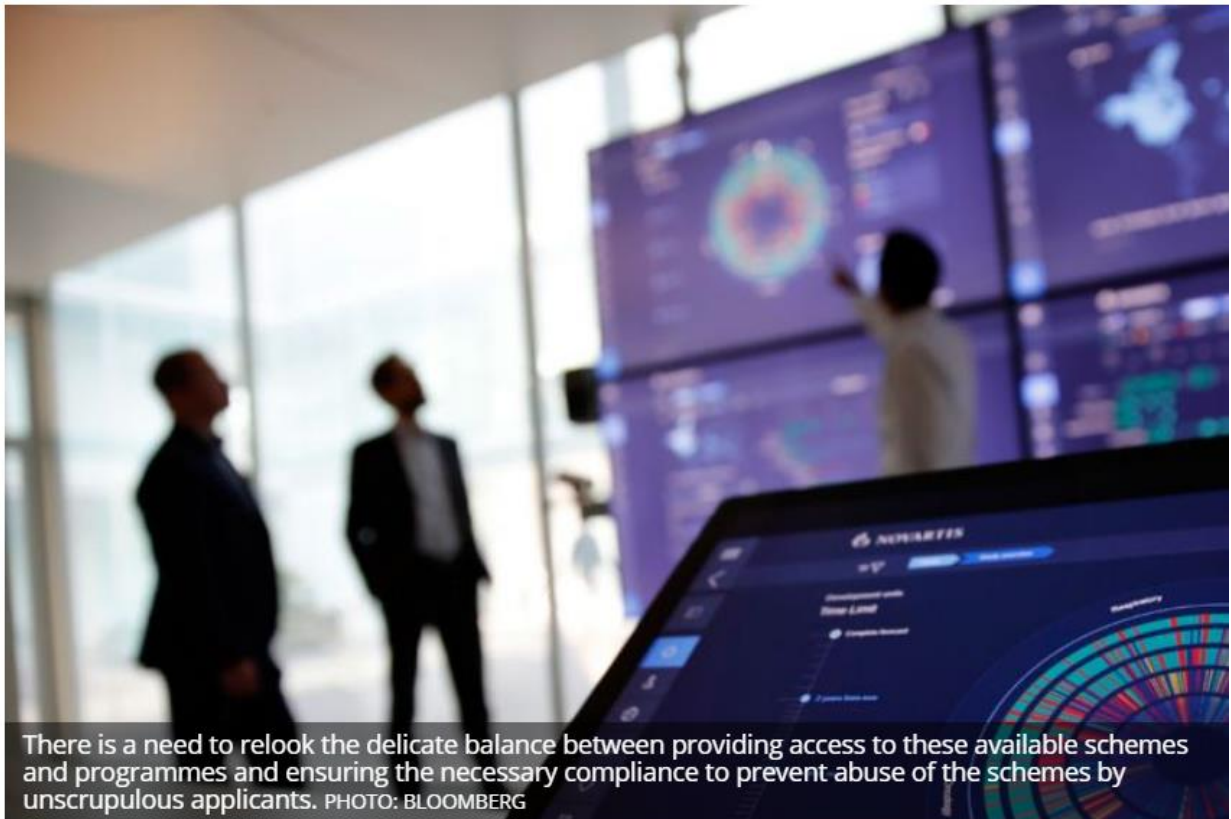


Challenges SMEs face in their digital transformation journey

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There is a need to relook the delicate balance between providing access to these available schemes and programmes and ensuring the necessary compliance to prevent abuse of the schemes by unscrupulous applicants. PHOTO: BLOOMBERG

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IN 2018, digitalisation became a popular buzzword in Singapore. Adopting e-payment systems, going paperless and using digital software to improve productivity in the workplace and increase revenues are all examples of going digital in Singapore. There was a growing consensus that companies and SMEs in Singapore needed to embrace digitalisation in light of the new Industry 4.0 paradigm.

Industry 4.0 involves the use of communication and digital technologies to automate processes and improve productivity within the workplace. However, in the process of promoting "SMEs Go Digital", too much emphasis may have been placed on the technological aspects and not much attention has been placed on the SMEs' ability and desire to transform digitally.

