



新加坡中華總商會  
Singapore Chinese Chamber of Commerce & Industry

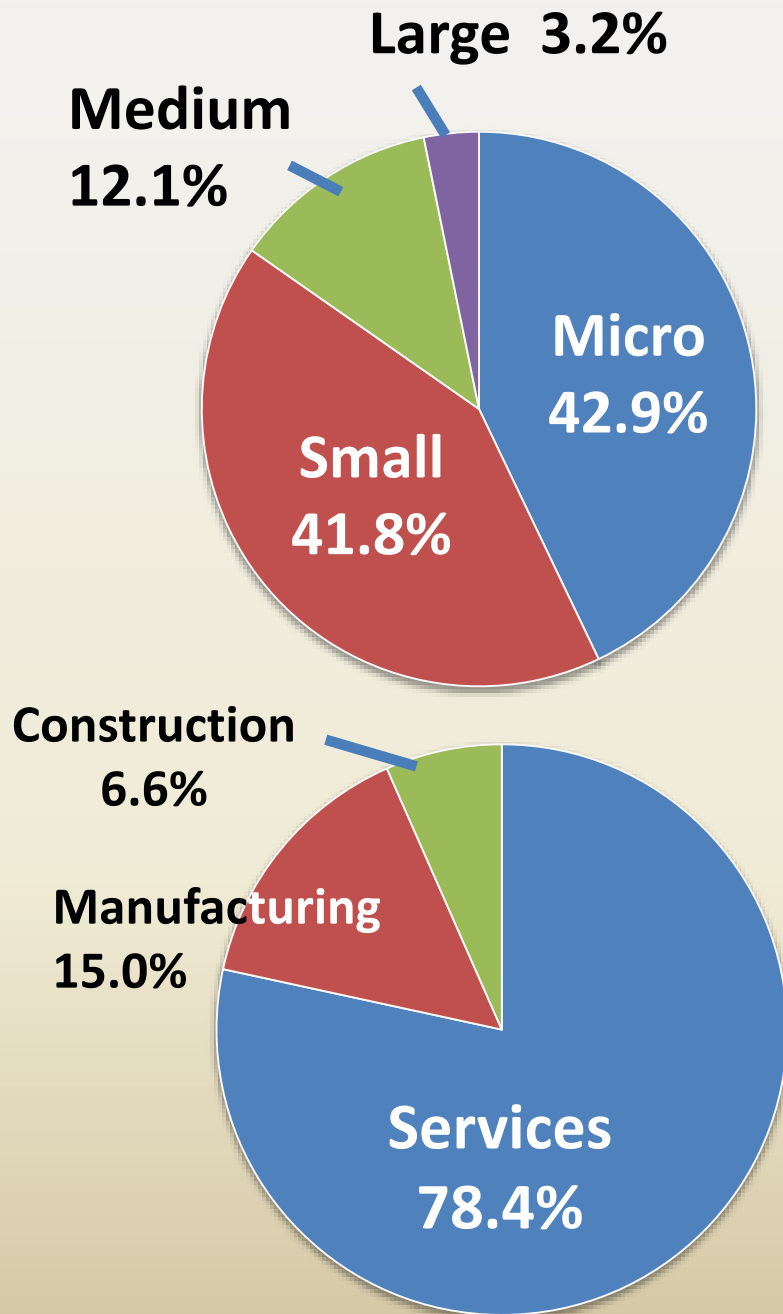
# SME Survey 2016 Survey Report

12 October 2016

# Voices of SMEs

**96.8% SMEs**  
**78.4% Services**

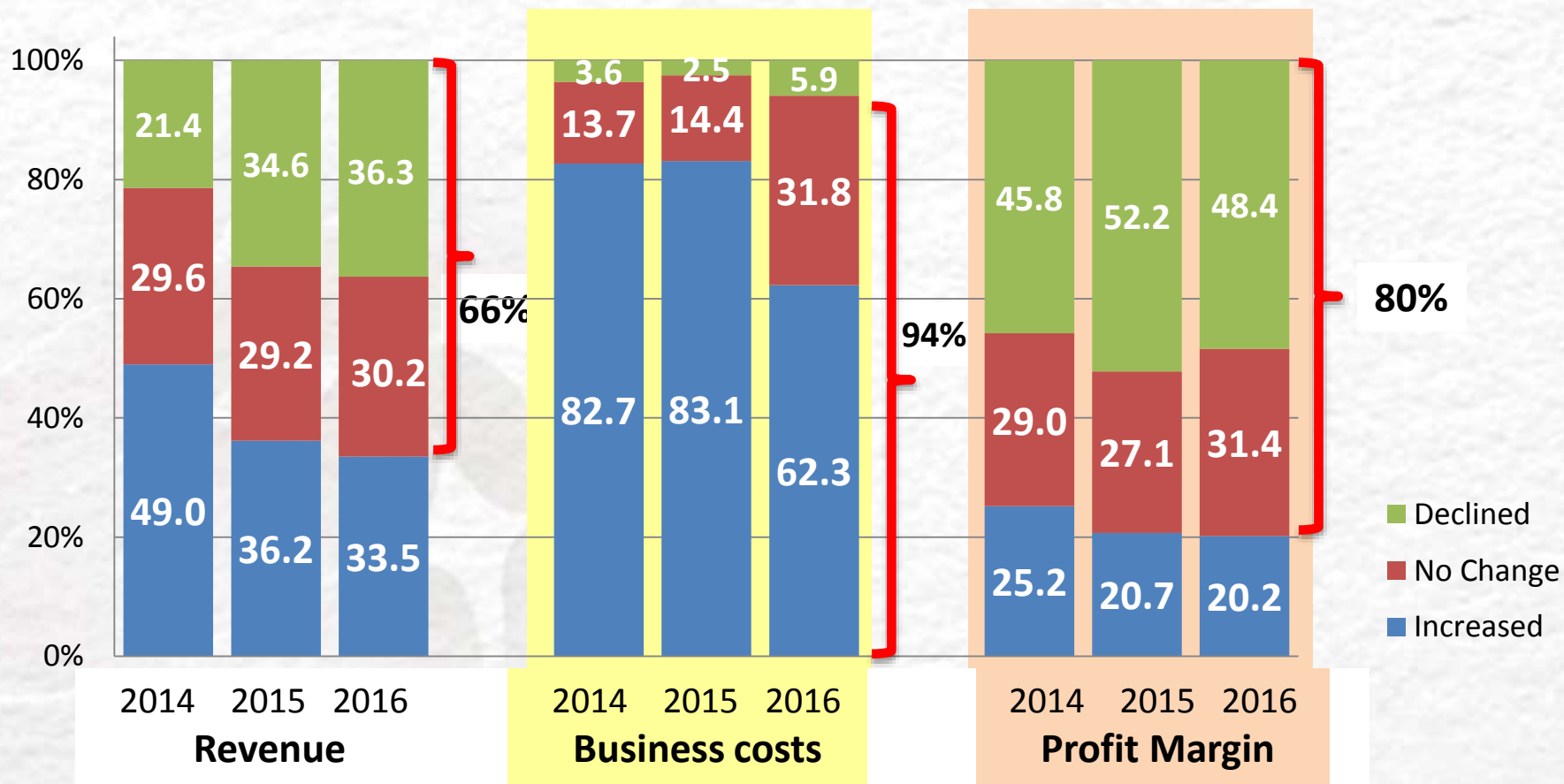
- 708 respondents
- Covered all sectors, including manufacturing, construction and services
- Survey period: May-July 2016



