

**KEYNOTE ADDRESS BY MR TED TAN
DEPUTY CEO, IE SINGAPORE
AT THE SME SUMMIT BY DUN & BRADSTREET AND
STANDARD CHARTERED BANK,
23 MAY 2008, AT RAFFLES CITY CONVENTION CENTRE**

Mr. William Lim, Executive Director, Dun & Bradstreet (Singapore) Pte Ltd,
Mr. Ajay Kanwal, Head, Consumer Banking, Singapore, Standard Chartered Bank,
Distinguished Speakers and Guests,
Ladies and Gentlemen,

1. Good morning. I am honoured to be here at this inaugural SME Summit organised by Dun & Bradstreet and Standard Chartered Bank.
2. Today, I would like to address the topic of the SMEs in Singapore and the trend of their overseas growth.

The SMEs in Singapore

3. The Singapore SME community is vibrant and growing. Making up over 90% of enterprises in Singapore, SMEs contributed about 42% of our GDP and employed more than half the workforce in 2007.
4. Many of our SMEs have embraced a global outlook to seek further growth opportunities. From the 2007 SME Development Survey by DP Info, 70% of SMEs surveyed have begun doing some form of business outside of Singapore, up from 59% in 2006. With growing overseas revenues, many SMEs are moving beyond our traditional markets and into emerging markets like Vietnam and India. Some have even ventured into the less trodded paths in Africa.
5. The impressive growth track record of SMEs has also been bolstered to some measure by their efforts to leverage on business opportunities outside Singapore. This trend is not surprising given the fact that consistently since 2004, SMEs surveyed revealed that 'finding new markets' is one of their key growth strategies¹.

SMEs' Internationalisation – Opportunities

¹ SME Development Survey 2004, 2005, 2006 and 2007.

6. The growing interest of SMEs to export and internationalise in the last few years can be attributed to the following:

I. Singapore's open and small economy and strong trading background have inevitably exposed SMEs to international competition and trade. For SMEs that have established strong local market position in Singapore, internationalisation could be considered as a natural growth progression.

Some of our Singapore SMEs which have done just that, F&B company Bakerzin, for example now has franchises in regional cities like KL, Jakarta, Penang, and Shanghai, and it opened its first US outlet in Arizona last year. Shoe retailer Charles and Keith can be found in over 20 markets within the Asia Pacific and Middle East.

II. With Singapore's pro-export and business friendly policies, the government has been deliberate in encouraging companies to explore business opportunities overseas. For instance, Singapore's 13 Free Trade Agreements with key trading partners such as China, Japan, India, EU, ASEAN and more, have brought economic benefits for our companies. In 2006 and 2007, IE has helped over 516 SMEs tap on our FTAs through our outreach programmes allowing them to reap about \$161.9 million in tariff savings.

III. The Singapore brand name is a major asset we own in common. With Singapore associated with attributes such as quality, reliability, efficiency, trust, SMEs can leverage on these established characteristics when they internationalise. Our strong reputation in the various service industries such as IT, healthcare, food and beverage, banking and finance will offer huge export potential².

IV. In addition, in today's international economic environment, the size of a company is no longer a measure of its competitiveness. The international market demands that companies be nimble and responsive, allowing SMEs to play up their natural strengths. Those who succeed focus on their core competencies and not try to do everything.

² Challenge magazine, August 2005 issue, 'No Venture, No Gain',
http://www.ps21.gov.sg/Challenge/2005_08/cover_story/cover_story.html

SMEs' Internationalisation – Challenges and strategies

7. Every culture is different, and in venturing overseas, it is important that SMEs adjust their business models to adapt to the local culture. Being adaptable to the local business practices and customs is one of the success factors stated by SMEs.
8. It was also noted that the top obstacles SMEs faced include strong competition, manpower issues and lack of business contacts. Therefore, it is important for SMEs to look at their business strategies, do their market research and identify their unique selling propositions to ensure a successful venture.

Overview of IE Singapore's support to SMEs

9. While SMEs drive their own growth path, IE Singapore, as the agency championing the overseas growth of Singapore-based enterprises and international trade, plays a role in assisting companies prepare for their venture overseas.
10. Our '3C' framework of assistance – Competency, Connections and Capital, is designed to support the international growth of Singapore-based companies. We are able to provide companies the **connections** overseas, the competencies to increase their competitiveness and the right tools for them to gain access to the necessary **capital**.
11. In 2006 and 2007 alone, we have assisted over 26,800 SMEs to grow their exports and expand their business overseas. With our offices in over 30 locations worldwide, we have provided the necessary **connections** to help our SMEs expand into over 90 overseas markets, with South East Asia, China, India, Vietnam, the US and increasingly Europe and the Middle East being the key target markets.
12. We also have a range of programmes catered to help companies build up their internationalisation **competencies**. To address the key challenge of Manpower development for instance, IE Singapore organises the International Business Fellowship, or IBF, programme, which supports in-market training for executives in emerging markets such as China, India, Vietnam, Middle East and recently extended to Central Asia, Russia and Latin America.
13. To provide easy access to professional advice on matters relating to the internationalisation value-chain, we launched the advisory portal. Companies are able to receive consultations on a range of matters from market set up, logistics, legal as well as financing from professional consultants. I am happy to say that both

Dun & Bradstreet and Standard Chartered Bank are part of this portal being our valued advisors.

14. I am also proud to share with you IE Singapore's newly launched Advisory Centre. A one-stop centre to guide Singapore companies venturing overseas, the Centre provides free customized services to suit companies' internationalisation needs. The Centre hopes to provide a more holistic customer service experience. You will also be able to find Dun & Bradstreet and Standard Chartered Bank in our Advisory Centre as partners providing consultations to our customers in the coming months.

15. On top of IE's products and services, I would like to commend Dun & Bradstreet for making available its SME Toolkit and SME Credit Bureau for the businesses. These services will provide SMEs with the tools to obtain business and corporate information, such as credit ratings.

16. Lastly we are happy to hear from many SMEs that access to **capital** for financing is becoming less of a challenge with various government-supported loan programmes, such as the Internationalisation Finance Scheme, and ample commercial facilities in the SME loan market. IE Singapore has recently launched our Internationalisation Capability Development Programme (iCDP). This \$20 million enhanced programme supports local companies on capability development projects in areas such as branding, design, IP, franchising, market entry and more. The programme will now allow for greater flexibility of assessment by broadening the existing range of capabilities which companies can apply for support.

Conclusion

17. Many Singapore companies have been successful overseas, and have generated good returns. We expect to see an upward trend in SMEs venturing overseas, and IE and our partners will continue to provide all the necessary support. In conclusion, for SMEs to succeed in their internationalization, they should 1) focus on their core competencies and profit from the core, 2) identify good local partners who can help them navigate in the overseas markets, and 3) conduct their market research and due diligence before plunging into the new markets.

18. On this note, I wish all of you every success in your overseas ventures.

Thank you.