

In Malaysia, Small Medium Enterprises (SMEs) play an important role in spurring the country towards continuous economic growth. Small Medium Enterprises (SMEs) are defined as companies "with annual sales turnover not exceeding RM25 million and full-time employees not exceeding 150".

There are reportedly 44,185 manufacturing companies registered with the Companies Commission of Malaysia, of which 20,453 are active establishments. SMEs constituted approximately 89.8% of these active establishments. In 2003, the Ministry of Trade and Industry (MIT) reported that SMEs contributed 29.1% of total output, 32.5% of employment and 26.2% value-added.

Approximately 40% of the SMEs in the manufacturing sector are in the resource-based sector. The wood and wood products industry accounts for about 12.1%; food, beverages and tobacco, 10%; paper and paper products, 9.9%; and rubber and plastic industry, 7.4%. The other important sectors for the SMEs are machinery and equipment (9.4%) as well as textiles, apparel and leather (8.8%). Meanwhile, the market share of SMEs in terms of export contribution is at 20%.

SMEs in Malaysia face many challenges. Trade liberalization accounts such as the World Trade Organization (WTO) and Asian Free Trade Agreement (AFTA) have triggered increasing globalization of industries, which has in turn resulted in global competition. Furthermore, most of the SMEs lack the capacity to absorb new technologies in the manufacturing and management processes and are not fully exposed to the emergence of new technologies. Most SMEs also lag behind in the development of Information Technologies, the Internet and e-commerce, which could help them to improve efficiency and their delivery system, which are crucial in today's competitive market.



The government, which has realised SMEs' potential as a critical component in the industrial economic development, have taken aggressive and strategic efforts to develop and nurture SMEs to increase their contribution to output, value-added and employment. In order to survive the intense competition globally, there is a need to enhance and speed up the integration of SMEs with the mainstream domestic manufacturing and distribution supply chain. In comparison, the economic contribution of SMEs in Malaysia is still relatively small compared to SMEs of developed countries.

Organizations such as SMIDEC (Small and Medium Industries Development Corporation) play a very important role in the formulation of policy and implementation of programmes for the development of SMEs in Malaysia. Other functions of SMIDEC include acting as a provider of technical and advisory support services in collaboration with other related agencies involved in SMEs' development. SMIDEC is also actively building industrial linkages between SMEs and large companies or multinational corporations, apart from implementing, coordinating and monitoring financial assistance schemes. Among programmes that have been implemented by SMIDEC is the SME Expert Advisory Panel (SEAP), which is a programme to assist SMEs to upgrade their technological capability to achieve efficiency and increase productivity. Other programmes that have been implemented include Global Supplier Programme (GSP), Industrial Technical Assistance Fund (ITAF) and soft loan schemes.

The National Small and Medium Enterprises (SME) Development Council has also convened to discuss, endorse and implement government programmes for SME development. The Council was established in June 2004 as the highest policy-making body to chart the direction and strategies for comprehensive, coordinated development of SMEs across all sectors of the economy.

One of the milestones in 2005 was the establishment of new functions of the SME Bank, which serves as a development financial institution to nurture and meet the unique needs of SMEs. The SME Bank complements existing products and services offered by commercial banks through comprehensive and integrated financial and business advisory services in responding to the funding and business growth needs of the country's SMEs.



Earlier this year, the SMEInfo Portal was launched. The Portal serves as a one-stop online information gateway to provide comprehensive information on financing, training as well as government support and development programmes for entrepreneurs and SMEs. This portal also contains a free SME directory to promote business and networking opportunities among SMEs.

The National Small and Medium Enterprises (SME) Development Council has also conducted a Census of Establishments and Enterprises in 2005, whereby findings reinforced the need for aggressive efforts to be undertaken in a strategic and coordinated manner to support the expansion of SMEs and strengthen their capacity and competitiveness, given their significant potential contribution to the country's economy.

Several SME development programmes have been rolled out to strengthen and accelerate the development of SMEs in order to support the country's economic growth. The National SME Development Blueprint 2006 included a total of 245 programmes that will be implemented throughout the year. Furthermore, RM3.79 billion has been committed by the Government for the implementation of programmes under the Ninth Malaysia Plan (9MP). A total of 170 key capacity building programmes will also be implemented in 2006, covering the areas of entrepreneurship development, training and human resource development, and marketing and promotion. In addition, programmes will also be undertaken to assist SMEs to adopt higher levels of technology and upgrade their products, as well as to provide advisory services to SMEs.

