

ESC Subcommittee on Attracting and Rooting MNCs, Asian Enterprises and Global Mid-Sized Companies

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The Next Phase of Growth – A Vibrant and Diverse Corporate Ecosystem: Singapore as an Essential Home for Businesses, Offering a Global-Asia Value Proposition

1. Singapore has over the years successfully attracted MNCs to invest and establish a wide range of business activities, bringing with them technology, know-how and market access. Many MNCs have also set up regional headquarters here. Singapore should build on this, to grow a more vibrant and diverse corporate ecosystem. We should aim to attract and root more MNCs here. We should also seek to diversify the base of global companies by enhancing Singapore's position for Asian enterprises to regionalise and internationalise from, and global mid-sized companies which are industry leaders, to seek forays into Asia.

2. As a global business city, Singapore has strong infrastructure, connectivity and a highly skilled workforce. It is also in the heart of a rising Asia, connected to the key regions of growth. This is a valuable position from which to create new growth opportunities. In our next phase of growth, Singapore should enhance our position as a Home for Businesses with this unique Global-Asia proposition – an essential location for MNCs, global mid-sized companies and Asian enterprises to create value and manage and integrate their Asian as well as global business activities. Four main considerations drive this opportunity:

a. The same factors that make Singapore a valuable host for off-shoring and outsourcing, production, regional headquarters viz pro-business environment, stability, highly skilled workforce, excellent infrastructure, connectivity, all continue to be relevant and valuable.

b. The pull of Asia. The rising affluence of Asia's fast growing middle class, increase in number of high net-worth individuals and ageing demographics present immense opportunities for businesses to grow consumer-centric activities. In addition, the size of markets and the increasing sophistication of Asian consumers, require global companies to customise products and services for Asia. This is the key driver as MNCs seek to expand their Asian reach, and global mid-sized companies seek forays into Asia, some of them for the first time. In the same way, fast growing Asian enterprises are looking to regionalise, as well as internationalise and seek out global markets.

c. The structural changes in G3 domestic markets. Structural shifts arising from the global recession, such as capital constraints, rising public debt and shifts in tax policies, are creating a more complex business environment. Many companies from the G3 countries are reviewing their corporate strategy and business models, as well as searching for new growth markets.

d. Technology and talent. For companies in knowledge and innovation intensive industries, the two imperatives of technology and talent will drive future growth. Singapore is building up our technology and innovation capacity. We are already an attractive talent destination and have the potential to become a global talent centre. The combination of these two factors will be a strong growth driver for businesses.

3. Harnessing our Global-Asia value offering, Singapore can build a differentiating proposition for global companies based on our existing strengths, finding new ways to leverage them and developing new capabilities.

We are Well-Positioned to be a Home for Businesses

4. Businesses are seeking a strategic location in Asia to manage their operations to harness opportunities, both in Asia and globally, arising from global trends, as well as to address challenges resulting from the structural shifts in the global economy especially in the aftermath of the recession.

5. These global trends and structural changes present huge growth opportunities in as well as shift of business interest towards Asia, necessitating global businesses to ***develop and enhance their Asia strategy***. With Asia as an increasingly significant market, global businesses need to be in Asia. Located in the heart of Asia, Singapore offers a vantage point for businesses to manage, integrate and control their activities, access and seize opportunities in key markets. Such businesses include both MNCs seeking a home in Asia, as well as global mid-sized companies seeking a first and essential base to grow from and leverage on Asia's market potential.

6. Singapore's value offering is pan-Asian, to be a base for such businesses to manage and control their business activities across the entire Asian region. It is well connected to all parts of Asia. It is close to, and understands the huge Asian markets of China, India and Southeast Asia. Singapore also has market neutrality. It offers global businesses a strategic base to locate senior management to manage and integrate their pan-Asian operations, without being weighed down by in-market challenges.

