



NATIONAL BUSINESS SURVEY 2017/2018

SUMMARY REPORT

The Changing Face Of Singapore Businesses

The logo for SBF CENTER, featuring a stylized 'S' icon to the left of the text 'SBF' in a large, bold font, with 'CENTER' in a smaller font below it.

SBF
CENTER



Foreword



S S Teo
Chairman
Singapore Business
Federation

We are pleased to share with you this summary report of the National Business Survey 2017/2018 findings.

Every year, the Singapore Business Federation (SBF) conducts the National Business Survey, a key survey that provides insights on our business community's sentiments surrounding the economic climate and the business environment. The survey identifies the priorities, challenges and future plans of action of our business community. The survey also calls attention to areas where companies require greater assistance, including items on their wish list for the coming Singapore Budget. These perspectives are shared with the Government.

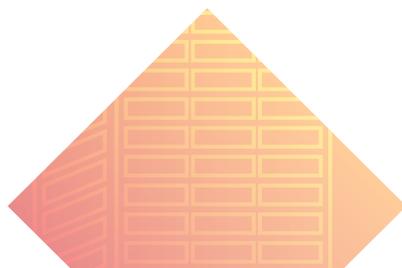
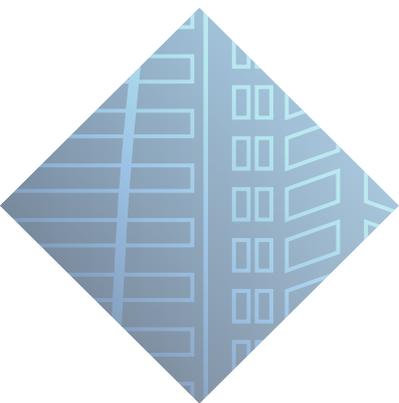
This year's National Business Survey 2017/18 marked a milestone 10th edition of our annual survey. Carried out in collaboration with Singapore-based independent stakeholder advisory consultancy Blackbox Research, this year's survey collected views from over 1,000 SBF members (1,019) across all business sectors. The survey covered a wide range of topics including manpower challenges, business transformation and international expansion. The data was collected from 11 October to 13 December 2017.

Overall, it is promising to note that business sentiment in 2017 has improved with three in 10 companies expecting further progress in 2018.

Another key finding from this year's survey is the uptake of business transformation amongst Singapore companies. One in three companies (33%) have made significant adjustments to their businesses in order to be at the forefront of change and innovation. We have, perhaps aptly, termed this group of companies 'Transformers'. However, some companies (25%) have yet to put into place any notable measures to keep up with the changing business landscape. In the pages that follow, you will find a classification of Singapore companies based on their rate and extent of business transformation. Compared to companies that have implemented changes, 'Slow Starters' businesses have reported lower numbers of product launches, growth and profitability.

What is encouraging, however, is that businesses recognise the importance of transformation, with 6 in 10 companies placing digitalisation as the top focus of the upcoming Budget. We continue to urge the Trade Associations and Chambers (TACs) to work closely with our Government to assist businesses to drive economic transformation and digital innovation in order to stay competitive in an ever-evolving global landscape. Companies should also continue to pursue internationalisation to explore and exploit new market opportunities for growth.

We hope that the findings from this survey will be insightful and useful to you. I would like to acknowledge all our member companies who have participated in this year's survey and the TACs that have supported us. We have heard you. SBF stands ready to help our members ride on the momentum of growth and industry transformation.



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SUMMARY REPORT

The Changing Face Of Singapore Businesses

The Singapore Business Federation (SBF) commissioned independent stakeholder advisory consultancy, Blackbox Research, to conduct its National Business Survey (NBS) 2017/2018.

- The survey collected the views of over 1,000 members (1,019) across all major industries.
- The NBS 2017/2018 is the tenth edition of the annual survey conducted by SBF.

The NBS 2017/2018 suggests that a third of Singapore companies (33%) have invested substantial resources in preparing for the future but a quarter (25%) continue to lag in transformative efforts. Transformer businesses are likely to report better business satisfaction and performance, and SBF is supportive of greater Government assistance to help all companies drive transformation and growth.

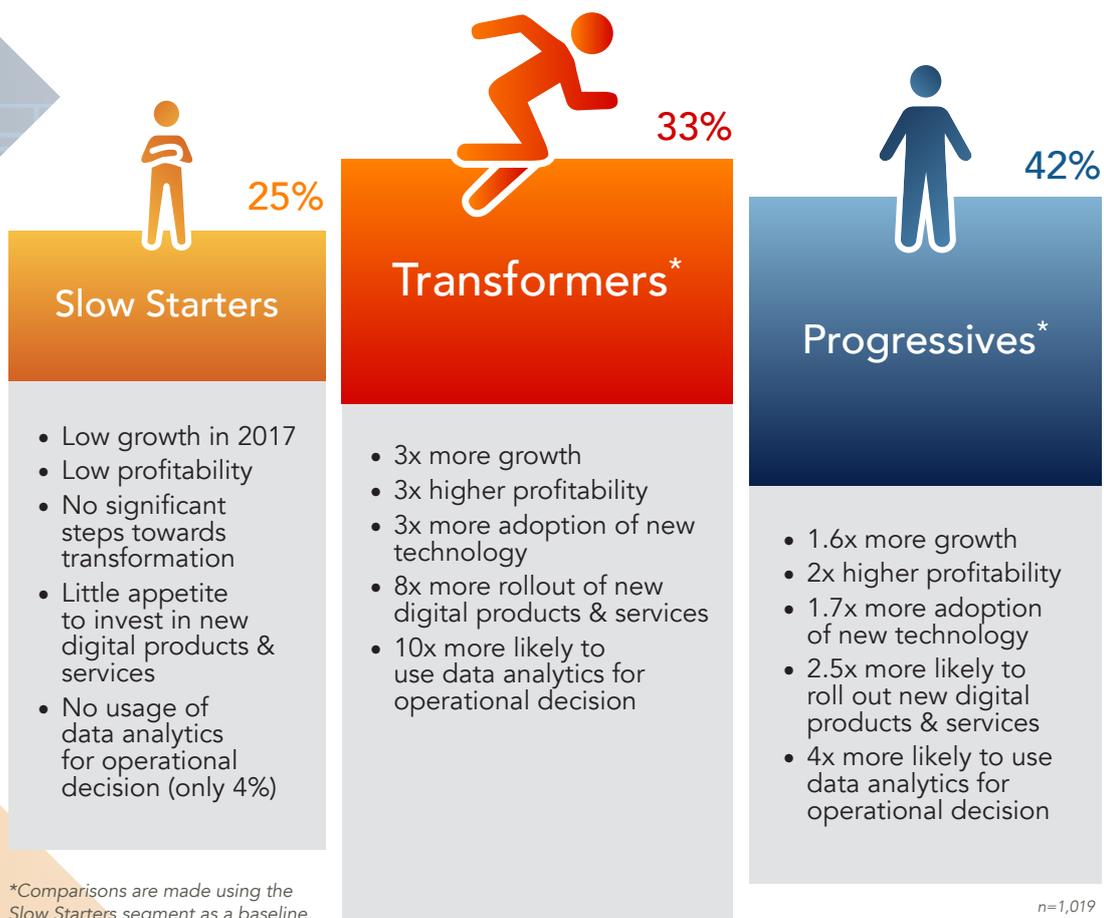
In the next page, please find the classification of the three groups of Singapore companies based on their rate and extent of business transformation.