In this issue of Power Philosopher, we have the privilege of interviewing Mr Saud A. Minam, the Business Banking Head for ABN AMRO Singapore. Mr Minam has garnered vast experience in the banking industry, with significant achievements in establishing ABN AMRO consumer banking's initial entry into and explosive growth in China.

We are also very pleased to have ABN AMRO as our exclusive bank sponsor for our SME Credit Bureau Conference held on 19th May 2006. This important event saw many outstanding presentations from leading talents, including ABN AMRO's presentation- "Better Times Ahead: Solutions & Delivery Channels for SME Segment."

We took this opportunity to have a chat with him and find out more about his experiences, knowledge and vision for the corporate banking sector in Singapore, as he sets his sights on further developing the Business Banking segment in Singapore. He also shares his thoughts on the impact of the emergence of credit bureaus in major banking economies in Asia.



- From your 12 years of experience in banking, what can you say about the banking industry in Asia?  
*The last decade has been great for the banking industry in Asia, for both Commercial and Consumer segments. Banks have moved away from conventional banking to more sophisticated products for these segments. Electronic channels have become part of daily transactions, allowing banks and clients to conduct business with speed and accuracy.*
- What would you say are the marked differences in the China banking market versus the Singapore banking sector?  
*The Singapore banking sector is very well established technically whereas the China banking sector is developing. As seen in other markets previously, as foreign banks enter the China market, they will bring with them global experience and drive product and technology innovation.*
- How different is it to drive consumer banking market versus corporate banking market?  
*It is just like driving a race car and a passenger car. Consumer banking requires larger teams to operate compared to corporate banking. There is a tremendous surge in the Consumer segment in Asia as the economy is bouncing back. In order to stay ahead of competition, we require speed and innovative products.*
- What does ABN AMRO Singapore have in store for the local SME segment?  
*We have products and services that target both sides of the balance sheets of SMEs. On the asset side, the bank has already introduced some lending products. On the liabilities side, ABN AMRO will be launching a range of cash management tools for SMEs.*
- What is distinct about ABN AMRO's banking solutions for this segment?  
*SMEs have become more sophisticated; they are not only looking for borrowings from bank but also seeking solutions for their needs. We provide tailor made solutions to our clients, so that they can enjoy and rely on our global experience and local presence. Electronic channels are important for this segment's growth. We have various delivery channels available for our clients which can provide speed and accuracy for a quick turnaround for their products and services in international markets.*
- Are these solutions currently in the market? If not, how soon will it be brought to market?  
*Yes, these solutions are already in the market, and our clients are reaping and enjoying the benefits.*
- What are your forecasts towards the SME Banking segment in Singapore? In which direction will it move?  
*Due to massive growth in Asian markets, this segment has prospered and there are no signs of cooling down in the next few years.*
- How do you feel about the establishment and growth of credit bureaus in the Asia banking industry? What kind of impact will it have on end-consumers and corporations /SMEs? We are heading in the right direction; credit bureaus bring discipline in doing business in any market. Establishment of such bureaus will bring credibility to the local market, which in return will gain the confidence of international investors, making it easier to conduct business in a more conducive environment.
- How soon do you think Singapore banking industry will start to adopt score cards for consumers/corporate banking? ABN AMRO and other banks already use score cards for consumer banking and we are in the process of developing one for our SME segment. This will allow us to compete in the market with a quicker approval process.
- Is this a good and healthy development in your opinion? *Yes indeed, any step towards discipline is always a good and healthy development.*
- Prior to joining ABN AMRO, what were you doing? *I have been involved in various positions in the Sales & Service industry since 1986. Prior to joining ABN AMRO, I was working with Citibank & DHL and involved in Automobile sales, where I learned the most.*
- How would you describe your management style? *"Hands on", complemented by a "coaching" style. I provide a lot of space to people to come up with their own way to accomplish tasks. With new recruits, I spend a lot of time coaching and guiding them to become successful professionals. A few of my juniors are now holding key posts in ABN AMRO. I feel proud of my achievements.*
- Have you ever had a mentor in school or through family? *My father was a mentor to me. He taught me how to become a successful person by practicing basic ethics.*
- If you were a mentor, what advice would you give to young, fresh banking/finance graduate to start a path towards your achievements?  
*Being a mentor is not easy; you have to practice what you preach. I have been a mentor for a few people so far, and my advice to them and any fresh graduate entering in the professional arena is to work hard and learn. There are no short cuts in life. Experience and knowledge comes with time and hard work, not overnight.*
- Would you like to share any power quotes which you live by?  
**"Do not wait for things to happen, make them happen."**



## We held our 2nd SME conference with the Association of Small and Medium Enterprises on the 19th of May at the Suntec Convention Hall.

