

SBF SME Internationalisation Index

December 2021



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SBF SME Internationalisation Index: Business sentiment ratings of the countries that Singapore businesses have gone to or intend to go to.

This report details findings from the SBF SME Internationalisation Index (SMEII). The findings look into the following areas:

- Sentiments on the international economy and business outlook in overseas markets
- Sentiments on business activities in overseas markets
- Sentiments on the operating environment in overseas markets

The SMEII serves to:



Measure the level of interest of Singapore businesses going overseas.



Pinpoint the areas of assistance needed to facilitate businesses in their overseas expansions.



Further the government's vision in the internationalisation of Singapore businesses.



Function as a resource for Singapore businesses to identify opportunities in their overseas expansion journeys.

Methodology

600 Singapore companies with current or planned overseas businesses **completed the survey** online or via telephone interviews from 2nd September to 15th October 2021.*



Respondents were **owners, C-Suite, senior management** or **designated representatives** of the businesses.

65 Countries covered in the study are grouped into 21 regions/countries: 6 from Asia, 9 from ASEAN, the rest from Europe, Americas, Middle East, Australia/New Zealand and Africa.

*The survey also covered an additional n=314 companies that did not have current/planned overseas businesses. Their intent of going overseas was captured.

**To further understand the survey responses, selected respondents were followed up for additional feedback. Their views and opinions were captured and reported in this summary.



Respondents were from a **mix of industries**: Manufacturing, Built Environment, Trade & Connectivity, Essential Domestic Services, Modern Services and Lifestyle

Respondent Profile



2021

% of respondents

Wholesale Trade	18%
IT & Professional Services	17%
Manufacturing	15%
Banking & Insurance	9%
Construction & Civil Engineering	8%
Retail, Real Estate, Hotels, Restaurants & Accom.	8%
Other Services (e.g. Education, Repair & Servicing etc.)	7%
Logistics & Transportation	6%
Others	12%
	100%
	n=600

The sample collected from Sep to Oct 2021 included both SMEs (84%) and larger companies (16%), and largely mirrors SBF's membership base.

Definitions to note:

Production & Trade

Manufacturing
 Construction & Civil Engineering
 Logistics & Transportation
 Wholesale Trade

Services

IT & Professional Services
 Other Services
 Retail, Real Estate, Hotels, Restaurants & Accommodations
 Banking & Insurance

Six Sub-Indices together define the SMEII

Components that make up each of the sub-index

Infrastructure

- Reliable utilities
- Well-developed financial banking system
- Well-developed digital infrastructure
- Affordable digital infrastructure
- Support on innovation and digitalisation by the local government
- Well-developed logistics & distribution network

Skillset

- Affordable and easily available staff with the right skills
- Workforce education
- Workforce ethics and motivation
- Policies that support businesses and investors
- Government support for upskilling
- Workforce is receptive to upskilling
- Availability of local tech partners/vendors

Market Diversity & Inclusiveness

- Use of international business language
- Workforce ethnic diversity
- Workforce gender diversity
- Foreigner friendly
- Easy to bring in overseas talents
- Easy to find business partners that can be trusted
- Diverse pools of potential customers/buyers

Business Confidence

- Manageable cost of running business
- Stable social & political environment

Business Environment & Regulations

- Predictable regulations & legislations
- Information available on regulations & formalities
- Support for Singapore companies
- Singapore companies are treated fairly
- Easy to partner with local companies
- Intellectual property rights protection
- Cybersecurity

Trade & Investment

- Easy to access credit/financing
- Transparent rules on capital investment
- Low level of tariffs or trade barriers
- Low level of non-trade barriers
- Legal protection for Singapore investors
- Easy to bring money/capital into the market
- Easy to repatriate capital/profit from the market



Computation of SMEII

SMEII for Thailand



Average of 6 ratings



Respondents
indicating
Strongly
Agree / Agree

53%

42%

39%

37%

31%

31%

39%

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Executive Summary



Singapore companies are still keen to venture abroad, pursue their growth strategies, despite disruptions arising from COVID-19

- Half of the respondents (53%) with businesses outside of Singapore plan to expand to new markets in the next 3 years.
- Almost one in five of the companies that have not gone overseas plan to venture abroad within the same timeframe.
- Two-thirds of the businesses which have gone abroad or planning to, feel that Singapore is too small. Expanding abroad is the only way to grow and fulfil their companies' vision for the future.

Executive Summary



Internationalisation journey has been impacted by travel and supply chain disruptions

- 6 in 10 companies are seriously impacted by travel disruptions, even more so than the supply chain.
- 4 in 10 companies are seriously impacted by supply chain disruptions arising from the pandemic (77%), border closures (65%), and logistic disruptions (63%).



ASEAN attracts the most interest from Singapore companies, followed by other parts of Asia, Europe, the Middle East and Africa

- 82% of the businesses are engaged in ASEAN.
- 68% are engaged in the rest of Asia (excluding ASEAN).
- ASEAN (68%) and the rest of Asia (53%) are the main focus for expansion in the next 3 years. There is also interest to venture much further to the Middle East & Africa (23%) and Europe (21%).

Executive Summary



ASEAN countries sentiment scores are below the SMEII global average except for Thailand

- In spite of this, ASEAN remains the focus of expansion due to its infrastructure offering trade opportunities and connectivity, availability of staff, diverse pools of potential customers / buyers, manageable cost of running the business as well as the advantage of proximity and familiarity.

“ *Because it is close to Singapore. It's much easier for us to handle the problems.* ”

Manufacturing Firm



Overseas market operating environment and trade conditions shape the internationalisation of Singapore businesses

- **Unclear regulations and legislation, less than transparent rules on capital investment and repatriation of capital or profits, difficulty to access credit/financing** as well as **social and political instability** are downside risks.

Executive Summary



Singapore companies face multiple challenges when venturing abroad

- Challenges include the difficulty of identifying trusted overseas business partners, the lack of foreign government support on innovation, digitalisation, upskilling of the labour force, support and legal protection for Singapore companies overseas, amongst others.

Opportunities

Overall



Conduct due diligence to locate and develop a network of trusted foreign partners



Identify and understand regulations around capital / profit repatriation and protection of investors



Use of Free Trade Agreements (FTAs), where appropriate, should be maximised to overcome tariff and trade/non-trade barriers



Set up good in-market financing arrangements

- Put enterprise resource funding in place before going abroad.
- Long-term planning in the area of funding is critical.

Opportunities

Information



Enhance companies' access to relevant information, networks, and uptake of support and schemes for venturing abroad

- Provide specific **information on industry partners** that help companies venture abroad.
- Provide **references of accredited networks** of suppliers, vendors, bankers, legal firms that are familiar with foreign market practices.
- **A guide on rules and regulations** regarding local business customs and practices, banking regulations, legal structure, repatriation of profits, local equity structure, and the educational level of the local labour force.
- Continue to **improve awareness and uptake of various support programmes** and government schemes for businesses on internationalisation.
- The above is even more relevant for companies venturing into “less familiar” markets beyond ASEAN.

Opportunities

Networking



Foster industry networking platforms for sector-specific partnerships and community building for internationalisation

- Opportunity for a directory with accredited networks of suppliers, vendors, bankers, legal firms. For example, connect businesses in the construction sector to material suppliers like cement manufacturers, and to architects and public utility providers.



