

**SPEECH BY MR CHEE HONG TAT, SENIOR MINISTER OF STATE,
MINISTRY OF TRADE AND INDUSTRY & MINISTRY OF EDUCATION
AT THE SME CENTRE CONFERENCE 2018 ON WEDNESDAY, 16
MAY 2018, 9.35 AM, AT RESORTS WORLD SENTOSA CONVENTION
CENTRE**

Mr Akbar Abdul Kader, Chairman of SME Centre@Singapore Malay
Chamber of Commerce & Industry (SMCCI),

Business leaders and friends from the Trade Associations and
Chambers,

Ladies and Gentlemen,

Good Morning.

1. I am happy to join you today for the SME Centre Conference 2018, an annual event organised by the SME Centres and supported by Enterprise Singapore to help SMEs grow their businesses.

We must grow a vibrant economy

2. Singapore may be a little red dot, but we should never let our physical size limit our ideas and ambitions. Our forefathers were not afraid to take risks, dream big and work hard to develop Singapore into where we are today. We must continue to have the same pioneering spirit and the courage to pursue our dreams. So that Singapore can remain a land of opportunity. And so that our economy can generate better jobs, better pay and a better life for our people.

3. We need a core layer of strong local enterprises in the next phase of our economic development. While we continue to attract and anchor MNCs to invest in Singapore, we must also groom more Singapore start-ups and companies. The two need to go hand-in-hand. MNCs benefit from a strong base of SMEs, and our SMEs can grow by tapping on the business opportunities from the MNCs.

4. We know that the global landscape is rapidly evolving. To remain competitive, Singapore needs to differentiate from other cities and position ourselves as a Global-Asia node of technology, innovation and enterprise. This is a place where capital, ideas and talent flow to, and where companies want to launch new products and services, prove that they work and export these to other markets in the region. To achieve this vision, we must transform our economy and level-up our capabilities. I will elaborate today on the three “T”s which I believe are critical to our economic competitiveness: Technology, Trade and Talent.

SMEs must leverage technology for transformation and growth

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5. Advances in technology have led to rapid changes in many industries. The changes can be disruptive and painful for some companies, but can also bring about new opportunities for our businesses. From boosting productivity through IT to gaining new market share through e-commerce, technology has opened new frontiers. It is not possible to block these developments. Trying to fight these trends is like going against the tide – you can try, but eventually the tide wins. It is better to embrace the changes and see how we can take advantage of the benefits and opportunities.

The Government will work with you and support you. We will also review our rules and regulations to reduce compliance costs and support new business ideas.

6. The SME Centres have been helping companies to unlock the potential of technology to transform their operations. An example is Excel Hardware, a manufacturer and distributor of homeware and hardware. Faced with growing demand for their services, the company realised that their previous inefficient warehousing and storage systems could no longer keep up. After consulting the SME Centre@Southwest, a satellite centre by the Singapore Manufacturing Federation (SMF), the company connected with experts at the Singapore Innovation and Productivity Institute. They obtained customised guidance to implement new shelving and inventory management solutions to meet their needs. The upgrading led to a 30% improvement in order processing speed and a 15% increase in sales turnover.

7. More SMEs can benefit from such efforts. As part of the SMEs Go Digital programme, SMEs can approach any of the SME Centres for advisory services on pre-approved digital solutions. These include the Productivity Solutions Grant, launched just last month, which provides up to 70% funding for the adoption of pre-scoped IT solutions and equipment. Currently, the scheme supports more than 150 productivity solutions. You can find out more details from the Tech Depot website, hosted on the SME Portal. At this point, I think it is important for me to stress that don't apply for these schemes because you want to take the grant. That's not the end in mind. The grant should be seen as part of helping you find the best

solutions. So go for the solutions that you think will help your business. The grant is there as a catalyst to help you, it's not the end in mind. The end in mind are the solutions to help improve your business operations, increase your revenue, lower your costs – focus on that. The government will do our best to help you and as I was sharing with some of our leaders from the chambers earlier, if there is feedback we welcome your suggestions – how we can smoothen the process and help you better.