# Key Business Challenges

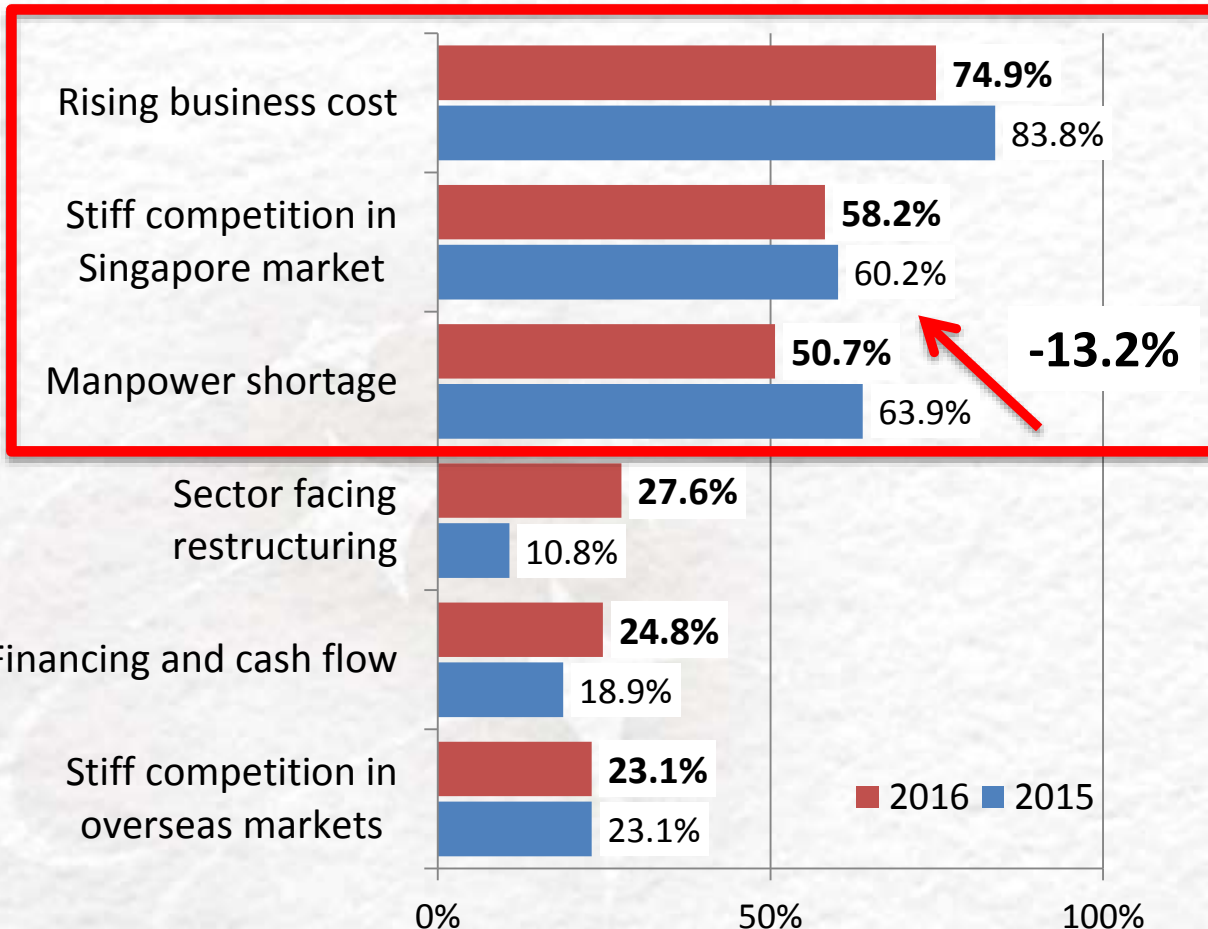
# Business sentiments continue to be down

- 83% of SMEs faced increased business costs in 2015, while 94% continued to face high business cost in 2016.
- 66% faced a reduced or flat revenue compared to 2015.
- 80% faced a reduced or flat profit margin compared to 2015.



