



## MEDIA RELEASE

# Internationalisation to sustain corporate growth and employment for Singapore amidst global uncertainty

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1. Overseas endeavours will continue to contribute to revenue growth for Singapore companies, and create valuable employment opportunities for Singaporeans<sup>1</sup> abroad. These are the key findings of the 2011/12 Internationalisation Survey<sup>2</sup> conducted by International Enterprise (IE) Singapore, the government agency driving the growth of Singapore's external economy.
2. Overseas revenue<sup>3</sup> accounts for 74% of total revenue among the companies surveyed, a significant increase from 65% in the previous year. This means that for every dollar the company earns, 74 cents comes from its overseas activities. The proportion of companies reporting growth in overseas revenue has also increased from 60% to 68% over the past year.
3. The increasingly global exposure of Singapore companies has led to jobs creation for Singaporeans. The percentage of Singaporeans employed overseas varies across companies. Singaporeans make up 72% of the overseas workforce for the average

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<sup>1</sup> Includes Singaporeans and Permanent Residents.

<sup>2</sup> 1,507 Singapore-based companies with overseas operations or intending to venture overseas were surveyed between November 2011 and January 2012. These companies include both small and medium-sized enterprises (SMEs) and non-SMEs, across 11 business sectors.

<sup>3</sup> Based on companies who responded to the survey with their financials.

SME, and 45% for the average non-SME, or large company<sup>4</sup>. This is because companies with larger overseas operations usually source manpower mostly from their respective markets, while SMEs tend to hire proportionally more Singaporeans due to their smaller size.

4. Said Mr Teo Eng Cheong, Chief Executive Officer of IE Singapore, "The survey reinforces the value of internationalisation by Singapore companies for both corporate growth and employment. Given our small domestic market, overseas investments are the natural way for our companies to create good jobs for their employees and value for shareholders. Most critically, this ensures Singapore's economic sustainability in today's uncertain global climate."

### **Growing overseas presence of Singapore companies**

5. Singapore companies are looking to expand into new markets, or deepen their presence in the current ones. Majority of SMEs (or 67%) target to increase the number of overseas markets they are in, an increase of 14% from the previous year. In comparison, majority of non-SMEs (73%) will be deepening their presence in their current markets. Among these non-SMEs, inorganic growth through joint ventures or mergers and acquisitions is an expansion strategy that two in five are considering.
6. Southeast Asia and China are key markets that Singapore companies are looking to grow in. Within Southeast Asia, Indonesia and Vietnam remain the top markets that companies intend to focus on. In China, companies are starting to move their growth strategies further inland to West and Central China, beyond the coastal regions.
7. There is also a marked increase in companies that are more optimistic about the business outlook in Africa, compared to other emerging markets like the Middle East and Latin America. Within Africa, South Africa and Nigeria are the two top preferred destinations for business.

### **Companies positioned to meet global challenges**

8. The survey reveals that difficulties with finding the manpower with requisite capabilities to manage overseas operations and the right business partners overseas are some of the top challenges that Singapore companies face when internationalising. In the past year, high market entry costs and the costs of doing business overseas have also emerged as one of the top concerns among the companies. Companies involved in the

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<sup>4</sup> This survey defines SMEs as companies with a total revenue of less than S\$100 million; non-SMEs (or large corporates) as companies with a total revenue of S\$100 million and above.

export of goods and services were particularly affected by currency fluctuations. SMEs were hit harder, a 13% increase compared to the previous year.

9. While non-SMEs are affected by rising costs too, these are outweighed by concerns over attracting the right talent as well as the economic and political stability in the overseas markets, an indication of the global market uncertainties.
10. Having a good understanding of the markets and strong foreign partners are the top requirements seen as success factors for overseas growth. Companies also highlighted the need to build up internal capabilities for internationalisation. This includes recruiting the right manpower and having strong branding strategy.
11. Said Mr Teo, "To venture abroad, a company needs to have a successful business model that can be replicated overseas. In addition, it needs to develop new internationalisation capabilities such as HR practices that are attuned to the global landscape. It also needs to have in-depth understanding of the market trends and government policies. Finally, it needs to work with the right local partners."
12. To help companies rise up to external challenges, IE Singapore recently launched the Global Company Partnership (GCP) to grow globally competitive companies for Singapore. The GCP outlines IE Singapore's approach to engaging Singapore-based companies proactively to understand their business strategies, and formulate comprehensive solutions for their international growth via capability building, market access and financing.