8. We are also rolling out Industry Digital Plans (IDP) to provide SMEs with step-by-step guidance on the use of digital technologies at each stage of their growth. The IDPs for Retail and Logistics have been launched, and four more sectors are in the pipeline: Food Services, Wholesale Trade, Cleaning and Security.

Strengthening capabilities for trade and internationalisation

9. The second “T” is trade, and closely related to that, helping our companies to internationalise. Singapore is a small and open economy. With two thirds of our GDP driven by external demand, it is crucial to have free and connected global markets. Our extensive trade and investment linkages have allowed Singapore to expand our economic space, enabling our companies to participate in global value chains, access new markets, acquire cutting-edge technologies and create good jobs for Singaporeans.

10. Many of our SMEs have set their sights beyond our shores. Let me share an inspiring example. A manufacturer of pau and dim sum, Lim Kee Food Manufacturing started out by selling their products

to food outlets across Singapore. The company expanded into the retail segment – both domestic and overseas. They invested in ISO certification for each stage of their manufacturing process, and improved their packaging and product storage. Through these efforts, Lim Kee was able to extend the shelf life of their retail packs from days to weeks. They further invested in encrusting machines with co-funding from Enterprise Singapore, achieving productivity gains of 200 man-hour savings per month and significantly augmenting their production capacity to drive export. There are good reasons for our companies to look overseas. Many of the countries in the region will be achieving higher growth rates compared to Singapore because they have larger populations, they have growing innovations from the cities, rising incomes and this provides new opportunities for us. Some of them will look for better quality products and services which Singapore companies are able to deliver. We are associated with that – quality, safety, assurance, trust and credibility. A second reason is this – many of the things that we invest in, there is a need to spread it out among a large customer base so that you can recover your fixed cost more quickly. So by focusing only on domestic markets, the customer base will by definition be smaller. Investments in fixed cost – machinery, IT, processes – whether you export or sell domestically is actually committed. This strategy of exporting therefore helps us tap on growth markets and also helps us be able to invest more in building up innovation capacity and capabilities.

11. Sensing opportunities to venture overseas, Lim Kee went on to identify potential business partners and distributors. They did so by tapping on the Market Readiness Assistance (MRA) and Global

Company Partnership (GCP) grants and working with Enterprise Singapore's Overseas Centres. Today, customers in China, Thailand and Australia are able to buy Lim Kee's mini-pau series and bring home a taste of Singapore. This goes to show that with a strong business model and a willingness to embrace change, companies in "traditional" industries with "traditional" products can also transform and venture overseas successfully.

12. But Lim Kee's success did not happen overnight. I understand the company took several years to deepen their capabilities and become export-ready. Indeed, capability development and international expansion are increasingly intertwined and mutually reinforcing. Both are essential ingredients for SMEs to take your growth to the next level.

13. This is why we have established Enterprise Singapore as **the** enterprise development agency in Singapore. Enterprise Singapore combines the resources, expertise and networks of its predecessors, SPRING Singapore and IE Singapore. With this, SMEs will be able to receive holistic support from Enterprise Singapore for all their business needs.

Talent is key

14. The third T is talent, which every company needs to succeed and grow. We must have the best talent in Singapore to compete with other cities in the world. This is why we have invested heavily in education and SkillsFuture. We want to give every Singaporean the opportunities to develop to his or her fullest potential, and build a

workforce that is equipped with the skills for jobs in our future economy.

15. One of the platforms for talent development is the SME Talent Programme. The programme matches SMEs with students and graduates from the Institutes of Technical Education, Polytechnics and Universities for internships, sponsorships and fresh hire training. Last year, Enterprise Singapore supported over 1,500 internships to help close to 400 SMEs attract young local talent.

16. However, recruitment is just the first step. With more SMEs seeking to position themselves as employers of choice, the key differentiating factors after recruitment are talent development and retention. Lifelong learning not only helps employees to perform their jobs well, it also provides opportunities for personal growth and career progression.

17. For instance, F&B company Han's has put in place an orientation programme, hands-on training and job shadowing for new employees. These have helped newcomers to integrate faster into their respective teams, improved service consistency and reduced staff turnover. Han's implemented these initiatives with the guidance of a mentor under Enterprise Singapore's SkillsFuture SME Mentorship programme. I hope more companies can sign up and benefit from this scheme.

