

The Singapore Business Federation (SBF) commissioned independent business and policy research advisory, Blackbox Research, to conduct its National Business Survey 2017/2018.

In its tenth year, this annual survey collected views from over 1,000 (1,019) SBF members across all major industries from 11 October to 13 December 2017.

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Business Sentiment & Outlook Have Improved

Business sentiment has improved in 2017 with Singapore companies more optimistic for the year ahead.

Maximising productivity is critical to Singapore businesses in evolving manpower landscape.

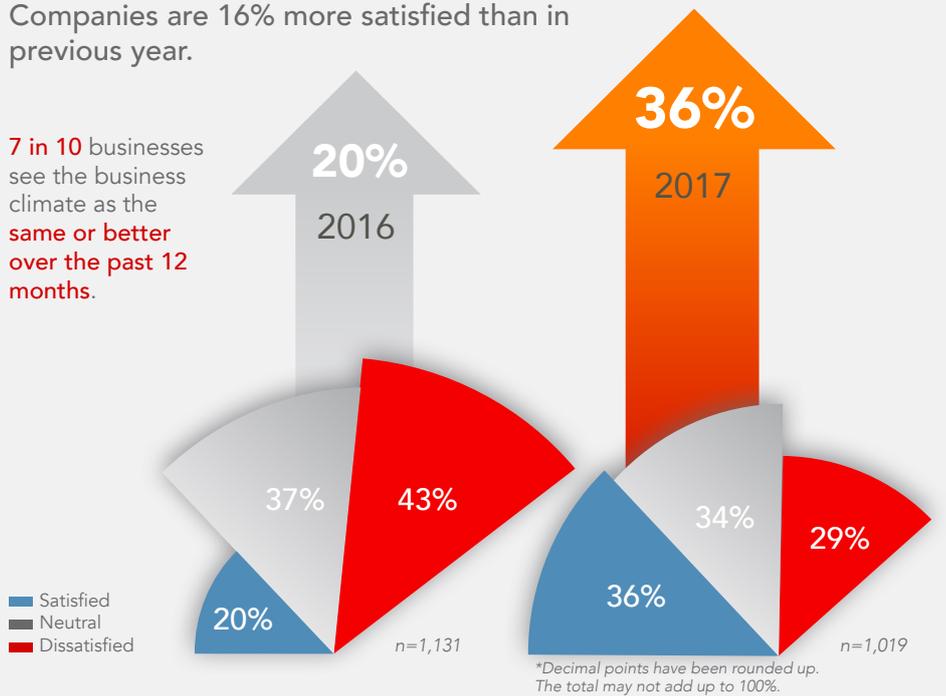
2 in 5

have invested in training and skill development and/or rolled out processes such as the outsourcing of certain tasks to local and overseas suppliers.

Major uptick in 2017 business sentiments:

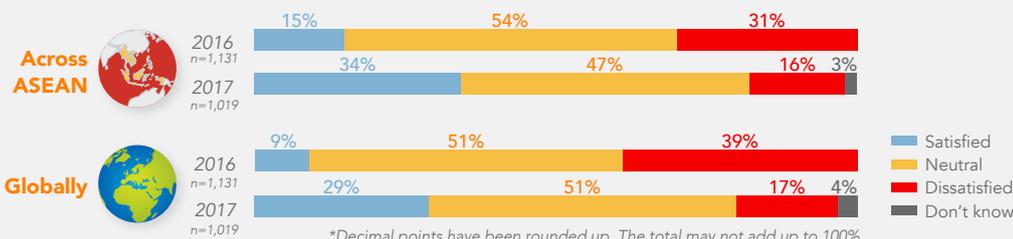
Companies are 16% more satisfied than in previous year.

7 in 10 businesses see the business climate as the same or better over the past 12 months.



How satisfied or dissatisfied are you with the current business / economic climate...

Survey shows major improvement in regional and international business climate.



Business Outlook in 2018

3 in 10

businesses expect further improvements in the next 12 months.

7 in 10 businesses face challenges hiring people with the right skills to transform their businesses.

On Finding Talent with Specialised Skills



A stable, mature and skilled workforce can contribute to higher productivity and thus lead to greater cost advantage in trade competition.