Build Now

- When the world opens up after the pandemic, there will be a push to go international. Now is the time to prepare.
- Build strong brands at home. Build up a strong 'war chest' of resources. Build up a generation of young leaders and entrepreneurs that can be tapped on.

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Two-thirds of businesses feel Singapore is too small, expanding abroad is the only way to grow and fulfill their vision for the future.



66% Agree* that
“The Singapore market is too small, **internationalisation is the way to grow the business**”



67% Agree* that
“Internationalisation has always been **my company's vision**”

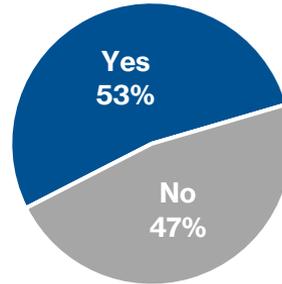
* Rated 6 or 7 on a 7-point scale

Base: Companies gone overseas or intending to go overseas (n=600)
A1 To what extent do you agree / disagree with the following statements? Please give a rating from 7 (strongly agree) to 1 (strongly disagree).

Singapore businesses that have already internationalised are more eager to go to new overseas markets in the future, and have positive expectations of growth in sales overseas.

Plan to expand to new markets in the next 3 years

Companies with Overseas Businesses
53% have plans to expand further to new markets within the next 3 years.



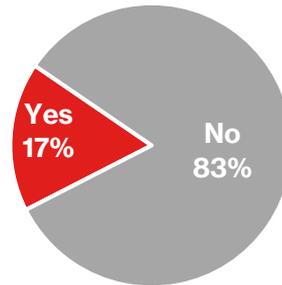
Base: All companies with overseas businesses (n=531)
Q2b Does your company have any plans to expand to new markets outside of Singapore in the future?

Expected annual change in sales earned outside Singapore:

- **An average increase of 12% in the next 12 months**

Base: All companies with overseas businesses (n=531)
Q9a Expected annual change in sales earned outside Singapore in the next 12 months

Companies without Overseas Businesses
Almost one in five companies (17%) that have not gone overseas, plan to do so within the next 3 years.



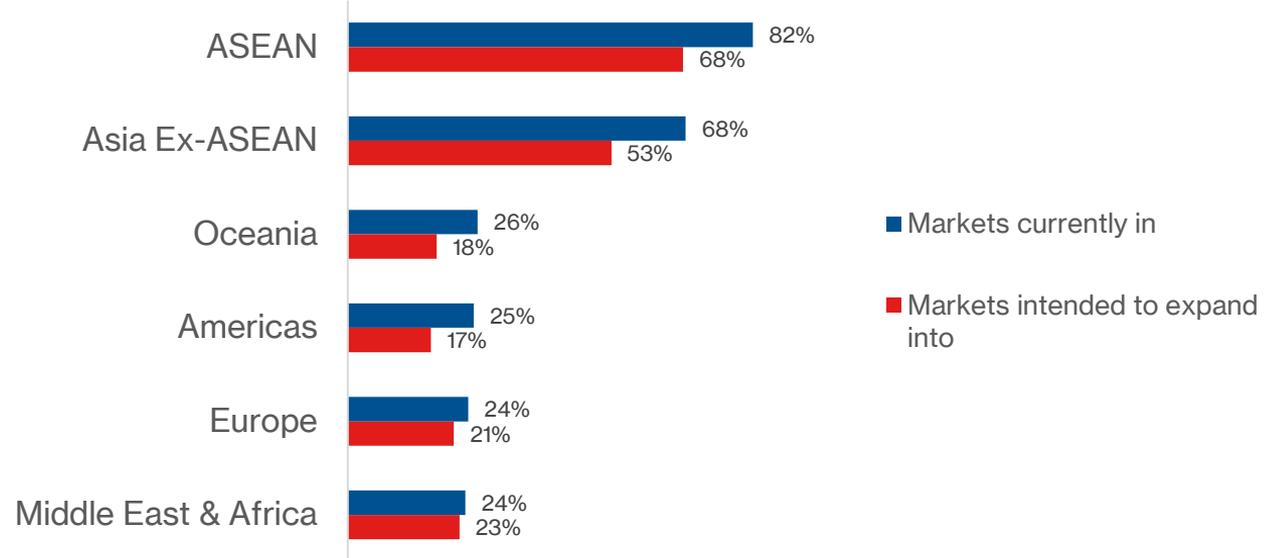
Base: All companies without overseas businesses (n=383)
Q2b Does your company have any plans to expand to new markets outside of Singapore in the future?

Singapore businesses have expanded mainly into ASEAN countries and will continue to do so in the future, for growth.

The region with the strongest interest is ASEAN – both in terms of current presence and future expansion plans.

There is also a strong interest in going to Asia and beyond to new markets, especially the Middle East & Africa, and Europe.

Proportion of businesses that have expanded to / intend to expand to specific markets



Base: Companies gone overseas (n=531)

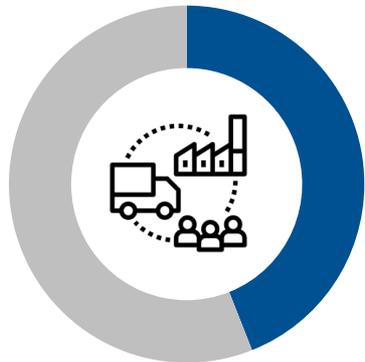
Q3a Which of these markets do you currently do business in?

Base: Companies intending to go overseas (n=346)

Q3b Which of these markets do you plan to expand your business to in the next 36 months?

The main concern on internationalising is the impact of disruptions - travel and supply chain disruptions.

Supply Chain Disruption



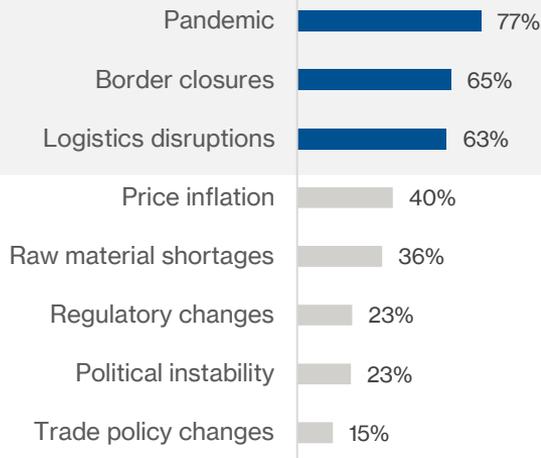
44%

4 out of 10 of the businesses are seriously impacted in the past year in their ability to do business internationally

Rated 7 or more out of a 10-point scale

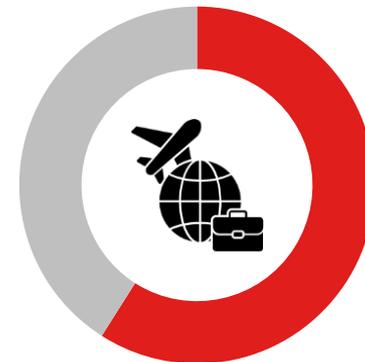
Base: Companies gone overseas (n=531)
T1a Impact of doing business internationally due to supply chain disruption (0: No impact; 10: Severely impacted)