Three types of companies

Companies polled by SBF in its annual NBS fall into three main categories - **Transformers**, **Progressives** and **Slow Starters**.

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?

0	1	2	3	4	5	6	7	8	9	10
5%	3%	5%	7%	5%	23%	18%	16%	12%	2%	3%
Slow Starters					Progressives		Transformers			

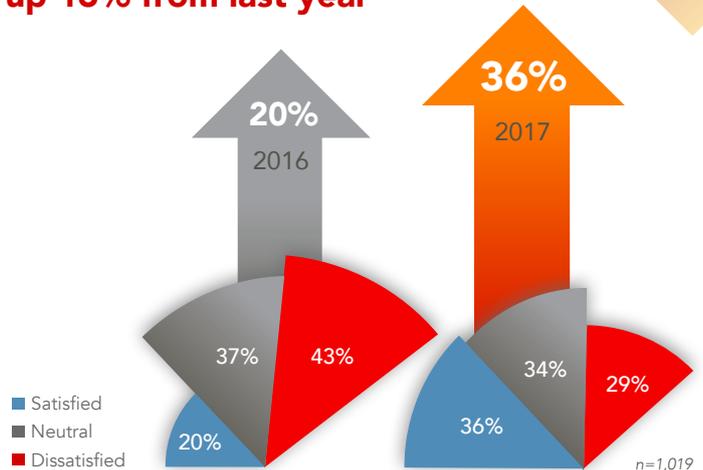
Percentages do not add up to 100% due to rounding.

Business Sentiment and Outlook

Business sentiment has improved significantly in 2017 with more Singapore companies optimistic about 2018.

- ◆ Nearly two in five businesses (36%) are satisfied with the current business climate in Singapore, up from 20% in 2016.
- ◆ 68% of companies responded that business conditions have either improved or remained the same over the past 12 months.
- ◆ Looking at the global geo-political and economic affairs that have affected the business environment in 2017, the top three events that have most negatively impacted businesses are:
 - Increasing interest rates (64%).
 - Increasing frequency and scale of terrorism and cyber incidents (62%).
 - The global shift towards more protectionism (53%).
- ◆ The widely publicised Brexit and uncertain outlook for the Trans-Pacific Partnership (TPP) agreement were not perceived to have major implications on businesses in Singapore.

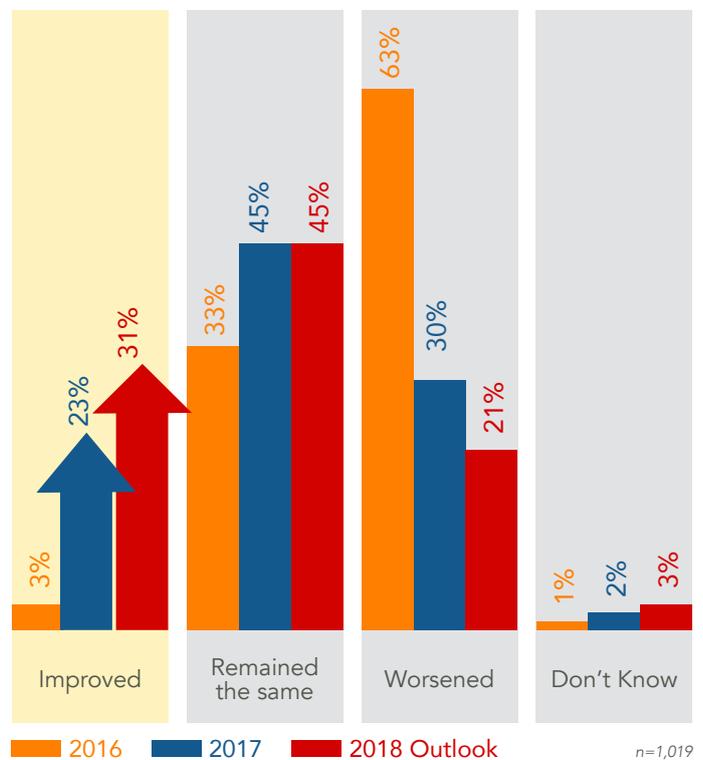
Business Sentiment up 16% from last year



Q. How satisfied or dissatisfied are you with the current business climate in Singapore?

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

Positive outlook for 2018



Q. Thinking about the last/next 12 months, would/will you say that the business / economic climate in Singapore has...?

Key Business Priorities and Industry Challenges

Singapore businesses are shifting their focus to do more with less: the No.1 challenge now is hiring people with the right skills. A majority of businesses have started to take steps to boost productivity by restructuring processes and training existing staff.

- ◆ Looking at the key business challenges, hiring people with the right skills/attitude emerged as the top concern (72%), ahead of cost of operations (58%) and business competition (53%). Large companies (44%) are nearly twice as likely to perceive technological change and disruption as a challenge as compared to SMEs (23%).
- ◆ Perhaps more interesting to note is the contribution of skilled labour to transformation. 30% of Transformers rate talent recruitment as the leading challenge whilst only 10% of Slow Starters rank talent recruitment as their primary worry.

Businesses in Singapore have been agile to adapt to the evolving manpower landscape. Nearly three in four (74%) of all companies have introduced new operation processes or training programmes in order to improve workplace productivity and business efficiency.

- ◆ The increased focus on talent with the right skills suggest that there is scope for Government/Business Associations to look at skills shortages and support businesses in upskilling employees to be future economy-ready.

The Government can also give thought to be more flexible in manpower policies for the areas where there is a shortage of the relevant skills, especially when it comes to helping companies understand and adopt disruptive technologies and overseas expansion.