Companies in Singapore are most invested in attracting and retaining the best talent.



3 in 4 businesses see hiring people with the right skills as the key to facilitating business growth. Talent recruitment was rated as the top challenge amongst both large companies (21%) and SMEs (20%).

Key Challenges Faced by Singapore Businesses

72%	Hiring people with the right skills / attitude	
58%	Cost of operations, excluding labour costs	
53%	Business competition	
40% - 50%	<ul style="list-style-type: none"> Compliance cost Wage expectations Cost of financing (i.e. interest rates, fees) 	<ul style="list-style-type: none"> Finding new / better ways to grow revenue Overall regulatory burden Availability of manpower
20% - 39%	<ul style="list-style-type: none"> Complexity of regulations Staff retention Singapore dollar exchange rate Taxes Access to financing 	<ul style="list-style-type: none"> Technological change and disruption Access to new overseas markets (e.g. lack of information, lack of competitive trade agreements, lack of connectivity etc.)
Under 20%	<ul style="list-style-type: none"> Trade barriers (i.e. tariff and non-tariff barriers) 	<ul style="list-style-type: none"> Other challenges specified

Employment Specific Challenges

58%	Rising labour costs	
46%	Limited pool of local high-skilled labour	
42%	Attracting & retaining younger workers	
Under 40%	<ul style="list-style-type: none"> Manpower policies and regulations in Singapore Limited pool of local low-skilled labour Limited access to overseas staff with specialised skills 	<ul style="list-style-type: none"> Effective human resource management Upskilling & training of Professionals, Managers, Executives & Technicians (PMETs)

Top Three Challenges Faced By...

Large Enterprises



n=159

Hiring people with the right skills and attitude 21%

Cost of operations, excluding labour costs 14%

Business competition 14%

SMEs



n=860

Hiring people with the right skills and attitude 20%

Business competition 14%

New ways to increase revenue 13%

Amongst Singapore businesses, there is a very strong demand to hire talent with the right skills. The Government can look at gaps in the labour market and help companies address skill shortages. In areas where there is a severe lack of talent with relevant skills, there is scope for the Government to be more flexible in manpower policies.

Digital innovation is increasingly seen as the future of business: 3 in 10 companies say it is 'absolutely critical', and 6 in 10 see it as a top priority for the 2018 Singapore Budget.

Nearly 3 in 10 companies say that digital innovation is **absolutely critical** to survival.

6 in 10

say that digital transformation should be the top focus of this year's Budget – ahead of relaxation of foreign employee quotas (53%), and facilitation of overseas market access (51%).

Wishlist for 2018 Singapore Budget



Singapore businesses are responding to the changing landscape. The national effort in driving industry transformation and the launch of many **Industry Transformation Maps** (ITMs) are showing some effect on attitudes towards transformation. In the context of the ongoing economic restructuring, businesses can be divided into three main groups: **the Transformers** (33%), **the Progressives** (42%) and **the Slow Starters** (25%).

More likely to be:



Transformers*

33%

- 3x more growth
- 3x higher profitability
- 3x more adoption of new technology
- 8x more rollout of new digital products & services
- 10x more likely to use data analytics for operational decision



Progressives*

42%

- 1.6x more growth
- 2.0x higher profitability
- 1.7x more adoption of new technology
- 2.5x more likely to roll out new digital products & services
- 4.0x more likely to use data analytics for operational decision



Slow Starters

25%

- Low growth in 2017
- Low profitability
- No significant steps towards transformation
- Little appetite to invest in new digital products & services
- No usage of data analytics for operational decision (only 4%)

*Comparisons are made using the Slow Starters segment as a baseline.

n=1,019

More information needed on Industry Transformation Maps

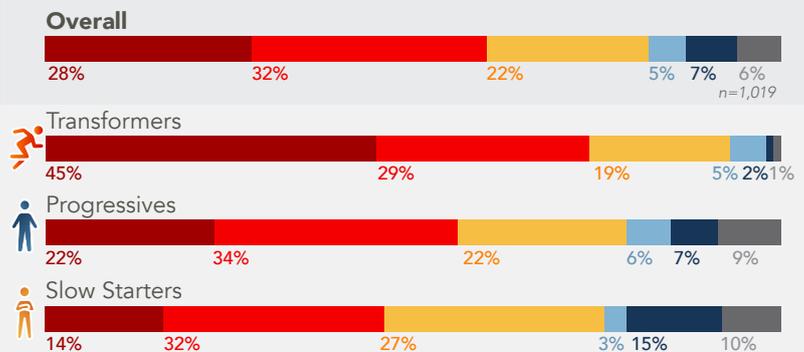
52%

Half of Singapore businesses feel that the ITMs are a good idea, but are still in the process of finding out more.