# Top Challenges: Cost, Competition & Manpower remain key but with lesser impact

Business challenge

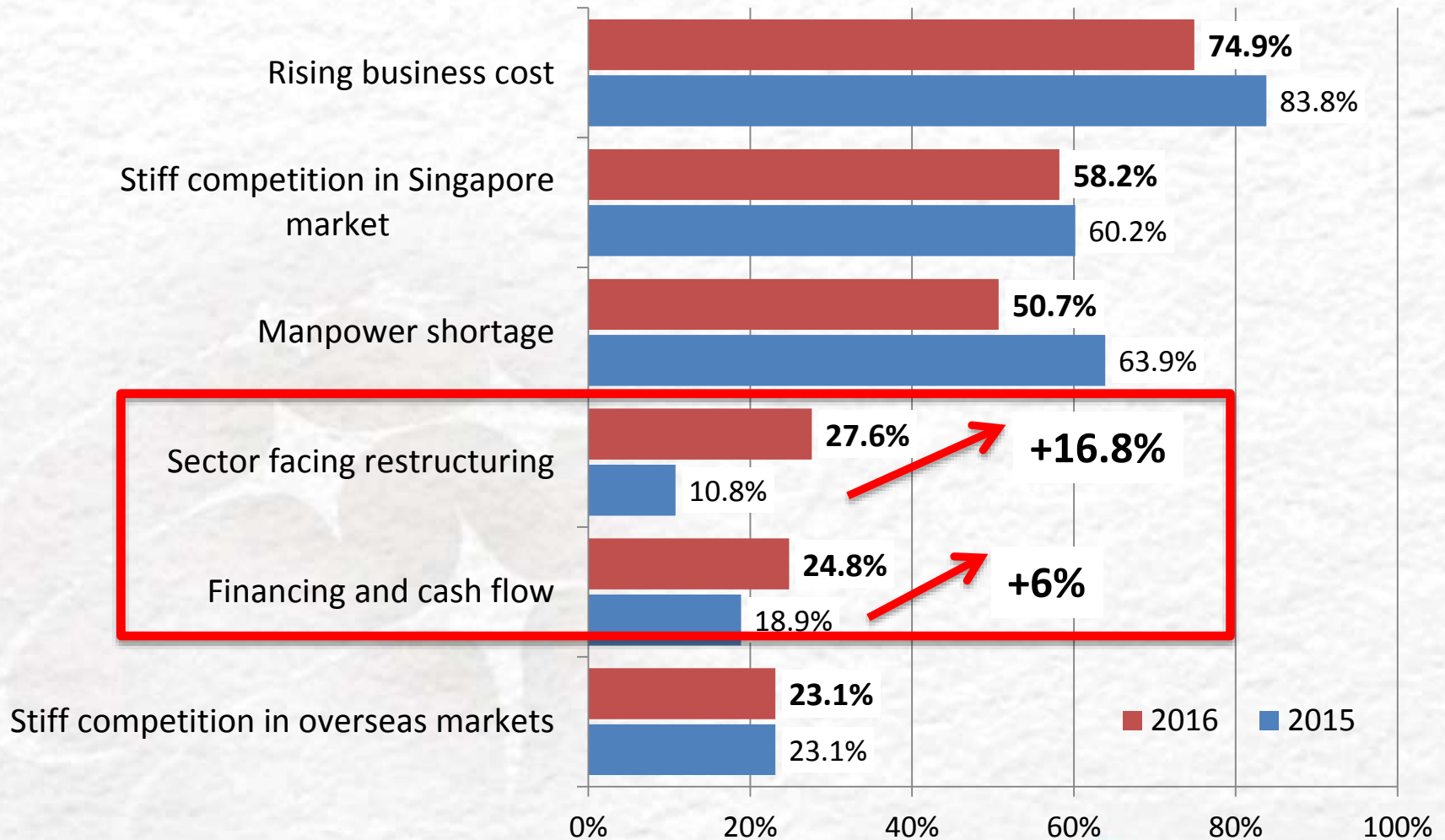


## Manpower shortage

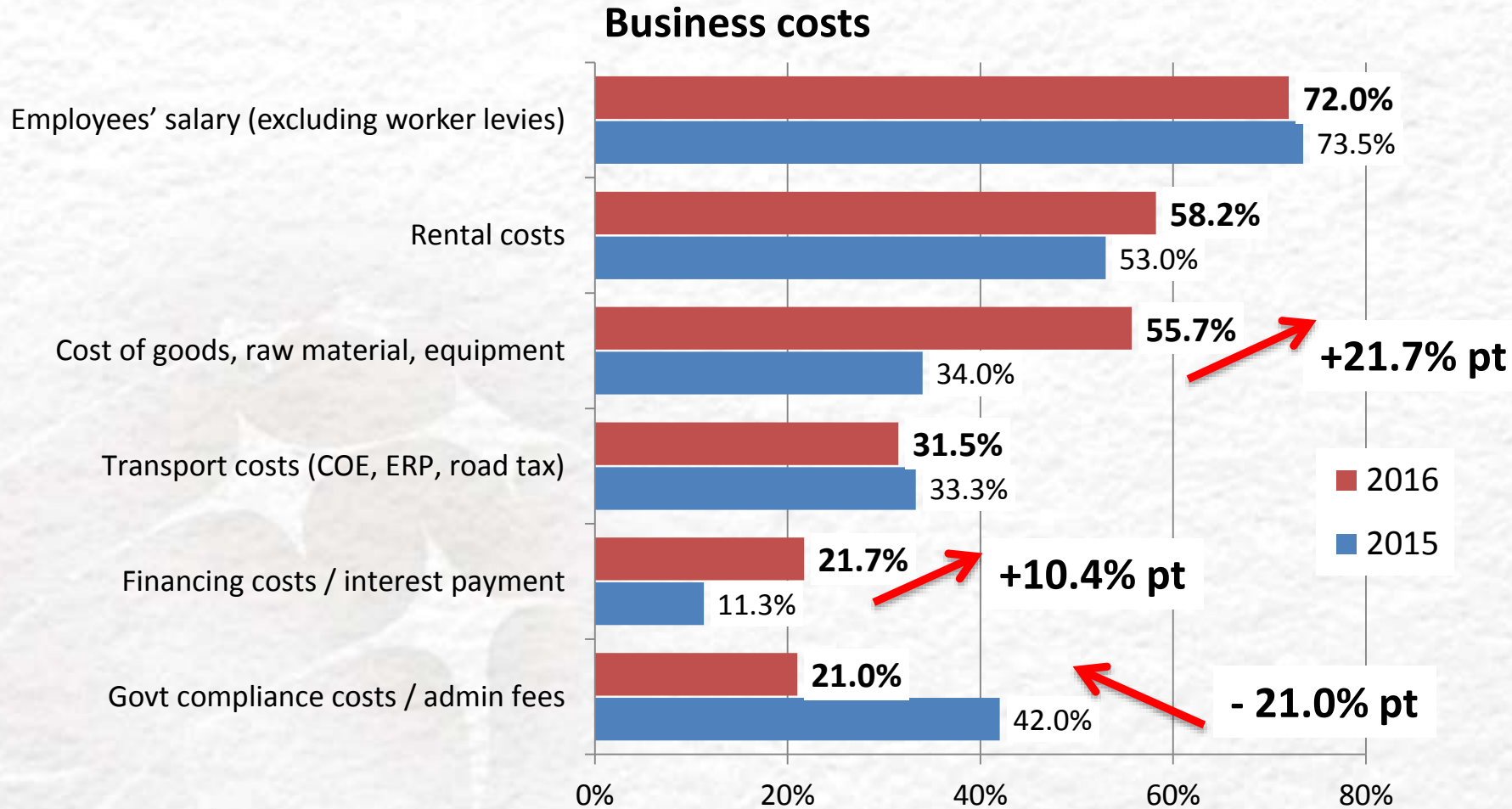
13% point decline as SMEs have moderated their demand for manpower due to weak market conditions