7. At the same time, fast growing Asian enterprises especially those from China and India, are seeking new markets outside their home countries, in other parts of Asia as well as globally. Some of them are seeking a location in Asia from which to launch their regional and also global strategies, and manage their operations.

8. As an essential location for businesses, Singapore can be the:
 - a. **MNCs' Home in Asia**;
 - b. **Launchpoint** for Asian enterprises to regionalise and internationalise; and
 - c. **First and Essential base in Asia** for global mid-sized companies.

Building on Singapore's Strengths

9. Singapore's strengths as a global business city include our pro-business environment governed by the rule of law, which marries trust, intellectual property protection, stability, knowledge infrastructure with physical connectivity to other regions of the world and an open and inclusive culture that is welcoming to talent.

10. By enhancing these strengths and finding new ways to leverage them, we will bolster Singapore's proposition as an **essential location for businesses to be in**. Capabilities in innovation, technology and talent are critical to enable **businesses to grow their top line and create value**. For example, we can leverage on Singapore's track record as a trusted hub with strong knowledge infrastructure to catalyse public-private partnerships. This will help to unlock the know-how and system innovation capabilities in government agencies, for co-creating, test-bedding and exporting innovative solutions.

11. Our existing strengths also form a foundation to build **new strengths** and grow **new differentiating capabilities**. For example, Singapore can build upon its strengths in data analytics, to develop capabilities in Asian market intelligence and consumer insights, as well as related professional services. These capabilities will be a rich resource for companies seeking to move into consumer-centric products and services for the Asian markets.

FIVE KEY STRATEGIES

I. Singapore as an essential location for businesses with a Global-Asia value proposition

12. The key to attracting, growing and rooting businesses here is to make Singapore a Home for Businesses in Asia – an essential location for MNCs in Asia, Asian enterprises regionalising and internationalising and global mid-sized companies to create value and grow top line. This means being a Home for Business Activities, Home for Innovation and Home for Talent – to which businesses will gravitate because of the compelling proposition of a holistic and integrated best-stop location in Asia for them to chart directions and implement growth strategies for their business and innovation activities, as well as talent development initiatives.

13. Central to this strategy is to enhance Singapore’s position as a **pan-Asian integrator** and an essential location for businesses with a Global-Asia value proposition, which embodies all of the following elements:

- a. A neutral and best stop in Asia to manage Asian and Global business activities;
- b. Strong market and cultural connectivities within Asia, but yet globally-linked; and
- c. Leading location for applying technology and innovation for pan-Asian solutions, and managing global talent for Asia, as well as Asian talent for global activities.

14. It is therefore essential to strengthen Singapore’s market connectivity, through initiatives to harness and deepen our market knowledge of Asia and global know-how, as well as enable Singapore-based businesses to access market opportunities. Key proposals are to:

- a. **Strengthen capabilities of professional services sector as key enabling factor for pan-Asian businesses** – We should deepen and broaden the professional services sector in Singapore as a key enabling capability for pan-Asian businesses. The government should consider initiatives to grow and deepen key market knowledge and cutting-edge expertise with a pan-Asian focus within the professional services sector in fields such as market intelligence, business services, analytics, regulatory knowledge, as well as marketing and branding services for Asia.
- b. **Develop Singapore as Asia’s centre for consumer insights** – The government should consider establishing an Institute of Asian Consumer Insights in Singapore as an iconic receptacle for our capability in Asian consumer knowledge. This institute should conduct upstream research activities in fields such as sensory and psychoanalytical research, develop cutting-edge data gathering and analytics tools and methodologies, and innovative platforms to capture, analyse and draw insights from consumer insights data to create value for businesses.
- c. **Attract and engage Asian business chambers, industry and trade associations and business houses** – Many Asian business chambers, industry and trade associations, and business houses have established strong networks which could be tapped on to create platforms for Singapore-based businesses to access opportunities in Asian and global markets. Attracting a concentration of such players in Singapore will enhance market connectivity through their regional and global networks.