Supported by Spring Singapore and the International Finance Corporation (IFC), we took the occasion to launch the Singapore Business Toolkit in collaboration with the IFC. The full-day agenda was carefully planned to give conference participants best returns for their time and included a presentation on Singapore's financing environment by the Chairman of ACE, Mr. Indrajit Singh. Last year, the conference focused on access to financing and trade credit. This year, the theme was on helping businesses to have sustainable business management practices. The Business Toolkit was also launched in Malaysia with the IFC on the 22nd of May.

The D&B Worldwide Network Summit was held in Tokyo in end May. The Worldwide Network is the culmination of the D&B international strategy in putting together a

unique network of owned and partner markets to better serve the business community by providing business insights to meet customer needs worldwide. Each D&B owned and partner market also maintains a leading competitive position in its own domestic market to ensure a unique competitive edge and deliver a universal value proposition to customers. In Singapore and Malaysia, with businesses increasingly pushing its business frontiers beyond its own border, this cannot come at a better time.

Credit Bureau Singapore (CBS) will be launching a new on-line access product for consumers in July. This is in line with the key objective of CBS to be a world-class credit bureau. This service will not only bring convenience to consumers but will also make CBS a very transparent credit bureau.

*William Speaks*



Hoovers, the Global Referencing Solution and Credit Advisory Services have been added to our suite of products. We expect to unveil several new initiatives in the new financial year commencing July and will continue to strive to serve our customers better.

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## Know what the Bank knows...about you.

Every month, payment performance data on approximately 3.6 million accounts is uploaded by the Banking and Finance industry to Credit Bureau Singapore (CBS).

This data is now an integral part of any new credit application assessment, be it for a Credit Card, Motor Vehicle, Property or Overdraft loan. In fact, when applying to a bank or finance company for any type of loan, you should assume that a credit check on your file will be done.

In the past 12 months, CBS has processed close to 30,000 personal checks (where the consumer requests to view a copy of his or her own credit file). Considering that the database holds information on some 1.1 million Singaporeans, the number of consumers checking their own file makes up a very small percentage of the population.

Much has been done to ensure a high standard of data transparency. In addition, consumers can now request a copy of their report via SingPost (SAM Machines, v-Post or Counter Services) or come direct to the credit bureau office. Consumers can elect to have the report emailed to them (password encrypted file) or mailed, and in the case of a direct request at the credit bureau office, the report will be processed whilst they wait.

### Why is it important to know what's on your file?

Your credit bureau file is an indication of your financial health. This is very important to the lender as they assess the risk involved in granting credit. You should therefore know what's on your file and periodically check to see what has been uploaded.

If you are unsure of any item on your report, the credit bureau will assist you by dealing direct with the bank or finance company that loaded the information. You have the right to request a correction, and the credit bureau will investigate on your behalf.

You should also know which companies have accessed your file as part of a credit application process. You can even request an email alert service so that you can be informed whenever a new application credit enquiry is being performed on your file. ID theft is prevalent internationally and there have been some recent reports here. Ensuring that no one applies for credit using your name is important, and the alert service provides this comfort.

Get a copy of your credit file and understand what's on it. Drop in at any SingPost branch or access a SAM machine to request a copy. It costs only \$5 to request a copy of your report.

Soon, CBS will be introducing on-line access to allow you to check your data from the convenience of your PC.

## Web-based Portal for SMEs

Now Available in Singapore & Malaysia

Named the Singapore Business Toolkit (in Singapore) and the Malaysia Business Toolkit (in Malaysia), the portal was originally developed by the IFC | THE WORLD BANK GROUP. The portal is a project by Infocredit D&B and the Small and Medium Enterprise (SME) Department of the World Bank Group.

The global content in the Toolkit was developed by world-class, small business content providers. It is designed to assist SMEs all over the world to overcome common challenges such as access to financing, employee management, growing pains, competition, and a single individual having to perform many cross-disciplinary functions within the organisation.

