



ASEAN BACKBONE

Practical Aspects for SMEs Development

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Agenda

1 Overview of SME development in ASEAN

2 SME internationalization

3 Skill mismatch in SME labor pool

4 Innovation and technology support

5 Startup platform & ecosystem

6 The rise of women entrepreneurs

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ASEAN SMEs Landscape

Contribution of SMEs play an important role of regional growth

Country	Share of Total Establishments		Share of Total Employments		Share of GDP		Share of Total Exports	
	Share	Year	Share	Year	Share	Year	Share	Year
Brunei	98.2%	2010	58.0%	2008	23.0%	2008	-	-
Cambodia	99.8%	2011	72.9%	2011	-	-	-	-
Indonesia	99.9%	2011	97.2%	2011	58.0%	2011	16.4%	2011
Lao PDA	99.9%	2006	81.4%	2006	-	-	-	-
Malaysia	97.3%	2011	57.4%	2012	32.7%	2012	19.0%	2010
Myanmar	88.8%	-	-	-	-	-	-	-
Philippines	99.6%	2011	61.0%	2011	36.0%	2006	10.0%	2010
Singapore	99.4%	2012	68.0%	2012	45.0%	2012	-	-
Thailand	99.8%	2012	76.7%	2011	37.0%	2011	29.9%	2011
Viet Nam	97.5%	2011	51.7%	2011	-	-	-	-

- More than 97% of total establishments are SMEs
- SMEs create more than half, and nearly all, of employment
- 23-58 percent to the Gross Domestic Product (GDP) derived from SMEs



Note: *Asian Development Bank (2013). **Registered numbers.
Source: Country Reports.

Source: Eria sme research working group, ASEAN Sme policy index 2014: Towards competitive and innovative ASEAN SMEs, 2014.

ASEAN SMEs Landscape

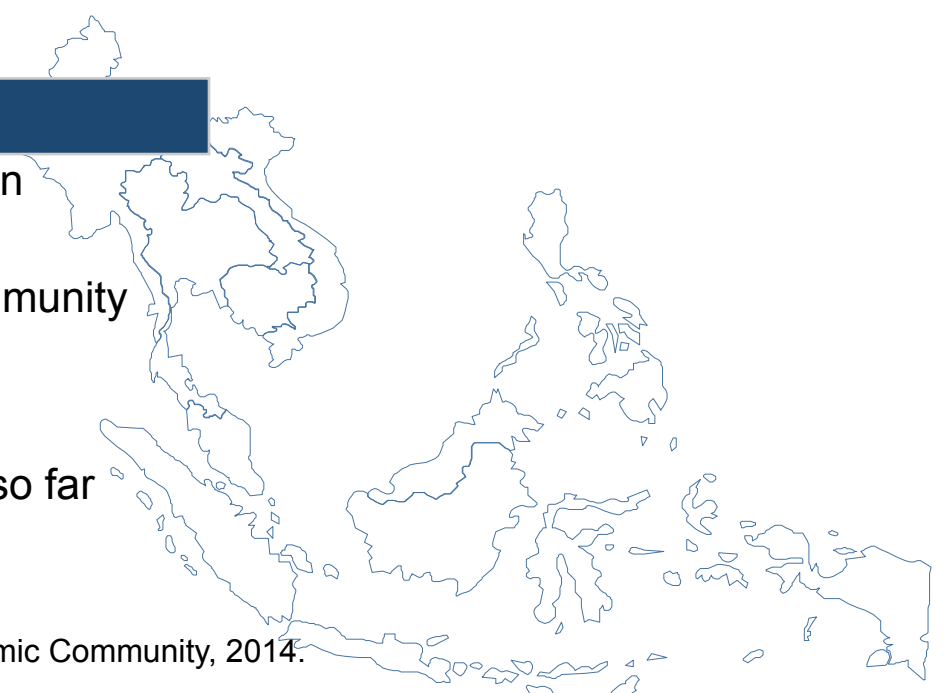
Critical challenges still remain for ASEAN SMEs

Opportunities

- Potential to increase energy, water, and food production, and to play a **pro-active role in responding to supply crises**
- Potential to **develop regional economic hubs**—in health, education, logistics, financial services, and tourism

Challenges

- Absence of a regional strategy to promote private sector investment in **research and development**
- Over-ambitious targets for accomplishing the ASEAN Economic Community and **lack of a clear integration vision beyond 2015**
- **Vulnerability** to external shocks due to high degree of openness
- Erosion of advantages in the **export-driven growth** model followed so far



RICH concept

2030 aspirations - key development priorities to building a “RICH” of ASEAN

Resilience

- to the capacity to handle volatilities and shocks, from within or outside the region, reducing the likelihood of economic crises.

Inclusiveness

- to the need for ASEAN to achieve equitable economic development.

Competitiveness

- a business environment where successful firms operate in efficient markets under effective national and regional regulations.

Harmony

- to environmentally sustainable development and growth.

RICH concept

Filling the aspiration of ASEAN by tackling challenges by countries



Resilience

- Enhance Macro economic management

Compettiveness

- Diversify the economy
- Develop economic infrastructures
- Cultivate technology and innovation capability