Key reasons for disruptions



Base: Companies that experienced supply chain disruption (n=492)
T1b External factors that disrupted supply chain of company (multiple answers)

Travel Disruption



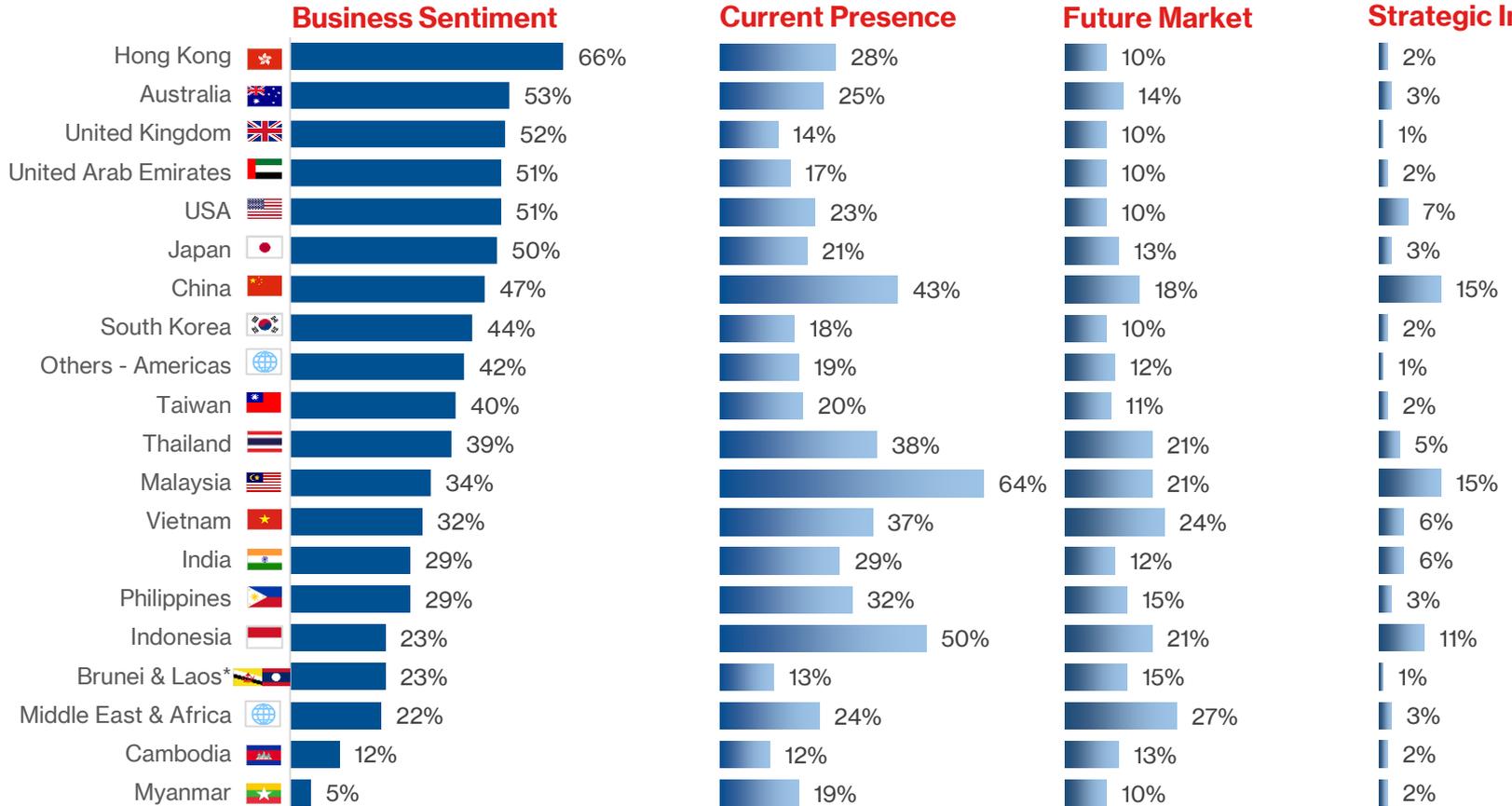
59%

6 out of 10 of the companies are seriously impacted in their overseas businesses

Rated 7 or more out of a 10-point scale

Base: Companies gone overseas (n=531)
T2 In the last 12 months, impact on doing business overseas by travel restrictions (0: No impact; 10: Severely impacted)

Singapore businesses place higher strategic importance on markets such as China, Malaysia, and Indonesia.



Base: Companies gone overseas or intending to go overseas (n=600)
 Q6a-Q6f Ratings of statements on Infrastructure, Skills, Diversity, Business Environment & Regulations, Trade & Investment, and Business Confidence (% of respondents who indicated Strongly Agree / Agree)
 Q3 Specific markets that businesses are in / intend to enter
 Q5a-Q5b Ranking of markets on strategic importance
 *Figures for Brunei and Laos are combined due to the small sample size.

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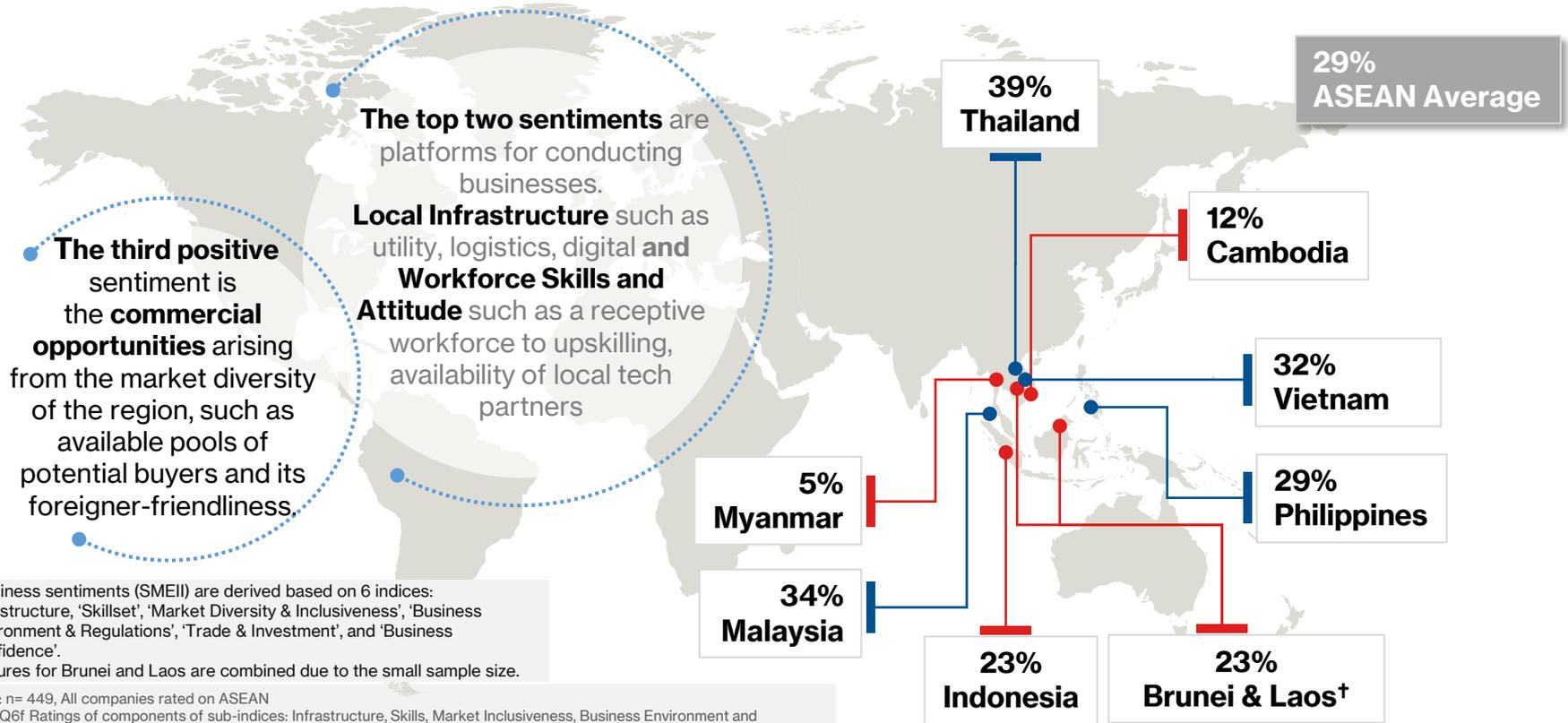
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Business Sentiments* in ASEAN