On Skilled Manpower:

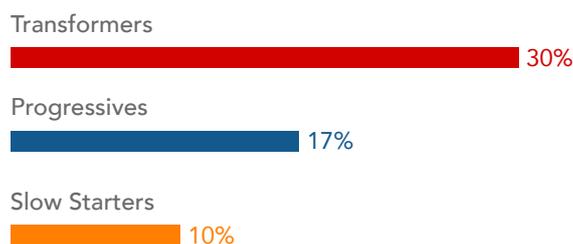


There is an acute shortage of skilled labour in some industries. Industry-related training, e.g. on the job training, will enable qualified but less experienced employees to shorten their learning curves, especially when their jobs include the use of specialised equipment and systems.



Main Challenge

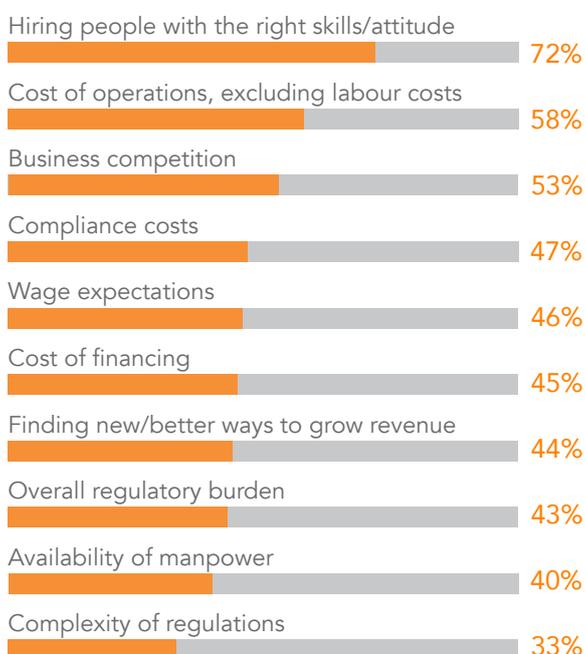
Hiring people with the right skills/attitude



n=1,019

Q. Which would you consider to be the main challenge for your industry?

Key Business Challenges for 2018



n=1,019

Q. In your view, which of the following are the current key challenges for your industry operating in Singapore?

(Multiple answers allowed.)

The Changing Face of Singapore Businesses: Going Digital

Digital innovation is increasingly seen as the future of businesses: 3 in 10 companies say it is 'absolutely critical', and a majority of businesses have implemented digitalisation initiatives.

- ◆ In the face of intensifying global competition in a technologically dynamic business environment, nearly 3 in 10 companies (28%) say that digital innovation is absolutely critical to business survival.

Transformers (45%) are 3 times more likely to commit to digital innovation compared to Slow Starters (14%).

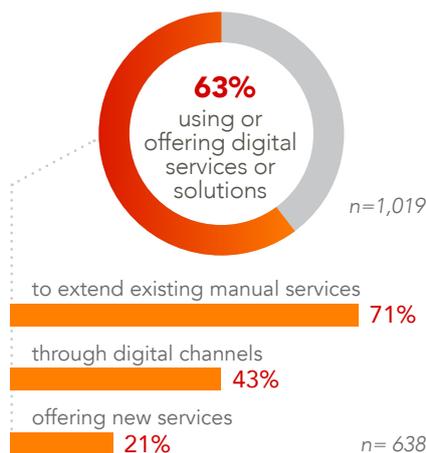
On Going Digital



"(Digital adoption)...is one of the ways we can increase productivity, become less dependent on manpower and set ourselves apart from traditional business competitors."



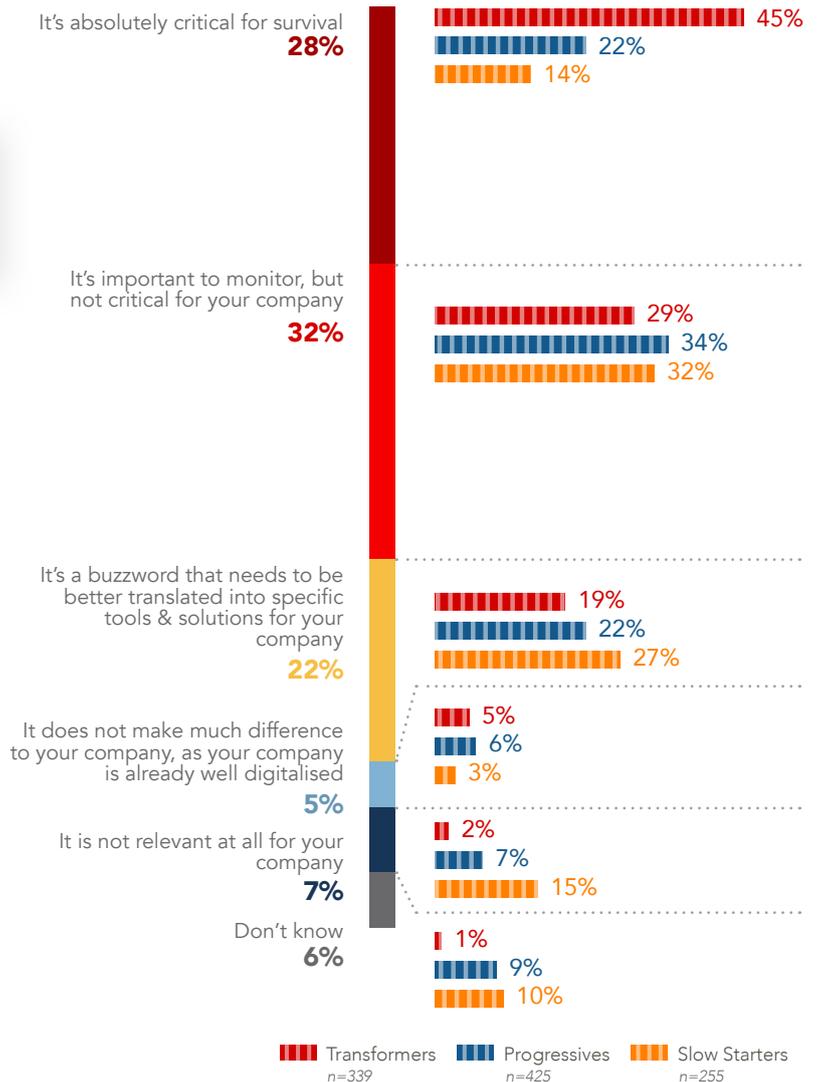
- ◆ 6 in 10 companies (63%) claim to be using or offering digital services or solutions.



