

**SPEECH BY DR. KOH POH KOON, MINISTER OF STATE FOR TRADE AND INDUSTRY, AT THE PARLIAMENTARY DEBATE ON THE PRESIDENT’S ADDRESS, TUESDAY, 26 JANUARY 2016**

**“Supporting the Transformation of our SME Sector”**

**INTRODUCTION**

1. Madam Speaker, I rise to thank the President and speak in support of the President’s Address.
2. As the President said, we are embarking on “a new chapter of nation-building”. Last year, we celebrated half a century of economic progress and success. This was the product of decades of hard work by our forefathers. We will need to have the same resilience and enterprising spirit, in order to write the next chapter of our economic miracle together.
3. However, with changing population demographics, disruptive technologies and new global economic challenges, the previous formula for economic success may no longer be adequate to ensure our economic resilience for the next 50 years. For Singapore to remain competitive, we need to do things differently and a new formula of success may be required. Our businesses need to go beyond adding value and competing on costs, and move on to creating value and competing on innovation. As a significant part of our economy, SMEs play a crucial role in the transformation of our economy.
4. Madam Speaker, I would like to deliver the first half of my speech in Mandarin and to conclude thereafter in English.

**解决商家所面临的挑战**

5. 过去几个月，我和许多中小企业有所接触、对他们的运作也有更深一层的了解。大家几乎都异口同声地反映出一点：那就是眼前的诸多挑战让他们倍感压力。新加坡工商联合总会和 DP 资讯集团最新发布的中小企业指数显示：中小企业对业务展望的乐观程度，创下 4 年来的新低，这意味着中小企业对业务前景没有太大的信心。我们的中小企业现今所面对的问题，是因为国内经商的成本压力，还有外在经济环境因素所造成的。
6. 经商的成本压力，取决于两大因素：人力和租金。
  - a. 在人力方面，主要问题在于劳工成本不断上升，以及企业难以吸引和留住本地人才。
  - b. 另外，租金上涨也让许多中小企业吃不消。

尽管这两个问题受到周期因素的影响，但一个根本的原因，是因为新加坡毕竟是一个资源缺乏的小国。

7. 因此，要解决人力方面的问题，我们必须通过经济转型，以提高生产力，作为经济增长的主要动力，并且充分利用所拥有的人力资源。

8. 租金上涨是中小企业所面对的另一问题。许多中小企业告诉我，租金不断上扬让他们感到头痛。然而，事实上整体租金的走势已经稳定下来。去年第三季度和第四季度零售空间租金的季度环比分别下滑了百分之 0.3 和百分之 0.1。同样地，办公楼租金的季度环比也下滑了百分之 0.1；去年第三季工业租金的季度环比则下降了百分之 0.8。尽管如此，政府必须竭尽所能，通过市场运作，以确保零售空间的供应量能应付长远需求。相信有了充足的零售空间供应，将能更显著地稳定昂贵租金所带来的负面冲击。

9. 以新加坡现阶段的经济来看，我们的企业，尤其是中小企业，必须通过科技的创新和国际化的商业发展来取得有效的增长。唯有通过创新的科技，才能推出崭新的产品，巩固业者在市场的地位；唯有国际化，才能向更大的市场进军，取得更多的盈利。

10. 政府已经推行了广泛的项目和援助计划，帮助企业在融资、基础设施以及专门知识各方面获得所需的援助。然而，许多中小企业在寻求创新科技的过程中，往往还是不知如何适从。政府必须与商界保持密切的接触，咨询企业界的意见，掌握各个领域的科技走势，以进一步加强或改善针对企业的各项援助措施。我认为，现有的中小企业中心除了为中小型企业提供建议，协助它们转型或更新经营模式之外，也应该协助中小企业与相关的研究机构取得更好的联系，为它们设计具体的科技解决方案，在指引中小企业寻求它们所需要的科技研究或创新方面，扮演一个更加积极的角色。

### **肯定企业在转型过程中所取得的进展**

11. 俗话说，商场如战场。进行转型的中小企业，就好比沙场上的勇士。要有雄伟结实的肌肉，就必须通过艰苦的努力锻炼，耗掉多余的脂肪，最终得到了结实强健的体魄。这不但能让勇士更好地面对种种的挑战，也能让他更好的抵受战场上的创伤。要在竞争激烈的商场上脱颖而出，企业就必须不断地寻求科技上的突破，拥有自己的独门兵器。