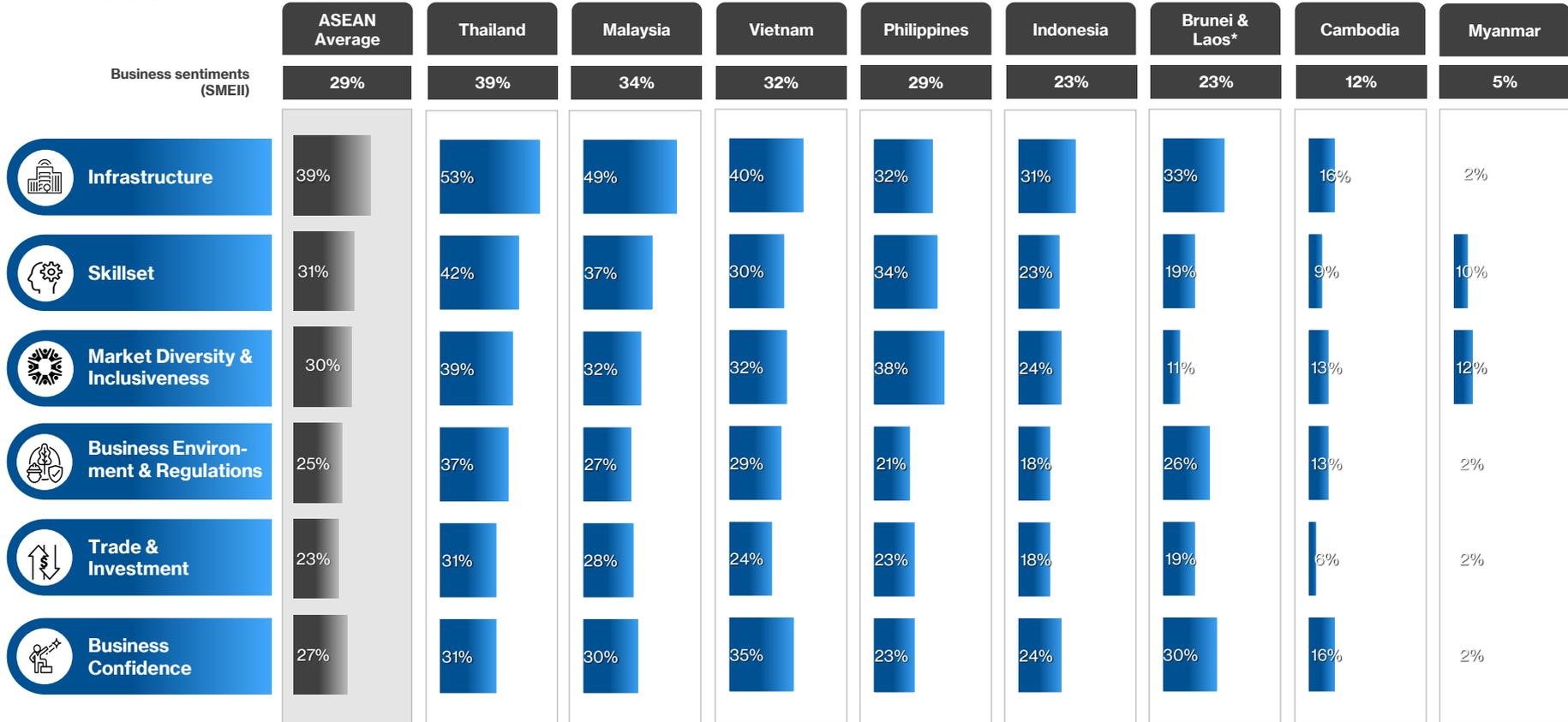
The top 5 ASEAN markets are Thailand, Malaysia, Vietnam, Philippines, and Indonesia



*Business sentiments (SMEII) are derived based on 6 indices: Infrastructure, 'Skillset', 'Market Diversity & Inclusiveness', 'Business Environment & Regulations', 'Trade & Investment', and 'Business Confidence'.
†Figures for Brunei and Laos are combined due to the small sample size.

Base: n= 449, All companies rated on ASEAN
Q6a-Q6f Ratings of components of sub-indices: Infrastructure, Skills, Market Inclusiveness, Business Environment and Regulations, Trade and Investment, Business Confidence

Thailand, Malaysia and Vietnam, Philippines and Indonesia are ahead of other ASEAN countries in most aspects as overseas business destinations.



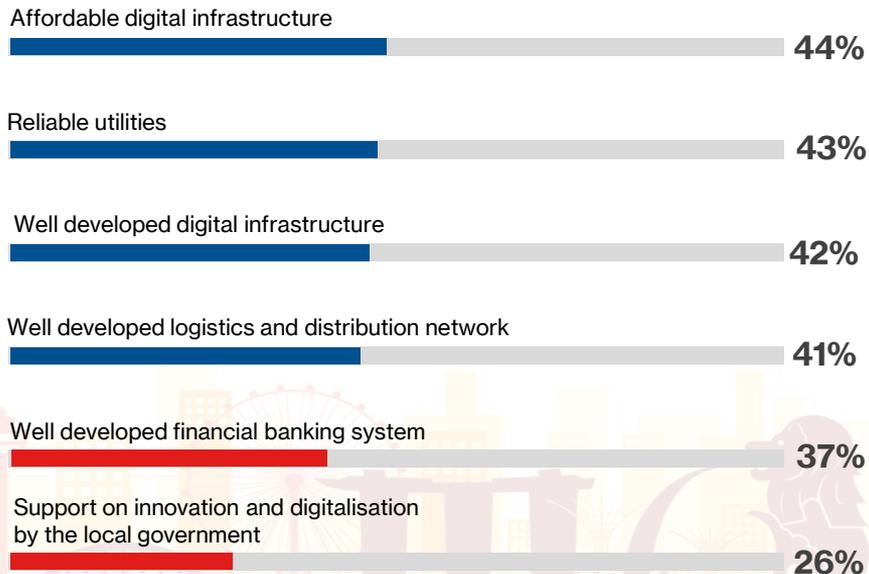
*Figures for Brunei and Laos are combined due to the small sample size.