Inclusiveness

- Develop human capital
- Reduce inequalities and improve social cohesion

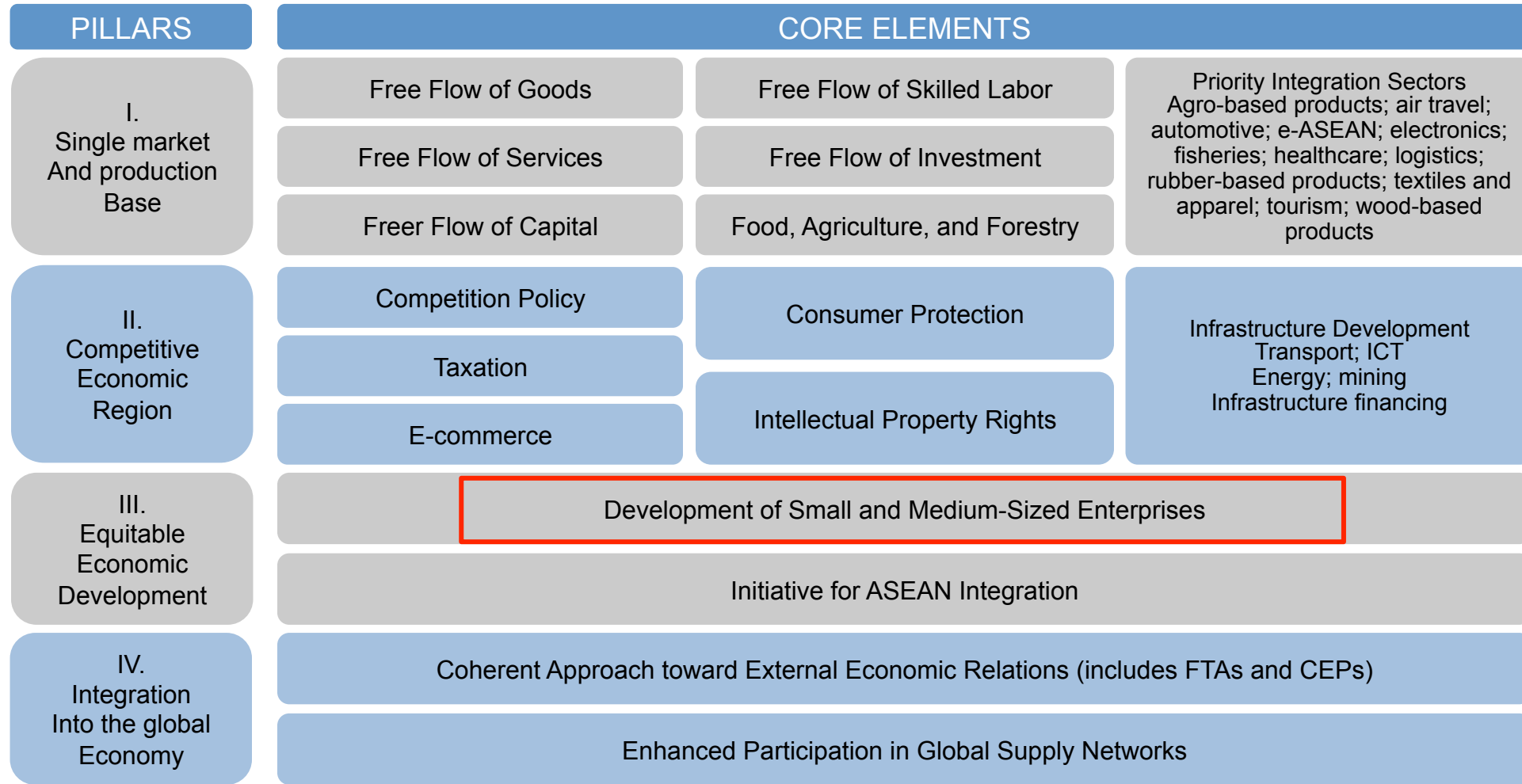
Harmony

- Strengthen governance and institutions



What next for SMEs?

ASEAN Economic Community: Structural Components



ASEAN = Association of Southeast Asian Nations, CEP = comprehensive economic partnership, FTA = free trade agreement, ICT = information and communication technology.

Source: Asian Development Bank Institute, ASEAN 2030 Toward a Borderless Economic Community, 2014.

Current issues for ASEAN SMEs

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ASEAN: A Fast moving region

Opportunities seizing



Thailand

- The international orientation of early-stage entrepreneurial activity was increased by six times from 2007.
- This means much more Thai entrepreneurs run businesses to serve foreign customers and had **participated in business internationalization.**

EM Thailand. (2011). *Global Entrepreneurship Monitor: GEM Thailand 2011 - National Report*. Bangkok.

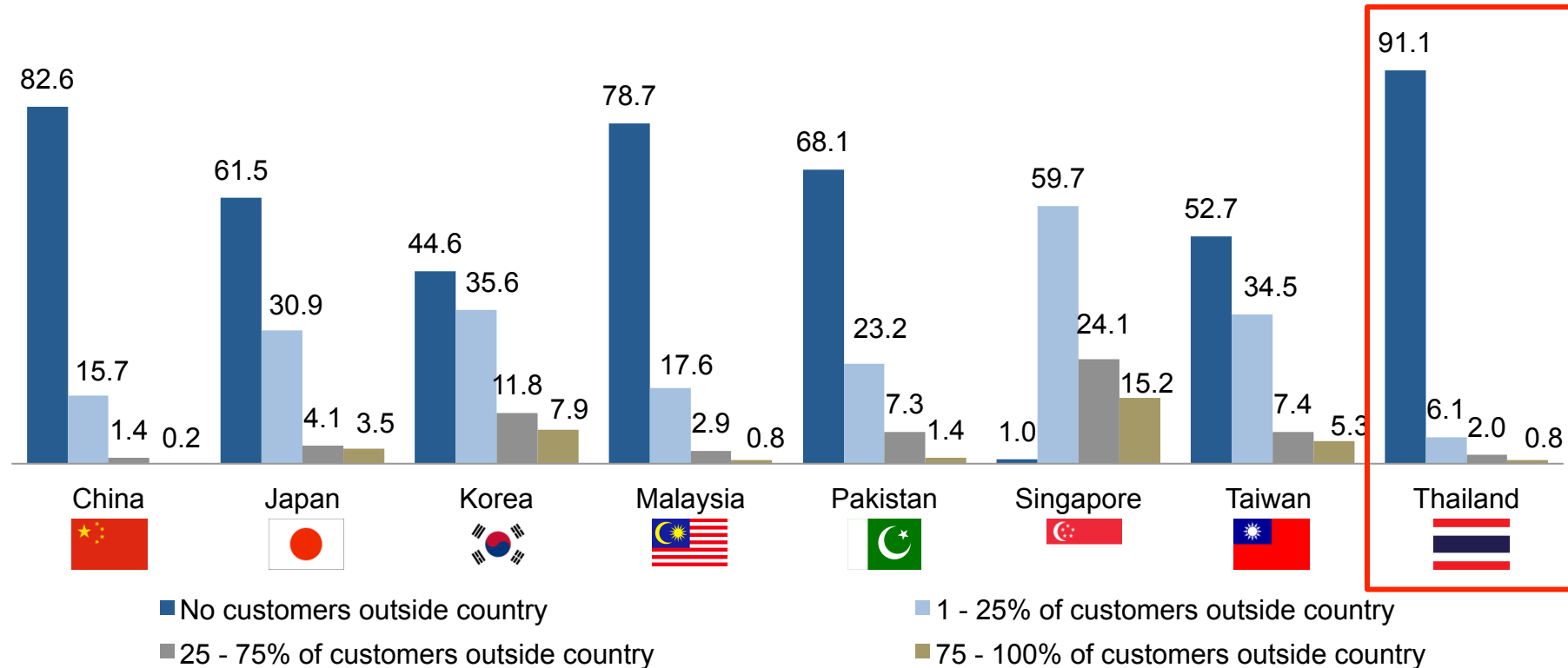
Singapore

- There is an increasing proportion of Singapore SMEs that indicated that clear priorities in internationalisation
- More than 50% of SMEs are looking to grow their market share in their existing markets, while 40% plan to expand to more markets.

