

**PRESS CLIPPING**

**PUBLICATION** : **Entrepreneurs' Digest (Pg44-45)**

**DATE** : **July-August 2015**



## Helping SMEs Go International

**A**lthough the global MNC business community still views Singapore as the preferred regional headquarters and gateway to opportunities in Southeast Asia, there is an increasing wave of local home-grown companies blazing a trail in terms of international expansion.

Given the relatively small domestic market, many local SMEs are entering overseas markets, often by way of joint ventures or acquisitions. Besides extending their footprints into the Southeast Asian and Asia Pacific region, the appetite to venture further into the Middle East, Africa and Latin America is growing steadily.

In 2014, International Enterprise (IE) Singapore (the government agency driving Singapore's external economy by spearheading the overseas growth of Singapore-based companies and promoting international trade) assisted 26,639

local companies in their various growth stages to sustain their global competitiveness – an increase of 23.9 per cent from the previous year. Moreover, 85 per cent of these companies were SMEs, as an increasing number of local enterprises view internationalisation as a strategic move in their business growth and expansion.

In the midst of a challenging business environment, where rising operational costs, tightening labour market and intensifying global competition continue to place immense pressure on local companies, SMEs will have to look beyond the shores of Singapore to survive and thrive.

### **Driving our local economy**

Just as inbound investments have contributed in many ways to Singapore's rapid advancement over the past 50 years, this outbound trend is

set to drive the nation's growth in the coming decades.

Indeed, internationalisation can generate revenue for the local economy. Whether it is from overseas sales or investments, profits and dividend income will be directed back to Singapore.

International expansion also adds to the employment of the local workforce as Singaporeans make up 72 per cent of the overseas workforce for the average SME. As overseas investments tend to be integrated with local operations, employment within the Singapore headquarters will also increase.

Besides providing jobs for Singaporeans and adding value to Singapore's GDP, the process of internationalisation allows local SMEs to gain valuable knowledge and insights, to spur greater innovations and new technological capabilities. This produces a pool of home-grown companies that have the competence, resilience and competitiveness to thrive outside of domestic grounds and on the global stage.

The government also recognises that through SMEs' international expansion, lies opportunities to broaden the Singapore brand. Therefore, government agencies such as IE Singapore are building comprehensive "bridges" and providing incentives to minimise risk and entice local companies to venture abroad. These "bridges" are built on both political and economic pillars, including free trade agreement frameworks and grants to individual companies.

A slew of measures was also announced at this year's Budget. These include a host of enhancements to grants and schemes that encourages internationalisation and growth of promising SMEs through mergers and acquisitions (M&A). For instance, there is the new International Growth Scheme which allows qualifying Singapore companies to enjoy a concessionary tax rate of 10 per cent for a period not exceeding five years. In

addition, there is an increase in grant support level for SMEs under IE's Market Readiness Assistance and Global Company Partnership schemes.

These initiatives by the government will undeniably help SMEs to directly integrate themselves globally.

### **Giving local SMEs a leg up**

However, outside of government agencies, professional services organisations are also playing an active role in helping SMEs. Having network firms in many overseas locations, these organisations have the experience and knowledge to help SMEs venture into new markets.

They sometimes act as M&A intermediaries, possessing specialised knowledge about firms with particular characteristics and accessing financial benchmarks and information about product market potentials which Singapore-based companies often do not have.

In the face of challenging business and economic conditions, SMEs must act now. Targeting overseas acquisitions is a quick route for SMEs aspiring to internationalise. With the assistance of professional services organisations and support of the Singapore government, local companies can maximise their chances of success in venturing abroad, thereby realising their expansion goals and establishing the Singapore brand in the global marketplace. ■

---

### **David Emery**

Founder and CEO  
Reciprocus International

A M&A advisory boutique helping  
SME's to expand internationally  
([www.reciprocus.com](http://www.reciprocus.com))