ASEAN overall is seen to have favourable infrastructure, offer trade opportunities and connectivity for Singapore companies.



Infrastructure

Overall Opinion: 39%



ASEAN's infrastructure, including utilities, logistics, and digital, provides connectivity, enables business operations for Singapore companies to venture into the region.

However, companies entering the region are strongly advised to partner with financial institutions and technology counterparts familiar with the overseas market environment.

Base: n= 449 (all companies rated on ASEAN markets)
Q6a Ratings of Infrastructure sub-index components (% of respondents who indicated Strongly Agree / Agree)

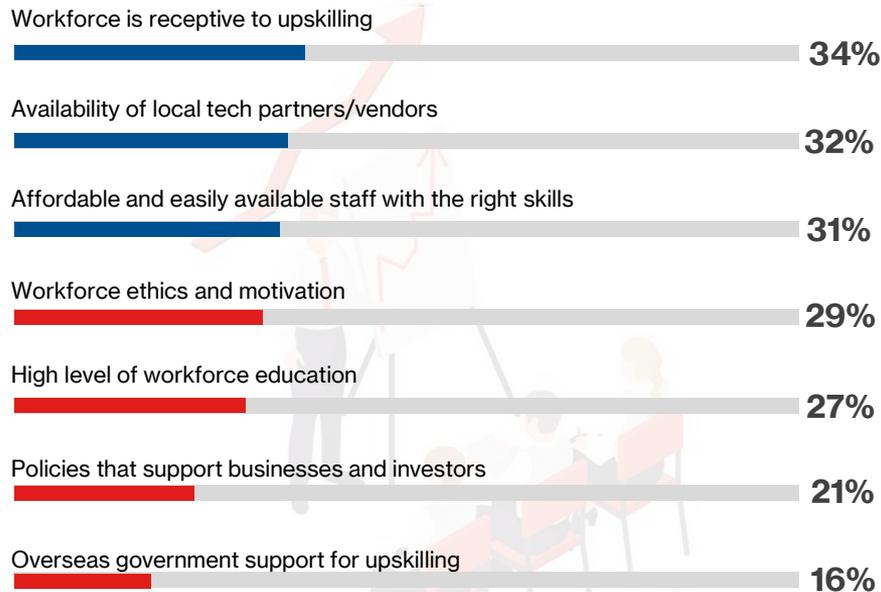
Above Overall Rating
Below Overall Rating

ASEAN workforce is receptive to learning new skills, though foreign government support on upskilling is seen as lacking.



Skillset

Overall Opinion: 31%



Companies entering the region will need to consider providing intentional skills transfer and training programmes that are tailored to the local market, as foreign government support is seen to be lacking.

Overall, businesses face bigger challenges in dealing with the quality of the foreign workforce as compared to their larger corporate counterparts.

Base: n= 449 (all companies rated on ASEAN markets)
Q6b Ratings of Skillset sub-index components (% of respondents who indicated Strongly Agree / Agree)

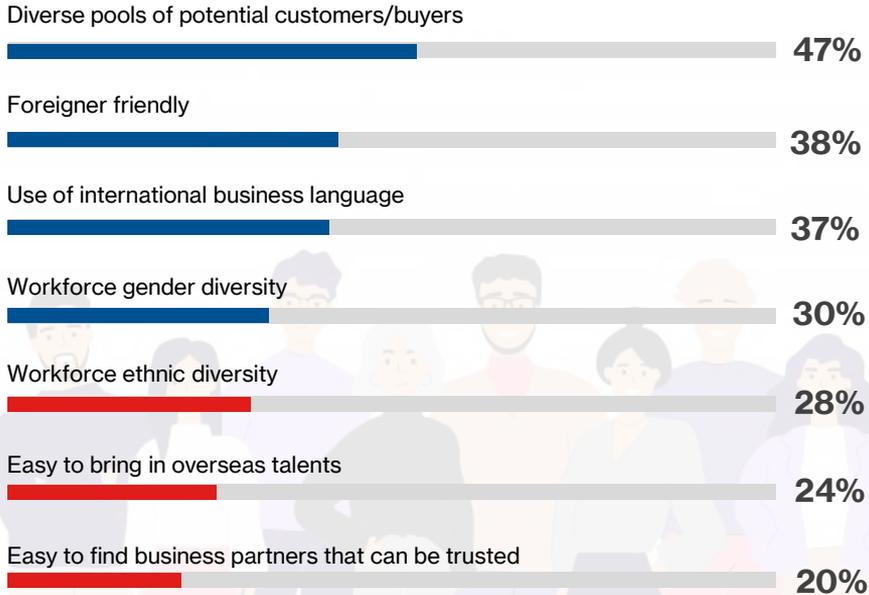
Above Overall Rating
Below Overall Rating

Pools of potential customers/buyers and foreigner friendliness present commercial opportunities for Singapore companies to expand into ASEAN.



Market Diversity & Inclusiveness

Overall Opinion: 30%



Almost half of the Singapore companies rated ASEAN as a region with commercial potential from diverse pools of customers and buyers with rising incomes.

When tapping into the ASEAN markets, companies are advised to conduct due diligence in locating and developing a network of trusted foreign partners.

Base: n= 449 (all companies rated on ASEAN markets)
Q6c Ratings of Market Diversity and Inclusiveness sub-index components (% of respondents who indicated Strongly Agree / Agree)

ASEAN business environment and regulations remain a challenge but offer trade opportunities when businesses understand the foreign markets and how they operate.



Business Environment & Regulations

Overall Opinion: 25%



Companies entering the region are advised to take proactive steps to ensure cybersecurity, protect their intellectual property rights, and stay on top of foreign markets regulations and formalities.

Companies are encouraged to familiarise themselves with various schemes and support when venturing overseas.

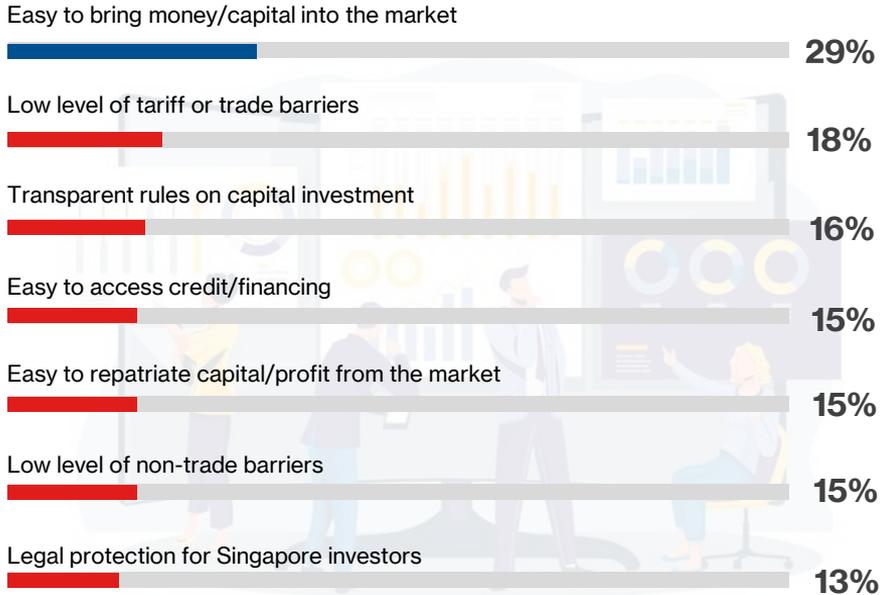
Base: n= 449 (all companies rated on ASEAN markets)
Q6d Ratings of Business Environment and Regulations sub-index components (% of respondents who indicated Strongly Agree / Agree)

Navigating the ASEAN trade and investment environment with a clear understanding of local regulations and legislation facilitates trade integration, promotes exports.