# Restructuring and Financing Challenges are Rising

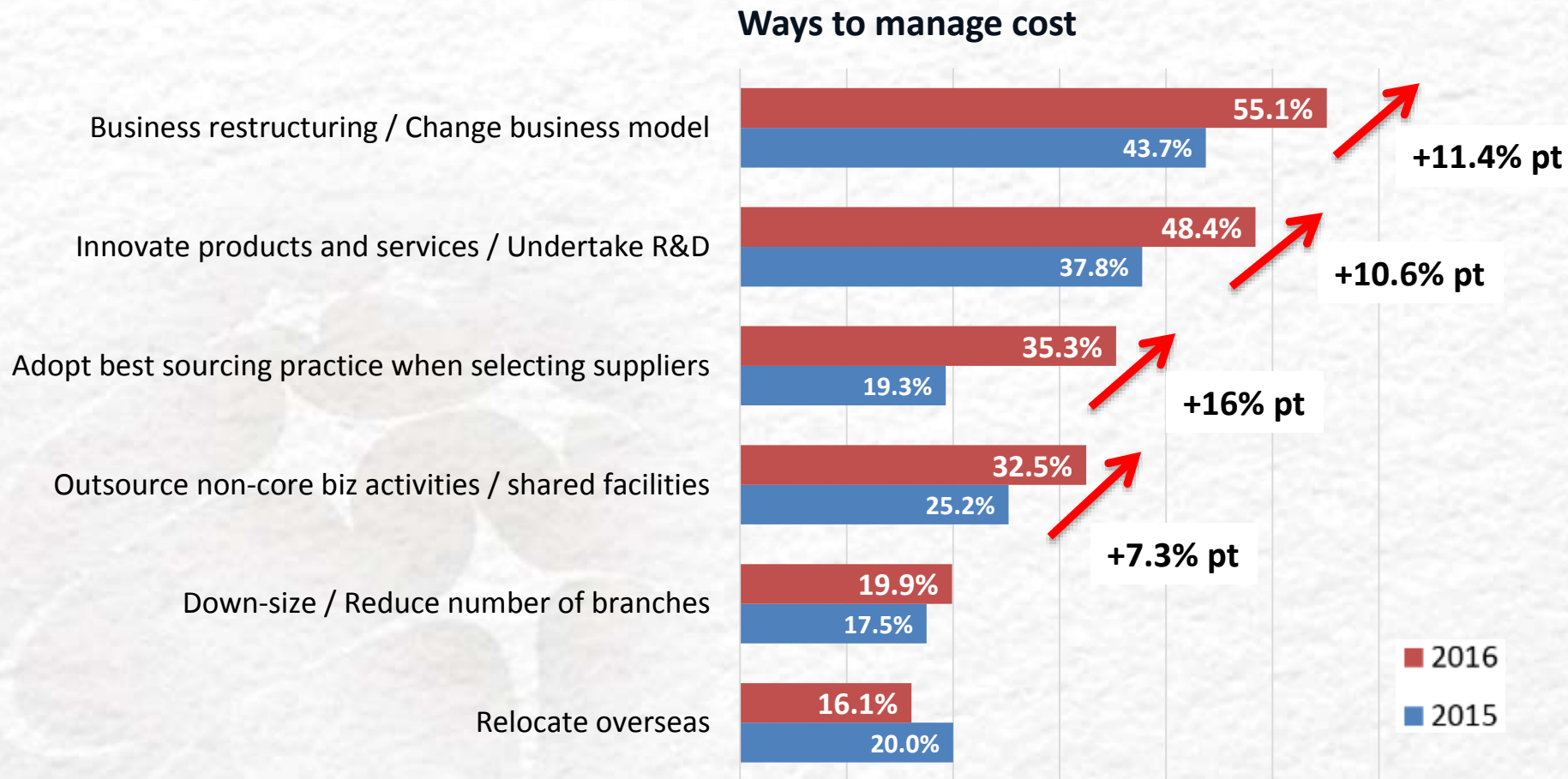
Business challenge



# Significant Rise in Cost of Goods & Financing Costs, but Drop in Compliance Costs



# More SMEs manage costs through restructuring, innovation, outsourcing & best sourcing

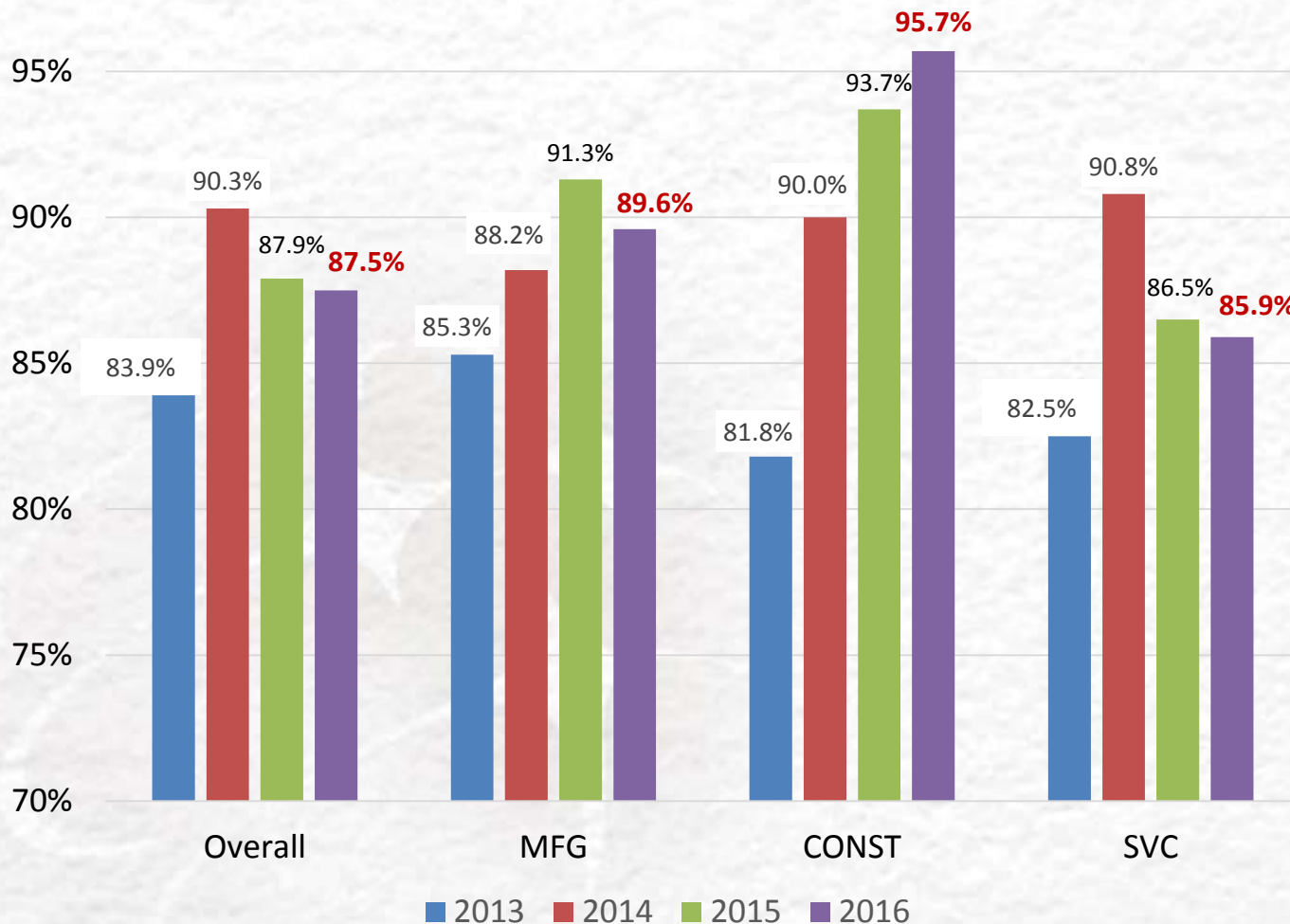




# Productivity Efforts and Innovation Capabilities

# 88% Adopt Productivity Improving Measures

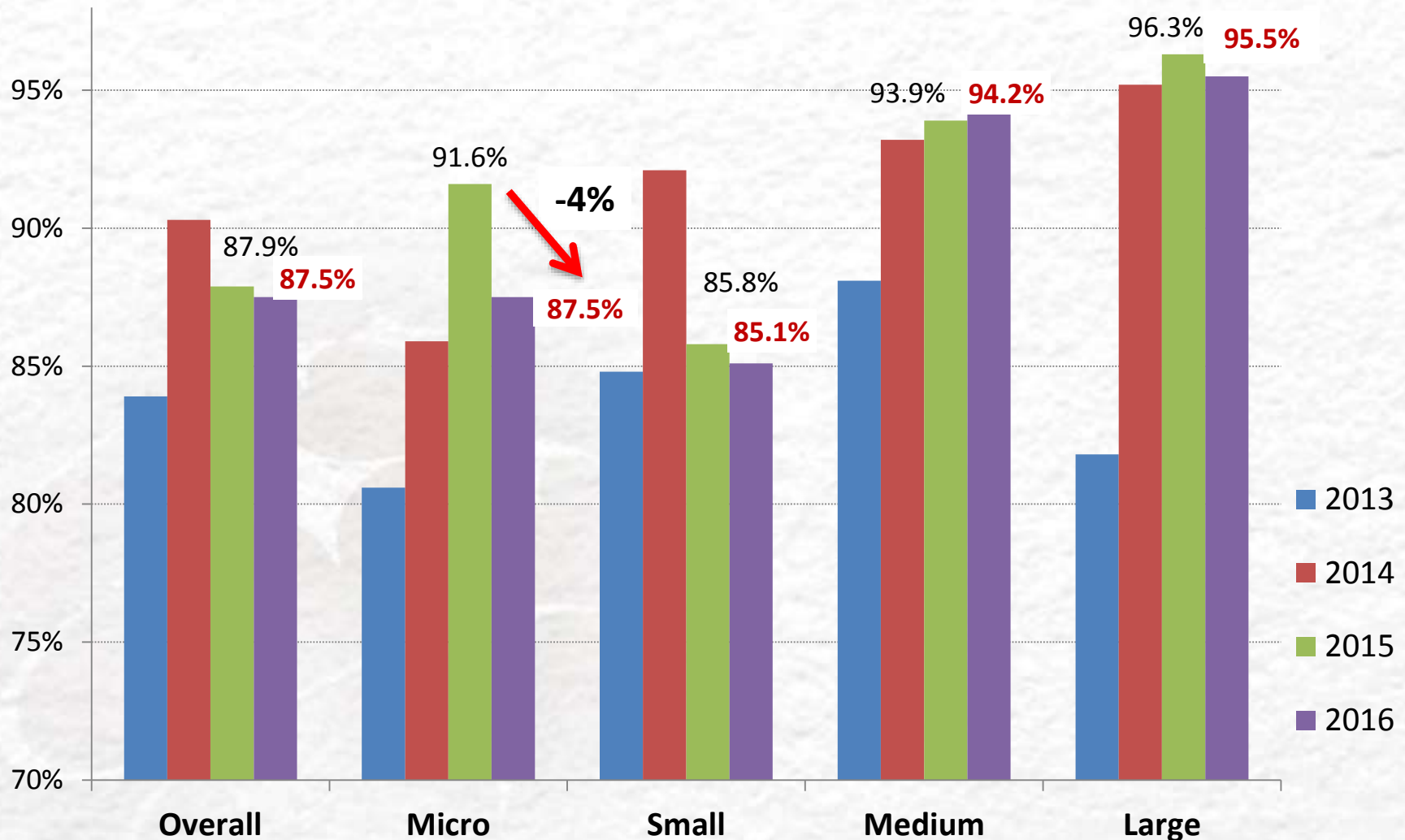
Percentage of companies that have adopted productivity measures