IE Singapore internationalization Survey 2012/2013

Proportion of International Customers

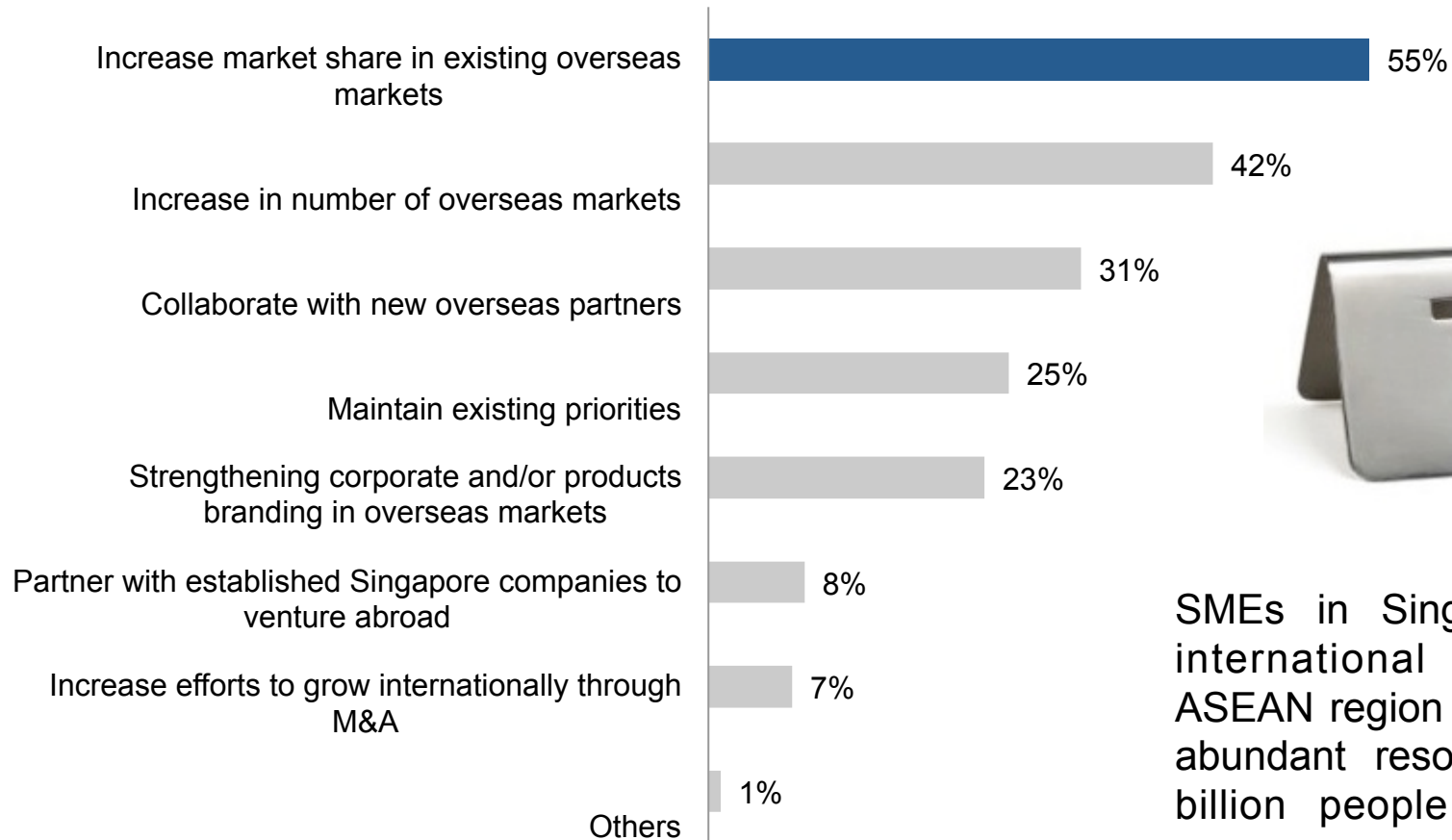
Proportion of International Customers in Asia-Pacific & South Asia , 2012



Thailand shows the highest rates of entrepreneurs without customers outside the country (91.1%)

Business priorities (SMEs)

Percentage of SMEs with a clear business priorities



What is
your number
one Priority?

SMEs in Singapore focus more on their international markets, especially within ASEAN region as to a robust growth outlook, abundant resources and access to half a billion people within a four-hour radius.

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Skills mismatch in SMEs workforce

A disparity between skilled required for SMEs and skills produced from institution

