

## **Companies too must adopt technology and transform: DPM Heng Swee Keat**

**By Grace Ho**

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SINGAPORE - The Government, trade associations and business chambers, and financial institutions can work together to better support small-and medium-sized enterprises (SMEs) during the Covid-19 crisis.

But SMEs, too, must be pro-active in adopting technology if they are to emerge stronger after the downturn, said Deputy Prime Minister Heng Swee Keat on Monday (March 16).

Mr Heng noted that in the global financial crisis in 2009, 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 Roundtable together with three panellists - OCBC Bank head of global commercial banking Linus Goh, Ademco Security Group managing director Toby Koh, and Institute of Policy Studies senior research fellow Faizal Yahya. The session was moderated by ST associate editor Vikram Khanna.

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

Following from the recommendations of the Committee on the Future Economy, a task force 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. The NTP is now conducting trials with major ports in China, and more banks should come on board the platform to better support SMEs in trade finance, he said.

OCBC's Mr Goh agreed, pointing out that the bank had seen a "significant uptake" in companies' adoption of digital invoicing and payments.[embed\]](#)

To improve SMEs' risk profile and facilitate bank lending, trade associations and business chambers such as the Association of Small & Medium Enterprises (Asme), could explore creative solutions such as online training for SMEs, 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," he 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 S\$4 billion Stabilisation and Support Package targeted at enterprises 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 which co-funds wage increases.

IPS' Mr Faizal observed that the approval process for such schemes could be too long, and public servants may not have industry knowledge to understand the sometimes large variances among companies within 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, he said.

In response, Mr Heng explained 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 collect as many of these different schemes as possible into one (scheme), 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. Said Mr Heng: "The need to have precautionary savings - as individuals, as businesses, as a country - applies throughout. 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. This was 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 companies' staff to work remotely during the Covid-19 outbreak, without adversely affecting operations.

Citing security firm Ademco, which shared how it worked with OCBC Bank to monitor its branches and troubleshoot issues remotely, Mr Heng said: "There is a lot of scope to rethink these aspects of work. What can we best use 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 added. "To have that innovative mindset, to make innovation pervasive in our economy, is a critical part of our longer-term transformation."