

SMEs SEE BRIGHTER 2015

Six in 10 Singapore small and medium-sized enterprises expect their business to grow next year. BY THEM IN SUWARDY AND MELVIN YONG

NEARLY six in 10 small and medium-sized enterprises (SMEs) in Singapore expect their business to grow next year, according to the latest study of Asia-Pacific small businesses by global accounting body CPA Australia.

This is a more optimistic outlook compared with the last 12 months, where just half of SMEs reported that their business actually expanded.

SMEs are also most positive about the prospects for the economy than at any time in the last four years. Some 61 per cent of these businesses expect the Singapore economy to continue growing in 2015.

"Singapore's small businesses have typically responded well to these challenges with many focusing on reviewing costs, increasing marketing and improving customer retention," said Gavan Ord, manager, business & investment policy, CPA Australia, who conducted the survey.

"Improving staff productivity and skills were also identified by respondents as major drivers of expected growth in the coming 12 months," he added.

The annual survey – conducted in September this year – polled small businesses in Singapore, Malaysia, Indonesia, Vietnam, China, Hong Kong, Australia and New Zealand. Nearly 3,000 responses were received, spread evenly across all eight markets.

With the targeted realisation of the Asean Economic Community in 2015, there is much potential for Singapore SMEs to capitalise on the opportunities. Good preparation for the expected challenges in business and economic conditions is key, especially in strengthening SMEs' finance functions.

As a global professional body representing 150,000 accounting, business and finance professionals worldwide, CPA Australia regularly provides tools and resources that help its members and SMEs excel through the business cycles. CPA Australia suggests a few things that a business owner can do now to get ready for the challenges ahead.

REVIEW COST STRUCTURES

Cost structures are arguably one of the most fundamental parts of any

business wanting to ensure that it maintains a healthy balance sheet and sustained profitability.

The Ministry of Trade and Industry's 2013 *Economic Survey of Singapore* noted that labour, utilities and rentals were key drivers in recent increases in business costs.

It is good practice to revisit your business plan and budgets, and change them to reflect current and expected circumstances. Review the assumptions underpinning your business plan and, if those assumptions have changed, amend your plans and budgets to reflect the new conditions.

Look at the costs that are under your control. One common mistake is to rein in costs indiscriminately by slashing all expenditure. Training, staff welfare, advertising, repairs and maintenance, for example, may be discretionary but they play a large role in ensuring the continuing success of your business.

For costs that are not within a business' direct control, such as supplies and inventory, consider asking or selecting suppliers who are willing to be your business partners. Some suppliers may be willing to change how they deliver stock to you. This can reduce warehousing costs if they supply on a "just-in-time" basis or provide them on consignment.

IMPROVE YOUR PRODUCTIVITY AND STAFF SKILLS

Getting more from your assets and staff is essential to success – it ensures that your business is operating as efficiently and effectively as possible. Productivity and staff skills are important across all your business functions from front-line and production staff to support functions such as accounting and finance. They are not all about automation or turning the whole economy into a "machine nation".

Take accounting and finance, for instance. As your organisation grows, it is important to invest in accounting capabilities and capacity. For your business to succeed, the accounting and finance function should be seen as more than just a transaction processing department.

"The high pressure, lower value adding activities completed by finance functions often result in finance employees suffering from low

morale, which invariably leads to higher staff turnover rates," said R Raghunathan, partner at PricewaterhouseCoopers Singapore, in a CPA Australia publication entitled *Accounting and Productivity*.

A good accounting and finance function spends considerably more time developing business insight and managing risks to help the organisation operate effectively rather than focusing on transaction processing.

It should help businesses evaluate its current performance by collecting data on business performance and comparing that to previous performance, industry benchmarks and the strategic goals of your business.

An effective accounting and finance function will help monitor cash flow components such as receivables, inventory and payables, as well as examine asset utilisation and returns on investments.

It should regularly evaluate the performance of identified key drivers against goals and look at areas for improvement. The best way to do this is to have a system that presents evaluations in a clear and concise way, such as dashboard reporting.

Transaction processing is undoubtedly necessary in any business but it should be achieved with utmost efficiency. Think about any internal accounting or finance-related forms that you still use. Set a challenge to have them converted into electronic versions or Web forms by next year.

As businesses prepare for 2015, the Monetary Authority of Singapore has projected that the economy will grow at a modest pace next year. But while business conditions may seem challenging, SMEs will find value in the many opportunities if they are consistent in the strategic direction of the organisation and can be properly funded.

Businesses can also create their own opportunities by seeking out new markets. And the Asean Economic Community, with a population of over 600 million consumers, may well form the bedrock of growth opportunities in the region.

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