

COMMENTARY

Building a resilient business collective by empowering SMEs in uncertain times

They provide a livelihood for more vulnerable workers, and are instrumental in the development of local infrastructure. BY KOK PING SOON

SMALL and medium-sized enterprises (SMEs) are a significant part of Singapore's business landscape and a vital engine for economic development, accounting for 99 per cent of businesses and employing 71 per cent of the country's total workforce.

Beyond the important economic role they play, SMEs perform a social function too. They provide a livelihood for more vulnerable workers, and are instrumental in the development of local infrastructure and strengthening of community resilience.

After navigating the challenges of recent economic contractions – where they faced five consecutive quarters of decline – Singapore's SMEs are now entering a recovery phase.

In the third quarter of 2024, SMEs grew for the second straight quarter, according to the OCBC SME Index. This was led by industries such as food and beverage, transport and logistics, and resources.

This positive shift reflects the sectors' resilience. However, this resurgence comes with its own set of challenges.

One significant hurdle is internationalisation. As SMEs venture beyond home, they often face complexities related to regulatory compliance, cultural nuances and market entry strategies.

In this context, trade associations and chambers such as the Singapore Business Federation (SBF) play a crucial role by serving as advocates and resources for SMEs, providing guidance, valuable networks and information.

The demand for such support is clear. According to a recent *National Business Survey* by SBF, only 33 per cent of SMEs are familiar with the markets into which they intend to expand.

Of both SMEs and larger organisations

surveyed, a significant portion seek guidance on internationalisation (41 per cent) and support that facilitates networking opportunities and regional partnerships (41 per cent).

More importantly, nearly half (49 per cent) of all businesses surveyed highlighted the pressing need for assistance with regulatory changes.

Navigating a complex economic landscape

On a global scale, companies – including SMEs – face challenges such as geopolitical uncertainty, resource constraints, the accelerated pace of digitalisation, and pressures towards decarbonisation.

Global trade dynamics have shifted in recent years, with countries increasingly prioritising domestic interests over open market principles. This trend is driven by various factors, including geopolitical tensions, supply chain disruptions and economic nationalism.

If implemented, tariffs and trade barriers could lead to higher import costs, directly affecting SMEs that rely on affordable raw materials to maintain competitive pricing.

The shift away from free trade has implications for global economic growth, leading to higher prices for consumers, reduced competition and slower innovation.

For Singapore, which thrives as a global trading hub, this could mean reduced demand for exports, affecting overall economic performance.

As a result, companies may approach long-term investments and strategic decisions with caution, mindful of potential future tariffs or trade restrictions.

This guarded stance comes even as more local businesses are looking to ex-



Internationalisation is a significant hurdle facing Singapore's SMEs, says SBF CEO Kok Ping Soon. PHOTO: LIANHE ZAOBAO

pand internationally in markets such as Vietnam (25 per cent), Indonesia (25 per cent) and Thailand (21 per cent).

While companies reassess their supply chains in response to changing trade policies, Singapore may need to adapt quickly to remain attractive as a logistics and manufacturing hub. This could involve enhancing local capabilities or diversifying supply sources to mitigate risks associated with reliance on specific markets.

However, amid these challenges lie opportunities for Singapore to strengthen partnerships within South-east Asia to enhance its position as a central player in regional trade networks.

How SBF is stepping up to support

SMEs at various stages of growth require dedicated guidance and support, in several areas.

They must harness technology to improve efficiency and innovate to meet market demands, while empowering their workforce with the skills necessary to thrive in an increasingly complex land-

scape. Expanding into international markets is also vital for diversifying revenue streams and reducing dependency on single markets.

SMEs must seek out resources that facilitate these transformations – whether through workshops, mentorship programmes, or partnerships providing access to technology and expertise.

For instance, SMEs can improve their operational capabilities and prepare for future challenges by taking part in initiatives aimed at fostering digitalisation and skills development.

As Singapore's apex business chamber, SBF believes that successful future-ready businesses should be scaled internationally, smart-enabled, skills-empowered, sustainability-centric and socially impactful.

In response to the evolving needs of our business community, we have transformed ourselves to strengthen how we help local businesses reach their full potential.

SBF's recently refreshed brand identity reflects our commitment to galvanising essential resources and fostering strong

trade associations.

By collaborating closely with partners and allies, we aim to support businesses in their collective growth, ensuring they are well-equipped to navigate the challenges and opportunities that lie ahead.

Creating impact for future-ready SMEs

Singapore SMEs that have benefited from partnering us include Ichi Seiki, Guava Amenities and SGProtein. Collaborating with SBF has helped improve their sustainability and internationalisation efforts.

By collaborating more deeply across value chains and engaging with diverse stakeholders, these SMEs have strengthened their competitive edge and reaped benefits.

We are committed to empowering SMEs during these challenging times, ensuring they are well-equipped to thrive.

The strength of a vibrant economy lies in its ability to elevate businesses to new heights.

Even as global politics cause economic shifts, ongoing support from industry partners and strategic initiatives will continue to catalyse growth for SMEs, enabling them to navigate the complexities of an evolving market landscape.

This is why SBF is such a strong supporter of the Enterprise 50 Awards. Winners of the awards have demonstrated the innovative mindset and the agility needed to adapt to the ever-changing business environment.

These companies must inspire others to strive for excellence and aim for continuous improvement in their pursuits, thus contributing to Singapore's bright future.

The writer is the chief executive officer of the Singapore Business Federation



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+65 62 888 555 enquiry@sin-chew.com.sg www.sin-chew.com.sg

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