Keeping SMEs' digitalisation on track amid pandemic

Professor Atreyi Kankanhalli and Ms Lai Yi from the National University of Singapore's School of Computing explain how SMEs can harness both government grants and technology to digitalise their business and build essential digital capabilities to stay ahead in a challenging world

THE Covid-19 pandemic has caused severe disruptions to global economic activity, with negative GDP growth projected at -4.9 per cent for 2020. The impact of Covid-19 on the Singapore economy has been significant, with many sectors being adversely impacted, including construction, manufacturing, transport, tourism, retail, and business services. In the face of the recession, the most vulnerable businesses are SMEs, which face severe challenges, such as late customer payments, cancelled orders, and cash flow disruptions.

In response to the pandemic, the Circuit Breaker period (April 7-June 1) was imposed, where all non-essential business activities that cannot be conducted through telecommuting were suspended in order to contain the virus spread. Subsequently, with a phased approach to resuming activities in Phase 1 and the current Phase 2, working from home is still the default mode, where employees should continue to do so and go to their workplace only when there is no alternative. Apart from the shift to home-based work, SMEs in many sectors such as retail are adopting reduced hours and trying to move their business online.

Challenges in IT use

According to a survey across a variety of sectors conducted by SGTech on SMEs' digitalisation during the Circuit Breaker period, the majority of surveyed SMEs faced challenges in IT use. Some SMEs reported that there were no feasible IT solutions for them because their business must be done face-to-face or on-site. Other SMEs cited challenges of connectivity and access eg, they couldn't retrieve documents stored in hard drives, and experienced difficulties in accessing local servers in their office. Most of the surveyed SMEs observed that both employees and managers were not well prepared to adapt to the work-from-home mode.

This was not surprising because, before Covid-19, 37 per cent of SMEs in an earlier survey did not allow employees to work from home at all, and 43 per cent allowed work-from-home only as an exception. Among the challenges, many found that tasks were taking longer because stakeholders are not available at the same time, unlike in the office, and productivity may be lower because employees are unfamiliar with tools or have to spend time solving technical issues. Some SMEs were also concerned about the cybersecurity risks of working from home and accessing cloud-based IT solutions.

In terms of the kinds of IT solutions being used during the covid-19 pandemic, most surveyed SMEs have adopted conferencing software (eg Skype and Zoom) and social media messaging (eg WhatsApp) to communicate with colleagues and customers. Cloud storage solutions and office applications are also being widely used to facilitate collaborative document management. Additionally, application virtualisation software and VPN solutions are being adopted to remotely access software and files located in the office. There is
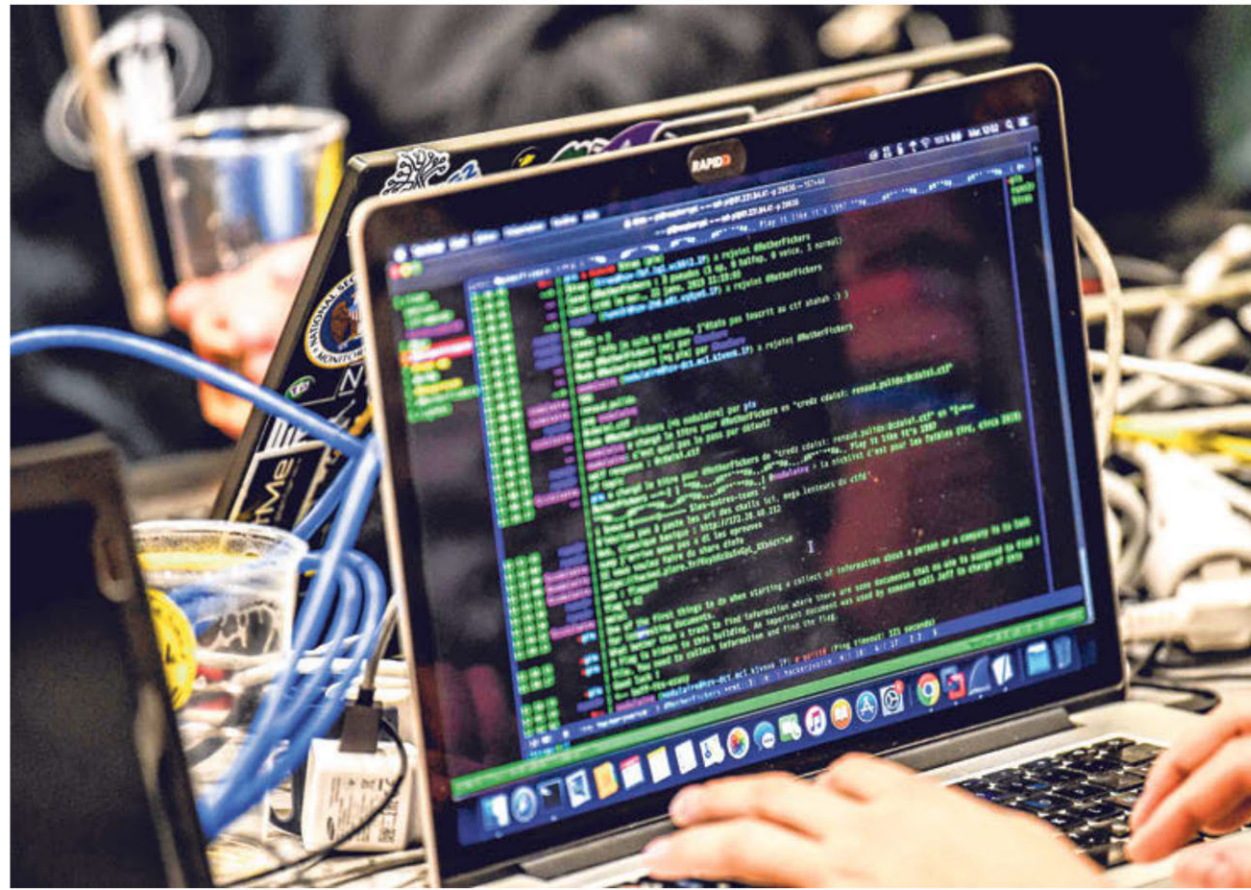
According to SGTech's survey, most SMEs faced challenges in terms of IT use during Covid-19, but some have yet to tap on government or other organisations' SME schemes. PHOTO: AFP