Job losses and gains

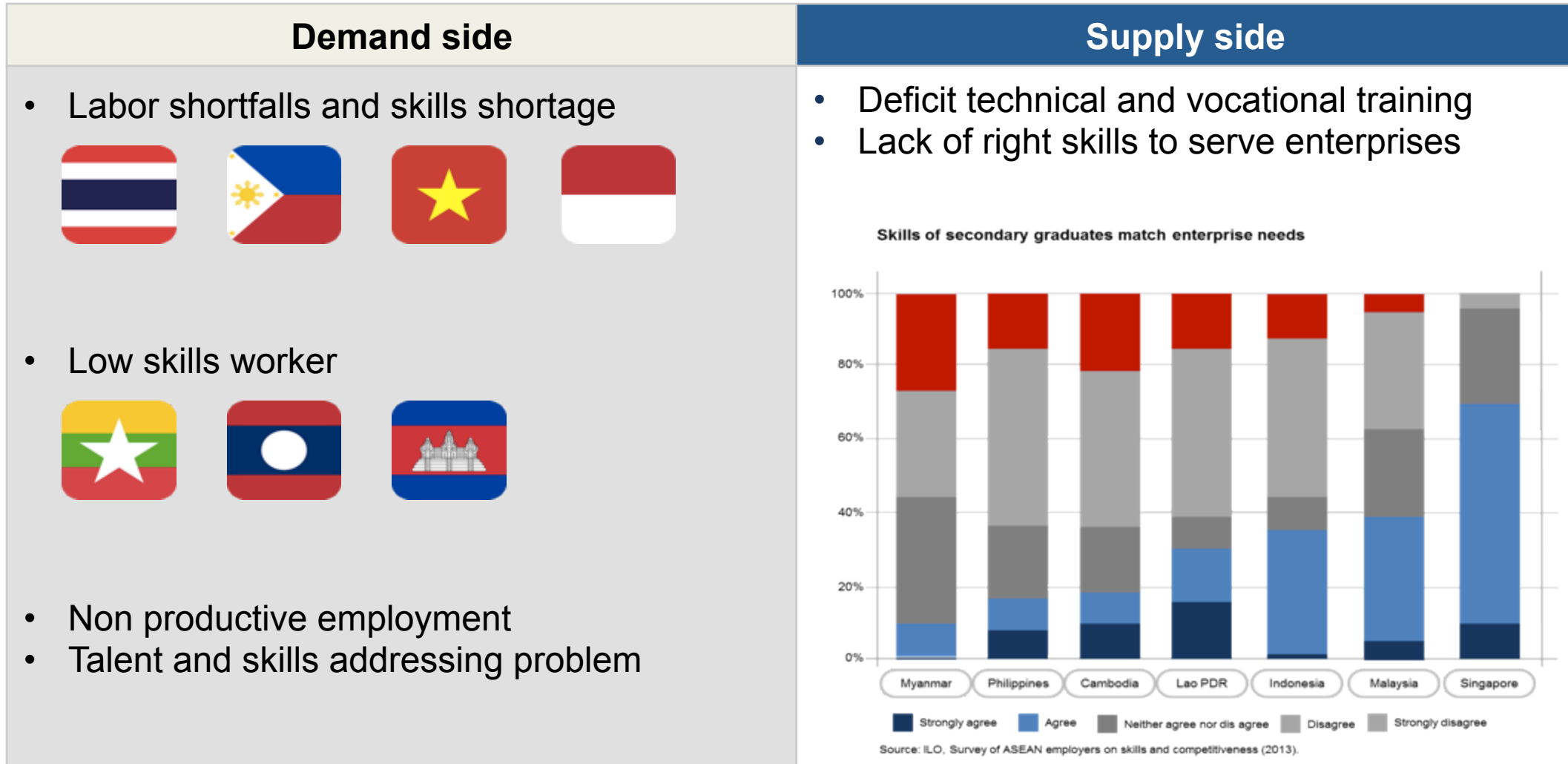
- Around **14 million additional jobs could be generated by 2025**, but jobs will be created in some industries and lost in others.
- **Job gains** for men could be greater than those for women.
- ASEAN Member States will therefore need to address existing problems of unemployment, informality and poor job quality while simultaneously dealing with challenges emerging from closer regional cooperation and integration

Greater demand for skills

- The AEC will accelerate the demand for skilled workers.
- Governments can prioritize education and training policies and align these with national development and employment policies to ensure that gains from integration benefit the most vulnerable, including women and young people.

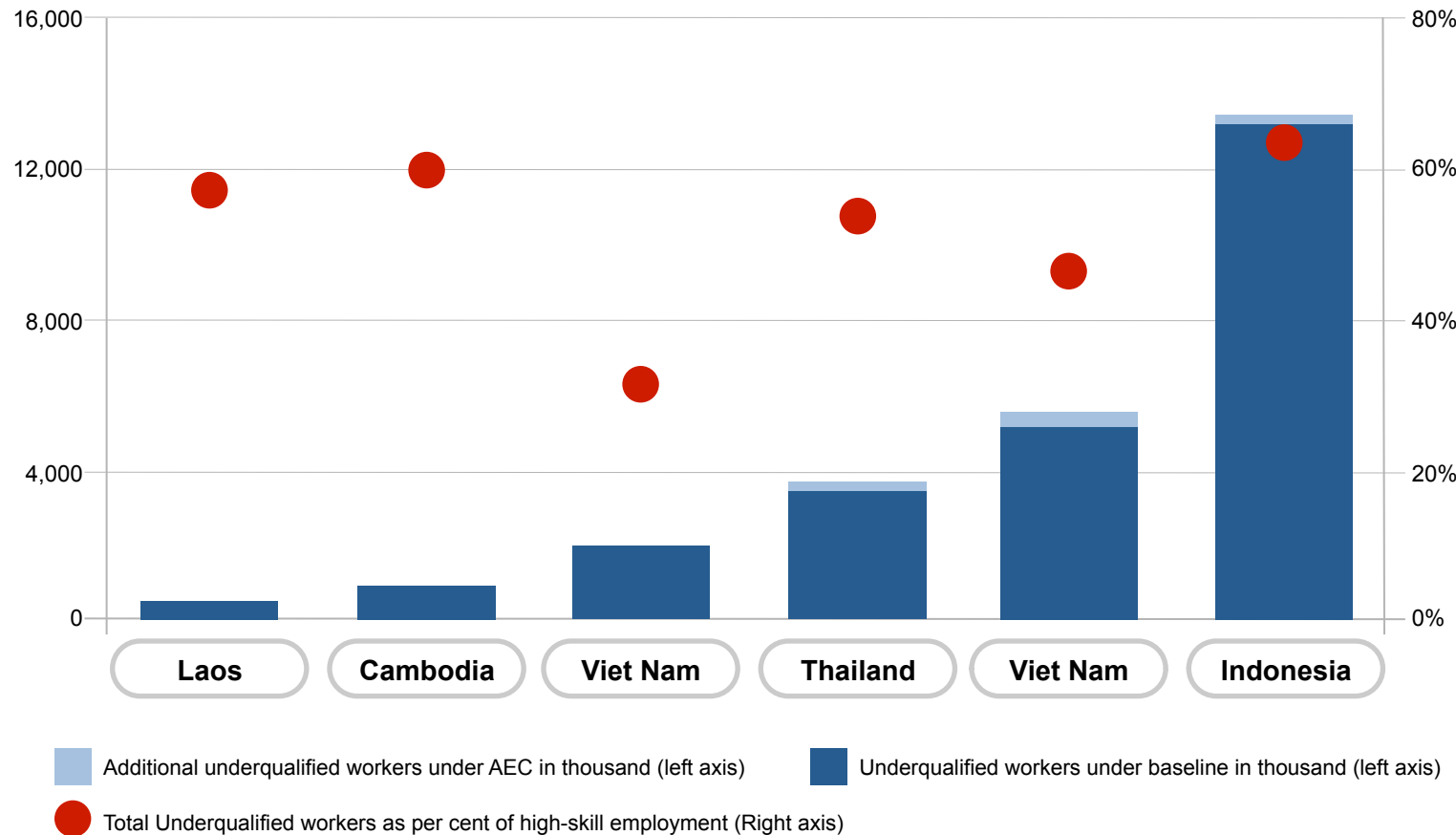
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Skills and Educational Mismatches