On Digital Adoption and Transformation...

Transformation is painful. Financial incentives such as the Innovation & Capability Voucher (ICV) or the Productivity & Innovation Credit Scheme (PIC) will reduce the costliness for businesses.

With regard to digitalisation, how would you describe your company's views on the need to innovate?



- It's absolutely critical for survival
- It's important to monitor, but not critical for your company
- It's a buzzword that needs to be better translated into specific tools & solutions for your company
- It does not make much difference to your company, as your company is already well digitalised
- It is not relevant at all for your company
- Don't know

*Decimal points have been rounded up. The total may not add up to 100%.

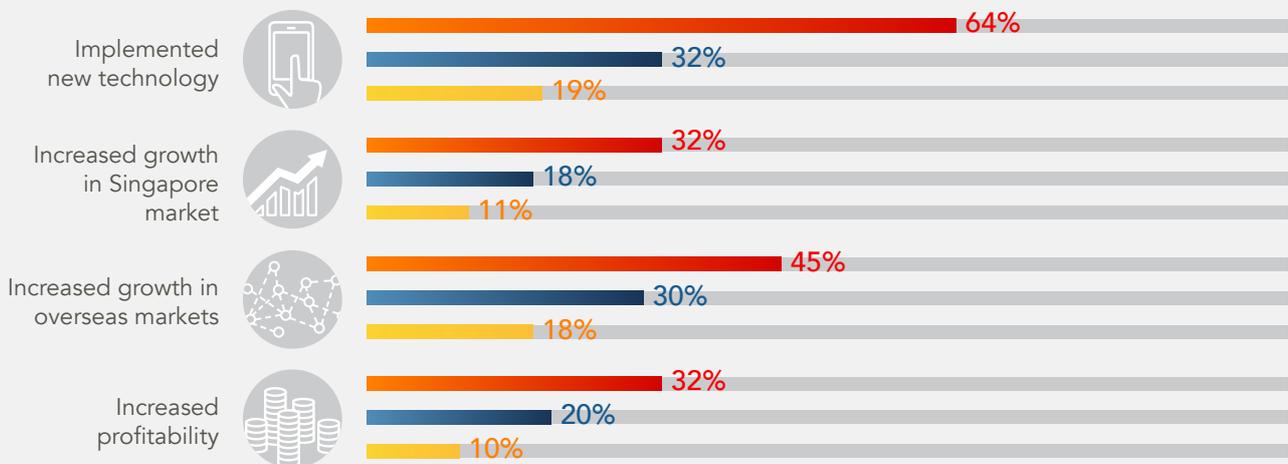
A look at Slow Starters

1 in 4 companies (25%) have yet to implement any notable transformation.

Slow Starters may need to play catch up and adopt technology at quicker rates to improve business profitability.

-  **Transformers**
-  **Progressives**
-  **Slow Starters**

Transformers are 3x more likely than Slow Starters to implement new technology and are 3x more likely to have increased their local and overseas market growth and overall profitability.



n=1,019

The findings suggest that Slow Starters are not aware of critical information about new trends in their industries.

Amongst the Slow Starters, less than 1 in 10 (8%) perceive their industry to be highly dynamic and evolving. However, Transformers in the same industries describe a completely different picture (65% of Transformers say their industry is constantly evolving).

3 in 5

Slow Starters have reported lower profitability over the past 12 months.

Only 1 in 10 achieved any increase in profitability.



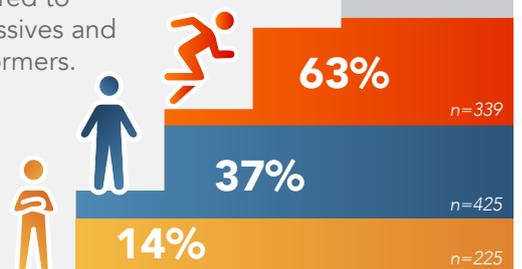
On SMEs Embracing Technology...