Q. Which of the following measures are currently used in your company? (Multiple answers allowed.)

- ◆ Out of these companies, 71% have used automated and digital services to extend existing manual services, 43% are offering existing services through digital channels and 21% are offering new services that were previously unavailable.

In the future, business survival can depend on digital immigration



Q. With regard to digitalisation, how would you describe your company's views on the need to invest in new digital tools and business processes in order to keep up with global competition?

The Changing Face of Singapore Businesses: SMEs vs Large Companies

SMEs are willing to transform but need the right information and in-house capabilities to drive continuous change. Many are asking for case studies and off-the-shelf solutions relevant to their industries and business stages.

- ◆ Large companies (38%) are more likely than SMEs (26%) to see investment in digital technology as absolutely critical for business survival.
- ◆ Translating attitude into action, large companies (73%) are more likely to be using or offering digital services or solutions, as compared to SMEs (61%).
- ◆ SMEs are less proactive compared to large companies when it comes to integrating technology to optimise business operations and company performance.

Impact of Technology on Business

Integrated View of Operational and Customer Information



More Efficient Operations with Data Analytics



Improved Business Performance



Improved Supplier Management



Added Value to Existing Products and Services



Legend: Large Companies (n=1,019), SMEs (n=860)

Q. From a scale of 0 to 10, how much progress have you made on digitalising...(Responses from 7 to 10.)

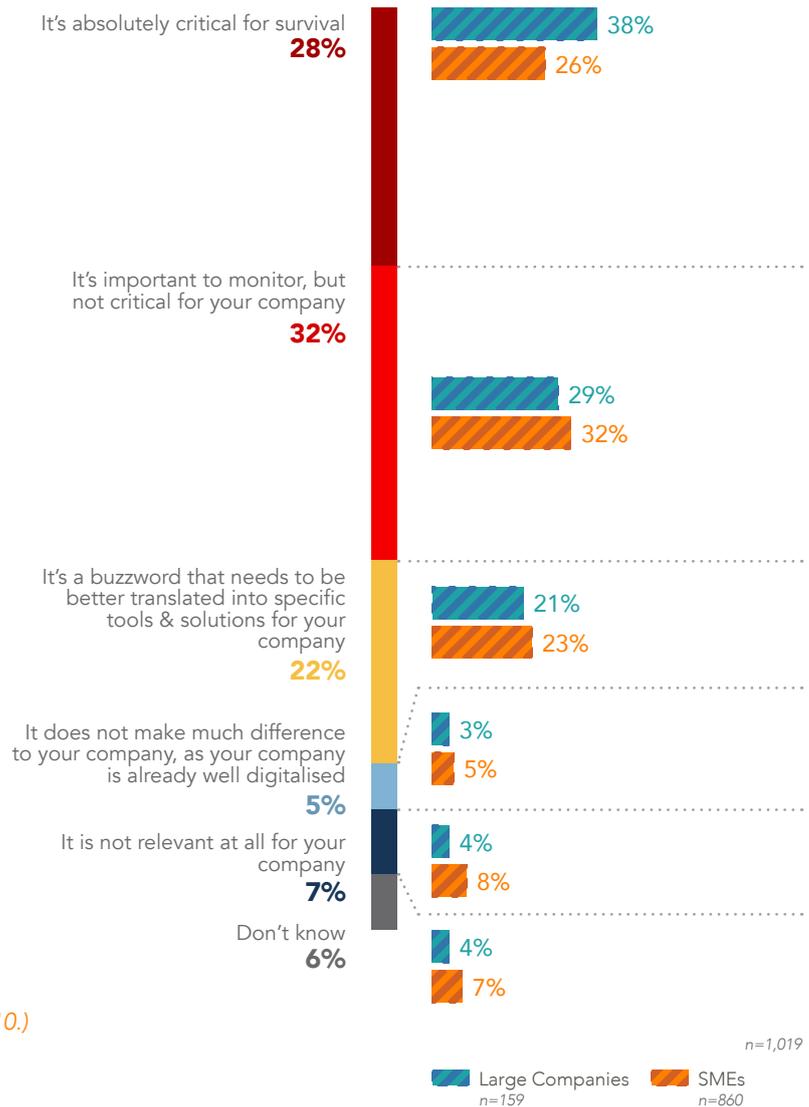
On SMEs Embracing Technology...



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 the best practices in the market.



Both SMEs and large companies keenly aware of the importance of going digital



Q. With regard to digitalisation, how would you describe your company's views on the need to invest in new digital tools and business processes in order to keep up with global competition?

Stronger Support Needed for Future Digital Push

Driving digital transformation is critical to business continuity and success. However, more financial and advisory support needs to be given to companies for their digitalisation journey.

- ◆ 6 in 10 businesses say that digital transformation should be a key focus of this year's Budget – making it the top-ranked priority ahead of the relaxation of foreign employee quotas (53%), and facilitation of overseas market access (51%). Digital transformation topped the wish list for both SMEs (58%) and large companies (65%).
- ◆ Among the companies who want support for digital adoption and transformation, more than half (53%) believe that such assistance will make a big difference to their businesses.

On Digital Adoption and Transformation...

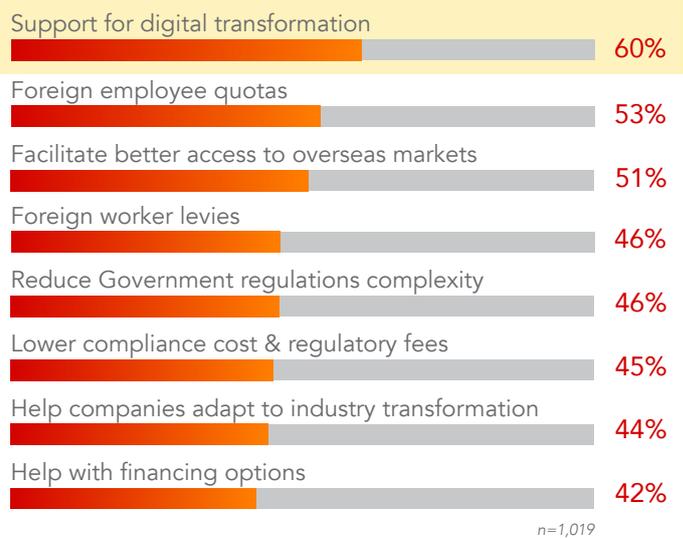


Transformation is painful. Financial incentives such as the Innovation & Capability Voucher (ICV) or the Productivity & Innovation Credit Scheme (PIC) will reduce the costliness for businesses.