Estimated skills and educational mismatch in high-skill occupations in 2025 (thousand and per cent)

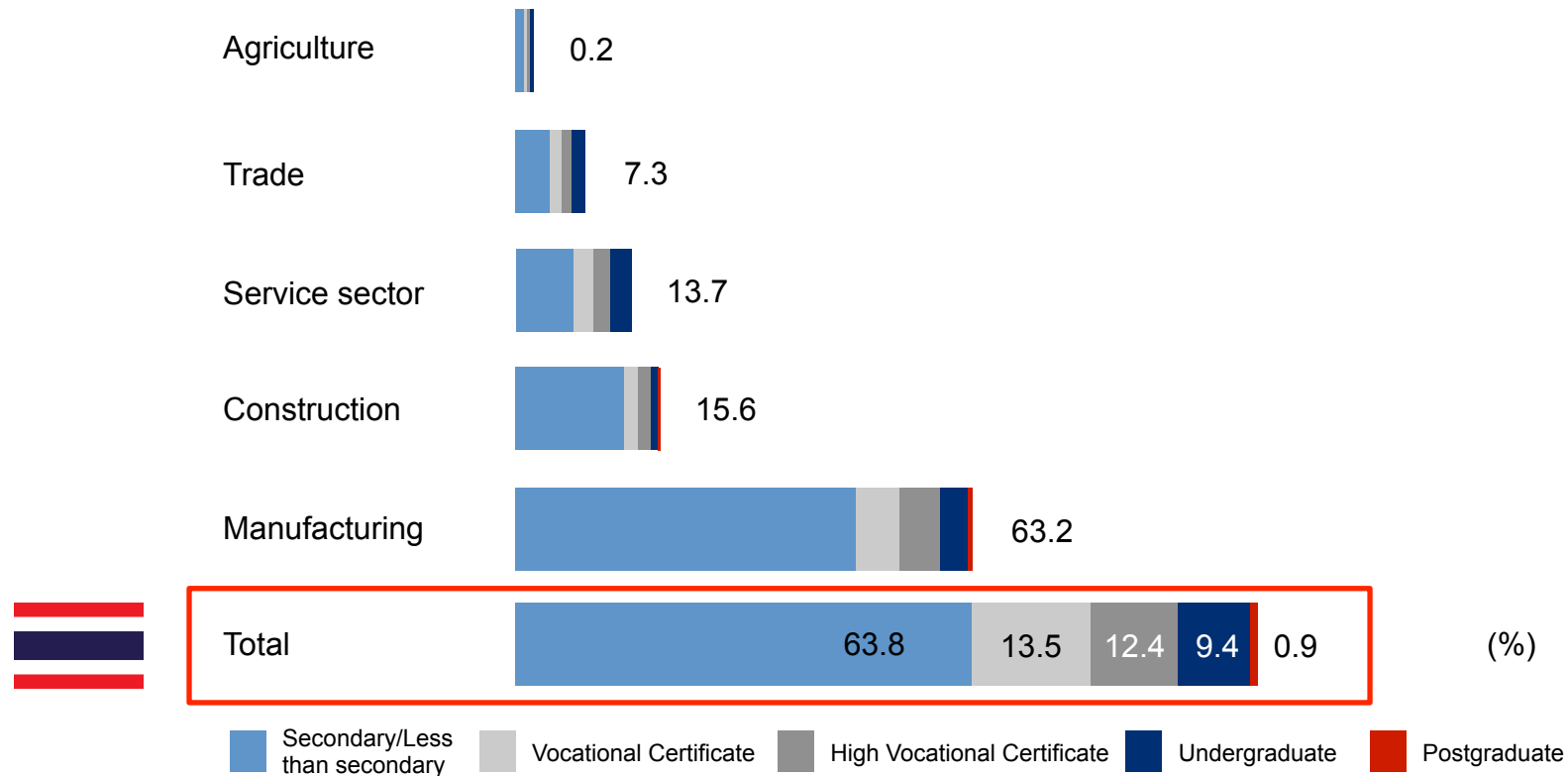


- In Cambodia, Indonesia, Laos, Philippines, Thailand and Viet Nam, more than half of all high-skill employment could be filled by workers with insufficient qualifications.
- Indonesia could face the challenge of having the largest number of underqualified workers in high-skill jobs (13.3 million or 63.0 percent).
- The number of underqualified managers professionals, compared between Cambodia and Laos, and technicians combined could be fewer than 900,000, though in both countries this would represent around 59 percent of the 1.5 million high-skill jobs.
- These trends underline the importance of improving higher education and training to ease possible future constraints on growth and investment.