Trade & Investment

Overall Opinion: 23%



Compared with other aspects of Trade & Investment, it is relatively easier to bring capital into the ASEAN markets. However, companies entering the region are advised to have a clear understanding of local laws and regulations surrounding capital/profit repatriation, non-trade barriers, and legal protection for Singapore investors.

The use of Free Trade Agreements (FTAs), where appropriate, should be maximised to overcome tariff and trade/non-trade barriers.

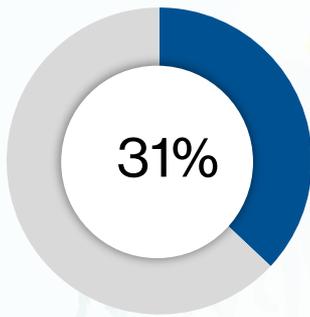
Base: n= 449 (all companies rated on ASEAN markets)
Q6d Ratings of Trade and Investment sub-index components (% of respondents who indicated Strongly Agree / Agree)

The manageable cost of running businesses is a catalyst for Singapore businesses to venture into the ASEAN region.

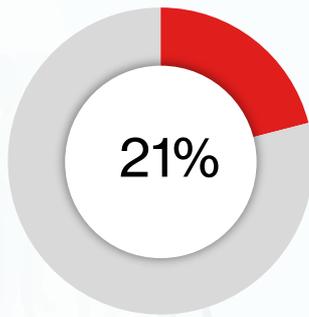


Business Confidence

Overall Opinion: 27%



Manageable cost of running business



Stable social & political environment

Companies seeking to expand into ASEAN are advised to collaborate with trusted overseas partners to navigate the social and political environment, promote trade and build a presence in the foreign markets.

Base: n= 449 (all companies rated on ASEAN markets)
Q6f Ratings of Business Confidence sub-index components (% of respondents who indicated Strongly Agree / Agree)

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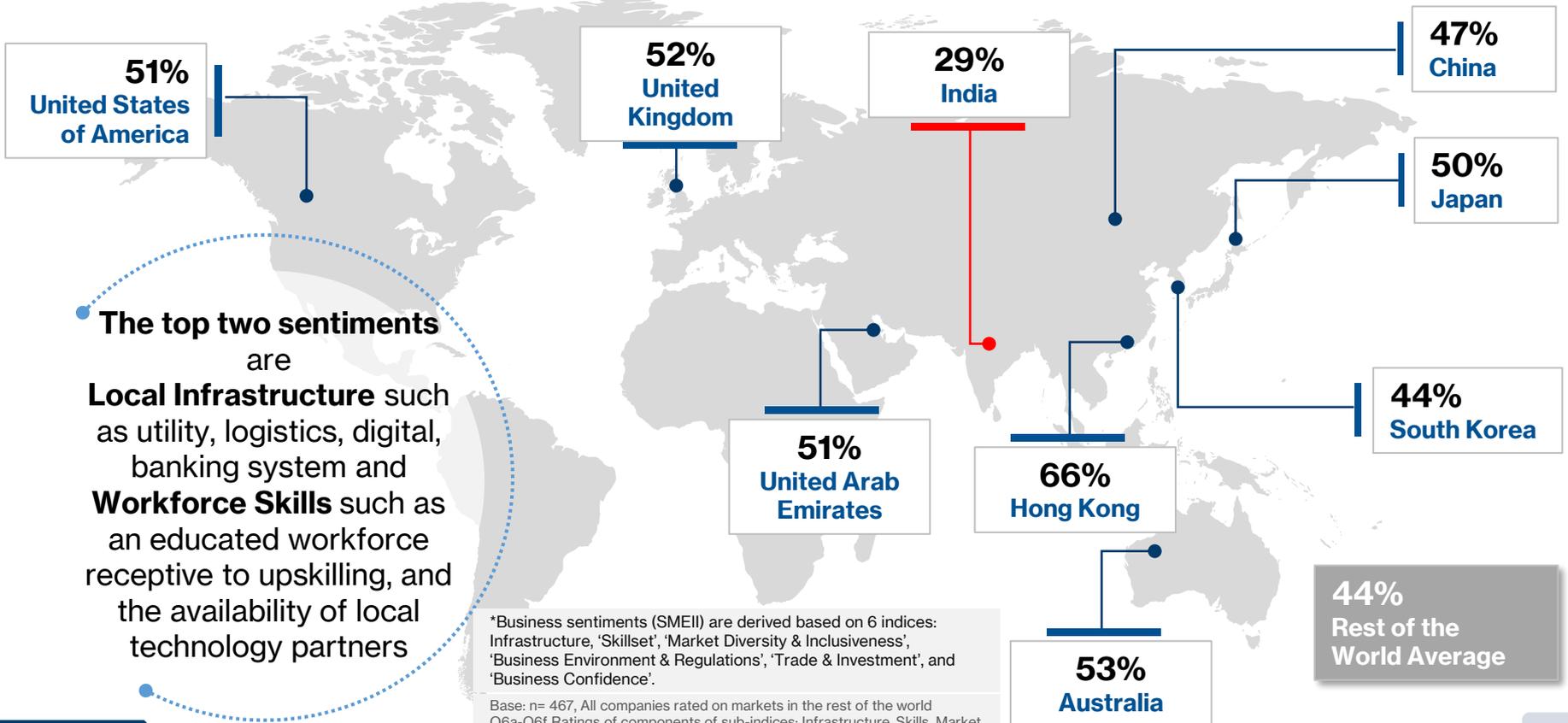
2.3 ASEAN Regional Profile