12. 企业转型的过程是艰难和痛苦的，就如接受外科手术一样。即使是深知自己必须改变的企业家，也可能因为害怕无法预知的前景而怯步。然而，我们也知道中小企业成功转型的例子并非罕见。今天，我想和大家分享几个成功的故事。除了肯定这些业者的成就，也希望给大家带来一点启发，只要我们保持着开放与创新的精神，任何障碍都能迎刃而解。

13. 三和塑胶工业有限公司创办于 1977 年。这家公司原本以制造高品质、具成本效益的产品为主。然而，由于越来越年轻的新加坡人愿意从事生产线的工作，导致公司面对人力资源严重短缺的问题。三合于是投入大量资金，将生产和品质管理的程序完全机械化与自动化。工厂的自动化生产，可以完成高度重复性的工作，从而提高了生产运作的准确性、可靠性和工作效率。这么一来，所需的人力资源减少了一半；公

司的整体生产力也提高百分之 15。另外，由于产品的品质和可靠性有所提升，得到买家的认可，销售成绩也相应地增加了。

14. 除了改善现有业务的工作流程之外，三和也积极提升技能，寻找新商机和开发新业务。它和新加坡科技研究局属下的新加坡制造技术研究院等研究机构合作，开拓了新的技术管道与新的商机。

15. 另外，三和也意识到增材制造是另一个具有潜力的增长领域。它目前已连同本地六家精密工程公司合作，专注于推展增材制造的项目。它们也获得南洋理工学院和新加坡科技设计大学的协助，结合各家公司的专长，为主要客户设计出具有独特优势的方案。三和告诉我，这项合作之所以能取得成功，是因为合作各方，并没有把彼此当成竞争者，并且愿意分享各自的专长。实际上，它们都意识到它们所面对的竞争，其实是全球市场内的竞争者，而不是彼此。所以他们更必须携手合作才能够生存、成功。三和与伙伴们之间的合作精神让我深感鼓舞。我希望更多中小企业也能抱有同样的心态，为各广大的领域争取互利共赢的结果。

16. 我想分享的另一个例子是天磊文化企业。这是一家华语培训专业学校。它的业务规模、资源和财力，虽然不能和三和相比，但它同样勇于踏出第一步，求新求变。为了减轻教师批改学生作业的工作量，天磊将作业电子化，并把这些上载到平板电脑上。这么一来，学生便能即刻收到靠电脑程序和软件自动改好的作业，也让教师有更多时间专心做好教学的主要工作。天磊正在探讨应用同样的科技，将工资发放等行政工作电子化。

17. 今天和大家分享这些例子的用意是要强调一点就是：所有中小企业，无论规模大小，都能够通过科技来改变经营模式，应付生意上的挑战、同时开发新的商机。政府必须致力协助有意转型的中小企业，并提供多方面的援助。不过，只有当企业本身意识到自己须要创新、须要转型，愿意改变原有的营业方式，这些援助措施才能奏效。

### **Translation for paras 5 to 17**

#### **ADDRESSING CHALLENGES FACED BY BUSINESSES**

5. I have met many SMEs in the past months, and one recurring theme is how acutely they feel the pain of their immediate challenges. According to the most recent SBF-DP SME Index, business sentiment among SMEs has fallen to a four-year low, with the index for January to June 2016 falling by 0.8 points to 51.1. Our SMEs are under strain due to domestic business cost pressures, and a worsening external environment.

6. Two of the major challenges that our SMEs face are manpower and rentals.
- a. On the manpower front, our SMEs face difficulties due to rising manpower costs, and difficulties with attracting and retaining talent.
  - b. On the rental front, many SMEs have reported difficulties from rising rents.

While there are cyclical factors affecting both issues, they also stem from the fact that Singapore is, ultimately, a small island nation with limited resources.

7. In order to address our manpower challenges, our economy needs to shift toward growth that is driven by productivity improvement, and make the best use of the manpower that we have available.

8. Another significant challenge faced by our SMEs is in the area of rentals. Many SMEs have told me that they have been struggling with rising rent. However, there are signs that the situation is stabilising. Retail rentals eased by 0.3 per cent and 0.1 per cent in 3Q2015 and 4Q2015 respectively on a quarter-on-quarter basis. Likewise, office rentals eased by 0.1 per cent in both 3Q2015 and 4Q2015, while industrial rentals fell by 0.8 per cent in 3Q2015. Nonetheless, the Government will do its part by working through the market to ensure that there is enough space supply to meet long term needs, to mitigate the adverse impact of high rentals.

9. At Singapore's current stage of economic development, our companies, SMEs in particular, need to pursue growth through innovation and internationalisation.