Many SMEs want to embark on the digitalisation journey, but lack the relevant resources (e.g. skilled manpower, time and capital) to push forward with such initiatives. Also, they need some guidance on market best practices.

Slow Starters have not prioritised technology and innovation.

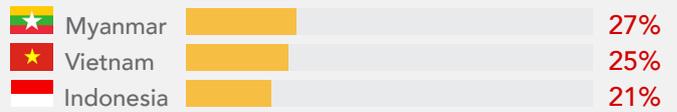
Only 14% see digital migration as critical to business survival (vs. 45% among Transformers).

Only 14% of Slow Starters have looked into major steps to adapt to technological change and disruption, putting them at a major disadvantage compared to Progressives and Transformers.



About 3 in 4 Singapore companies have an active presence in Southeast Asia but still require assistance with understanding the region and overcoming key challenges.

Most anticipated overseas expansions are:

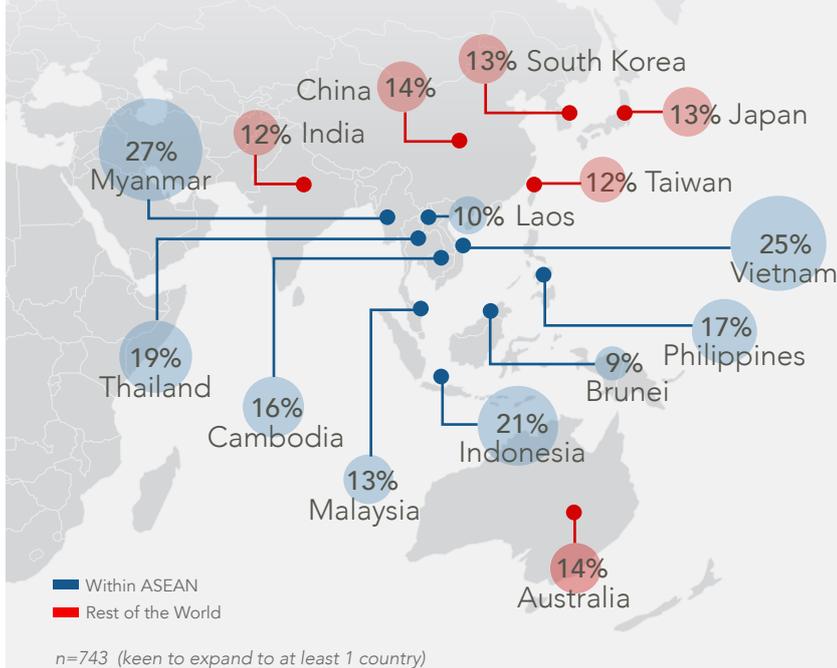


n=743 (keen to expand to at least 1 country)

Most popular countries for future expansion

Of those keen to expand, 69% are planning to expand their Southeast Asia footprint

The top six sought after countries for expansion are all ASEAN countries followed by China in seventh place.



On Going Regional...

Many standards across ASEAN are not harmonised (e.g. in the automotive industry) which makes the development of cross-border supply chains and an overall ASEAN product strategy very difficult. This is especially in comparison with bigger global markets which have developed a common set of rules (China, US, EU).



SBF and IE Singapore: Support for Singapore businesses venturing abroad

SBF (65%) and International Enterprise Singapore* (60%) are seen as the key parties who can help businesses overcome the barriers faced during plans for internationalisation.

* Will be merged with SPRING to form Enterprise Singapore by 2Q 2018.

Addressing knowledge gaps key to promoting regional and international expansion amongst Singapore businesses.

Singapore businesses, while keen to jump on internationalisation, still face a number of barriers which will require help. No single one issue stands out and businesses usually face challenges on multiple ends.

