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Some SMEs struggling amid weak business growth



Mr Daniel Tay, founder and head chef of cheesecake business Cat & the Fiddle, has pumped about \$650,000 into equipment enhancement this year. "The future is about technology and advancement, it's not going to U-turn and go primitive. You have to put in the money, and then build the market," he says. ST FILE PHOTO

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Six in 10 not adjusting enough to cope with technological change, disruption, poll shows



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Smaller firms are more at risk of falling behind because they are not investing enough to deal with the advent of new technology, according to a new survey.

It found that 64 per cent of small and medium-sized enterprises (SMEs) said they have not made significant adjustments to adapt to technological change and disruption. This contrasts with the 43 per cent of large companies here that made the same admission.

But SME bosses say that many firms have to grapple with day- to-day struggles amid weak business growth, and are less able to invest ahead than their larger industry peers.

The Singapore Business Federation survey polled 969 SMEs and 162 large companies between October and last month.

Only 2 per cent of the entire cohort said they had undertaken a major restructuring in the past 12 months in anticipation of technological change and disruption.

INNOVATION TAKES A BACK SEAT

In this climate, banks may become more cautious about lending, especially to small businesses. As investing in technology and innovation capabilities entails financing and time for results to be visible, preserving cash flow and profitability therefore remain the top of the agenda of SMEs.

MR CHAI WAI FOOK, partner of tax services at Ernst & Young Solutions, flagging financing and cash flow as another hurdle for SMEs.



But SMEs fared worse on average, with 10 per cent saying they had implemented "several changes" over the past 12 months, compared with 22 per cent of large companies that had done so.

Mr Toh Kok Swee, chief executive of Tai Wah Distributors, which makes equipment for hairdressing salons, said SMEs often struggle with investment costs due to their lack of scale. For example, he had considered developing computer software to enable Tai Wah's website with e-commerce functions to cater to a global audience.

"Ideally we want to do it, but in reality, we can't yet," Mr Toh said.

"Until you develop a substantial global market presence, building such a substantial website with different language capabilities and offering local prices and delivery does not make any sense for us.

"I think many smaller companies in Singapore are facing the same issue domestically - small market, high cost - you certainly need to be of a certain scale to survive."

Still, other SMEs are confident that they can reap gains by investing ahead of the curve.

Mr John Kong, managing director of building supplies firm M Metal, recently applied to patent a new product for constructing high-rise buildings. Mr Kong said: "We think the downturn will last for another one to two years, but there are a few infrastructure projects coming on board, and we will be ready when they kick off."

Mr Daniel Tay, founder and head chef of cheesecake business Cat & the Fiddle, has pumped about \$650,000 into equipment enhancement this year.

"The future is about technology and advancement, it's not going to U-turn and go primitive. You have to put in the money, and then build the market," said Mr Tay.

But Mr Chai Wai Fook, partner of tax services at Ernst & Young Solutions, flagged financing and cash flow as another hurdle for SMEs. "In this climate, banks may become more cautious about lending, especially to small businesses," he said.

"As investing in technology and innovation capabilities entails financing and time for results to be visible, preserving cash flow and profitability therefore remain the top of the agenda of SMEs.

"Notwithstanding the above, there are government fiscal assistance (schemes) available, such as the SME Working Capital Loan launched in Budget 2016."