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**Note to Editor**

Please use 'IE Singapore' or 'IE' if an acronym for 'International Enterprise Singapore' is required. In addition, unless otherwise stated, the use of statistics cited in our media releases, website or Statlink, should be attributed to IE Singapore.

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### **About the Internationalisation Survey 2011/12**

The Internationalisation Survey 2011/12 is conducted by DP Information Group on behalf of IE Singapore. It randomly sampled 10,000 companies based on SSIC codes from DP Information's Proprietary Database. The survey was conducted by mail, telephone interviews and online questionnaires over three months, from November 2011 to January 2012. 1,507 Singapore-based companies across 11 business sectors responded to the survey.

### **About International Enterprise Singapore**

International Enterprise (IE) Singapore is the government agency driving Singapore's external economy. We promote international trade and spearhead the overseas growth of Singapore-based companies to grow Globally Competitive Companies.

IE Singapore attracts global commodities traders to establish their home base in Singapore. Today, Singapore is a thriving trading hub for the energy, agri-commodities and metals & minerals trading clusters.

Through our Global Company Partnership, we work with Singapore-based companies to customise total solutions in capability building, market access and financing for their internationalisation.

Our global network of overseas centres in over 35 locations provides the necessary connections in many developed and emerging markets. Visit [www.iesingapore.com](http://www.iesingapore.com) for more information.

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IE Singapore  
**Internationalisation  
Survey** CORPORATE SENTIMENTS  
TOWARDS INTERNATIONALISATION

2011/12

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# Singapore companies expect healthy overseas revenue growth and feel positively about overseas markets, according to the IE Singapore Internationalisation Survey 2011/12.

The survey, conducted from Nov 2011 to Jan 2012, polled 1,507 Singapore-based companies that had overseas operations or intended to venture overseas, on their sentiments towards internationalisation. 91 per cent of the respondents were small and medium enterprises (SMEs), while the rest were non-SMEs.

SMEs internationalise through exporting goods (66 per cent), followed by exporting services (34 per cent), and setting up of subsidiaries/ branches (30 per cent). In comparison, non-SMEs ventured overseas by setting up subsidiaries/ branches (68 per cent), exporting goods (44 per cent) and joint ventures (34 per cent).

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<sup>1</sup> Singapore companies are defined as companies registered with ACRA, with at least 30 per cent local equity or with HQ functions and key decision making anchored in Singapore.

<sup>2</sup> SMEs are companies with revenue below S\$100 million and non-SMEs are companies with revenue equal or above S\$100 million.

**Positive market outlook, especially for Southeast Asia and China**

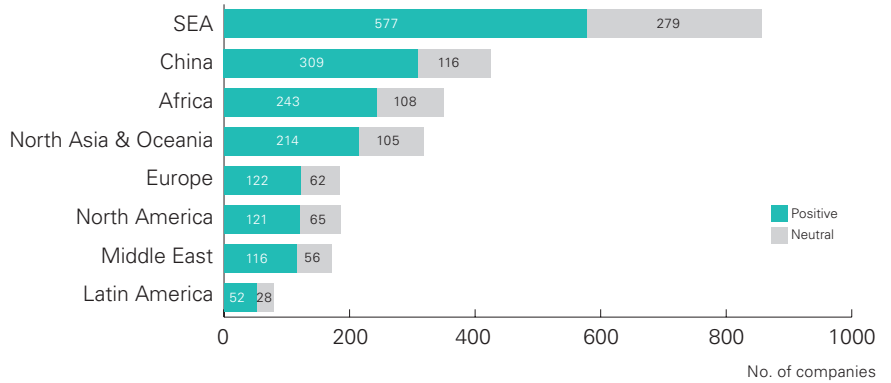
Companies expressed the greatest optimism for SEA and China, and were surprisingly bullish about Africa, especially South Africa and Nigeria, suggesting that the emerging economies are gaining the attention of local companies as potential new markets.

