

Where are the monies, SMEs?

UCSI University hosted its 'SMEs Future Outlooks & Opportunities' forum on Nov 22, which provided SMEs as well as future entrepreneurs with practical and valuable insight on how to seize global opportunities and competitive advantage in today's business world.

By **Stephanie Augustin**

With speakers from the SME, government, insurance and education sectors, the forum was moderated by Datuk Ghazali Mohd Yusoff, Malaysian Institute of Directors founding life member, Malaysian Investment Development Authority (Mida) former board member and Nusantara Technologies Sdn Bhd executive chairman.

"SMEs play an important role in our country's economy and are an important source of economic growth," said Deputy Finance Minister Senator Datuk Ir Donald Lim Siang Chai.

"Last year, we launched two significant master plans – namely the Capital Market Masterplan 2 and the Financial Sector Masterplan – in April and December, respectively."

He then went on to describe several initiatives under the master plans that aimed to identify growth gaps in the market with a specific focus on SME growth and to expand the distribution and reach of banking services to SMEs, among others.

Ghazali said, "I have seen how much the SME sector has evolved – it still needs a lot of encouragement. As you know, SMEs are a vital component of the Economic Transformation Programme (ETP) that Malaysia is working to improve."

"I have been involved in many university-industry collaborations and I must say that it's a privilege to be a part of today's industrial programme."

Echoing his sentiment, UCSI University vice-chancellor Dr Robert Bong agreed that "such knowledge-sharing platforms benefit the growth of the SME sector", adding that it was one more step "towards transforming Malaysia into a high-income nation."

"Extensive research studies and discussion forums have been conducted on SME-related subjects," Bong said in his speech.

He continued, "Typically, these researches and forums focus on the challenges and opportunities of SMEs based on how the SMEs are being defined – by size and classified by industry."

"I would like to believe that SMEs can be viewed as the collective entrepreneurial spirit of the society and innovative engine of growth for the economy."

"As such, a more macro approach to understanding the entire ecosystem of entrepreneurship and innovation of a particular location would help us understand the challenges and opportunities for SMEs better."

In line with government efforts to strengthen SMEs on the local front, a line-up of key representatives from the Malaysian government and investment holding companies – such as SME Corp, SMI Association of Malaysia and Allianz Malaysia Berhad – participated in a panel discussion titled 'Leveraging Opportuni-



Lim described several initiatives that aimed to identify growth gaps in the market with a specific focus on SME growth, while expanding the distribution and reach of banking services to SMEs.



Bong (right) believes that a more macro approach to understanding the entire ecosystem of entrepreneurship and innovation of a particular location would better illuminate SME challenges and opportunities.

ties for SMEs to Move Forward: Where are the Monies?"

In the discussion, the panellists focused on current issues in the industry and various business solutions to help SMEs tackle their business challenges.

By highlighting various programmes and investment strategies for SMEs – including certification programmes, loans, financial packages, government incentives and insurance packages, to name a few – the session acted as a platform for SMEs to be aware of and capitalise on such opportunities.

Finding champion SMEs

SME Corp business development division senior director Fadzilah Ahmad Din said the agency coordinates all programmes

related to SME development in the country while addressing policy formulation concerning SMEs.

"We want to see businesses grow and focus on capacity building. Many SMEs need training and to be more competitive," she said.

She added, "Most of inquiries to SME Corp are along the lines of: 'Can you recommend me an SME – I'm looking for a supplier in areas A, B and C.'"

"Our certification programme assesses SMEs based on seven parameters and gauges them from zero-star to five-star ranking. To recommend companies, we have to ensure that we too, are credible."

"Therefore, this SCORE rating comes into place. Normally SMEs with three stars are more very good, and in most cases, are already exporting," Fadzilah said.

She also expounded on the 1-Innocent rating which expands on Korean methodology to rank SME innovativeness – over three years, SME Corp has discovered 114 innovative SMEs.

Once SMEs are certified, SME Corp facilitates aid in terms of funding from banks and market access, among others.

"If you are want to access markets in certain countries, if the country requires you to carry out certification, you will do it. So we have found that SMEs know where the money is and they know how to position themselves. They are very good at 'smelling' the market and preparing themselves," she remarked.

The director also informed future entrepreneurs of the agency's trust mark National Mark of Malaysian Brands (NMMB).

Incorporating global economic fortunes

Next, SMI Association of Malaysia national president Teh Kee Sin spoke on

business fortunes in light of the recent economic downturn, noting that 2012 is "the most uncertain year" for SMEs.

