

SINGAPORE'S many trade associations and chambers (TACs) help small and medium-sized enterprises (SMEs), which are the backbone of the local economy, in many ways through their wide reach and tapping a variety of government programmes and incentives, say specialists.

The LEAD programme, which is administered by Spring Singapore and IE Singapore in particular, is available to TACs to use government funds to enhance industry and enterprise competitiveness.

"I believe that many of our SMEs have benefited from access to knowledge, partners and markets from the LEAD programme launched 10 years ago," says Annie Koh, vice-president (business development) and professor of finance at Singapore Management University (SMU).

"I was the moderator at the launch and recall the excitement of many of the SMEs in the precision engineering space looking forward to the TAC getting help from Spring and IE-funded projects for the technical expertise of the SMEs to be bundled with the strong B-to-B (business to business) players so as to brand the products and services in many of the developed and developing markets that IE has presence in.

"So it was a great start; and I do believe that if you look at the data, LEAD has supported over 50 industry upgrading projects," Prof Koh highlights.

Analysts point out that industry goes through life cycles – what was once a sunset industry could become the next up and coming industry. A case in point is the furniture industry, for example. While low-cost furniture producers could move to less costly countries, Singapore currently has brands known for their design and ergonomics in furniture production.

"Through the LEAD programme, the furniture industry has transformed and is working with the DesignSingapore Council and also the IE branches. We have rebuilt the industry's competitiveness and branding edge. I believe that's how we grow competitiveness and productivity," says Prof Koh.

She believes that the TACs should collaborate with each other and not just keep within their members in the specific industry association. "Take food for example – many of our food companies are moving towards packaging, so it will make sense for the food companies to collaborate with packaging industry players and even logistics companies to link to the food supply chain when they go overseas.

"Then the sum of the parts are larger than the whole, and we can even dedicate an event overseas where the retail buyers get to see the food brands – BreadTalk, DoDo fish balls – as well as the different companies which are B-to-B operators that provide the different *dim sum* to restaurants and hotels, and can be the ones providing food products to other hotel chains in Indonesia, Myanmar, etc."

Prof Koh says that while IE Singapore and Spring are great agencies and partners to help TACs and companies grow global, many of the sector-specific knowledge rests with some other research partners overseas.

"For example in SMU, we have the Business Families Institute (BFI) set up; and in each of the different Asia-Pacific as well as Latin American countries, we have university partners with family firms affiliated with them. Many of our SMEs are family-owned and when they look for overseas partners, they are keen to have family-owned firms working with them in the overseas markets. So having BFI linked to the TACs will help our SMEs find like-minded partners to work with."

Another suggestion that Prof Koh has is to have leading companies as partners in the LEAD programme as not all the SMEs are sufficiently large or have been around for more than three generations. So if there are one or two stronger players leading the way for the rest of the



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members from each TAC, that will make a difference.

"For example, in food-related business, Tee Yih Jia has a lot more experience and network, and ST-linked (Singapore Technologies-linked) SFI (Singapore Food Industries) from a GLC (government-linked company) perspective can also give our smaller SMEs enough credentials when led by these stronger names. I'm sure

even foreign players with a big presence in Singapore such as Classic Fine Foods will benefit from industry-related activities, food festivals, and up the productivity and brand of the whole cluster," says Prof Koh.

As Singapore is a small country, from the moment that a company is set up, it must have globalisation ambitions, according to analysts.



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Trade associations might be able to help in internationalising SMEs, says Prof Pangarkar

“We need to think big and act big and of course, if we cannot be big immediately, then we come together as a group of industry-related collaborators and grow bigger together. I believe this is not impossible and that’s what the LEAD programme is meant to do, and we should not worry about who gets which piece of the pie – just grow the pie bigger; and with a bigger pie, there’s more to share. Otherwise, we are left with bread crumbs. And with LEAD, the industry will know what they need to survive as an industry.

“I am optimistic that for the next 10 years, we will be leading in certain industries and we can make this work if we believe that collaboration brings more benefits to all in the industry whether it’s collaborating with knowledge, network, talent or ideas,” says Prof Koh.

A businessman who is optimistic over the growth of Singapore’s SME sector with the help of government agencies such as Spring and IE and their LEAD programme is Filippo Fanin, chief executive officer of Brotzeit, a relatively new SME which serves authentic German food and beer.

“SMEs are where the growth of the future of the economy will come from. Typically, these companies struggle to build the capabilities and organisational structure required for them to become competitive beyond the country’s borders,” says Mr Fanin.

The home-grown brand provides an authentic German lifestyle experience to Asian customers through its six restaurants in Singapore and 12 franchised outlets in six territories across Asia.

“At the same time, these companies are often introvert and do not have the time to build industry-wide relationships that can benefit their international growth. The LEAD programme is very useful to help SMEs to solve both of these business challenges.”

While his company has not directly benefited from the LEAD programme, Mr Fanin feels that a more proactive

approach could allow TACs to be more successful in their support to SMEs. In particular, an industry-focused association could identify and approach those SMEs that are most promising, rather than relying on them to come forward.

“I find that many SMEs still are not aware of this programme, and do not know how it could benefit them. Optimising the message and establishing more direct contacts would help reduce this informational gap.”

Asked for suggestions on how to improve the LEAD programme now that it is completing 10 years, Mr Fanin feels that better results would come from the programme if it were “to behave more as a partner to SMEs, a sort of mentor able to analyse the SMEs business model, understand their strategy and pressure points that need to be eased in order for such companies to achieve their long-term targets”.

“As mentioned earlier, a lot of these companies are focused on their product development or brand development, and struggle to see longer-term opportunities due to lack of time or resources,” he adds.

Mr Fanin says that his company’s business model has a lot of pressure points at this stage. Employees’ productivity is one of them, as well as business process both at the headquarters and in the kitchens.

“We will probably tap the LEAD programme to support us in setting up an effective Enterprise Resource Planning software system, as well as a central production unit.

“Additionally, we would also like to explore the opportunity of setting up partnerships with other industry players and food processors to understand the possibility of solving our food production needs via JVs (joint ventures) or other solutions.

“At the same time, we will look to tap into those platform and initiatives that will allow our brand awareness to grow in key markets like China and Australia, as those are large markets to tackle and our resources are really limited if we

want to penetrate the consumer market without leveraging the strengths of other industry-wide resources, as well as Singapore’s country brand,” says Mr Fanin.

IE Singapore’s assistance has been instrumental in helping Brotzeit to get to where it is today. The company started tapping the government agency in 2009 for its internalisation efforts.

“For us, given our scarce resources, it is more a matter of understanding how we can make the most of the opportunities and support on offer, and ensure we can undertake those initiatives that will impact the most the value of our brand and our company,” adds Mr Fanin.

While Brotzeit is one good example of a Singapore-based company taking the internalisation route to grow, academic research also shows that going overseas has a positive impact on the growth of SMEs.

“In my research, I have found that internationalisation has a positive impact on SMEs’ performance, and firms with more (and diverse) collaborative agreements perform better,” says Nitin Pangarkar, associate professor of strategy and policy, National University of Singapore Business School.

Trade associations might be able to help in internationalising SMEs through a couple of different ways, he says.

“Associations may be better able to gather information and share best practices, or even information on failure cases – the lack of information is one of the key stumbling blocks in internationalisation.

“One specific way could be where an association commissions a market research or consulting company, and the costs are shared across members, thus reducing the cost burden.”

Trade associations may also facilitate forming collaborations among their members which would reduce the barrier to internationalisation. An association, or a subset of its members, may also be more attractive as partners to, say, a university, says Prof Pangarkar.