Companies' optimism on SEA and China translated into intention to venture into these countries within the next 12-18 months, with 60 per cent of SMEs and 54 per cent of non-SMEs keen on SEA, and 45 per cent of SMEs and 39 per cent of non-SMEs interested in China. Within SEA, Vietnam and Indonesia were the two favourite destinations.

While companies were less optimistic about North America and Europe, 14 per cent and 24 per cent of the companies surveyed were still keen on venturing into North America and Europe respectively, recognising that developed markets are substantial in size and will continue to present opportunities.

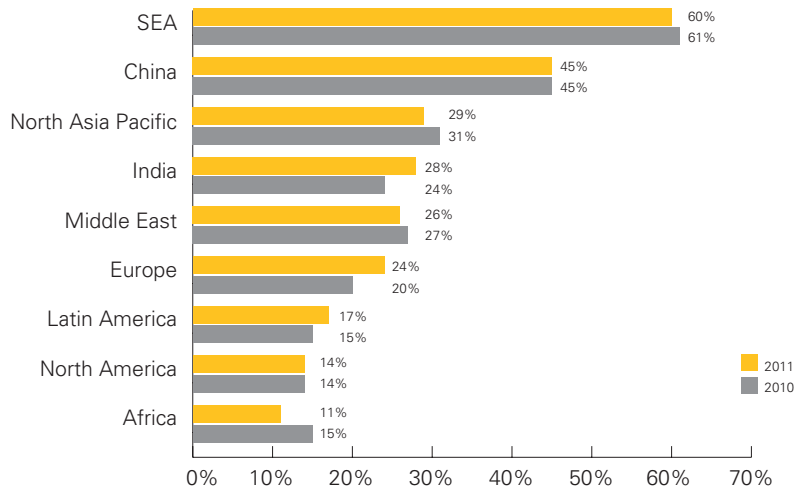
**Sentiments towards different regions**

Base: N=1,507 (2011)



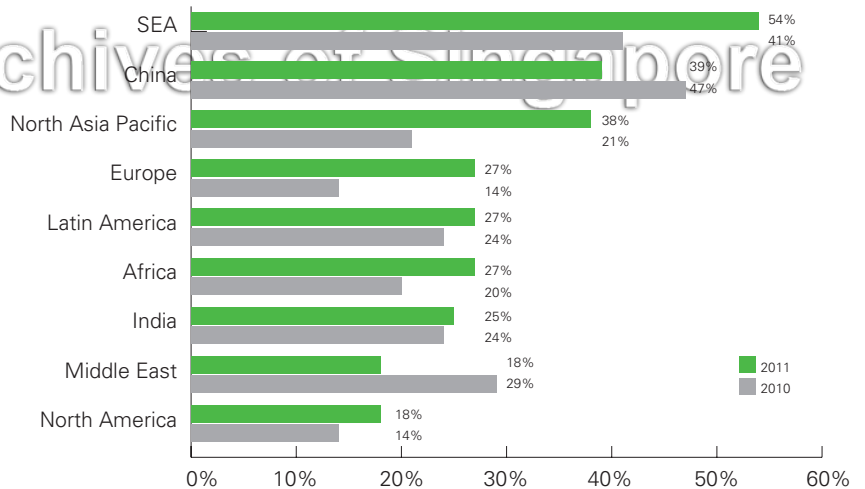
**Regions/ Countries that SMEs intend to venture into**

Base: N=235 (2011), N=467 (2010)



**Regions/ Countries that non-SMEs intend to venture into**

Base: N=56 (2011), N=96 (2010)



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**Companies keen to penetrate new markets**

The companies were clear on the strategies needed to achieve their higher revenue goals. Both SMEs and non-SMEs aimed to increase market penetration in their existing overseas markets (49 per cent and 73 per cent respectively), and to increase the number of new overseas markets (67 per cent and 63 per cent respectively). 38 per cent of non-SMEs were also considering inorganic growth through mergers and acquisitions.