In 2016, the Government announced the Industry Transformation Programme. Under the programme, Industry Transformation Maps (ITMs) are being developed for 23 industries, covering over 80% of Singapore's GDP. The programme will integrate the different restructuring efforts going on in Singapore, and take a targeted and industry-focused approach to address issues and deepen partnerships.

Areas that Budget 2018 should focus on for businesses...



Q. What priorities should the Singapore Government focus on in the Budget 2018? (Multiple answers allowed.)

- ◆ 2 out of 3 Singapore businesses (67%) feel that the Industry Transformation Programme is a good initiative, but as many of the ITMs are still new, 1 in 2 businesses (52%) are still in the process of finding out more. More effort to rope in businesses into engagements such as sharing sessions are needed to facilitate the effective use of ITMs for each respective industry going forward.
- ◆ In terms of what businesses are looking out for from the ITMs, nearly half of the businesses hope that the ITMs will help to improve their manpower needs and talent pipeline (49%), provide better access to overseas markets (48%), and help them innovate and improve their business models (44%).

Industry Transformation Maps (ITMs): Companies keen to know more



Q. How would you describe your company's views on the effort to develop ITMs to help businesses be better equipped for a changing landscape in Singapore and in the region?

Percentages do not add up to 100% due to rounding.

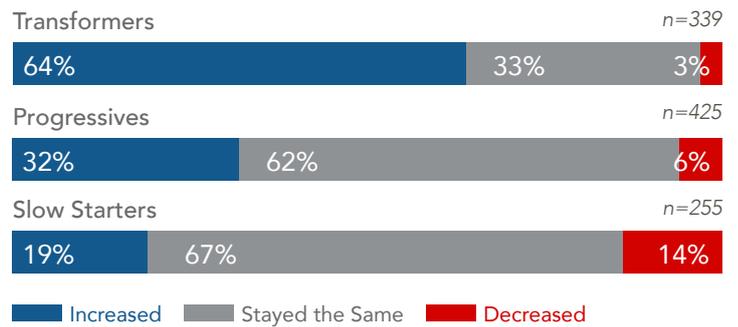
Transformers are Achieving Better Business Outcomes

Singapore businesses are responding to the changing landscape. The national effort in driving industry transformation and the launch of many 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%).

Employment of Digital Technology and Methods

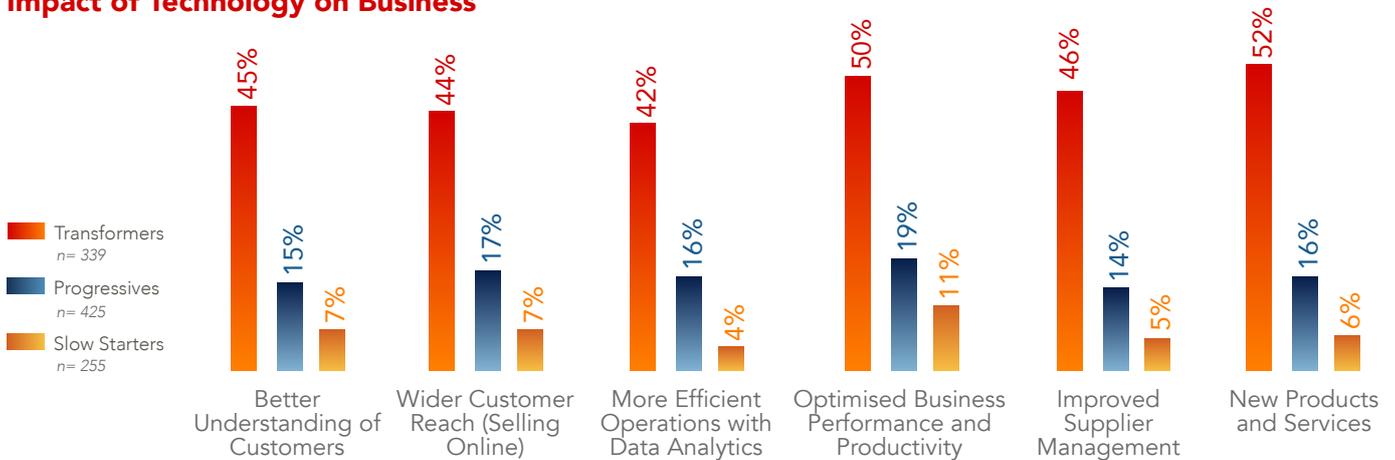
- ◆ Transformers (64%) are more than 3 times as likely to implement new technology in the past 12 months as compared to Slow Starters (19%).
- ◆ Transformers are employing digital technology to improve the way they do business across a wide range of functions including operations, supplier relationship, sales and marketing, and customer experience.

Uptake of Digital Technology in 2017



Q. In the past 12 months, would you say your business has increased/stayed the same/decreased the implementation of new technology?

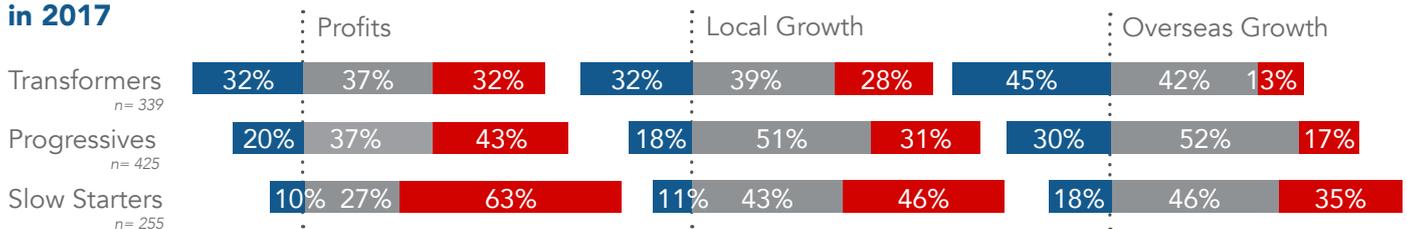
Impact of Technology on Business



Q. From a scale of 0 to 10, how much progress have you made on digitalising for...(Responses from 7 to 10.)

Business Performance in 2017

Transformers consistently outperform Progressives and Slow Starters



Q. In the past 12 months, would you say your business has increased/stayed the same/decreased in the following aspects?

■ Increased ■ Stayed the Same ■ Decreased

Percentages do not add up to 100% due to rounding.

Slow Starters Are Lagging Behind

The survey findings suggest that Slow Starters are not aware of critical information about new trends in their industries. In 2018, Slow Starters may need to change their mindsets and play catch up to adopt technology at quicker rates, in order to improve business performance.