2.4 **REST OF THE WORLD Regional Profile**



Business Sentiments* in Rest of the World

The top markets are Hong Kong, Australia, the UK, US, UAE, and Japan

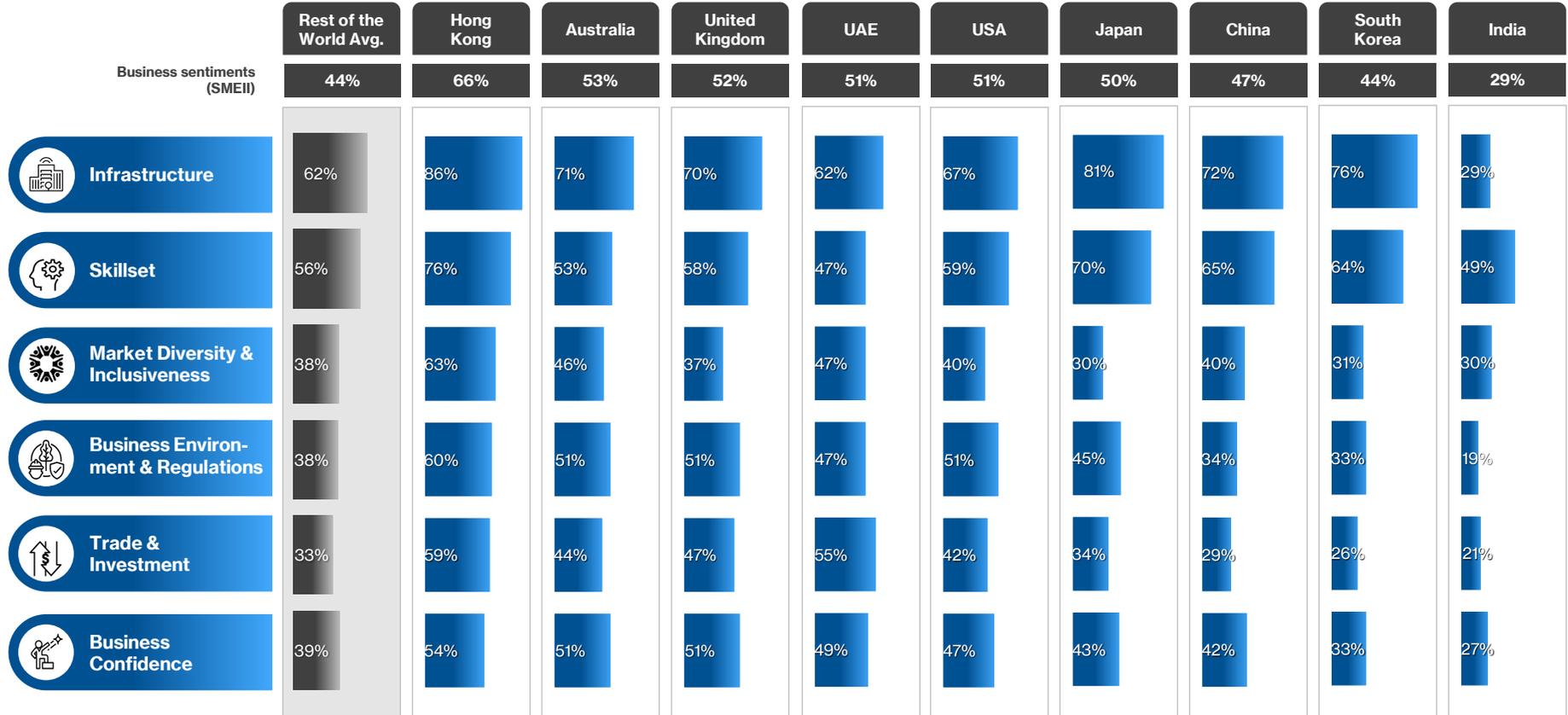


The top two sentiments are **Local Infrastructure** such as utility, logistics, digital, banking system and **Workforce Skills** such as an educated workforce receptive to upskilling, and the availability of local technology partners

*Business sentiments (SMEII) are derived based on 6 indices: Infrastructure, 'Skillset', 'Market Diversity & Inclusiveness', 'Business Environment & Regulations', 'Trade & Investment', and 'Business Confidence'.

Base: n= 467, All companies rated on markets in the rest of the world Q6a-Q6f Ratings of components of sub-indices: Infrastructure, Skills, Market Inclusiveness, Business Environment and Regulations, Trade and Investment, Business Confidence

Infrastructure and skillset are the key attractions of global markets.



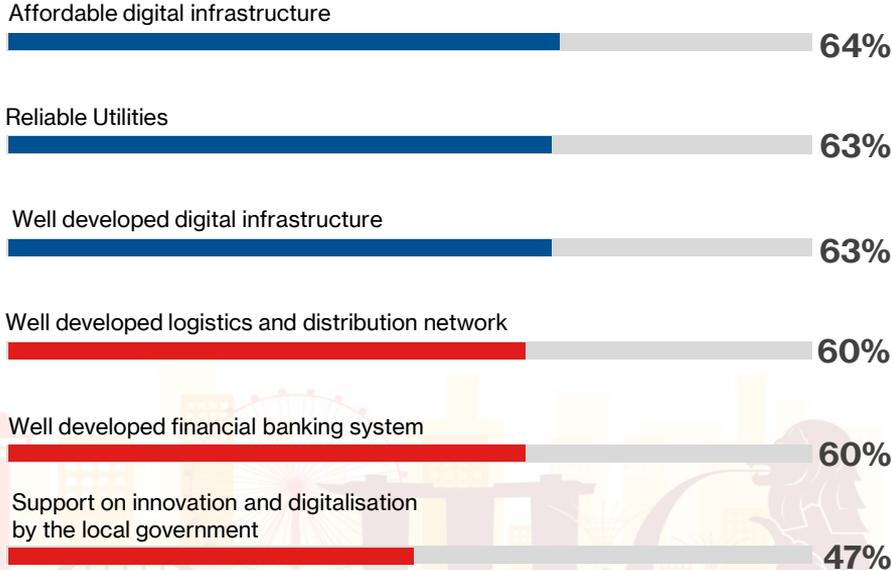
Global Ex-ASEAN

Infrastructure is seen as attractive by Singapore companies in offering new trade opportunities and facilitating the transfer of goods and services.



Infrastructure

Overall Opinion: 62%



Singapore businesses are highly positive about access to reliable utilities, affordable and developed digital infrastructure in the rest of the world.

Companies are advised to collaborate with trusted technology partners familiar with the overseas markets in question.

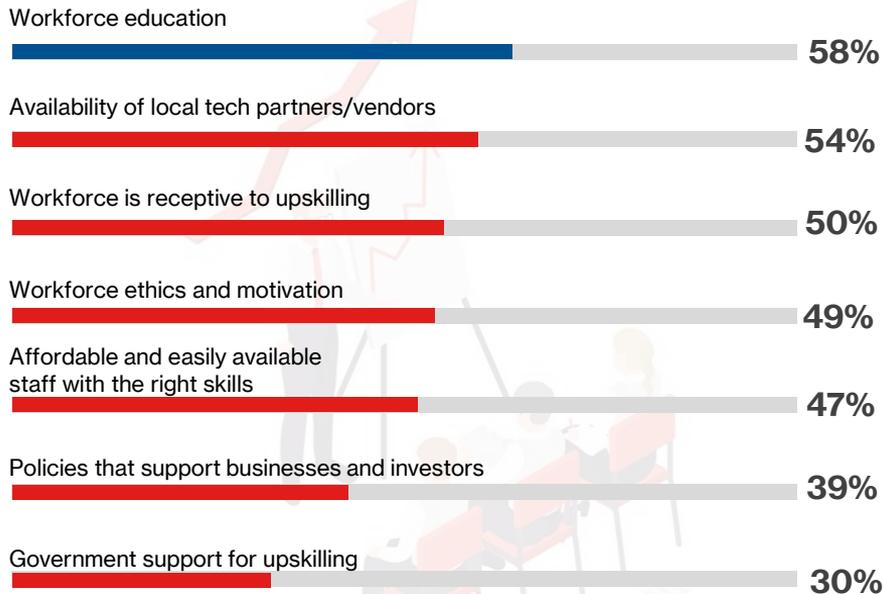
Base: n= 467, All companies rated on markets in the rest of the world
Q6a Ratings of Infrastructure sub-index components (% of respondents who indicated Strongly Agree / Agree)

Singapore businesses are keen to tap into the workforce offered by key global markets



Skillset

Overall Opinion: 56%



Good local workforce education and the availability of technology partners are two key factors that drive Singapore businesses to expand to the rest of the world.