Said Mr Laurence Carter, Director of IFC's SME Department, "To date, IFC has launched the Toolkit in 10 languages in more than 20 countries. Toolkit sites now collectively receive more than two million visits per year."

Mr Carter pointed to a recent analysis by IFC that showed that 83 percent of users believe the Toolkit content is useful to SMEs, and approximately two-thirds consider the Toolkit to be one of the best in its class. Furthermore, two-thirds of users who visit a Toolkit site more than once report using it to improve their businesses.

Mr Carter added: "We believe the Toolkit is particularly well-suited to Singapore and Malaysia, where a large number of SMEs have fast, reliable Internet access, and Infocredit D&B is in an excellent position to bundle additional value-added content and services around the Toolkit platform to help benefit local SMEs."

The local content that ICD&B is currently developing will be geared specifically for SMEs in both Singapore and Malaysia and will complement the global content. The local additions that will be made from time to time include checklists and information on exporting, legal and tax codes, local business directories, information about local sources of financing, and relevant product and market information. Information such as industry overview and case studies are also available. In Version 2, to be developed within the next year, user registration and authentication will be activated; different languages such as Bahasa Malaysia and Chinese will be developed as well.

The Singapore and Malaysia Business Toolkit consist of three major components:

- An easy-to-use Web interface that allows users to search or browse to locate the content they need.
- A large set of best-of-breed articles, interactive tools, business forms, software, and online training resources acquired through strategic partnerships with major providers of small business content. It includes a range of rich, interactive content designed to help educate small business owners and managers in seven core business areas: Accounting and Finance, Business Planning, Human Resources, Legal and Insurance, Marketing and Sales, Operations, and Information Technology.
- A business training curriculum for SMEs using the Toolkit as the basis for computer-based, hands-on learning.

The Singapore and Malaysia Business Toolkits leverage the latest information and communication technologies to help SMEs learn and implement sustainable business management practices and increase their productivity, efficiency and capacity, as well as improve their access to capital and new markets.

In Singapore, the Toolkit is an extension of the SME Credit Bureau launched by ICD&B last year. The SME Credit Bureau is a central database of credit-related data on SMEs that enables potential lenders to make more informed decisions, thus increasing the chances of creditworthy SMEs securing credit. The Toolkit enhances SME Credit Bureau services by offering comprehensive business-centric information, solutions, resources and tools to enhance small and medium businesses.

Mr Gary Law, Executive Director of ASME, said: "The Singapore Business Toolkit will definitely be a welcomed resource for both aspiring entrepreneurs and entrepreneurs alike here in Singapore where the business environment is becoming increasingly competitive and operational costs are on a constant rise." He added: "Local start-ups and small businesses can take advantage of the comprehensive business-centric information, solutions, resources and tools available on site to enhance their businesses as they look to grow and develop further. I think the amount of benefit that the SMEs can reap from this open source information will be tremendous"

Mr Png Cheong Boon, Deputy Chief Executive, SPRING Singapore, said: "The Singapore Business Toolkit will be important to SMEs as it will allow them to diagnose their areas of weaknesses and recommend possible solutions to improve their business performance. With the increasing number of Internet-savvy individuals in Singapore, the Singapore Business Toolkit will become a convenient business improvement resource tool for SMEs."

In Malaysia, Managing director Tan Sze Chong said that among the relevant topics for the small- and medium-scaled enterprise (SME) community was the comparison of grants and availability of loans for them. Added by Malaysia's Deputy International Trade and Industry Minister Ng Lip Yong, "We will continue to engage with the SME community and find out the relevant content they require."

For more enquiries, you may email to [business toolkit@icdnb.com.sg](mailto:business toolkit@icdnb.com.sg) and [business toolkit@icdnb.com.my](mailto:business toolkit@icdnb.com.my)

## SMEs Get Public and Private Sector Assistance

Small and Medium Enterprises (SMEs) in Singapore are recognized as a key pillar of the Singapore economy, comprising 90% of all the enterprises and contributing to a quarter of Singapore's Gross Domestic Product.

An SME is defined as a company of at least 30% local shareholding. The net book value of the company's group fixed assets must not exceed S\$15 million, and if the company is in the service industry, its group employment size must not exceed 200 workers. In this issue, we will discuss the problems SMEs in Singapore face, the programs developed to assist the SME industry and some of the financing schemes available to them. Lastly, we will look at how the Singapore government has been helping SMEs to improve their capabilities and become more competitive.