A high majority of SMEs have been embarking on productivity drive

# Slightly Less Micro SMEs Embarking on Productivity Drive

Percentage of companies that have adopted productivity measures



## Most Common Productivity Measures

# Changing Business Model & Training

**More SMEs are attempting to change their business model & undertaking higher value-added activities**

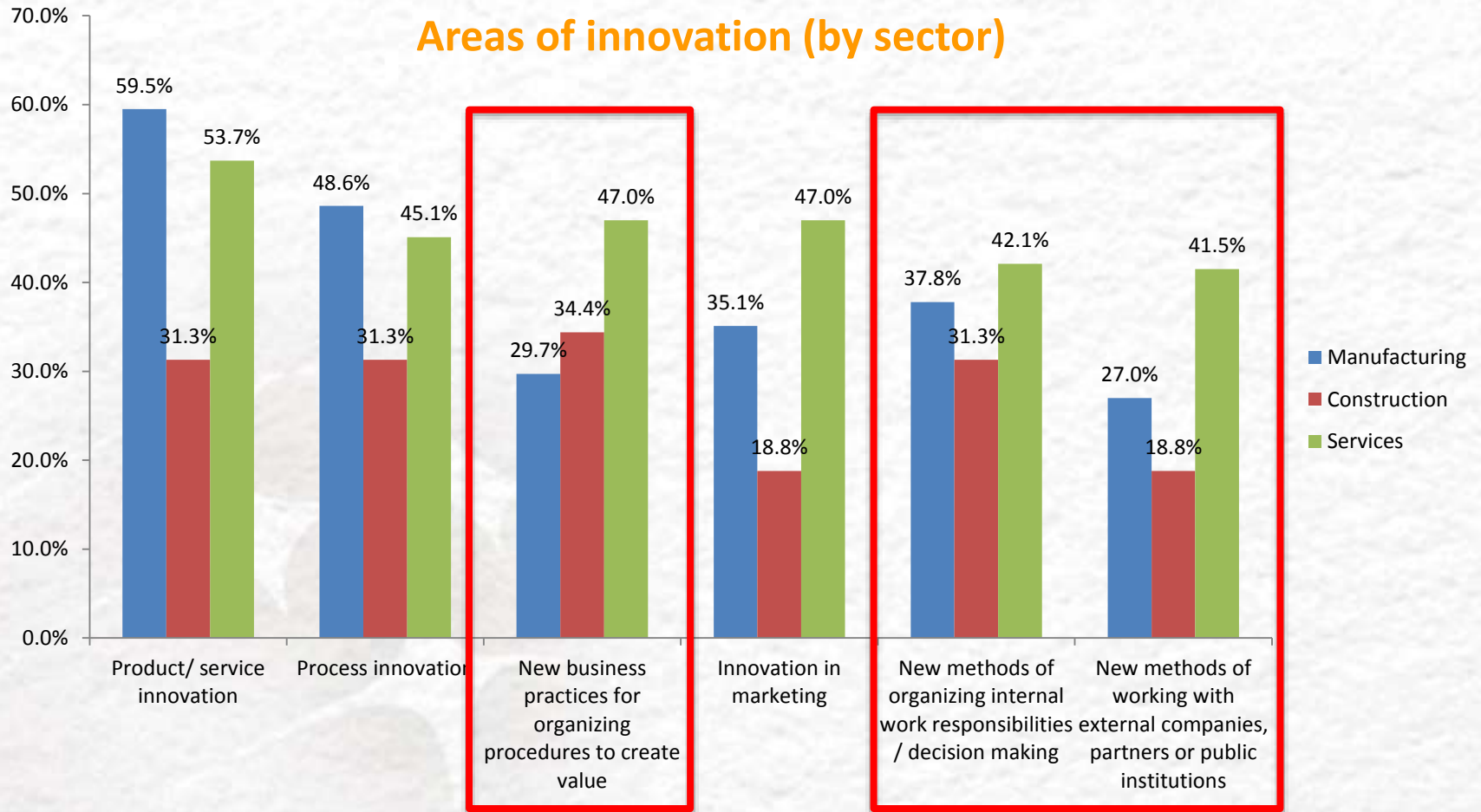
	2016	2015	2016 vs 2015
<b>Change business and management model</b>	<b>47.9%</b>	<b>25.4%</b>	<b>+22.5%</b>
Upgrade skill sets of workers through training	43.6%	50.0%	-6.4%
Adopt industrial automation / Leverage on IT	38.1%	50.9%	-12.8%
<b>Undertake higher value-added activities</b>	<b>32.5%</b>	<b>16.6%</b>	<b>+15.9%</b>
Engage consultants to undertake productivity improvement projects	20.5%	11.8%	+8.7%
Visit successful overseas counterparts to learn from them	15.0%	6.9%	+8.1%

# More SMEs understand the need to change business model apart from just automation

**But alarming that less SMEs are adopting automation/IT and worker training**

	2016	2015	2016 vs 2015
Change business and management model	47.9%	25.4%	+22.5%
<b>Upgrade skill sets of workers through training</b>	<b>43.6%</b>	<b>50.0%</b>	<b>-6.4%</b>
<b>Adopt industrial automation / Leverage on IT</b>	<b>38.1%</b>	<b>50.9%</b>	<b>-12.8%</b>
Undertake higher value-added activities	32.5%	16.6%	+15.9%
Engage consultants to undertake productivity improvement projects	20.5%	11.8%	+8.7%
Visit successful overseas counterparts to learn from them	15.0%	6.9%	+8.1%

# More SMEs in the services sector innovate their business model



Percentage of 4 & 5 on 5-point Scale  
(1=Not at all, 5=To great extent)

Source:  
SCCCI-NUS Survey on SME Innovation Effort (April-June 2016)  
233 respondents covering all sectors.