18. While we develop our local talent pool, it is important for Singapore to remain open to talent from abroad to complement our local workforce, especially in areas where our companies face a

shortage of skilled local workers. Otherwise, if companies are not able to meet their manpower needs, they may shelve their expansion plans or move their operations overseas instead of creating more jobs and generating more growth in Singapore.

19. For companies that are looking to go abroad, they also need to have a good mix of local and global talent, including those who are familiar with the overseas market. They can complement one another to give our companies the best chances to succeed in their overseas ventures. The other day, the president of SMU shared this story with us. At SMU they do projects and they will pair their students up. The team has 3-4 Singapore students and one foreign student from Vietnam. So happens that the project was on how to seek out opportunities in the Vietnamese market and expand. The Singapore students in the team said they felt very fortunate to have the Vietnamese student in their team, someone who understands the opportunities in the country and the local market conditions. It can better complement with what the other members in the team can offer. So I think this combination is going to be something that we should look for. A talent pool that is not just within Singapore but also to help our companies when they expand overseas. Employers can tap on this talent pool when you go overseas, and it is also important for them to understand Singapore, our corporate culture and work processes. We must look for such opportunities to help companies to get the right talents. During my visit to HOPE Technik, the founder and CEO Peter Ho shared with me that more than 80% of their employees are Singaporeans, but the company needs some foreign engineers and scientists to have a more complete range of knowledge and skills to bid for certain highly

specialised projects. Our economic agencies are thus working with the Ministry of Manpower (MOM) to assess more holistically the skills and experience of foreign professionals with skills in demand, and facilitate their entry so that they can complement our local workforce to capture growth for Singapore.

20. We are going a step further to support companies in building global capabilities in our local workforce. MOM has started the Capability Transfer Programme (CTP) to speed up the transfer of new skills from foreign employees to the local workforce. The CTP supports businesses to bring in foreign specialists, and send local employees overseas to acquire new capabilities. The programme is open to all sectors and has facilitated projects in sectors such as logistics, robotics and precision engineering so far.

SME Centres and TACs are important partners

21. One of Singapore's key strengths is the strong tripartite partnership between the Government, companies and workers. We will continue to work closely with our industry partners and with the Labour Movement through U-SME to create an environment which is both pro-business and pro-worker.

22. This cooperation also extends to our Trade Associations and Chambers (TACs). The SME Centres collectively engage over 20,000 businesses each year through advisory sessions, capability workshops and outreach events. This would not be possible without the strong support of the five parent TACs, namely the

Association of Small and Medium Enterprises (ASME), Singapore Manufacturing Federation (SMF), Singapore Chinese Chamber of Commerce & Industry (SCCCI), Singapore Indian Chamber of Commerce & Industry (SICCI) and Singapore Malay Chamber of Commerce and & Industry (SMCCI).

23. I understand that the SME Centres have implemented 22 group-based upgrading projects to date, benefitting over 100 SMEs. The SME Centres are keen to spearhead more of such projects, and target to involve a further 200 SMEs by the end of this year. These are not KPIs, they are targets. I don't believe in starting from KPIs, I believe in starting from outcomes – focus on outcomes and in this case to me is clear, how to help our businesses upgrade their capabilities. We start from there. I encourage our SME Centres to continue to work with our businesses, Enterprise Singapore and the Labour Movement. Please keep up the good work.

Conclusion

24. Let me conclude by thanking the SME Centre@SMCCI for taking the lead in organising this year's conference. I started by saying that I am very honoured and happy that this event focusing on SMEs is my first event after taking up the position in MTI. I say that because SMEs form the core of our economy. They hire many Singaporeans and as we have seen from various examples, today's micro enterprise could grow into tomorrow's large and international company. Today's local, domestic operation could tomorrow become an international operation putting Singapore on the world map. Today's small operation that only provides 3-5 jobs

could tomorrow provide hundreds even thousands of jobs for our people. So we must put SMEs at the centre of our economic development. We must believe that our local enterprises and our local workers can make it.

25. Thank you very much.

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