

Businesses can do their part, find ways to innovate

By Grace Ho

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Trade associations and banks can work together to better support small and medium-sized enterprises (SMEs) during the coronavirus crisis. But SMEs, too, must be pro-active in adopting technology and transforming if they are to emerge stronger after the downturn, Deputy Prime Minister Heng Swee Keat said yesterday.

He noted that in the 2009 global financial crisis, trade "dried up" not because there was no demand, but because trade finance and trade insurance were affected by an overall lack of confidence. "Buyers were not confident that sellers would deliver the goods, and sellers were not confident that buyers would deliver the money," he said.

Today, this can be overcome with the use of digital tracking and payments systems, he added. "The tracing of goods in transit is now possible, and the flow of finance and data can be better integrated."

Mr Heng was speaking at The Straits Times-The Business Times Budget 2020 Roundtable moderated by ST associate editor Vikram Khanna.

Mr Heng said while measures like bridging loans can help SMEs with short-term uncertainties, broader structural solutions are needed.

A task force looking at how firms can emerge stronger from the crisis is now preparing a list of challenges to be solved, including how to better support SMEs, he said.

One example of a digital solution is the Networked Trade Platform (NTP), a one-stop trade information management system launched in 2018 that connects local companies in the value chain to their counterparts abroad as well as regulators. The NTP is now conducting trials with major ports in China, and more banks should work with the platform to provide trade finance to SMEs, Mr Heng added.

OCBC Bank's head of global commercial banking Linus Goh agreed, saying the bank had seen a significant uptake in companies' adoption of digital invoicing and payments.

To improve SMEs' risk profile and facilitate bank lending, trade associations and chambers like the Association of Small and Medium Enterprises could explore creative solutions such as online training, Mr Heng added. The Government, too, is working with industry to simplify SMEs' administrative tasks, such as taking orders, managing inventory, and accounting and auditing.

"We hope that audit and accounting firms can come up with solutions to allow these to be done more efficiently," Mr Heng said, adding that he was prepared to support such innovative measures as the chairman of the National Research Foundation.

In his Budget speech last month, Mr Heng had announced a \$4 billion Stabilisation and Support Package targeted at firms and workers to soften the blow dealt by the ongoing Covid-19 virus outbreak.

Measures include corporate income tax rebates, a Jobs Support Scheme to offset wages to be paid to employers in May, and a Wage Credit Scheme that co-funds wage increases.

Institute of Policy Studies (IPS) senior research fellow Faizal Yahya observed that the approval process for such schemes could be too long, and public servants may not have industry knowledge to understand the, at times, large variances among companies in the same sector.

At the same time, SMEs themselves may not have assessed the health and complexity of their own processes.

The latest technology could become a "white elephant" without proper leadership to see through its adoption, Dr Faizal said.

In his reply, Mr Heng said this was why the Government had come up with Industry Transformation Maps, working with stakeholders to solve industry challenges in an integrated, company-centric way.

Its previous approach, he said, had been agency-centric with various discrete grants. "We are trying to collapse as many of these different schemes as possible into one, so companies don't have to go from one agency to another. But as the public sector, we also want to have proper accountability for the spending of public funds... we cannot have one set of rules for company A and another for company B."

Companies themselves, too, must transform internally, improving their management capabilities and building up reserves. "The need to have precautionary savings - as individuals, as businesses, as a country - applies throughout," said Mr Heng. "It will be bad management if we have such low levels of buffer."

He observed how, compared with the 1997 Asian Financial Crisis, some firms with global operations were better prepared to deal with the 2009 global financial crisis - because they had resolved to plan their finances differently, and were more careful about exchange rate risk and currency volatility.

He also noted how internal transformation has allowed staff to work remotely during the Covid-19 outbreak without adversely affecting operations. "There is a lot of scope for us to rethink this aspect of work. What can we best use the physical meetings for? And how can we make the best use of technology to work remotely?"

This involves external transformation too, such as reviewing processes with like-minded partners.

"Innovations like these cannot take place unless everyone has the mindset that they want to do better and are prepared to experiment," Mr Heng said. "To have that innovative mindset, to make innovation pervasive in our economy, is a critical part of our longer term transformation."

Ademco Security Group's managing director Toby Koh talked about how the security firm had partnered OCBC Bank to remotely troubleshoot issues at its branches. The move paid off in the form of lower costs, greater efficiency and even environmental friendliness, he said.

"It is a lot of work to change standard operating procedures in a bank, but within a minute or two, we are able to do a risk assessment remotely... We don't want to send a vehicle all the way across

town just to look at one of the premises. We have gone green and reduced carbon emissions with technology."

Mr Heng urged businesses to take the long view and band together - be it landlords helping tenants or banks helping clients stay viable. "We are all on the same boat."

He also urged them to look at new ways of doing things, citing an entrepreneur in videoconferencing who was doing very well at a time when people avoided meetings, and a businessman who was making use of this down time to get his workers in China to do remote learning.