# Top obstacles of innovation: Short of funding, Difficulties in finding right partners & qualified local staff

## Obstacles to investing in innovation

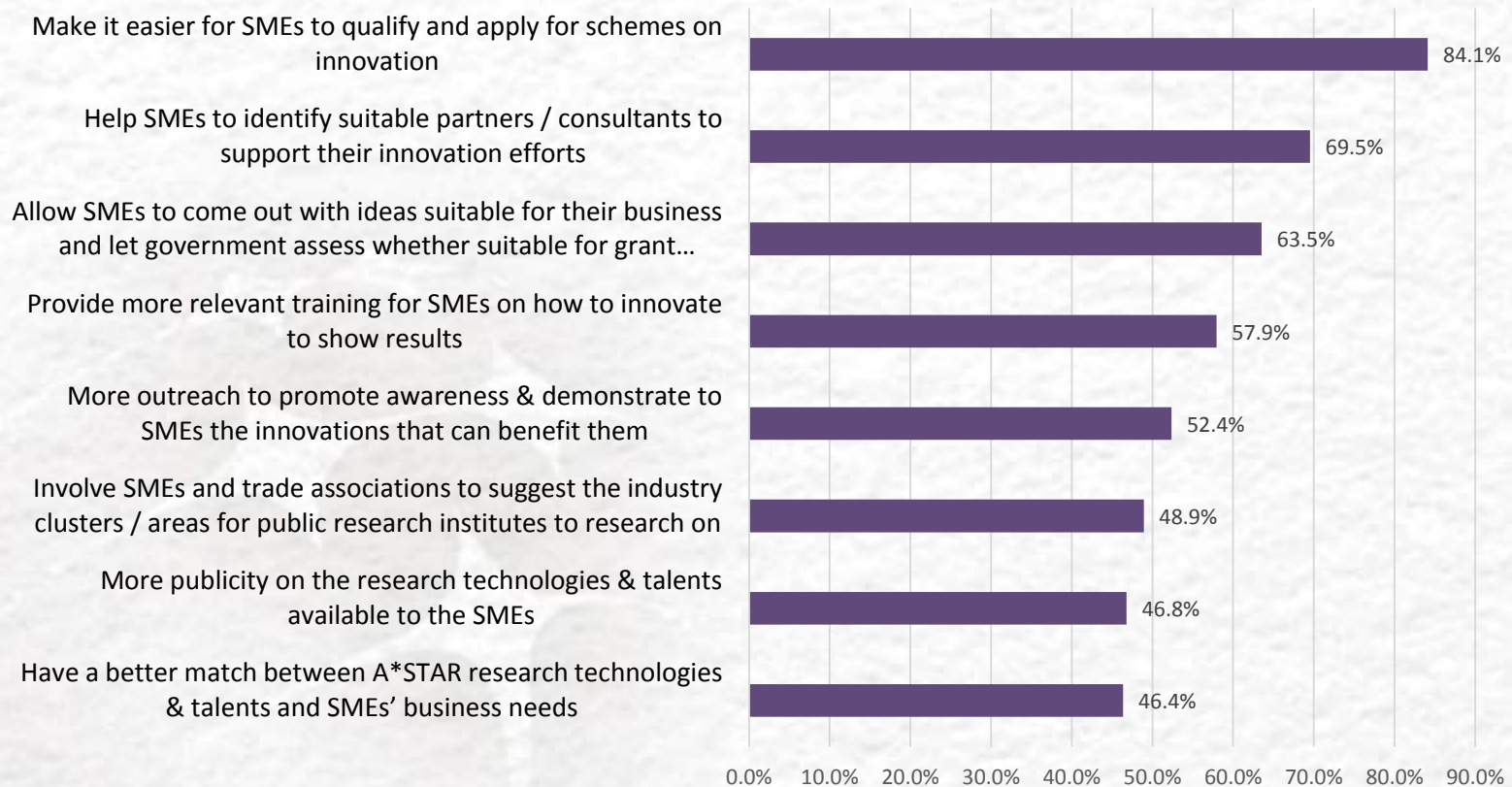


Percentage of 4 & 5 on 5-point scale  
(1=weak impact, 5=strong impact)

Source:  
SCCCI-NUS Survey on SME Innovation Effort (April-June 2016)  
233 respondents covering all sectors.

# Top support needed: Make it easier for SMEs to use Govt schemes for innovation, and Help in finding right partners

## How to help SMEs in their innovation to show results?



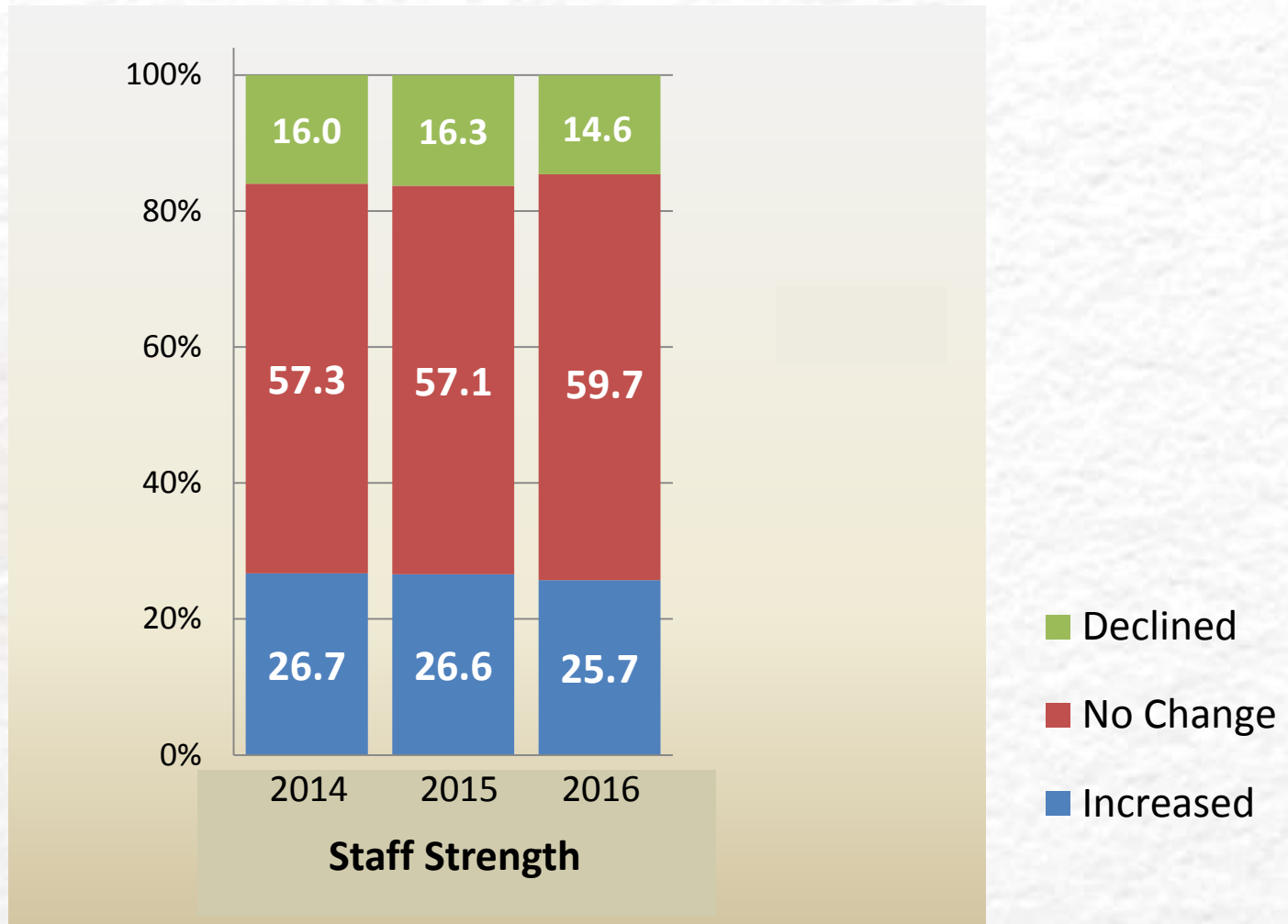
N=233

Source:  
SCCCI-NUS Survey on SME Innovation Effort (April-June 2016)  
233 respondents covering all sectors.