**Overseas operations contribute significantly to revenue**

Not surprisingly, companies that had successfully expanded overseas saw their overseas revenue contributing significantly to their total revenue.

On average, overseas revenue contributed 48 per cent to the SME's total revenue, and 78 per cent to the non-SME's total revenue. Overall, the overseas revenue as a percentage of total revenue for survey respondents had increased from 66 per cent in 2010 to 74 per cent in 2011.

**Healthy overseas revenue growth expected**

Two out of three SMEs expected overseas revenue growth to be positive, with 29 per cent of them expecting annual growth of more than 10 per cent.

Non-SMEs were even more positive on their overseas revenue growth. 83 per cent expected positive growth, with more than half expecting annual growth of more than 10 per cent in overseas revenue.

Such expectations corresponded with the results of the Singapore International 100 (SI100) rankings conducted by DP Information, an information and credit bureau located in Singapore, which reported that overseas revenue of the top 100 companies with overseas operations had increased by 29.4 per cent to S\$193.9 billion in 2012.

**Overseas expansion creates employment opportunities**

Companies that had expanded overseas also created overseas employment opportunities for Singaporeans. Close to 5,000 overseas positions are occupied by Singaporeans/ PRs within 400 companies that had given their employment figures.

Using an average of company ratios, the percentage of overseas Singaporeans/ PRs over respective total overseas workforce for SMEs was 72 per cent and 45 per cent for non-SMEs. This suggests that when the company first ventures out, it is likely to send Singaporeans/ PRs overseas. Unsurprisingly, as it grows in size, it will hire more local staff.

With companies intending to venture into more new markets, it is likely that more employment opportunities would be created abroad for Singaporeans/ PRs.

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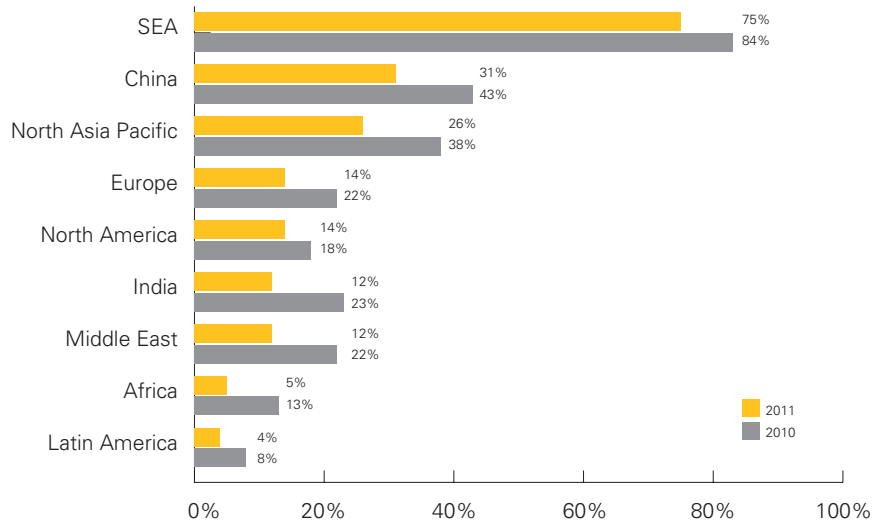
**Engagement in fewer regions**

While companies were optimistic about their overseas business growth, the survey showed that both SMEs and non-SMEs were engaged in fewer regions as compared to the past year.

SEA and China remained the top regions of engagement. 75 per cent of SMEs had presence in SEA, 31 per cent in China and 26 per cent in North Asia Pacific. For non-SMEs, 81 per cent had presence in SEA, 66 per cent in China and 48 per cent in North Asia Pacific.