Internationalisation: Where Singapore Companies Need Help and Advice



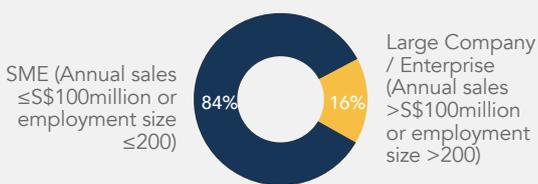
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How the Survey was Implemented

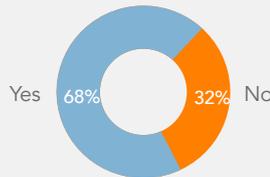
SBF commissioned independent business and policy research advisory, Blackbox Research, to conduct its National Business Survey 2017/2018. In its tenth year, this annual survey collected views from over 1,000 (1,019) SBF members across all major industries from 11 October to 13 December 2017. All members were invited to participate via email and encouraged to complete the questions via phone reminders. For each company, a maximum of one response was collected via an online survey platform.

Information about the Survey Sample

Company Size



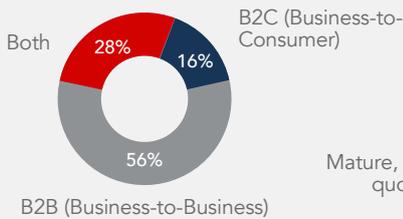
Minimum Local Shareholding of 30%



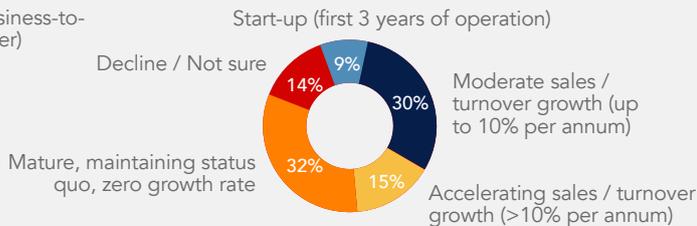
Industries / Sectors

Manufacturing (e.g. Food, Textiles, Chemicals, Paper Products, Metals etc.)	17%
Wholesale Trade	15%
Construction & Civil Engineering	12%
Other Services (e.g. Education, Repair & Servicing etc.)	11%
IT & Related Services	9%
Professional Services	8%
Logistics & Transportation	8%
Retail Trade	4%
Banking & Insurance	4%
Hotels, Restaurants & Accommodations	2%
Real Estate	2%
Others	6%

Main Mode of Business



Stage of Development of Business



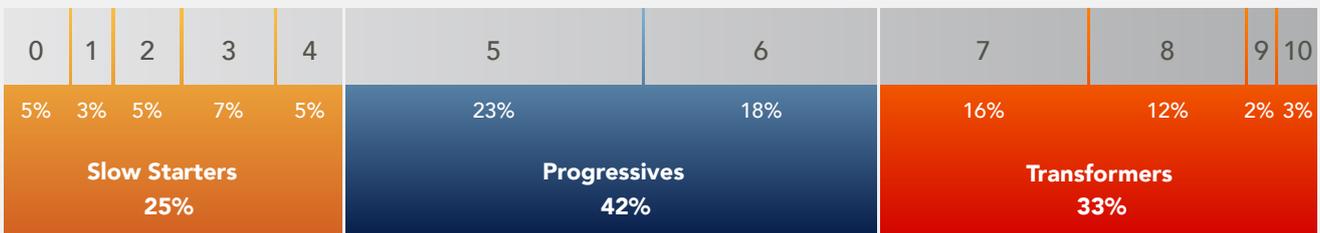
n=1,019

*Decimal points have been rounded up. The total may not add up to 100%.

Classification of Transformers / Progressives / Slow Starters:

The key questions used for classifying businesses into these three groups were the self-classification questions on industry transformation as well as digital transformation after respondents were shown an explanatory text of what these terms mean. In the data analysis stage, the findings for these three groups were often compared for significant differences in business outlook and sentiments on key topics.

Q. How would you rate the measures and changes put into place by your own company until now to keep up with the changing business landscape from 0 to 10, where 0 stands for a business as usual scenario and 10 stands for being at the forefront of change in your industry?



n=1,019

*Charts in this publication do not include decimal points. The total may not add up to 100% due to rounding.

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Survey conducted by:



In collaboration with:
Blackbox Research



If you need any clarifications, kindly contact Research@sbf.org.sg.