# Findings on manpower

# Despite Weak Market SMEs are keeping their Workforce



# Hiring remains Challenging for SMEs

Facing difficulties in Hiring	2016	2015
Rank and file workers	71.8%	73.0%
ITE / Poly graduates	70.1%	75.4%
University graduates	72.7%	74.1%

**Given the changing demographics of local workforce, urgent need for SMEs to restructure their business to attract talents.**

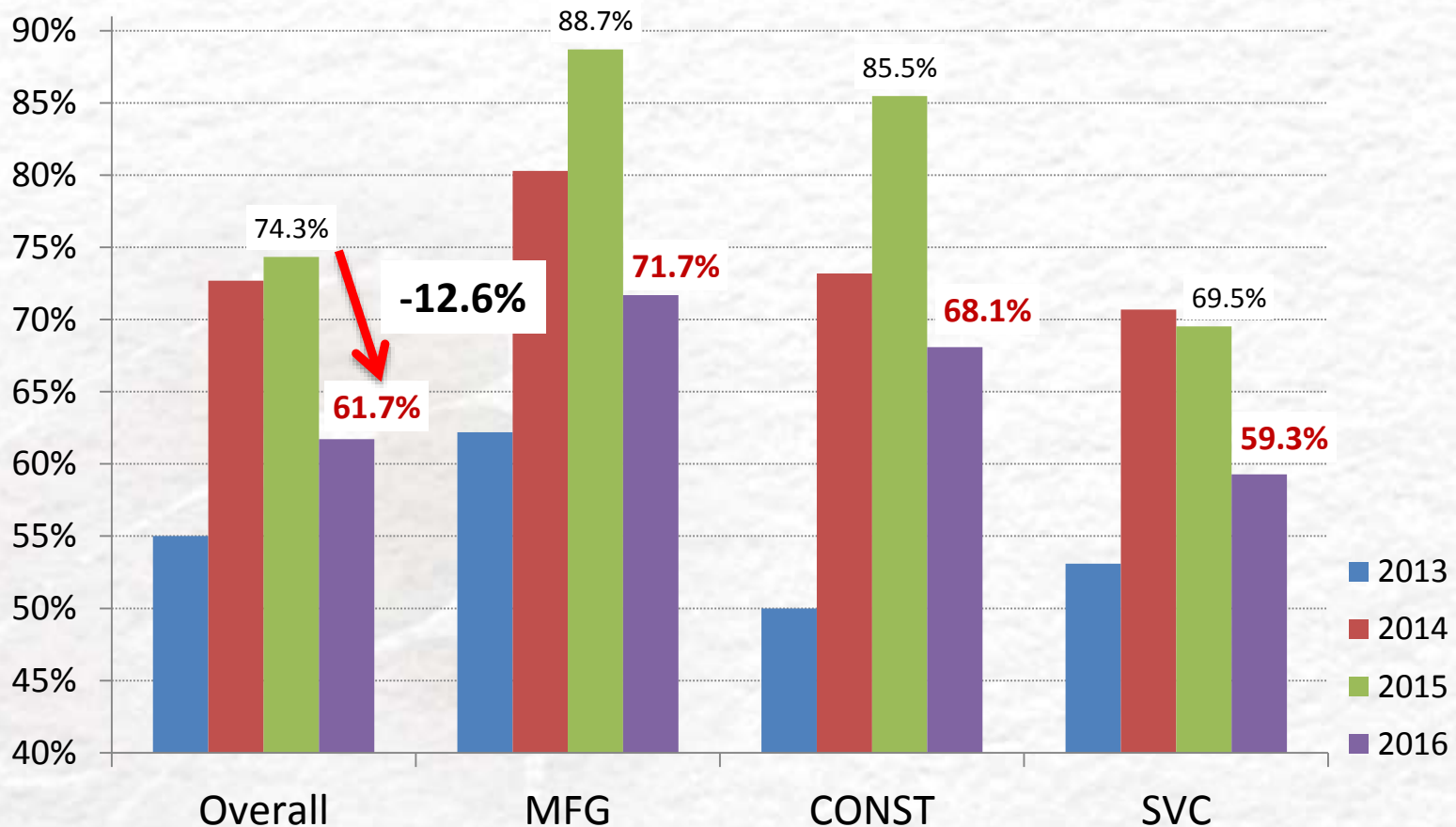
# Outreach to SMEs needed to increase understanding of SkillsFuture initiatives

Interested to learn more about:	2016	2015
SkillsFuture approved courses	70.0%	70.7% Interested in SkillsFuture Programme
SkillsFuture Credit	54.5%	
SkillsFuture Earn & Learn	54.5%	

# Adopting Government Assistance Schemes

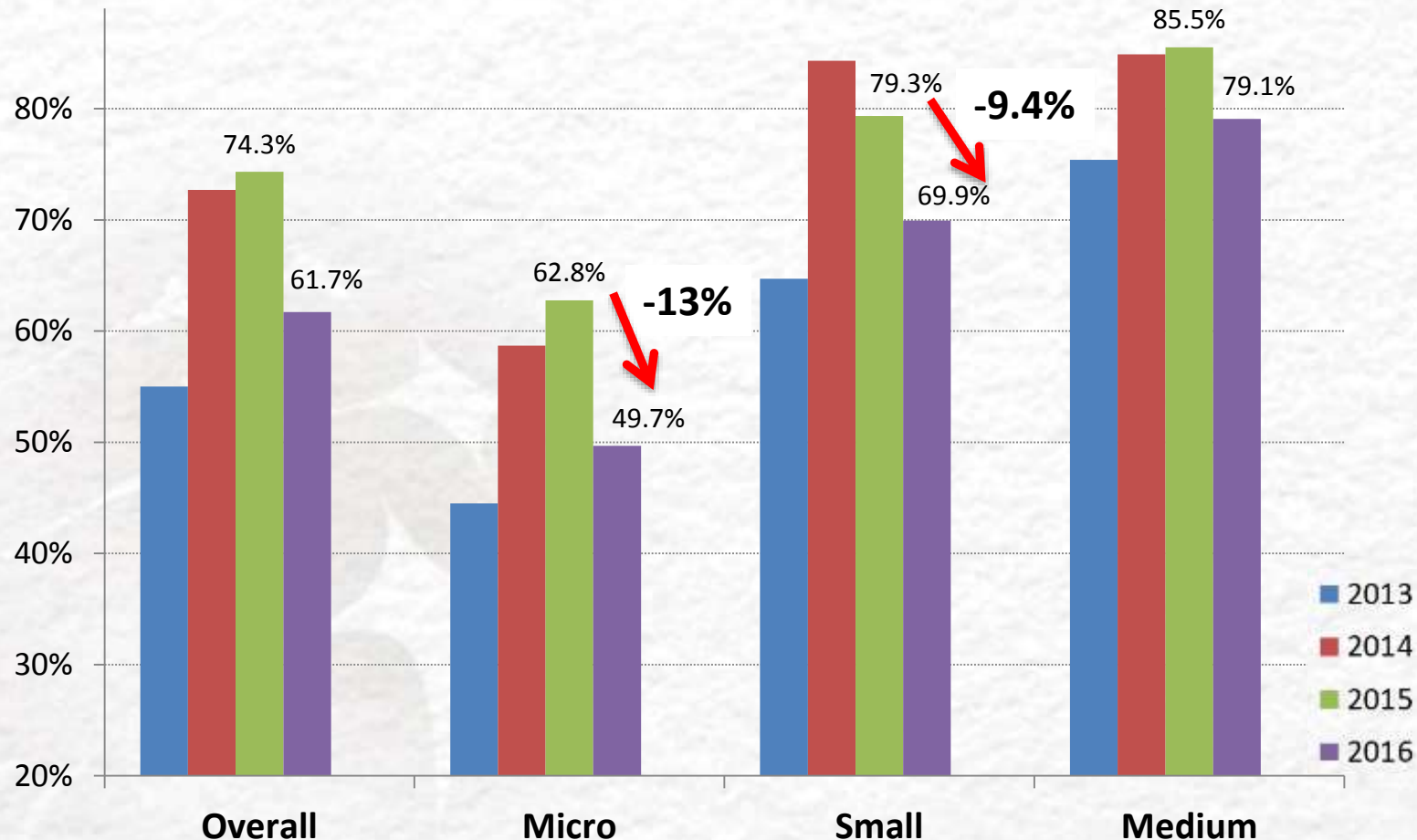
# Less SMEs have applied for Government Schemes