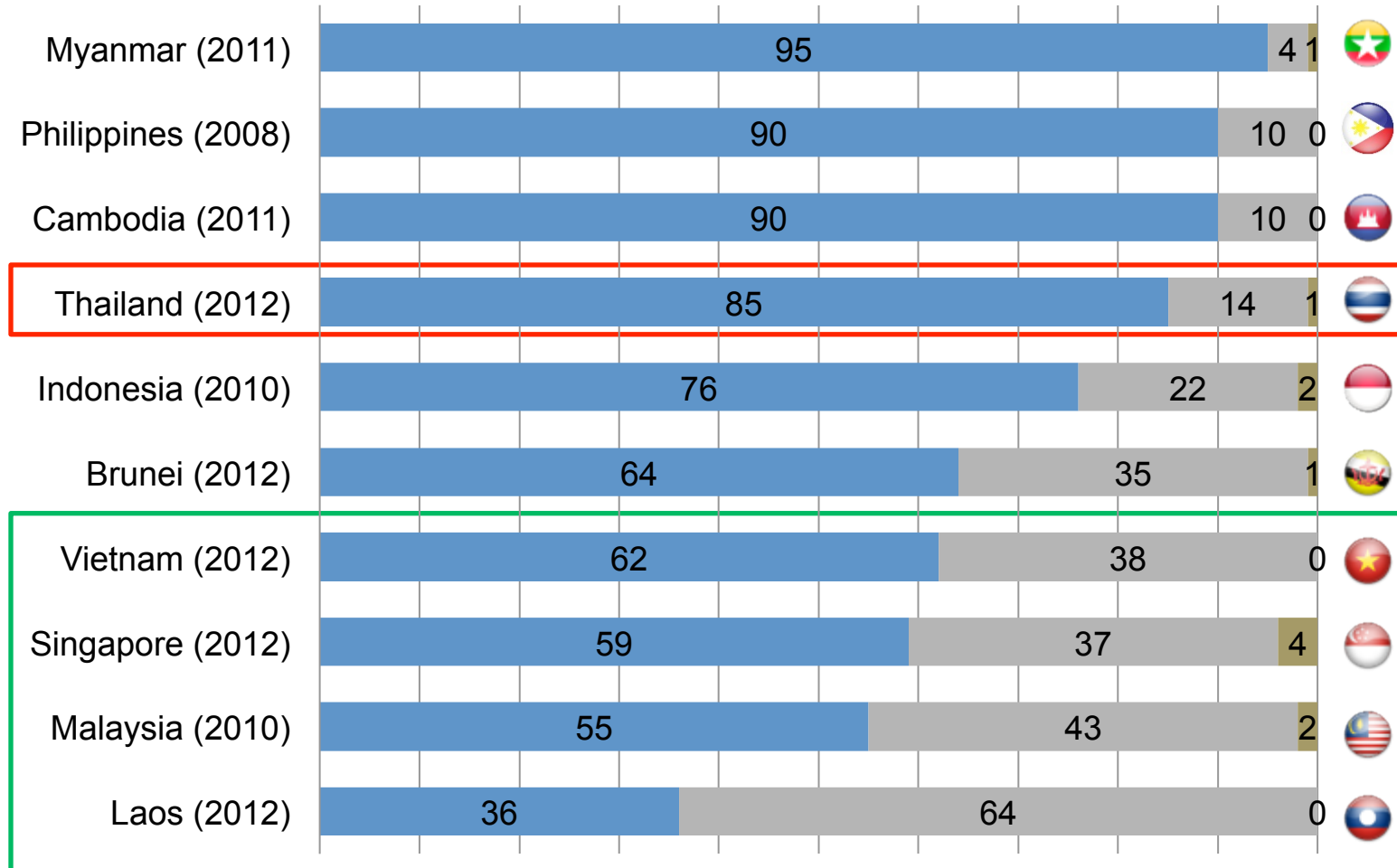
Skills mismatch

Higher degree or qualification does not serve the need of SMEs workforce but the need of higher skills, language efficiency and innovative mindset tends to replace and balance those gap in the near future.

Labor demand structure by types of business, and education



Comparisons of higher education



Solving the skills mismatch



In **South Korea**, the government started transforming a subset of existing vocational schools into Meister Schools in 2010 (“Meister” is German for “craftsman”). The government pays the students’ tuition, room, and board; an extensive network of industry partners.



In **Thailand**, Office of the Higher Education Commission (OHEC) support and promoting Work-Integrated Education program in vocational school and university curriculum. Cooperating with local and international business sector to help student and prospective workforce experiencing the real world of business together with preparation the right skills

