

SME WEEKLY NEWS

(8 October 2018 – 14 October 2018)

Countries	Highlights
<p>MALAYSIA</p> <p>Some SMEs find it hard to cross the digitalisation gap</p>	<p>ICT usage among local SMEs predominantly comes from personal devices as opposed to back-end business processes such as Enterprise Resource Planning and Customer Relationship Management. The Digitalisation Survey of SMEs, commissioned by Huawei and SME Corp. Malaysia also reveals that SMEs have achieved a high level of computerisation but some are finding it difficult to cross the digitalisation gap, with significant implications for business and productivity gains. The survey is one of the highlights of the SME Annual Report 2017/18 released by SME Corp. recently with the theme 'A Connected World – Digitalising SMEs'. The report said SMEs contributed RM435.1 billion to the economy in 2017 with a higher GDP growth of 7.2% against 5.2% in 2016. GDP contribution from SMEs increased further to 37.1% from 36.3% in the previous year, while SMEs' contribution to overall employment increased to 66.0% from 65.3% in 2016. Despite recording an increase in export value to RM167.4 billion in 2017, SMEs' contribution to total exports was lower at 17.3% (2016: 18.%) due to higher export growth by large firms.</p> <p style="text-align: right;"><i>(Source: The Borneo Post, 14 October 2018)</i></p>
<p>INDONESIA</p> <p>SMEs account for less than 0.1% of R&D spending in Indonesia: OECD</p>	<p>According to Organization for Economic Co-operation and Development (OECD), based on OECD report on SMEs and entrepreneurship in Indonesia, less than 0.1% of research and development (R&D) spending is conducted by SMEs, far behind the OECD average of 2.3%. The OECD suggested that the government increase spending on skills upgrading and innovation at SMEs to strengthen productivity growth. The OECD also suggested scaling back some large programs, such as the people's business credit (KUR) – a loan program with subsidized interest rates, while increasing the focus on targeted groups, such as first-time borrowers and SMEs from regions lagging behind in terms of development. To improve the overall coherence of Indonesia's SME policy, the review recommends the integration and merger of programs that offer very similar services but are operated by different ministries, for example in the field of business development services and business incubators.</p> <p style="text-align: right;"><i>(Source: Jakarta Post, 10 October 2018)</i></p>
<p>CAMBODIA</p> <p>New tax incentives to increase SME sector competitiveness</p>	<p>A new sub-decree issued creates a slew of tax incentives for SMEs in the Kingdom. Sub-decree No. 124 rules tax incentives for SMEs in selected industries, a move the government hopes will enhance competitiveness and create more jobs for Cambodians. The incentives target firms in agro-industry, food production and processing, manufacturing of local products, manufacturing of souvenirs and handicrafts for tourists, waste processing, assembling and IT research and development (including IT management services). SMEs operating in these sectors will enjoy a 3-year exemption on income tax, which starts on the date the company registered, or on the date the sub-decree became effective. The period of exemption will extend to five years if the company meets at least one of the following conditions: at least 60% of the raw materials it uses comes from local sources, and it has increased the number of employees on its payroll by at least 20%. Companies that gain access to this benefits, will also be exempted from paying the minimum tax during the 3 or 5-year period. The sub-decree also makes certain expenses deductible, including computerised accounting or information systems, technical and bookkeeping training for staff and innovative machineries & tools that increase productivity.</p> <p style="text-align: right;"><i>(Source: Khmer Times, 8 October 2018)</i></p>

SINGAPORE

Singapore SMEs more cautious amid trade tensions: SBF- DP SME Index

The latest SBF-DP SME Index showed that Singapore SMEs will look to expand in 2019, but show greater caution than six months ago as trade tensions continue to simmer. A joint initiative of Singapore Business Federation (SBF) and DP Information Group (DP Info), the index measures the business sentiment of over 3,600 SMEs for the next six months. Compared to the last quarter's index of 51.5, the latest overall outlook for SMEs is slightly moderated, decreasing quarter on quarter to 51. A score above 50 indicates an expectation of growth, while a score below 50 signals a possible contraction. The manufacturing sector is downbeat on growth outlook compared to other sectors, even as all sectors reported a decrease in growth outlook. In particular, the manufacturers are watching more closely the impact on profitability ahead, given fears of increased input costs. But the retail and F&B (food and beverage) sector reflects strongest outlook among the industries, due to the upcoming festive period and the rise of online delivery platforms.

(Source: Business Times, 8 October 2018)

LIGHTNING IN A BOTTLE

A near-death experience on a regular working day opened Mak Ming Hung's eyes to a business opportunity. "Lightning protection should be a business!" he exclaims. Mak was a TV transmission engineer at Hong Kong's Television Broadcasts' hill top station. On one occasion, while handling communications between the station and the broadcasting centre, he heard the big bang of a thunderstorm and the room flashed over with brief sparks. "If I had touched the mic one second earlier, I would have died," he says.

He started testing out new methods of enhancing the protection of the transmission equipment. In 1982, he set up Gamma Laboratory Ltd in Hong Kong and soon cornered the lightning protection equipment market there. He then decided to expand into Malaysia, which is among the countries in the world with the highest values of lightning days per annum. He founded Lightning Protection System Sdn Bhd (LPS) in 1995 in Malaysia to provide lightning protection equipment and consultancy services in Malaysia.

Mak soon realised that the majority of surge protective devices were not durable enough to meet the intensity of lightning in Malaysia. With no other suitable products that they could procure from the market, Mak decided to develop his own surge protective device. He read through standards, observed what customers wanted and studied the products that his competitors had to offer. Finally, in 2000, LPS started manufacturing its own surge protective device.

"From the get-go, I wanted the products to be known as 'Made in Malaysia'. People say don't label it as 'Made in Malaysia'. I said no. Once your product do well, it will take off," he shares. He was proud that his products were locally made. He makes sure their products are tested to the highest standards. Michelle Martin, LPS general manager, notes that LPS has a more comprehensive lightning protection system today to cater to various needs.



What sets LPS apart from its competitors, says Martin, is its ability to offer assurances such as a five-year warranty as the company is producing its own products. "No doubt, our products are 10 times the price of products from China. But if we are just going to compete on products, it will end up being just a price war. So we are providing solutions. We will find out our customers' problems before we offer them a solution so that it's tailored to their needs," she says.

The company also started receiving jobs in government-related projects that gave it a steady business growth. Subsequently, Mak and Martin started empowering their employees to operate more independently and they found that sales improved. They also made the effort to change the culture at the office to retain their employees and attract younger talents.

With its house in order, Mak and Martin are looking at possible opportunities in the international market. "Solutions are still our core, so we need the right people who can do the right thing at the right time. If we can do this, we want to look at the export market," says Martin. The duo is looking at setting up the LPS Academy in the near future to help train and test their business associates to ensure business sustainability. It is important for their partners to have "solution knowledge", says Martin. When more people in the industry are equipped with the right knowledge, there is better chance for a business to survive, she adds.

(Source: The Star, 8 October 2018)