

**Speech by Mr Lee Yi Shyan**  
**Minister of State for Trade & Industry and Manpower and Minister-in-Charge of**  
**Entrepreneurship**  
**at the Emerging Enterprise Awards 2010**  
**on Friday, 14 May 2010 at 7.30 pm**  
**at Mandarin Orchard Ballroom**

Mr David Conner, CEO, OCBC Bank,

Mr Alvin Tay, Editor, *The Business Times*

Ladies and Gentlemen,

Good evening

**Introduction**

1. I am pleased to join you this evening for the third Emerging Enterprise Awards (or EEA in short). I was told that for this year's awards attracted many more entries than that of the inaugural year. Clearly, the awards are now recognised as an important affirmation for emerging firms seeking high growth and profitability. Due credit should go to the organisers *The Business Times* and *OCBC Bank* for supporting our emerging enterprises and helping them in tangible ways to realise their ambitions.

**Performance of local enterprises with Sales Less than \$10m**

2. The Awards seek to recognise potential local enterprises less ten years old with sales of up to S\$10m. Just how large is this pool and how they are performing?

3. There are 124,000 local enterprises in manufacturing and services sectors, or 82% of the total number of enterprises *in Singapore*<sup>1</sup>. They employ 36% of our total workforce but account for only 13% of value-add (VA) contribution to the economy.

4. Amongst the larger firms with sales between S\$1 million and \$10 million, they hire on average 17 workers per firm, whereas the smaller companies with less than \$1 million sales hire 3 workers per firm. Clearly, there is a wide range of productivity characteristics of firms within this large pool.

5. A recent study by the Kauffman Foundation<sup>2</sup> in the US found that in any given year, the top-performing 1% of companies account for some 40 percent of jobs. Within that category, fast-growing “gazelle” companies (3 to 5 years old) make up less than 1% of all businesses but yet account for approximately 10% of net new jobs in any given year. The “average” company in this top 1% generates an astounding 88 net new jobs annually, compared to the two to three net new jobs generated by the average firm. This study highlights the importance of developing high-growth enterprises as they are essential for job creation and wealth creation.

### **Nurturing Growth Oriented Companies**

6. How can we create the conditions to groom more high growth companies in Singapore? This is perhaps one subject that all of us in this room have a natural interest in and would like to know the solutions.

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<sup>1</sup> 2008: According to data from DOS

7. I don't profess to have all the answers but through my interactions with enterprises large and small, I could share with you my views of that I believe are essential for our enterprises to be high growth.

8. First, an enterprise needs to create a unique value proposition. In my work promoting entrepreneurship, I often see many start-ups going into crowded market segments with little differentiation from competition. When they do so, they have no influence on pricing and profitability. Too many are mee-toos competing in the Red Ocean.

9. How do we encourage start-ups to create products and services of original design or contents that are ahead of competition? An example is 2008 EEA Innovation winner, Mr Ryan Lee of XMI, who developed the unique X-mini portable speakers. To differentiate from competition, XMI's focuses on innovation. It invests 40% of its budget on product development to push the boundaries of size-to-sound ratio, usability and design. As a result, XMI portable speakers are able to sustain robust growths in the past few years.

10. The second key factor is the ability to scale up. The business model of the enterprise must be such that it allows our enterprise to transcend the limitations of shop-front, local market demand and labour constraints to sell more. I come across many F&B players with a certain number of chain outlets. They grow to a certain size and they come to a growth glass ceiling. How would they grow further?

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<sup>2</sup> Kauffman Foundation's study - "*High-Growth Firms and the Future of the American Economy*",

11. Some of the F&B players are now thinking of going into catering business to better utilise their factors of input, including central kitchens. They might choose to serve the Business-to-Business or Business-to-Customer segment of the food supply chain. If they succeed, it would mean that sales per workers could go up, making more productive use of labour input and production equipment investments.

12. The third factor is participating in growth markets. Around Singapore, fortunately are many steadily growing markets from which our enterprises could serve. For small firms however, it is often risky to go alone when many operating parameters in a foreign market are unfamiliar or unknown. Even in the local market, partnership can reduce startup time and establish quickly a reference site paving the way for overseas expansion.

13. Sometimes partnerships could also take place between small and large companies, between private and the public sector.

14. Consider Quantum Inventions Pte Ltd, a provider of real-time, dynamic routing and navigation information for traffic management solutions in Singapore. Quantum partners Singtel to be the first in Asia to launch the one-stop intelligent TrafficLIVE service to its base of three million customers. The traffic data is provided by Quantum Inventions, in collaboration with the Land Transport Authority. For Quantum, this will enable the 3-year old company to seek rapid expansion opportunities overseas.

15. Another successful example is the Singapore e-Government Services consortium comprising 5 players: led by CrimsonLogic, together with Ditium Technologies, Elixir Technology, V3 Teletech and RSTN Consulting pursued e-government projects in the Middle East market. The 5 companies made full use of IE Singapore's iPartner Programme to take on opportunities overseas.

16. Another important factor to achieve high growth is the ability to attract and retain qualified talents. This includes having the right type of expertise at the Board level.

17. Last year, the Business Times carried an article by KPMG entitled "*What it Takes to be a winning E50 SME*". The article highlighted the importance of empowerment and talent retention. A key characteristic of a growing SME is the devolution of decision making from just one person (often the entrepreneur) to a team of professional managers. In other words, how to build a lasting organisation.

18. This is one of the reasons why SPRING Singapore introduced the Business Leaders Initiative in 2008. To date, the initiative has assisted more than 300 companies. The critical need to boost SME leadership to grow our enterprises and economy was reinforced at the 2010 Budget when the Government announced the investment of a further S\$45 million over five years to enhance SPRING's Business Leaders Initiative.

19. One of the programme beneficiaries is Ms Jocelyn Chng, Managing Director of Sin Hwa Dee Foodstuff Industries. I would like to quote Jocelyn's

experience: "Attending the EMBA has indeed changed my perception in many aspects, especially how I view the business world and my personal motivation. The course has given me a new dimension and insight into how we can be successful in this complex and uncertain business world." Jocelyn's experience is encouraging and I hope business leaders of our emerging enterprises would continue to learn and upgrade themselves as they build up their teams.

### **How Government Can Support**

20. Working with the private sector, the government would continue to enhance our support to our SMEs by creating the most supportive environment for growth. Someone estimated that the government has more than 150 programmes by the various agencies aiming to help SMEs in all ways: they include support for R&D and technology development, investment in education, training and development, access to funding and an operating environment characterised with transparency and ease.

21. Besides, the government also stands ready to support internationalisation efforts through programmes that provide access to financing, facilitate market access, and develop capabilities. For instance, IE Singapore's iPartners Programme will help smaller companies overcome size limitations by encouraging them to band together as a team to present a more complete and holistic offering for global projects. The newly launched SME Market Access Programme will also help defray third party costs incurred by SMEs for their forays into new markets.

## **Conclusion**

22. As other past winners will share with you, the benefits of the Emerging Enterprise Award go beyond just the honour and recognition. The winning companies benefit even more from the practical and comprehensive help that the prize package offers from both public and private sector supporting organisations. Building a business is never easy. We hope that through platforms such as the Emerging Enterprise Awards, we can provide the collective support to catalyse the growth of our local enterprises.

23. I would therefore like to extend my heartiest congratulations to the winners this year. I look forward to seeing many of this year's winners scale even greater heights. Let me end by wishing everyone a pleasant evening. Thank you.