- ◆ Slow Starters, companies that have yet to implement any notable transformation, account for 25% of Singapore businesses.

- ◆ Slow Starters have not yet prioritised technology and digital innovation. Only 14% see digital migration as critical to business survival (versus 45% among Transformers).

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

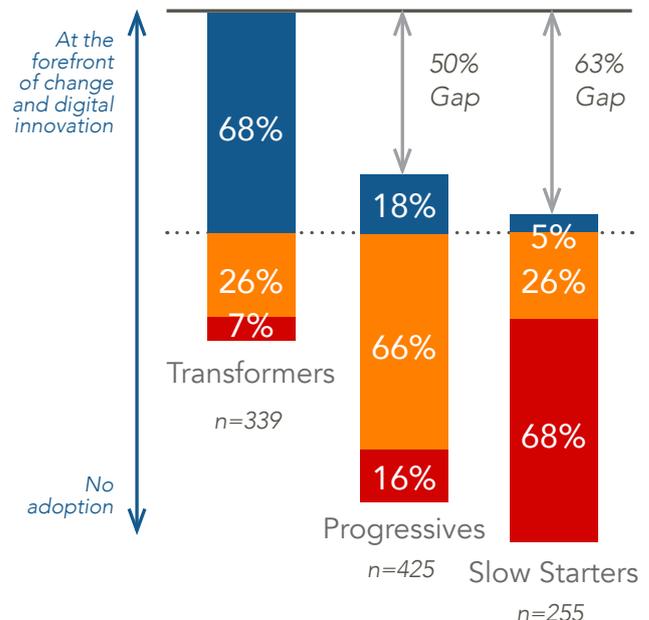
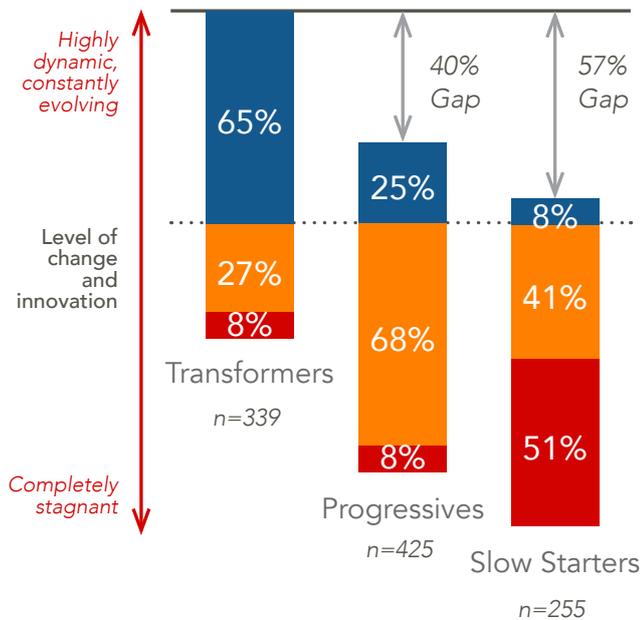
- ◆ Only 5% of Slow Starters would describe that their company has implemented significant digital solutions and processes which are currently available to their industry. This stands in contrast with 18% of Progressives and 68% of Transformers.

More than 6 in 10 (65%) Transformers see their industries as dynamic and constantly evolving.

The survey findings show that Slow Starters are not necessarily aware of the transformation happening around them while Progressives see a more moderate rate of change compared to Transformers in their industries.

Nearly 7 in 10 Transformers (68%) are keeping pace with technology and adopting available solutions in their businesses.

The NBS 2017/2018 shows a high degree of overlap between transformers and those companies at the forefront of digital innovation (adopters).



■ High (7-10) ■ Moderate (4-6) ■ Low (0-3)

Percentages do not add up to 100% due to rounding.

Q. How would you rate the level of change currently experienced in your industry with respect to business innovation on a scale from 0 to 10?

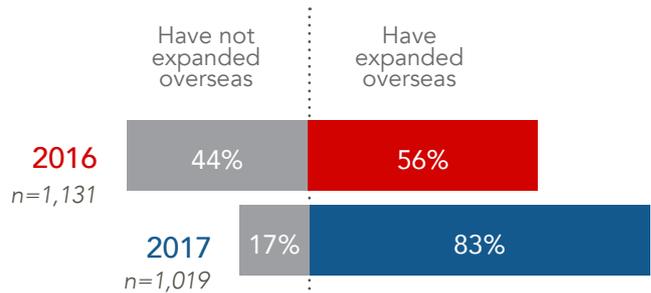
Q. How would you describe the extent to which your own company has implemented the digital solutions and processes that are becoming available for your industry on a scale from 0 to 10?

Going Global: Where Do Singapore Companies Want to Go?

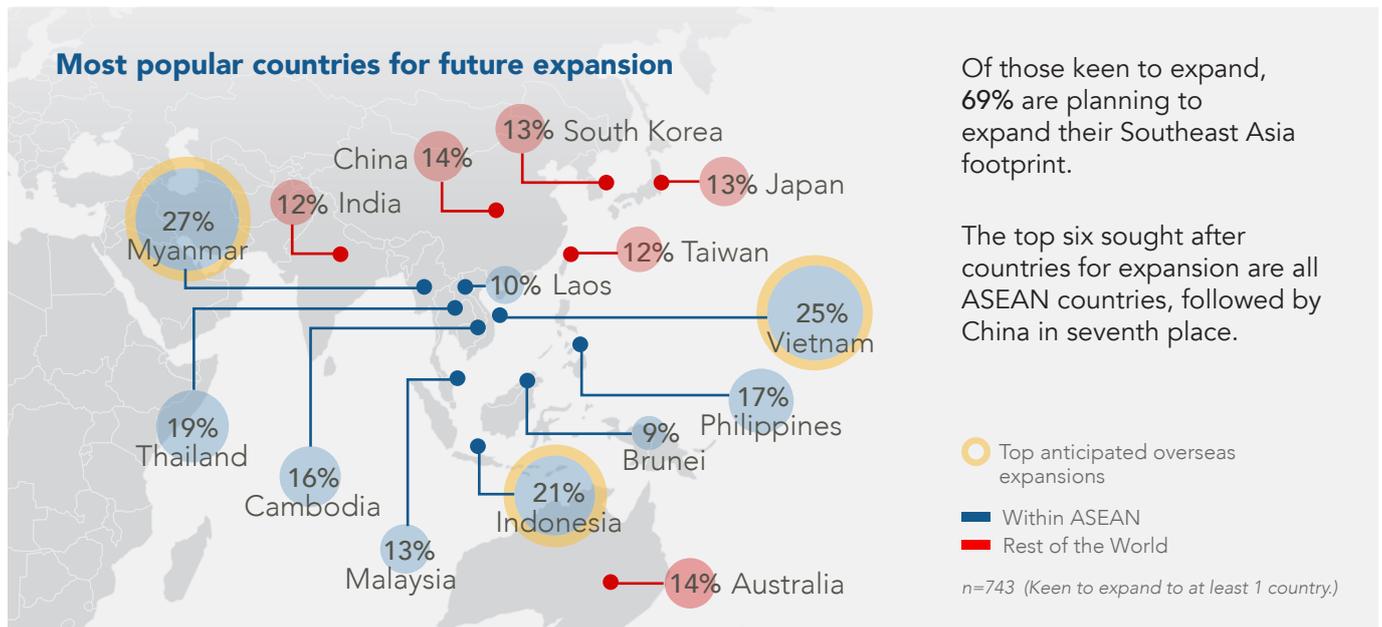
In 2017, more Singapore businesses have expanded overseas. Looking ahead for the year, Singapore companies are intending to grow their international footprint with Southeast Asia poised as the next frontier for growth.