Helping SMEs digitally transform

In order to effect the transformation of the SME landscape, the government tasked the Infocomm Media Development Authority (IMDA) to oversee the technological aspects of digitalisation together with Enterprise Singapore (ESG, which was established through the merger of International Enterprises Singapore and SPRING, in April 2018).

One way to promote development among SMEs is to facilitate the adoption of digital solutions by SMEs. Grants such as the Enterprise Development Grant (EDG) and the Productivity Solutions Grant (PSG) were introduced in Budget 2018 to provide funding support for the adoption of pre-scoped productivity equipment and IT solutions.

Aside from providing financial assistance, the government has also implemented the Open Innovation Platform (OIP) in mid-2018. Also overseen by the IMDA, the platform aims to provide SMEs access to digital solution providers.

Through co-creation, companies in Singapore's Infocomm Media sector can work together with SMEs to overcome challenges and promote the development of SMEs in Singapore. The OIP is primarily meant to tap the innovative capacity of Singapore and promote the development of a community of problem solvers and solution providers. In addition, the SME Digital Tech Hub was set up under the supervision of IMDA to provide guidance and a one-stop consultation centre for SMEs that are willing but unsure of the digitalisation process.

Digital transformation in reality

However, despite the numerous financial grants and consultations provided, SMEs have been glacial in their pace in adopting digital solutions. In a recent survey by the Association of Small and Medium Enterprises (Asme), only 57 per cent of SMEs polled are aware of "digital transformation" solutions. In the same survey, only 56 per cent of SMEs polled have strategies in place for digital transformation.

Worryingly, only one in four SMEs noted success in their digital implementation and even among the best achieving SME leaders with more than 20 employees, only half saw some level of success in their digitalisation efforts.

In similar survey by the Singapore Chinese Chamber of Commerce and Industry (SCCCI) in 2018, 36.1 per cent of SMEs surveyed have not started to digitalise their businesses.

Those who have started are focusing their digitalising efforts towards improving internal business processes, engagement with customers and digital marketing. With e-commerce being a well-discussed avenue to digitalise, it is also worrying that 74 per cent of SMEs from the SCCCI survey have seen e-commerce sales contribute to less than 10 per cent of their total sales.

Challenges of transforming digitally

Another reason for the inertia probably lies with the Industry Transformation Maps (ITMs). While the ITMs provide a good reference to the overall industrial restructuring occurring in Singapore, however, the rationale for the ITMs remains unclear to most SMEs' owners.

Almost 60 per cent of respondents from the SCCCI survey are unaware of the ITMs and 62.5 per cent of respondents who have heard about the ITMs are unsure as to how to participate. Nonetheless, the SME Digital Tech Hub, leveraging on the Industry Digital Plans (IDPs) for the 27 industries identified in the ITMs, should provide clarity for SMEs participating in the digital transformation process.

In the Asme survey, SMEs that have applied for innovation grants such as the PSG, find it beneficial but the long, costly and often tedious application process is a problem for SMEs with limited manpower resources.

In addition, due to the time lag in receiving approvals for applications, the potential digital solutions to be adopted meant to be a "game changer" for SMEs, may have become less effective or worse, redundant, when the application is finally approved. Therefore, there is a need to relook the delicate balance between providing access to these available schemes and programmes and ensuring the necessary compliance to prevent abuse of the schemes by unscrupulous applicants.

ESG as a champion of SMEs

To facilitate the SMEs Go Digital process, it may be more appropriate to reallocate the SME Digital Hub portfolio to ESG. The ESG is evolving into a one-stop agency and champion to represent the needs and transformation of SMEs in the digital economy, including digitalisation.

Empowering ESG will facilitate the process for SMEs to understand the digitalisation process, assess the SME business model in the new digital paradigm and chart a roadmap going forward in an efficient manner.

Furthermore, as ESG is under the purview of the Ministry of Trade and Industry (MTI) which serves as the coordinating ministry for the ITMs, it would be easier to align the macroeconomic perspective seen by MTI with the micro-level experiences of SMEs.

With the aid of government agencies and other stakeholders such as the Trade Association and Chambers (TACs), the hope is that SMEs that are digitally motivated may be better able to access and receive more assistance in their digital transformation journeys.

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