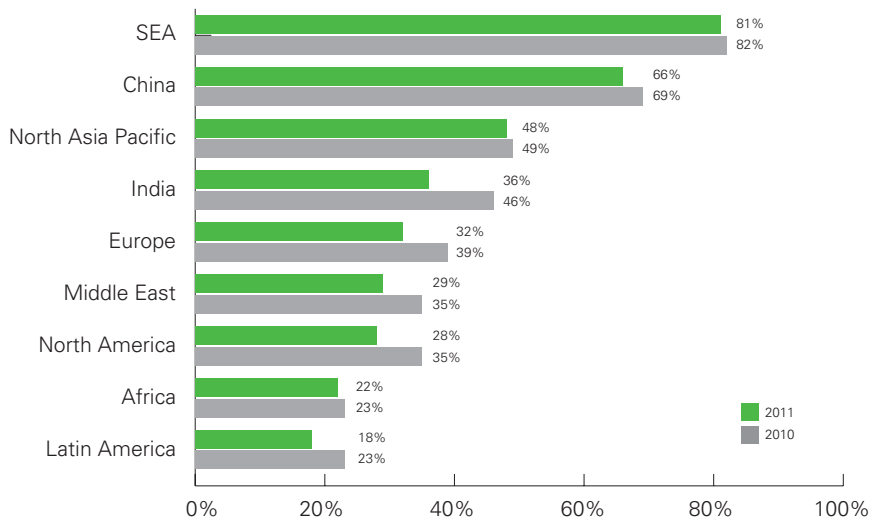
**Overseas presence of SMEs**

Base: N=1108 (2011), N=1001 (2010)



**Overseas presence of non-SMEs**

Base: N=106 (2011), N=175(2010)



**Challenges in developing an external market**

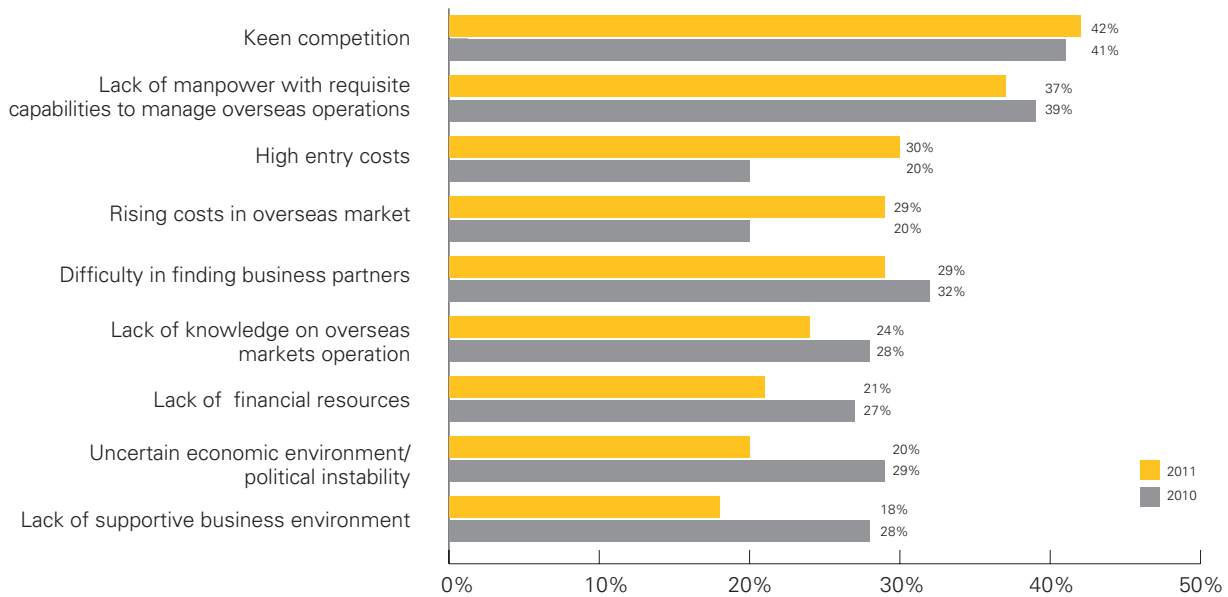
Companies faced multiple challenges in their overseas endeavours. These challenges differed between companies that invested overseas and those that exported overseas.