- ◆ 8 in 10 Singapore companies said they have expanded overseas in this year's survey (83%), compared to just over half of the companies surveyed last year (56%).
- ◆ Southeast Asia is becoming increasingly important for the Singapore business community, with 71% of companies currently active in a Southeast Asia country outside of Singapore.
- ◆ Of those keen to expand, 69% are planning to expand their Southeast Asia footprint. The top three countries that companies are most enthusiastic about growth prospects are in Southeast Asia: Myanmar (27%), Vietnam (25%) and Indonesia (21%).

More companies have expanded overseas in 2017



Q. Which of the following country(ies) is your company currently engaged in for overseas business activities?



Q. Which of the following country(ies) is your company keen to venture into for business expansion?

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).

Going Global: Getting Help for International Expansion

Singapore businesses, while keen to internationalise, still face many barriers to entry. Many would benefit from greater access to information regarding compliance, regulations and standards in overseas markets.

- ◆ Addressing knowledge gaps is critical to promote regional and international expansion amongst Singapore businesses. About 9 in 10 companies find information on compliance, regulations and standards in overseas market (93%), taxation rules (90%) and business contacts abroad (89%) helpful.
- ◆ Such business insights will correspondingly help address some of the top challenges faced by businesses undertaking overseas expansion which include compliance (39%), market knowledge (39%), and unclear rules and regulations (37%).

On International Growth



It has become a necessity for Singapore businesses to venture to overseas markets and Government assistance is of great importance.



Top 5 Challenges when Expanding Overseas

Compliance issues



Market knowledge and information



Financing the overseas expansion



Unclear / Non-transparent rules & regulations



Customs-related issues



n=1,019

Q. What are the main challenges when you engage in or expand your business overseas? (Multiple answers allowed.)



n=1,019

Q. In order to facilitate your company's expansion to overseas markets, how helpful would the following be? (Multiple answers allowed.)

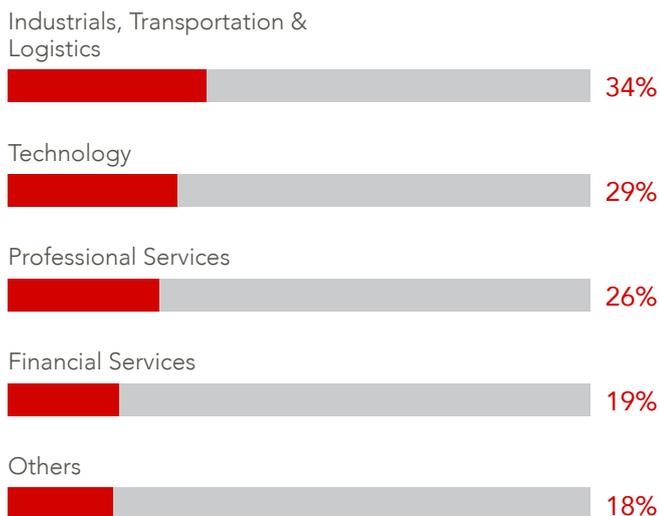
Going Global: 2 in 5 Businesses See Gains in China's Belt and Road Initiative (BRI)

About 2 in 5 businesses feel positive about the China-led BRI. More than half of these companies are looking for updates on the latest developments on BRI (62%) as well as market intelligence and research (54%).

The BRI is the Silk Road Economic Belt and 21st Century Maritime Silk Road development strategy launched by the Chinese government to build ties. The BRI is a flow of people, goods, capital and ideas between Asia, Africa and Europe.

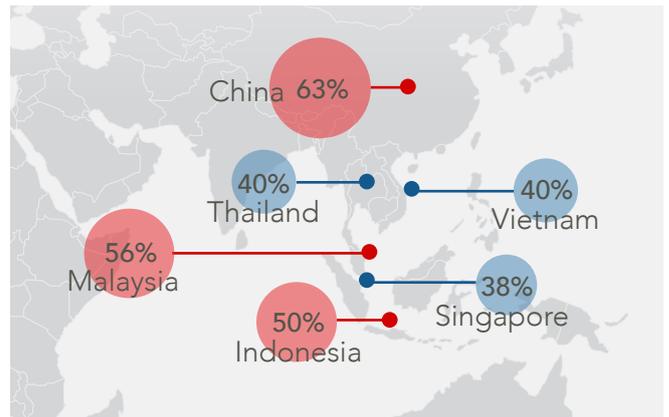
- ◆ Amongst the companies that feel that they stand to benefit, China (63%), Malaysia (56%) and Indonesia (50%) emerged as the top three countries businesses are most likely to be engaged in or are keen to venture into for BRI projects.
- ◆ About 2 in 5 of these companies are interested to embark on or are already involved in BRI projects in Thailand (40%), Vietnam (40%) and Singapore (38%).

Top Five Sectors that Companies are Most Interested in for BRI Projects



n= 397

Q. Which sector(s) would you be interested to participate in under the BRI? (Multiple answers allowed.)



n= 397

Q. Which are the top 5 countries you are currently engaged in / keen to venture into for BRI project(s)? (Multiple answers allowed.)

- ◆ Singapore companies which are positive about BRI are looking for updates on the latest developments of the BRI (62%), market intelligence and research (54%), and information sharing on BRI projects (48%).
- ◆ When it comes to assistance with embarking on BRI projects, these companies are mostly looking for business opportunities and BRI projects leads (57%), potential investors and partners (49%), and legal and taxation advice (40%).