II. Establish Singapore as reference city for standard-setting and future-ready solutions

15. Singapore possesses a conducive environment to become a globally leading “living lab” for businesses to conceptualise, co-create, test-bed and commercialise **future-ready solutions for global and Asia markets**. Singapore is an ideal “living lab” grounded on the ability to pilot with speed, scale and integrity, with a compact urban environment for controlled experimentation, testing and lead adoption.

16. We should build on our position as a trusted location with strong industry competencies, coupled with close collaboration between the private and public sectors, to develop Singapore as the reference city for pan-Asian solutions, and also global markets, whereby product and process standards are developed and exported from Singapore. A key proposal is to:

a. **Support development of standards in selected areas** such as urban & green solutions, health & wellness and consumer products & services. Singapore should make available platforms for the private sector to leverage on public sector initiatives as a reference for standards e.g. Building and Construction Authority's Green Mark, Electric Vehicles, Green IT Industry Development Initiative, and Ministry of Health's National Standards of Care. In addition, Singapore should put in place smart and flexible regulations to facilitate the development, validation and launch of standards.

III. Singapore as Global Talent Centre in Asia, developing thought and talent leadership

17. A vital ingredient of being an essential location for businesses must be a vibrant talent ecosystem, where businesses can find the requisite talent to helm and run operations in Asia. Recognising that talent is not just an input factor but more importantly, a driver of economic growth, we should build on our strengths to attract and develop talent, both local and foreign, to make Singapore a global talent centre in Asia. Key proposals are to:

a. **Attract more world-class universities** – Building upon Singapore's infrastructure of strong public tertiary institutions, we should continue to attract more world-class universities to run programmes here. This will broaden and deepen capabilities that will help drive growth of key industry sectors. These world-class universities would provide new avenues for Singaporeans to pursue quality education, and also attract global talent.

b. **Encourage the establishment of corporate universities and programmes to groom next-generation corporate leaders** – Many global leading companies have strong systems and programmes to identify, nurture and develop high-potential performers, managers and leaders. They run leadership development programmes, expose their talent to internal and external practice leaders, as well as create networks for talent development. Increasingly global companies need to develop more corporate leaders for their Asian businesses. Singapore should partner with global companies to stage their corporate talent development activities for Asia here.

c. **Create talent centres of excellences** – Singapore should aim to bolster its competitive position in key industries by developing thought and practice leadership. Singapore should set up talent centres of excellence in key sectors, where top talent from around the world can create new knowledge and practices as well as train and develop peak and deep talent. An example could be establishing the Asian equivalent of the global leading Centre for Ships and Ocean Structures (CeSOS) at the Norwegian University of Science and Technology.

d. **Attract and develop peak and deep talent** – Singapore should do more to attract and develop peak and deep talent who are business, research, thought and practice leaders in their specific fields. We should also do more to develop high-potential local talent for high level (C-suite) leadership positions.

IV. Singapore as long-term strategic partner in Asia for MNCs

18. The physical compactness of Singapore is a key strength for companies to exploit value within an industry ecosystem. We should build on this to attract key players to strengthen the value chain within industry sectors that Singapore seeks to win in. This will enhance the breadth and depth of the industry ecosystem as a key value differentiator. It will in turn bring new opportunities and benefits to existing Singapore-based companies. A key proposal is to:

a. **Promote strategic linkages between MNCs, Asian enterprises, global mid-sized companies and other Singapore-based enterprises** – To strengthen the industry cluster ecosystem, the government should consider efforts to enhance strategic mutual dependencies between MNCs, Asian enterprises, global mid-sized companies and other Singapore-based enterprises. This will help to build stronger and more deeply-rooted industry capabilities across the ecosystem. Initiatives could include the expansion of EDB's Local Industry Upgrading Programme (LIUP) and IE Singapore's International Partners Programme to support alliances of Singapore-based businesses in capability development and technology transfer, test-bedding and commercialisation, as well as systems integration and scaling up for market access.

