendations are made to help SMEs meet the challenges of the future. **BY FAIZAL BIN YAHYA**

THE Committee on the Future Economy's (CFE) report, released on Feb 9, provides big-picture recommendations for small and medium enterprises (SMEs). SMEs are a key plank of the economy, accounting for around half of our economic output, and employing two-thirds of the workforce. How can they operationalise these recommendations on the ground through working with trade associations and chambers (TACs), and industry and economic agencies?

First, the report recommends a stronger link between the acquisition and utilisation of skills by getting employers more involved in developing workers, and introducing more work-learn programmes. If the institutes of higher learning have a better understanding of industry needs, they can design their courses accordingly and reduce the mismatch between demand and supply of skillsets. In addition, given the accelerated nature of changes in job scope due to more connectivity and automation, industry players, training providers and governmental agencies should collaborate and cross-recognise skills and knowledge acquired in different sectors.

This would reduce the need to reskill workers if they had already acquired the relevant skillsets as they seek employment in a different sector and enable companies to tap a ready pool of talent to seize current business opportunities.

With regard to talent acquisition and retention, SMEs would often lose out to more established MNCs and branded companies. In this context, the work-learn programmes benefit SMEs because they provide an opportunity for SMEs to acquire workers with more competencies and skills to scale up their respective businesses. In practice, most SMEs are already aligned to the idea of hiring and promoting workers based on skills and competencies instead of academic grades because the best graduates and best qualified applicants may choose jobs only in larger firms. If SMEs formally adopt the skills and competency-based HR system as cited in the CFE report, they should be granted preferential treatment for select government schemes.

Second, the report highlights the need to move towards an innovation-driven economy through strengthening the innovation ecosystem. For instance, there should be commercially oriented entities to commercialise the research findings and intellectual property (IP) of research institutions and the setting up of a Global Innovation Alliance (GIA), with Singapore's institutes of higher learning and companies linking up with overseas partners in major innovation hubs and key demand markets.

For SMEs, however, there could be a disconnect with the

"big picture" strategies on innovation as mentioned in the CFE report. For example, the majority of SMEs are not leveraging research findings and intellectual property as a strategy to scale up their respective businesses. Often the challenge is inadequate funding and inability to secure loans due to the risks involved in their respective business ventures.

For example, in the Association of Small and Medium Enterprises (ASME) Report for Budget 2017, the majority of firms reported that their main innovation strategy for 2017 is to introduce new products and services, while market research comes a very distant second. In terms of disruptions, SME funding and loans from alternative sources such as crowdfunding should be encouraged. This would complement the government's willingness to experiment, such as the "sand box" for fintech companies. In addition, in the spirit of collaboration with other relevant stakeholders, the TACs could be authorised by relevant government agencies to source for alternative funding for their SME members as they seek to leverage research and IP strategy for growth.

Third, the report recommends assistance to SMEs to adopt digital technologies and encourages the information and communications technology (ICT) industry to better cater for SME requirements. The use of the National Trade Platform (NTP) by SMEs to digitise transactions is aimed at increasing productivity and reducing business costs. SMEs would find the NTP useful if there is added value to their services in being an open platform and if the system is compatible with overseas platforms, as they hope to create stronger linkages with markets overseas. If SMEs could leverage the use of data more as an asset to grow as mentioned in the report, this would help them to scale up their businesses and connect better to potential markets locally and overseas.

BUSINESS INCUBATORS

One strategy to connect better with overseas markets is to provide resources for the TACs to help their members undertake research on potential markets overseas and to develop incubators for specific businesses in overseas markets with the collaboration of relevant agencies. This would enable SMEs to have a better understanding of overseas markets and potential partners that they could approach for collaboration and business expansion. As the TACs involved in these foreign incubators gain more in-depth knowledge and experience of doing business overseas, they could help deepen the knowledge of these markets with other members and stakeholders.

Fourth, the CFE report highlights the need to strengthen regional integration, maintain key trading relationships through existing agreements and for individuals to deepen their knowledge of regional markets. For instance, familiarity with the variations within and across cities and provinces, especially in Asia, could be critical in driving further growth.

For SMEs, the right kind of knowledge matters. Among SMEs, there is an understanding of the limited domestic and growth potential of the Singapore economy, and an awareness and desire to venture overseas and especially into regional markets.

However, companies are not sure how to ride on existing mechanisms. In the Singapore Business Federation's (SBF) National Business Survey 2016/2017, it was reported that the majority of businesses did not know or did not think that Free Trade Agreements (FTAs) give them any benefits or advantages. In ASME's survey for Budget Recommendations 2017, few firms felt that they have benefited from the Asean Economic Community that was launched in November 2015.

Some of the main obstacles to international expansion are unclear rules and regulations, lack of knowledge of foreign markets, lack of business contacts and shortage of funding. The majority of companies surveyed have also not factored the FTAs into their respective business models.

In this regard, the CFE's recommendations should be seen alongside other government policies such as those highlighted in Budget 2016. In Budget 2016, the government announced that it would second up to 20 public servants to TACs as part of the LEAD-Plus programme to have a better understanding of industry needs and what impact policy has on industry. If the seconded public servants were involved in the negotiations and operationalisation of the network of 21 FTAs and Economic Partnership Agreements (EPAs), they could work with the respective TACs to conduct seminars and forums to not only raise awareness but develop road maps for how SMEs could leverage the FTAs and EPAs for growth.

The future could be bright for SMEs if they take the right steps to scale up into dynamic enterprises. The report also points out that the next generation of Asian startups and SMEs will drive growth – in 2015, startups in South-east Asia raised US\$1.61 billion, 43 per cent higher than in 2014.

■ The writer is a senior research fellow in the economics and business research cluster of the Institute of Policy Studies, National University of Singapore