SMEs that invested overseas indicated that competition, the lack of talent and cost of doing business were the top challenges. Cost issues were a greater concern for SMEs this year, with high entry costs and rising costs in overseas markets showing an increase of about 10 per cent from the past year.

Non-SMEs faced challenges in manpower and competition. In addition, they rated an uncertain economic environment/ political instability as a major concern.

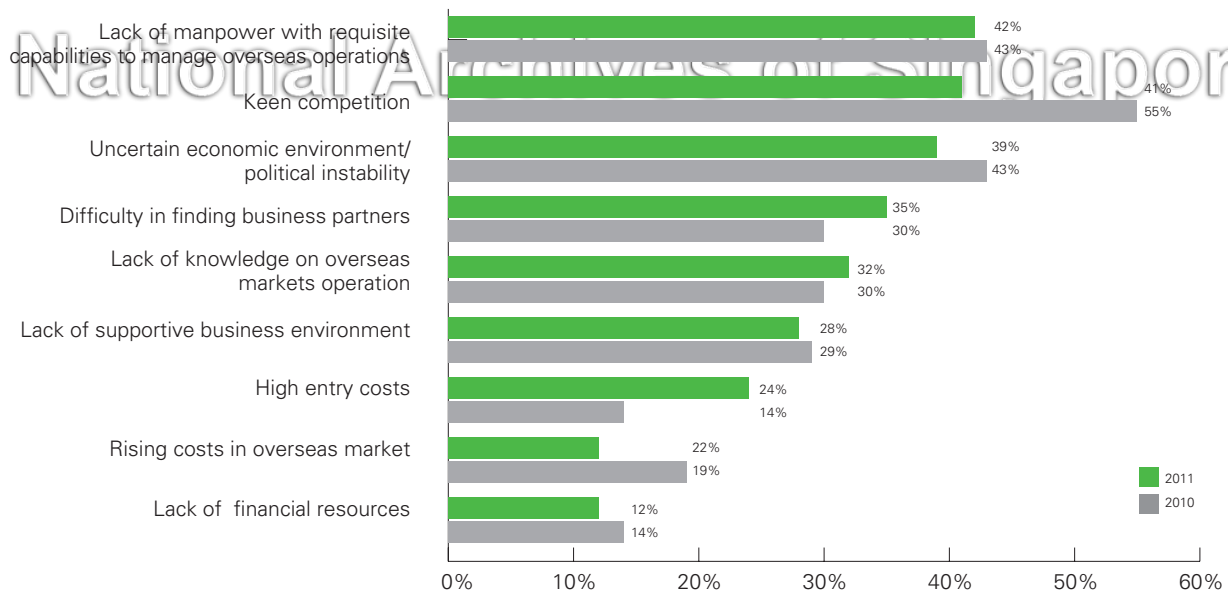
**Investment related challenges for SMEs**

Base: N=441 (2011), N=497 (2010)