## Percentage of companies that have applied for Government Schemes



# Fewer Micro and Small SMEs have Applied for Government Schemes

Percentage of companies that have applied for Government Schemes



# PIC Remains the Most Popular Government Scheme

Government Schemes	2016*	2015*
PIC and PIC+ Scheme for SMEs [IRAS]	88.4%	90.6%
Training subsidies, Enterprise Training Support, WorkPro [WDA]	41.9%	31.3%
Innovation & Capability Voucher (ICV) [SPRING]	41.7%	25.9%
Capability Development Grant (CDG) [SPRING]	18.9%	12.4%
iSPRINT – Funding for IT adoption [iDA]	12.5%	6.9%
Double Tax Deduction for internationalisation [IE Singapore]	8.2%	6.0%
Micro-Loan Programme [SPRING]	8.0%	3.6%
Market Readiness Assessment Grant [IE Singapore]	4.6%	4.4%
Global Company Partnership [IE Singapore]	2.7%	3.0%
GET-Up, Technology Adoption Program [A*STAR and partners]	1.8%	--
Internationalisation Finance Scheme [IE Singapore]	0.7%	0.9%

\*2016: Among the 61.7% of respondents who have applied for govt schemes

2015: Among the 75.5% of respondents who have applied for govt schemes



# SMEs want a more Flexible Environment and Stronger Trade Associations that can serve them

What form of help do you need most apart from govt schemes?	2016	2014*
Government can make its rules & regulations less rigid so that SMEs can be more flexible in their business operation	69.2%	--
Govt can help strengthen capabilities of trade associations so that TAs can organize activities & industry projects that benefit their SME members	48.9%	--
Government refrain from introducing new policies too frequently that increase SMEs' compliance costs and administrative burden	47.9%	40.5%
Government-linked companies providing more opportunities for SMEs to participate in their projects to build up track record	47.3%	35.7%
Government agencies can be more coordinated on cross-agency issues	38.7%	19.8%

\* SCCCI SME Survey 2014

# Internationalisation

## Top 3 overseas markets: Malaysia, China & Indonesia

- 57% respondents indicated that they will venture overseas over the next 3 years (2015: 62%)
- Myanmar attracts the highest increase of interest amongst the SMEs

Rank	Countries	2016	2015	2016 vs 2015
1	Malaysia	53.8%	40.8%	+13.0%
2	China	48.4%	43.6%	+4.8%
3	Indonesia	42.4%	33.0%	+9.4%
4	Vietnam	34.0%	21.3%	+12.7%
<b>5</b>	<b>Myanmar</b>	<b>33.0%</b>	<b>17.8%</b>	<b>+15.2%</b>
6	Thailand	28.8%	19.3%	+9.5%
7	Cambodia	23.1%	13.5%	+9.6%
8	India	16.1%	10.0%	+6.1%

## Top Challenges while venturing overseas

# Unfamiliar with regulations, Identify right partners & Lack of suitable manpower to develop markets

Challenges encountered while venturing overseas	2016	2014
Unfamiliar with rules and regulations in overseas market	68.2%	61.5%
Identifying the right business partner	58.8%	57.7%
Lack of suitable manpower & scale to develop overseas markets	47.4%	29.6%
Access to in-depth market information	38.2%	45.0%
Difference in business culture	24.6%	27.2%
Access to financing to support overseas ventures	21.8%	28.1%

# Large Majority of SMEs do not know how to benefit from AEC, TPP and OBOR

Free Trade Agreements (FTAs) and Economic Development Strategies	Aware and know how to make use of it	Aware but do not know how to make use of it	Not aware
ASEAN Economic Community (AEC)	9.5%	51.3%	39.3%
China's One-Belt One-Road strategy (OBOR)	7.3%	48.9%	43.8%
Trans-Pacific Partnerships (TPP)	5.1%	49.4%	45.5%

# Conclusion & Recommendations

# Conclusion (1/2)

- **A challenging 2016 and business sentiments remain depressed**
- **Business costs and manpower remain as the top concerns**
  - SMEs are not expanding as the market conditions remain weak.
  - **Government compliance cost has declined sharply** by about 20% point compared to 2015.
- **More embarked on restructuring, changing business model, and innovation**
  - There is however a **decline in SMEs leveraging on automation and adopting IT** to improve productivity.

# Conclusion (2/2)

- **Manpower remains a top challenge but still hiring**
  - **No major workforce downsizing** by SMEs despite the challenging economy;
  - **Moderated manpower demand** in view of weak market conditions;
  - Faced challenges in hiring; and
  - **Urgent need for SMEs to restructure given the changing demographics of local workforce**, namely, a shrinking workforce which is aging, and being more educated
- **SMEs want a more flexible business environment, apart from benefitting from government schemes**
  - **Less SMEs have applied for government schemes in 2016**, with fewer micro and small SMEs applying for government schemes
  - Micro SMEs still lagging in tapping on government schemes
  - Restructuring and moving into higher-value business may have impact on workers quota, and a change of land-use



# Recommendations at a glance

- 1. To help businesses to restructure and innovate, Government agencies:**
  - Should be coordinated and have a consistent business-focused approach;
  - Have a flexible mindset; and
  - Develop schemes that are flexible and easy for SMEs to qualify and apply
- 2. Government should empower trade associations to drive industry development to benefit businesses.**
- 3. Government should create a national-level infrastructure and e-platform to drive and accelerate SMEs' IT adoption.**
- 4. Government need to educate and guide SMEs on how to specifically benefit from FTAs, especially the ASEAN Economic Community (AEC).**

## Recommendation 1

# Business-focused and flexible mindset to facilitate the restructuring and innovation efforts of SMEs

- Company transformation need to be Business-Focused, and not driven by agencies' focus on their respective KPIs.
- Government agencies need to be coordinated and make its rules & regulations less rigid so that SMEs can be more flexible when restructuring their business operations.
- Government should further look into the financing challenges of SMEs.

## Recommendation 2

# Empower trade associations to drive industry development to benefit businesses

- Sector-wide challenges, such as difficulty in attracting talent and greater adoption of technology and innovation, can be better addressed through working with trade associations.
- While Government has identified 20 high-growth sectors where Industry Transformation Maps will be developed, there are many other industries, particularly those from traditional sectors, that may be in urgent need to transform.
- Government can empower and financially support trade associations to undertake certain critical functions for the industry, for example, industry training. This will ensure initiatives are relevant to industry needs and are able to secure industry buy-in.
- Duplicating effort between government agencies and trade associations will undermine the role and credibility of trade associations in industry development.

## Recommendation 3

# Government could create a national-level infrastructure and platform to drive and accelerate SMEs' IT adoption in their business

- As the digital economy and social media technologies have a disruptive effect on small businesses, a national-level platform can have the distinct ability to drive SMEs to adopt IT **in transactions involving the government**, for instance, in areas including procurement, e-commerce, e-payment, logistics and supply chain management.

## Recommendation 4

# Educate and guide SMEs on how to specifically benefit from FTAs, especially the ASEAN Economic Community (AEC)

- AEC, One-Belt-One-Road and TPP are new trade platforms to help generate more business opportunities.
- While larger companies can have the resources to understand and drive their business to capture new opportunities, it is more challenging for SMEs to understand and take advantage of these platforms to benefit their businesses.
- ASEAN countries continue to be the markets of most interest to SMEs as they venture overseas. Our businesses and SMEs must know how to leverage on the AEC to the maximum to derive the most practical benefits out of it.

# Recommendations

Business-Focused  
Flexible Policy

Empower Trade  
Associations for  
Sector Upgrading

National e-  
Platform Riding on  
Government  
Infrastructure

Help Businesses  
to Understand  
International  
Agreements

**Thank you**