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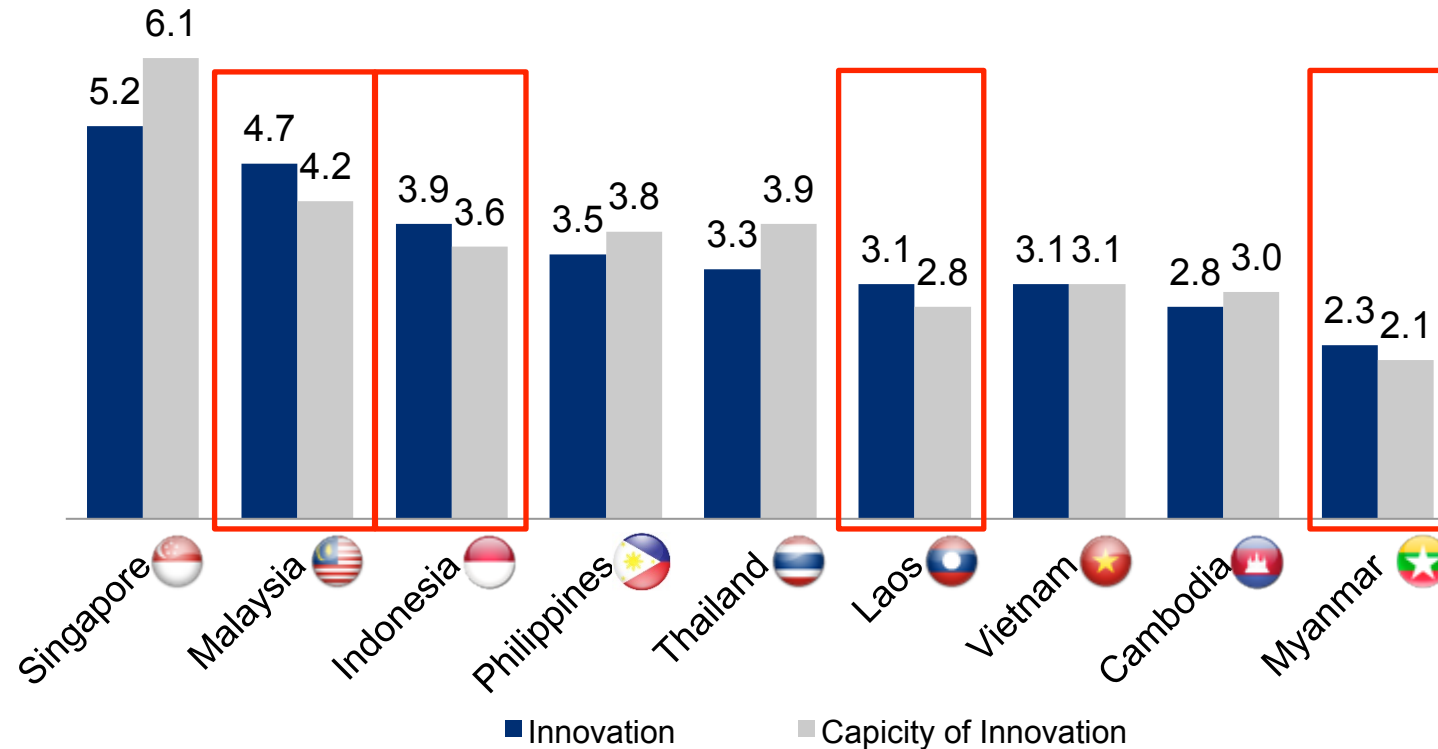
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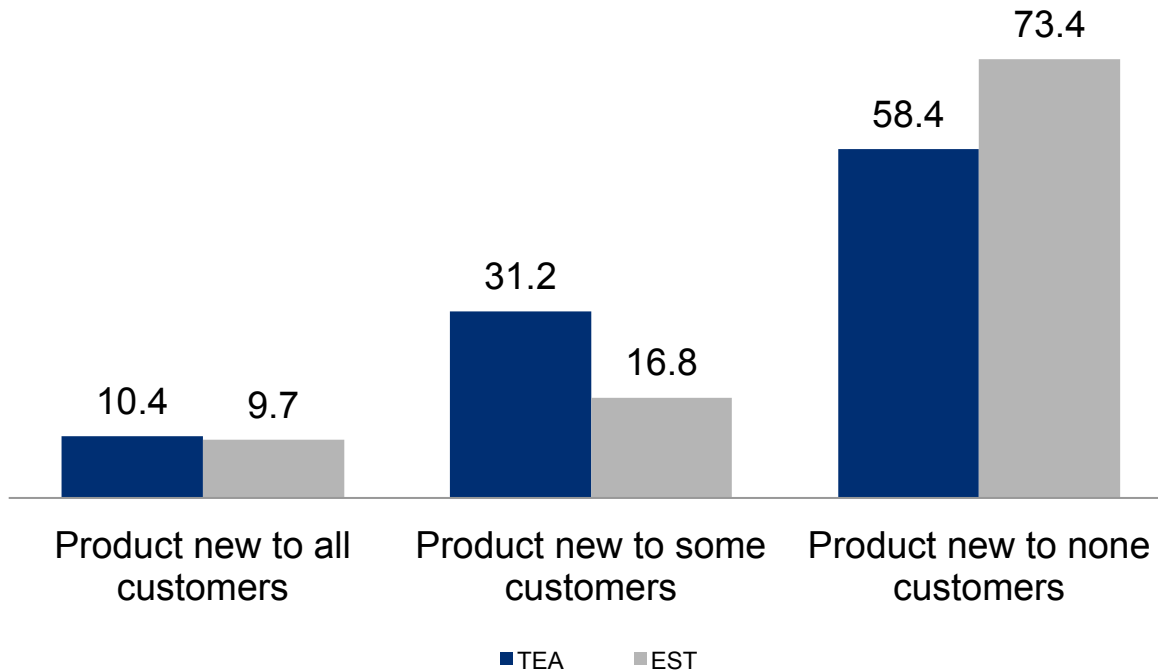
Innovation and Capacity of Innovation in ASEAN

Capacity of innovation in Malaysia, Indonesia, Laos and Myanmar have an interesting potential to growth



Innovation and technology

Beyond “Me Too” approach



- Thai entrepreneurs in general pursue this “me too” approach in their entrepreneurial activities
- Lack of financial resources for innovation and the size of enterprises limit their interest.
- 58.4% of total entrepreneurial activities (TEA) and 73.4% of established business ownership (EST) offer no new products for their customers.
- 10.4% (TEA) and 9.7% (EST) respectively, offer products that are new to all customers as no new technology invested
- Need for more focus on R&D

Support SMEs in technology adoption



Singapore

- SPRING - Technology Enterprise Commercialisation Scheme (TECS) for Start-ups
- IDA - Developing a vibrant infocomm ecosystem, Enabling business innovation and transformation, Strategising and implementing e-Government



Malaysia

Facilitator & Act as catalyst

- SME Technopreneur Centre - To provide the ecosystem in creating a preferred investment location for technology companies, with Cyberjaya as the showcase.
- SME Corp. - Technical advisory services to SMEs, Financing for New Growth Areas including Green Technology and Innovative Industries
- Sustainable Consumption and Production (SCP) - to support the development of green technologies
- The Star Accelerator Fund-The fund aims to engage individuals and companies in the technology based sector.



Thailand

- R&D - Industrial Technology Assistance Program (ITAP)
- Financial Support and Tax Incentives
- Infrastructure - Thailand Science Park
- Supporting services - Talent Mobility Programme

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Development of entrepreneurial skills