**Investment related challenges for non-SMEs**

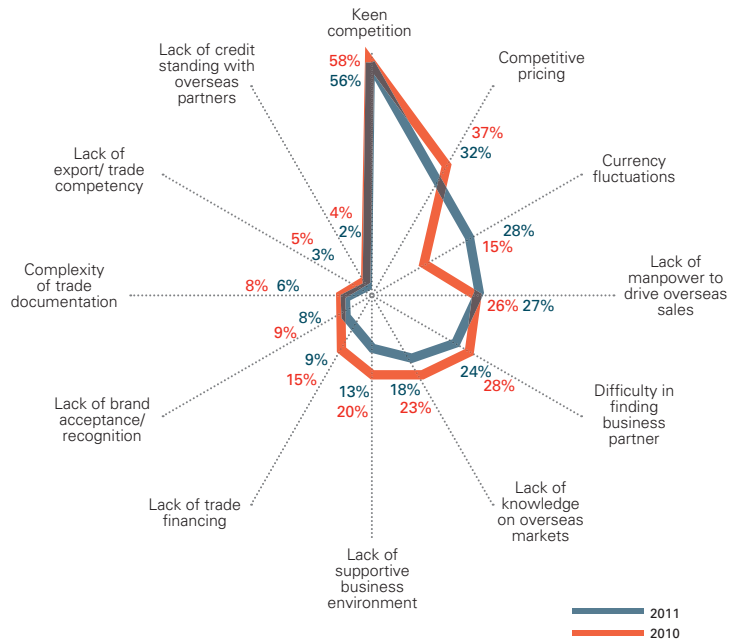
Base: N=85 (2011), N=143 (2010)



Both SMEs and non-SMEs cited keen competition and competitive pricing as the top challenges in the export of goods and services. There was an increase of 13 per cent of SMEs that cited currency fluctuation as a challenge compared to the past year, while an additional 8 per cent of non-SMEs cited the lack of manpower to drive overseas sales as a challenge.

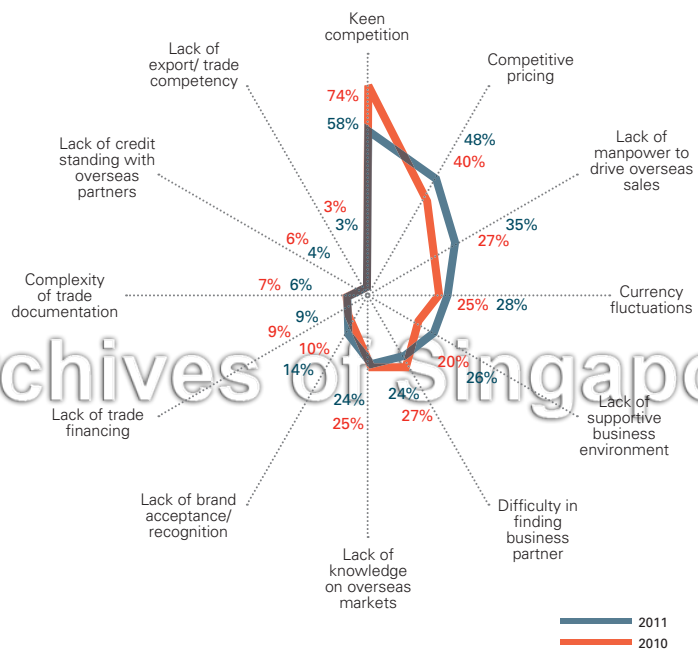
**Export related challenges for SMEs**

Base: N=858 (2011), N=919 (2010)



**Export related challenges for non-SMEs**

Base: N=80 (2011), N=134 (2010)



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**Market understanding, talent and right partners are key success factors**

Singapore companies identified key success factors in expanding overseas.

For companies investing overseas, having a good market understanding, having the right people to manage overseas operations and building on the strength of foreign partners were cited as key success factors.

For companies that export goods and/or services overseas, they too, cited having good market understanding and having the right overseas partners as key success factors. For these companies, a strong company/ product branding was also important.

SMEs listed market research and analysis, and market development strategy as the areas of expertise that they most require to overcome the challenges that they face and to successfully expand into their desired overseas markets.

For non-SMEs, market research and analysis was also the top area of required expertise, followed by the need for legal and regulatory advice. Other areas of expertise that non-SMEs would like to be equipped with were financial advisory, joint venture and mergers and acquisition strategy and market development strategy.

**Conclusion**

Companies are bullish on overseas growth and expect positive overseas revenue contribution despite facing multiple challenges amidst this uncertain global climate. A good market understanding, and having the right talent and partners are critical to companies for success in overseas expansion, and IE Singapore will continue to support companies in these areas through its market insights' sharing and strategic engagement with companies.

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