10. We have put in place a broad array of programmes to help companies access the financing, infrastructure and expertise that they need to succeed. However, many SMEs are still unaware of the channels of assistance available to them. We will therefore engage and consult closely with the business community to identify technology trends in each sector and further improve our support for businesses. We will also further leverage on our SME Centres to provide SMEs with advice on how to transform and innovate their business models. The SME Centre can also refer our SMEs to the relevant specialists that deal with specific technological solutions to get them started on the transformation journey.

### **CELEBRATING PROGRESS IN TRANSFORMATION**

11. Businesses undergoing transformation can be likened to warriors on a battlefield – they require tenacity and grit. In order to succeed in the competitive landscape and overcome their various challenges, businesses need to develop capabilities in niche areas through continuous innovation.

12. Transforming business models and processes can be painful, much like life-saving surgery. Even business who know they need to transform can be daunted by uncertainties and fear of what the process entails. There are many examples of SMEs which have successfully transformed their businesses. I would like to share a few stories, both to recognise the achievements of our businesses, and to open our minds towards what is possible if we approach our challenges with a spirit of enterprise and innovation.

13. Take for instance Sanwa Group. Founded in 1977, it focuses on providing engineering solutions to manufacture high quality, cost effective products. Sanwa faced problems with access to manpower because young Singaporeans were increasingly less willing to take up jobs on the production floor. In response, Sanwa invested heavily in robotics and automation for its production and quality control processes. Factory automation helped Sanwa to perform highly repetitive tasks, such as moving components across different parts of the production line, without the need for production workers.

Automation also enabled Sanwa to achieve higher levels of accuracy, reliability and efficiency. Sanwa found that it achieved at least 50% manpower savings for products that had been converted to automated production, improved overall productivity by 15%, and achieved higher sales due to higher quality and reliability of these products.

14. Beyond improving workflow for its existing businesses, Sanwa has also been actively building capabilities to seek out new business opportunities and niches. By partnering with our research institutes such as A\*STAR's SIMTech, Sanwa is looking to developing capabilities to manufacture microfluidics components. This creates a new technological pipeline and opens up new business avenues for Sanwa.

15. Another potential growth area for Sanwa is in additive manufacturing, and it has formed a consortium with six other local precision engineering firms to focus solely on additive manufacturing projects. Supported by Nanyang Polytechnic (NYP) and the Singapore University of Technology and Design (SUTD), this consortium pools together capabilities of each member firm in developing additive manufacturing solutions for key customers in niche areas. Sanwa has shared with me that this collaboration has been successful because members did not see each other as competitors, and therefore were willing to share expertise with one another. In fact, members acknowledged that the competition was global, and that they had to collaborate in order to survive and succeed. I am heartened by the spirit of cooperation shown by Sanwa and its partners, and hope that more SMEs will embrace this mentality to develop win-win outcomes for the broader industry.

16. Another example that I would like to highlight is Skylace Language School. In comparison with Sanwa, Skylace is a smaller business, with less resource for capital investment. Nonetheless, this has not prevented it from taking steps to similarly transform its business. To reduce the workload of its teachers in having to mark students' worksheets, Skylace digitised its worksheets onto tablets. This way, not only do students receive instant feedback on their automatically-marked assignments, it also frees teachers up to focus on their main job – teaching. Skylace is now looking to implement the same technology to automate its administrative functions, such as payroll.

17. The underlying point of all the examples is that all SMEs, large and small, have the potential to transform their businesses through technology to address business challenges and open doors to new business opportunities. Regardless of the type of business, there is something that they can all leverage on to make themselves more productive. The Government is committed to helping SMEs transform, but businesses have to recognise the need for innovation and transformation, in order for Government support to be effective.

18. Madam Speaker, may I now finish the rest of my speech in English.

## **HARNESSING ENTREPRENEURSHIP AS A DRIVER OF CHANGE**

19. Beyond helping established SMEs to transform, we must continue our efforts to support entrepreneurs and build a vibrant start-up ecosystem in Singapore. Start-ups, particularly those with high-growth potential, are an important source of innovation in our economy, and help to rejuvenate our business landscape. Today's innovative start-ups are transforming many aspects of our lives, from the way we travel and the way we shop to the way we live or interact with others. The use of Facebook, Uber and Airbnb are well known examples.