Whilst the people are receptive to upskilling, companies should be aware that upskilling support from foreign governments is seen to be limited.

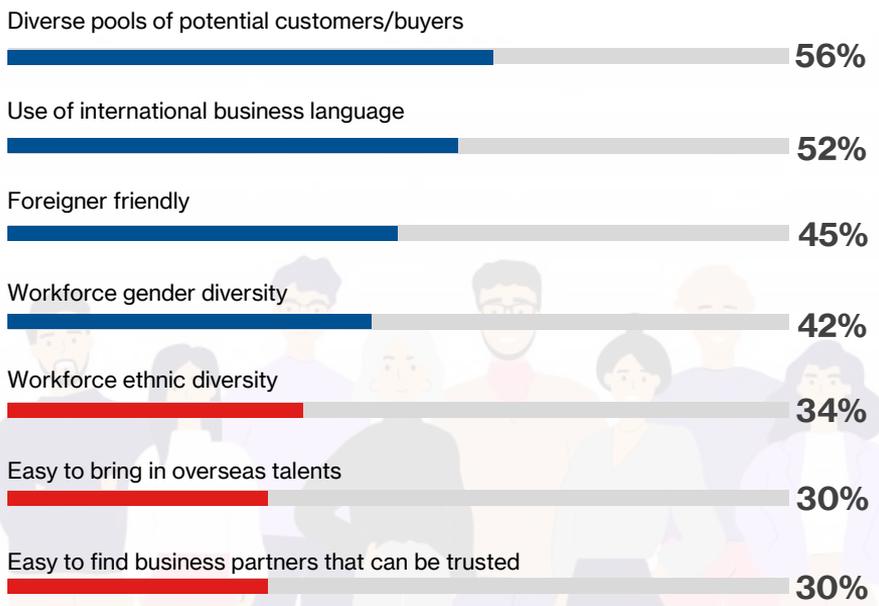
Base: n= 467, All companies rated on markets in the rest of the world
Q6b Ratings of Skillset sub-index components (% of respondents who indicated Strongly Agree / Agree)

Commercial opportunities, pools of potential customers, and the use of international business language are some key drivers for global trade.



Market Diversity & Inclusiveness

Overall Opinion: 38%



There is a strong belief that Singapore businesses may tap into the diverse pools of potential customers provided by the rest of the world.

Companies going global must be sensitive to overseas customs, workforce ethnic and gender characteristics. The conduct of due diligence is also important when identifying overseas business collaborators.

Base: n= 467, All companies rated on markets in the rest of the world
Q6c Ratings of Market Diversity and Inclusiveness sub-index components (% of respondents who indicated Strongly Agree / Agree)

Aspects about business environment and regulations are rated low, especially around support for foreign companies and predictability of regulations and legislation.



Business Environment & Regulations

Overall Opinion: 38%



Expanding to the rest of the world would require companies to be fully aware of the need to protect their intellectual property rights and build cybersecurity capabilities.

Singapore companies may not be well supported in overseas markets so they must know the legislation and seek trusted local partners to navigate the market environment.

Base: n= 467, All companies rated on markets in the rest of the world
Q6d Ratings of Business Environment and Regulations sub-index components (% of respondents who indicated Strongly Agree / Agree)

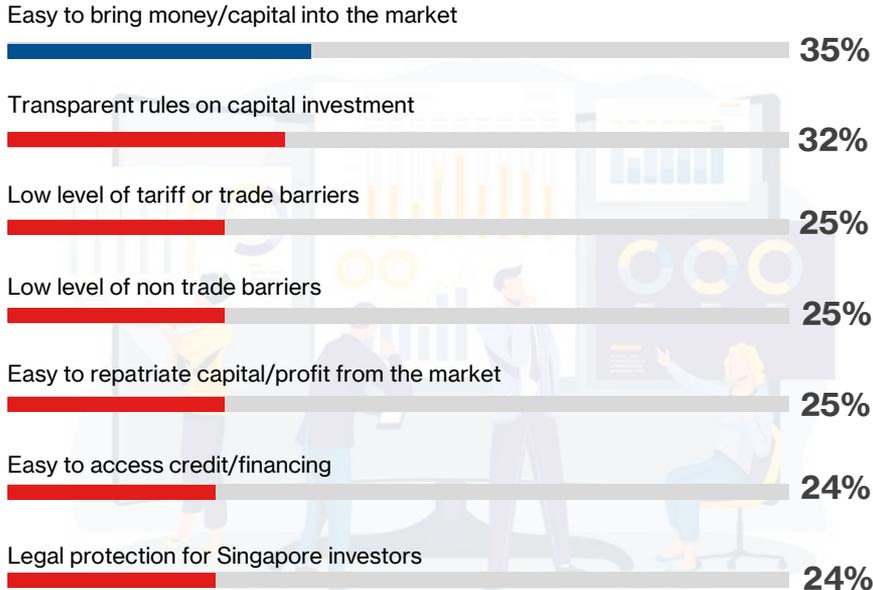
Above Overall Rating
Below Overall Rating

Staying on top of global trade and investment conditions unlocks opportunities for Singapore businesses to integrate into the global markets and promote exports.



Trade & Investment

Overall Opinion: 33%



Singapore companies are advised to assess the level of legal protection for capital investment and have a clear understanding of the regulations on capital/profit repatriation.

The use of Free Trade Agreements (FTAs), where appropriate, should be maximised to overcome tariff and trade/non-trade barriers.

Base: n= 467, All companies rated on markets in the rest of the world
Q6e Ratings of Trade and Investment sub-index components (% of respondents who indicated Strongly Agree / Agree)

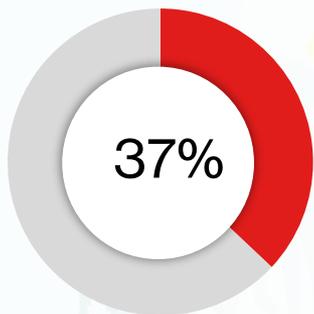
Above Overall Rating
Below Overall Rating

The manageable cost of running businesses, stable social and political environments are catalysts for global trade.

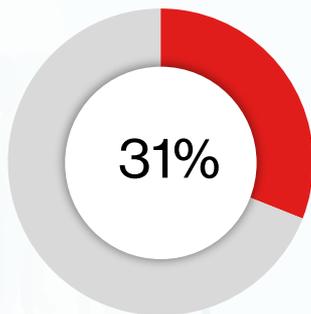


Business Confidence

Overall Opinion: 39%



Stable social & political environment



Manageable cost of running business

Though at least one in three respondents rated business confidence favourably, companies are advised to be well-informed about the social and political environment of the overseas markets as these may impact their operations and the cost of running the business.

Base: n= 467, All companies rated on markets in the rest of the world
Q6f Ratings of Business Confidence sub-index components (% of respondents who indicated Strongly Agree / Agree)

Above Overall Rating
Below Overall Rating



Thank you