Key Survey Finding Takeaways

1

Major Uptick in Business Climate with Further Improvements Expected for 2018

- ◆ Across industries, the National Business Survey 2017/2018 findings show that businesses are optimistic about the year ahead – 8 in 10 expect 2018 to be similar or better than last year.
- ◆ 6 in 10 businesses pin their hopes on Budget 2018 to offer them more support in the area of digitalisation, ahead of tweaks to foreign manpower regulations and facilitation for overseas expansion.

2

High Expectations for ASEAN Business Opportunities – 7 in 10 Keen to Tap Into the Southeast Asia Region

- ◆ Singapore businesses, while keen to internationalise, still face many barriers to entry. They are looking for better understanding of the compliance, regulations and standards in overseas markets.
- ◆ A lot of hopes are pinned on further expansion to ASEAN markets – the business community has a clear focus on driving business in the region and will look for further progress on simplified rules and terms of trade within the ASEAN Economic Community (AEC).
- ◆ There is also strong interest in updates on China's Belt and Road Initiative (BRI).

3

The National Effort in Driving Industry Transformation and the Launch of Industry Transformation Maps (ITMs) Have Received Some Traction on Changing Attitudes Towards Transformation

- ◆ The National Business Survey 2017/2018 findings show that Singapore businesses are responding to the changing landscape. They are looking into restructuring business processes, have started to take steps towards more digitalisation and a majority of companies are also keen to expand to new markets overseas.
- ◆ Such transformations do not come without challenges. As this survey has shown, whilst some businesses are fully invested in changing the way they work to achieve success in the evolving landscape, others are willing to change but often lack the capability to adjust and will need more help.

4

Doing More with Less – Tackling the Productivity Equation

- ◆ Singapore businesses are shifting their focus to do more with less: the number 1 challenge is now hiring people with the right skills/attitude. A majority of businesses have started to take steps to boost productivity by restructuring processes and training existing staff. It is also encouraging to note that outsourcing jobs and services only represents a small proportion of the solutions implemented to deal with the evolving manpower landscape in Singapore.
- ◆ The increased focus on talent with the right skills suggest that there is scope for Government/Business Associations to look at skills shortages and support businesses in upskilling employees to be future economy-ready. SkillsFuture programmes can play a major role in helping businesses equip their existing staff with knowledge on new digital tools and process innovation. The findings show that Transformer businesses that have invested in transformation are starting to reap significant benefits.

5

Digital Innovation – Critical for Global Competition and Business Survival

- ◆ Digital innovation is increasingly seen as the future of business: 3 in 10 companies say it is 'absolutely critical', and a majority of businesses have taken at least one step towards digitalising their products or business processes.
- ◆ Driving digital transformation is critical to business continuity and success. However, more financial and advisory support needs to be given to companies for their digitalisation journey.
- ◆ Relevant case studies and best practice examples are also useful for illustrating industry-specific pathways to boost productivity, reinvent business processes and drive revenue growth for both large companies as well as SMEs.

6

Progressives and Slow Starters Need to Play Catch Up with Faster Technology Adoption in 2018

- ◆ SMEs are willing to transform but need the right information and in-house capabilities to drive continuous change. Many are asking for case studies and off-the-shelf solutions relevant to their industries and business stages.
- ◆ In 2018, Slow Starters may need to change their mindsets and play catch up to adopt technology at quicker rates, in order to improve business performance. They will look for information and avenues to build in-house capabilities to drive change, likely with some assistance from their industry associations and the relevant Government agencies.
- ◆ The sentiment among Transformers shows that a strong push for business transformation can pay off on multiple fronts. The findings show that those equipped with the capability and mindset to tackle the challenging steps towards transformation and make strategic use of digital adoption, are significantly more likely to report higher profits, healthier growth and a more positive outlook on opportunities in the year ahead.

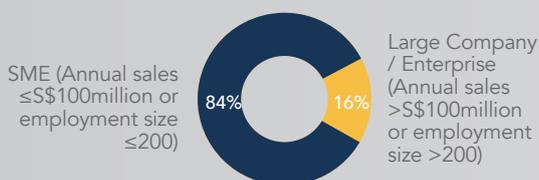
Company Characteristics

How the Survey was Implemented

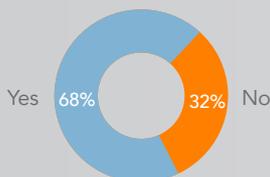
SBF commissioned independent business and policy research advisory, Blackbox Research, to conduct its National Business Survey 2017/2018. In its tenth year, this annual survey collected views from over 1,000 (1,019) SBF members across all major industries from 11 October to 13 December 2017. All members 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

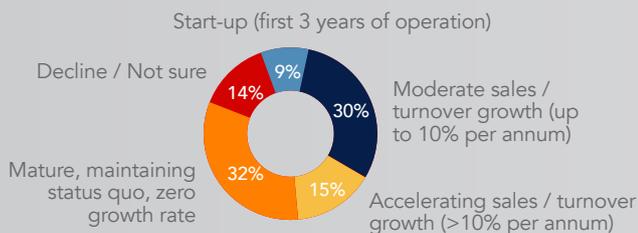
Company Size



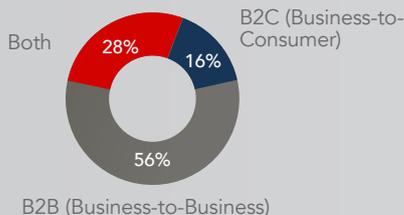
Minimum Local Shareholding of 30%



Stage of Development



Main Mode of Business



Industries / Sectors



n=1,019

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



About SBF

SBF is the apex business chamber championing the interests of the Singapore business community in the areas of trade, investment and industrial relations. It represents 25,800 companies, as well as key local and foreign business chambers.

In July 2001, the Minister for Trade and Industry introduced a Bill in Parliament to establish the SBF Act, which was passed by Parliament and became law on 5 Oct 2001. The Federation was established on 1 April 2002, with the aim of representing the business community's interests both locally and overseas. Under the SBF Act, all Singapore-registered companies with share capital of S\$0.5 million and above are members of SBF.

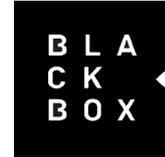
If you would like to contribute to the SBF National Business Survey 2018/2019, please indicate your interest via email to research@sbf.org.sg.

For more information about SBF, visit www.sbf.org.sg.

Survey conducted by:
Strategy & Development Division,
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