also a move to use cloud ERP and e-signature, and e-invoicing applications by a few SMEs.

On the government end, the Singapore Government has been working hard, in conjunction with partner financial institutions, on relief measures and assistance to help ease the financial strain on SMEs. The measures include deferring payment of principal on secured SME loans, lowering interest on SME loans, assisting with insurance premium payment, and, importantly, implementing the Covid-19 (Temporary Measures) Act 2020 to provide temporary protection to SMEs on specific contractual obligations for a 6-month period till Oct 2020.

As early as 2018, the Infocomm Media Development Authority (IMDA) launched the Go-Cloud initiative to help SMEs shift to cloud-based applications. IMDA is increasing the support level under GoCloud to up to 80 per cent of service fees charged by the appointed providers with effect from June 1. IMDA had also established the "SMEs Go Digital" program in 2017 to help SMEs build stronger digital capabilities, which is still ongoing. Furthermore, IMDA and Enterprise Singapore (ESG) have launched the Grow Digital program with grant support to help businesses sell overseas using identified online platforms.

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Other organisations have also stepped up to help SMEs by providing technology solutions for different functions. Several providers are offering conferencing tools for free. A number of vendors are providing ERP and CRM software, as well as HR management software. Businesses are also trying to help SMEs sell online. For example, some are offering a discounted package for online store website implementation, and others are providing SMEs with e-commerce solutions covering three models: business-to-consumer (B2C), business-to-business-to-consumer (B2B2C), and online-to-offline (O2O).

In Phase 2, as some face-to-face business activities have resumed, visitor management is being addressed through technology solutions, eg temperature monitoring, queue management systems, and contact tracing applications.

Overall, the Covid-19 pandemic has raised awareness of the need for digitalisation among SMEs. Digitalisation could help SMEs survive and stay competitive in a challenging marketplace through multiple ways, eg engaging online consumers, optimising business processes, transforming products and services, and empowering employees. According to a survey of SMEs in Asean countries, al-

though 88 per cent of business have lowered their revenue expectations in 2020, 44 per cent said they still planned to increase their overall technology budget, and 64 per cent ranked technology investment as their first priority. According to SGTech's survey, most SMEs faced challenges in terms of IT use during Covid-19, but some have yet to tap on government or other organisations' SME schemes.

With respect to their IT needs, apart from monetary support to ease the financial strain and purchase IT hardware, SMEs said they needed software to digitalise various operations, such as e-invoicing and e-signature, and cost-effective ERP and CRM systems as well as cybersecurity solutions. For example, a surveyed SME complained of the lack of cost-effective ERP systems, although vendors provide professional ERP software with the PSG Grant.

Make SMEs more aware of tech solutions, support schemes

Given that there are a number of technology solutions available for free or with discounts, there is a need to make SMEs more aware of available technology solutions and support schemes. In this regard, the recent announcement of an online adviser for SMEs, which is a part of the government's Go Business platform, is very timely. In addition, online e-commerce platforms could be used to help business owners and decision-makers build essential digital capabilities related to marketing and data analytics.

The manner in which SMEs suddenly found themselves unable to do business in the "usual" way has led to a somewhat ad-hoc approach towards adopting digital solutions in the past few months.

Although many SMEs are now ready to get started on digitalisation, they often do not have a clear idea of what their digital transformation journey should be. Without an end or goal in mind, the purchase of each IT tool is an independent and difficult decision. Also, if SMEs approach digitalisation from a "which tool do I pick" viewpoint, this will not address the underlying core question of how they should transform themselves. Thus, there is a pressing need to guide SMEs in rethinking their business, by using design thinking for example, so that they have a clear view of what they want to achieve "post-transformation", and what they need to do to transform their business.

With the plan in place, the choice of the relevant tools and platforms becomes easier. Then, SMEs can utilise the many support avenues to invest in digital technologies to respond to the current challenges, and also to leverage these technologies for their future growth, post Covid-19.

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