"Thus, SME should not neglect the market opportunities afforded in China's 1.2 billion-strong population. Some investors from China have showed interest in Malaysia, especially in what we can bring to the table in terms of food safety."

He agreed with Ghazali that Malaysia's fortunes were relatively good, with 5.2% GDP growth as of Q3, and implementation of the ETP, but added: "Most importantly, many in the SME community believe that GE13 plays a big role (in determining the future, and as such) many have put expansion plans on hold."

Teh added that SMEs should take note of the Asean Economic Community (AEC) integration come 2015, and noted that Malaysian businesses have an advantage in that "we are placed directly in the middle, can trade with China as well as communicate with our Indian counterparts."

"It's going to be a very forward-looking community, and we should leverage on a borderless AEC, trade liberalisation, cultural identity and geography."

"In fact now, many are showing interest in the Iskandar region and by 2018, Malaysia may be even more attractive with MRT completion."

"Looking forward, we are conversing with SMEs to better understand the SME Masterplan's call for more automatisation, increasing market access and government funding."

"We encourage SMEs to fully capitalise on government funds available at attractive interest rates and loan periods – the 2013 Budget outlined even more funds for young entrepreneurs, intellectual property and others," he noted.

Attracting talent to SMEs

Meanwhile, Allianz Malaysia Berhad employee benefit department head Fong Looi Foong elaborated on how SMEs can attract more talent by incorporating health insurance as part of employee benefits.

He remarked that one-third of hospitalisations in Malaysia are paid by insurance companies, and two-thirds are paid out of pocket – the majority of which are SME employees.

"In my opinion, this is not an efficient way to pay for hospitalisation, because you cannot leverage on your group size and bargain with hospitals. Through group insurance, you can enjoy up to 30% discounts on room and board charges."

"Many companies do not realise that they can save costs while providing employee benefits. In addition, SMEs do not IT capabilities to identify and analyse the common diseases and reasons that people take medical leave."

"Due to resource constraints, you have to ensure your staff are working hard enough, not take leave every Monday or Friday or after the World Cup – otherwise it will adversely affect productivity,"

> TURN TO **PAGE 42**

Entrepreneurs should seek new, emerging markets

FROM **PAGE 37**
Fong said.

He added that insurance companies can help SMEs analyse the regular offenders, and thus control leakages in productivity.

He advised SMEs to outsource risk and cost management to insurance companies, so entrepreneurs can focus on core business activities.

“You have to start thinking whether are you recruiting staff to carry out your core business or be bogged down by MC documentation. So think of insurance players as business partners who can help you manage non-core activities while getting the best value for the premium you pay.”

Fong noted that SME productivity is around RM50,000 annually, half of MNC employee productivity, and SMEs can maximise value for their staff via services such as medical second opinions from US hospitals.

“In developed countries, one of six diag-

noses are wrong, so you are better off with a second opinion before going under the knife.” He added that 18% of Malaysians have diabetes and 30% hypertension.

SME support systems

Bong then shared his views on support for entrepreneurship and innovation across of the globe.

“Most SMEs start out as entrepreneur-driven activities, unless they were created as the result of spinning-in and spinning-out by corporations such as General Electric (GE).

“For instance, when GE wants to create business from innovations, it spins-out small companies so these have a freedom to innovate.

“Cisco, meanwhile, chooses to spin-in when it comes across a good idea. It does not want the new initiative to be influenced by existing internal culture because they are always looking for the

next wave of innovation.

“So they hire a few outsiders to create a new idea and enter a new market, an invest in this startup – buying them out when it has become successful. That is why Cisco had been able to buy up close to 100 companies since 1984,” he opined.

He said future entrepreneurs should assess if the society they are starting up in is tolerant to failure and whether they too can tolerate failure.

Bong added that SMEs often complain that they are crowded out of the market by GLCs in Malaysia and Singapore and state-owned enterprises (SOEs) in China.

“If you understand strategy, you know a newcomer will never enter a playground that had established big players. These are already sustaining innovation by luring competitors to be benchmarked against.

“Entrepreneurs should always look for new or emerging markets. For emerging markets, you can provide disruption by providing a better service in a market full of inferior products – which was what happened when 10-inch netbooks unseated established players via disruptive innovation,” he explained.

In looking for new markets, he said SMEs have all the time to do what they want to do without big players to compete against.

He noted that many Fortune 500 and Fortune 1000 companies are market leaders today not because they emerged victorious against established players, but created new markets or disrupted market less than 15 years ago.

Bong also compared the support systems and network of investors available to startups in the US, India, China and Singapore, before the panel fielded questions from participants.