20. Over the past years, there have been strong, concerted efforts by MTI and many government agencies to build a vibrant start-up ecosystem in Singapore. Through the collective efforts of both the start-up community and the Government, we now have in place the key building blocks of a successful start-up ecosystem – infrastructure, financing support, community and culture. For instance, in the past year, JTC Launchpad@One-North was launched as a deliberate effort to create a start-up cluster in the one-north area. The response to Launchpad has been good, with occupancy currently at over 90 per cent.

21. As a result of these efforts, the start-up scene in Singapore has gained increasing momentum. For instance, the Global Start-up Ecosystem Ranking in 2015 put Singapore's start-up ecosystem at 10<sup>th</sup> place in the world, an improvement from 17<sup>th</sup> place in 2012. Our population has also become increasingly entrepreneurial in outlook. Based on surveys by the Global Entrepreneurship Monitor (GEM), the proportion of our working age population actively involved in an entrepreneurial activity has increased from 4.9 per cent in 2006 to 11 per cent in 2014.

22. At my recent visit to the JTC LaunchPad@one-North, I was struck by the passion, optimism and can-do spirit of the start-ups that I met. ShopBack was one of them. Recognising a market gap in the growing e-commerce space within Singapore and the region, ShopBack set out to revolutionise the e-commerce landscape by tying up with online merchants to provide cashback to online shoppers. Its young founders, whom I spoke to, were not trained in computer science or computer programming, but that did not stop them from taking the bold step of starting their own company.

23. Aware of Singapore's unique value proposition as a well-established Asian hub for business, with close links to the fast growing Asian market, ShopBack decided to build a base here and use that to target neighbouring Asian markets. Within 18 months of its formation, ShopBack had moved into our neighbouring markets such as Indonesia and the Philippines with support and facilitation from IE Singapore, while the e-commerce landscape in these countries were still relatively less mature. Today, ShopBack has over 400,000 regional users and receives over three orders every minute.

24. As a first-mover in a rapidly growing e-commerce space, ShopBack is well-placed to establish itself as an important link in the e-commerce value chain, and ride on the global e-commerce wave. Our SMEs and start-ups must constantly be on the lookout for new opportunities, and not be constrained by our geographical limits, just as how ShopBack has recognised the global nature of its business, which means that it must internationalise at a

very early stage of its development, to reach out to a wider customer base. This is a different approach from our traditional brick-and-mortar SMEs, which will only internationalise at a later stage.

25. Shopback may look like a thriving and promising start-up today. But in fact, their initial proposal for government funding was rejected by our agencies! Firmly believing in the market value of their business idea, the initial rejection, according to the young founders of Shopback, was actually helpful in making them think and work harder on their ideas and eventually they caught the eye of investors who provided them with further seed capital. ShopBack started out with three co-founders less than two years ago, and they now have close to 60 staffs, with an average age of only 27 years old.

26. Clearly, in the case of Shopback, it was not the Government efforts alone that got them started. In transforming our economy to be future ready, start-ups can be a driver of change. But we must ask ourselves these questions:

- a. How can we create a more conducive ecosystem for our entrepreneurs to thrive?
- b. Are there hindrances that we must remove to allow ideas to germinate and innovative start-ups to thrive?
- c. Will over-supportive policies stifle the fighting spirit and the desire to succeed, much like how over-watering a plant will kill it? How do we calibrate the relationship between government and industry to ensure the optimal amount of intervention and creative-tension? Is this a case of “doing more is not doing better but actually doing more harm”?
- d. How can we be more flexible in the ways we help start-ups and SMEs, in areas where it matters?

27. As we move from SG50 towards SG100, and cast our thoughts on what our future economy entails, these are questions that we need to think carefully about.

28. The entrepreneurial spirit of our next generation, like the group who started Shopback, will open new avenues through which we can create the economy of our next 50 years. The Government must rethink how it supports our entrepreneurs, and work closely with the entrepreneurial community to build a vibrant start-up ecosystem.

29. Today, we stand at a critical inflexion point in the journey of our nation-building. Even as we celebrate the successes that we have enjoyed in the past 50 years, we also need to take the necessary steps to build the framework and the groundwork for our future generations from a position of strength. The path forward does not promise to be easy. We are acutely aware of the pains that our SMEs are going through, and we are prepared to walk this path with them. We will continue to provide strong support to SMEs that are prepared to transform and enhance their businesses. We will work closely with trade associations and the business community to ensure that our SMEs continue to succeed. We will seek new growth industries to set the stage for our future economy.

30. With the business community, the Government and the people working hand-in-hand, I am confident that the next chapter of our economic story will transcend what had

preceded before, and bring about greater prosperity and opportunity for each and every Singaporean.

31. With that, Madam Speaker, I support the motion.