A large number of low productivity SMEs co-exist with a smaller number of more productive local enterprises and foreign MNCs.

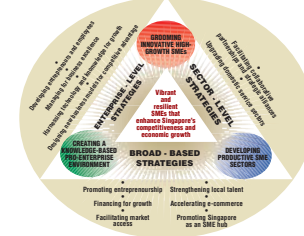
A survey on Organizational Change Management Practices in SMEs in Singapore by NUS and in collaboration with SPRING Singapore, found that most firms encountered resistance to change and only 57.5% were successful in overcoming this problem. The main barriers to change cited were cost factors, fear and insufficient knowledge about new technologies.<sup>1</sup>

SMEs also face other structural weaknesses which lead to their poor productivity performance. Some shortcomings include weak entrepreneurial culture, insufficient management know-how, insufficient use of technology, limited ability to tap economies of scale and a small domestic market.

SMEs that have operated under the old industrial period will have to transform to a knowledge-based economy (KBE). They will need to undertake knowledge intensive activities, learn to innovate and identify and capitalize quickly on commercial opportunities.

Given the push towards a KBE, SME 21 was created in 2001 by the Singapore government with a 10-year plan aimed at building up the capabilities of SMEs. The SME21 Plan has three strategic goals: grooming innovative high-growth SMEs; creating a knowledge-based, pro-enterprise environment; and developing productive SME sectors.

Figure 1: Three Strategic Goals of SME 21 Plan



Its vision for SMEs in the future is for them to be a source of entrepreneurship and innovation and to be manufacturers of high value added products, as well as to cultivate a base of strong supporting industries and strategic partners for foreign SMEs. A three-pronged holistic approach of Enterprise Level Strategies, Sector Level Strategies and Broad Based Strategies will be taken to achieve the goals.

Figure 2: Three Pronged Approach for SMEs



SMEs in general lack resources of their own, and access to loans is critical in determining their success. Thus, the Singapore government has also initiated financial assistance initiatives for SMEs to facilitate and improve their access to financing. One of these is the Local Enterprise Finance Scheme, which has fixed interest rates for the duration of the loan period and is designed to encourage and assist local enterprises to upgrade, strengthen and expand their operations; and the Variable Interest Loan Scheme (VLoan), which has interest rates determined by the PFIs and fixed for the duration of the loan. SPRING's SEEDS is another scheme that matches third party investments in innovative and promising SMEs in the non-technology sector. DBS also introduced the SME ACCESS Loan Scheme in April 2005, which manages to give out \$100 million worth of loans to more than 400 SMEs. This scheme benefits in particular, SMEs with little collateral and limited track record, as well as those seeking financing for internationalization purposes.

Besides providing financial assistance to SMEs, the government and other local agencies have also initiated plans to promote the capabilities of SMEs. Some initiatives include reaching out to more SMEs, enhancing industry competitiveness and developing comprehensive standards.

The SME population has grown from about 92,000 in 1995 to over 131,000 today. This shows an interest in entrepreneurship in Singapore. Such companies must be able to survive the keen competition and technological changes. Seminars were organized to encourage entrepreneurship among the youths as well as to provide a platform for networking. Events such as the ACE Business Evenings and ACE Speakers' Circuit were the initiatives of SPRING Singapore. A SME First Stop was also set up to help SMEs navigate the business environment. One Network for Enterprise was launched early this year involving more than 30 government agencies to provide enhanced access to information, services and advice to help enterprises grow, both locally and internationally.

The Local Enterprise and Association Development (LEAD) program is launched by SPRING and IE Singapore to enhance industry and enterprise competitiveness through partnerships with industry associations. In addition to enhancing the competitiveness, standards and conformance infrastructure were developed as a foundation for enterprise competitiveness. Some standards include a world's first, Standard on Hotel Security, which provides guidelines to help hotels plan and implement their own security systems.

Though it is true that SMEs lack resources as compared to larger companies, and the deficiency of capital, uncertainty and volatility, it is clear from the schemes and plans available to SMEs that they will grow towards the new knowledge-based SME economy.

1. Action Community for Entrepreneurship, SPRING Singapore, 2005.  
2. Type and Extent of Organizational Change Measures, SPRING Singapore, 2001