V. Establish Singapore as the first and essential base in Asia for global mid-sized companies and launch-point for Asian enterprises to regionalise and internationalise

19. Together with MNCs, global mid-sized companies and Asian enterprises would contribute to a more vibrant industry ecosystem in Singapore.

Global SMEs

20. **Singapore should do more to attract global mid-sized companies**, comprising “hidden champions” (owner-managed mid-cap businesses that are global leaders in their niches) and high capability/high growth global enterprises.

21. *Context for engagement of global mid-sized companies:* The niche capabilities of these global mid-sized companies and their strong emphasis on technology would strengthen specific industry clusters and drive more innovation in Singapore.

22. *Key Characteristics of global mid-sized companies:* While global mid-sized companies are keenly interested in accessing the growing Asian markets, compared to the MNCs they have less in-house resources (e.g. managerial talent) to drive their expansion efforts. They are therefore more likely to adopt a conservative and measured expansion strategy. For their first foray into Asia, most global mid-sized companies would set up a small outpost to become more familiar

with the region. However if this works for them, they are likely to grow this first stop over time into their Asian base. This is an opportunity that Singapore should seize.

23. *Opportunities for engagement of global mid-sized companies:* It would be timely to engage these global mid-sized companies as structural changes and slower growth in their home markets are pushing them to look towards higher growth markets such as those in Asia. Many of them are also re-evaluating how their businesses should be better managed as some of their pilot technologies are now ready for commercialisation in new markets like Asia.

24. Singapore should position itself as a centre for global mid-sized companies to grow in Asia – **a first and essential base in Asia for global mid-sized companies.**

Asian Enterprises

25. *Key Characteristics of Asian enterprises:* Asian enterprises refer to Asian MNCs and high capability/high growth Asian companies. The high capability/high growth Asian enterprises typically serve the domestic markets and only the Asian MNCs are likely to have an international footprint. Many of them have deep local market knowledge and connections but are less familiar with the international markets. Notwithstanding this, many Asian enterprises have strong ambitions to grow aggressively to become world-class global companies (e.g. Fortune 500 companies).

26. *Opportunities for engaging Asian enterprises:* To achieve their ambitions, many Asian enterprises seek a base outside their home markets to grow their reach to the rest of Asia and/or global markets. Singapore should position itself as a **strategic location for Asian enterprises**, leveraging on our **cultural familiarity with Asia, coupled with our global know-how from established linkages to external markets and the strong base of international businesses present here.**

27. **Singapore should establish itself as a global launchpoint in Asia for Asian enterprises to regionalise and internationalise from.**

28. Key proposals to help us attract global mid-sized companies and Asian enterprises are:

- a. **Develop “Asia-ready” managerial talent for global mid-sized companies and “Global-ready” managerial talent for Asian enterprises.** – The Government should attract and develop a stronger pool of multi-cultural, “Asia-ready” managers, professionals and leaders including Singaporeans to helm the global mid-sized companies’ operations in Asia, and a pool of globally-ready talent to drive the Asian enterprises’ regionalisation and internationalisation efforts.

- b. **Facilitate quick start-up of Asian operations of global mid-sized companies and Asian enterprises** – The Government should facilitate the quick start-up of the Asian operations of global mid-sized companies as well as Asian enterprises in Singapore, and help these companies better understand Asia/global markets and regulations.

CONCLUSION

29. Singapore stands in a good position to build on its strengths as a global business city with Asian attributes and business linkages across the region. Successfully attracting and rooting more MNCs, Asian enterprises and global mid-sized companies in Singapore, will make for a more vibrant and stronger corporate ecosystem. This will in turn develop even more globally competitive industry clusters and an overall better diversified, more competitive and stronger economic structure. This will create more jobs and exciting career opportunities for our workforce.