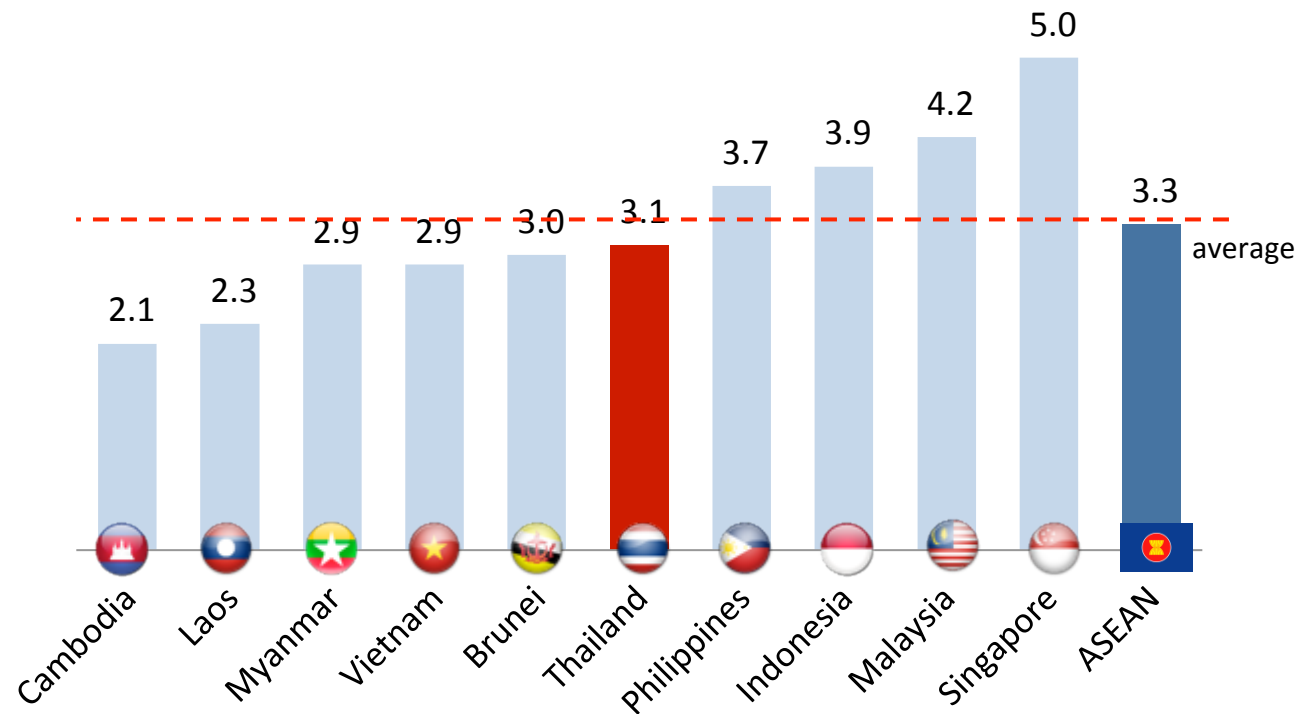
Significant proportion of self-employment requires the development of entrepreneurial skills



- A large proportion of self-employed workers are in an informal economy
- Largely contributes to the agricultural sector and to the establishment of the small and medium enterprises (SME).
- Thai entrepreneurs had become more opportunity driven rather than necessity driven.
- Most new entrepreneurs decided to be self-employed by their choices not being forced by economic factors.

Overall scores for promotion of entrepreneurial education

Entrepreneurship learning programs



Key competencies of entrepreneurship learning programs are not well introduced into the general and higher education system, and do not have an active collaboration with the private sector to develop curricula, research, customized training, coaching, internship, business awards and scholarships. Non-formal education in entrepreneurship and management of SMEs are not well promoted

Cultivating youth entrepreneurship



- Access to capital
- Management skills
- Business Consulting
- Training courses
- Innovation

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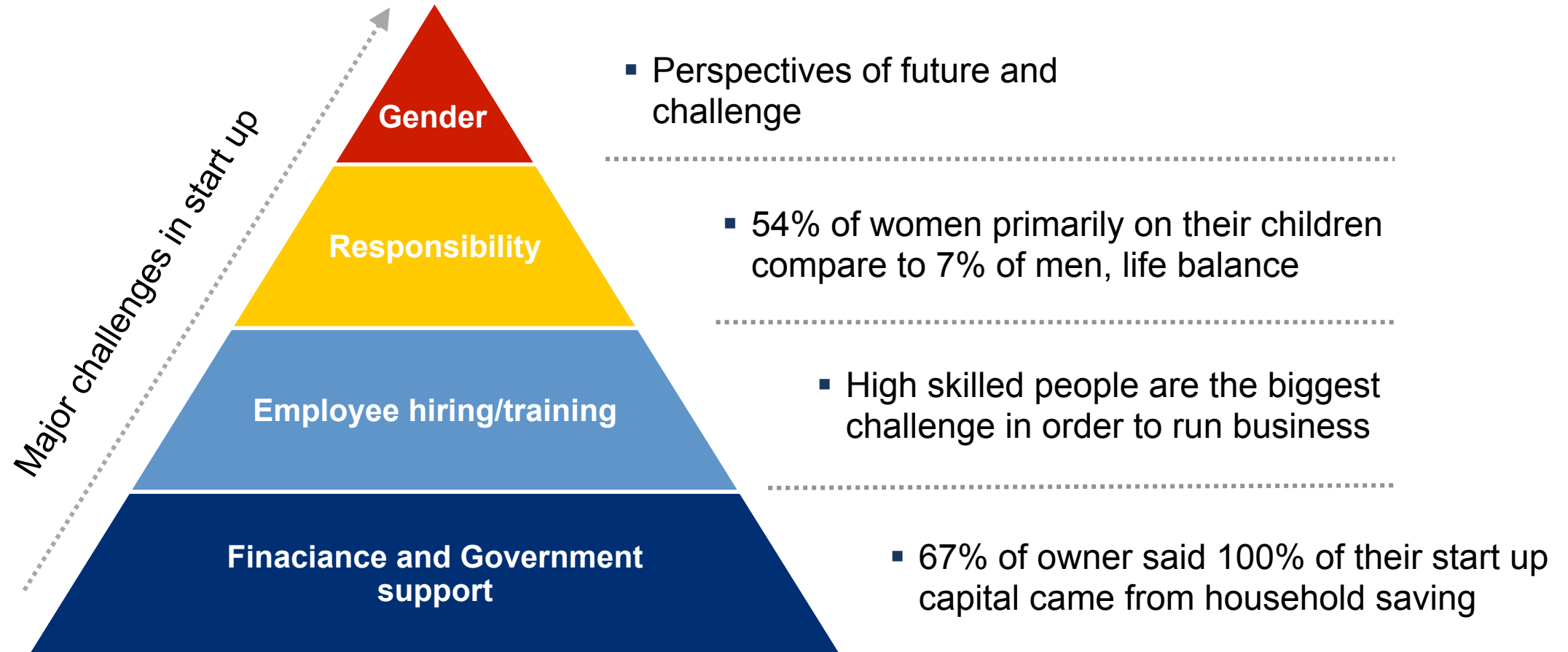
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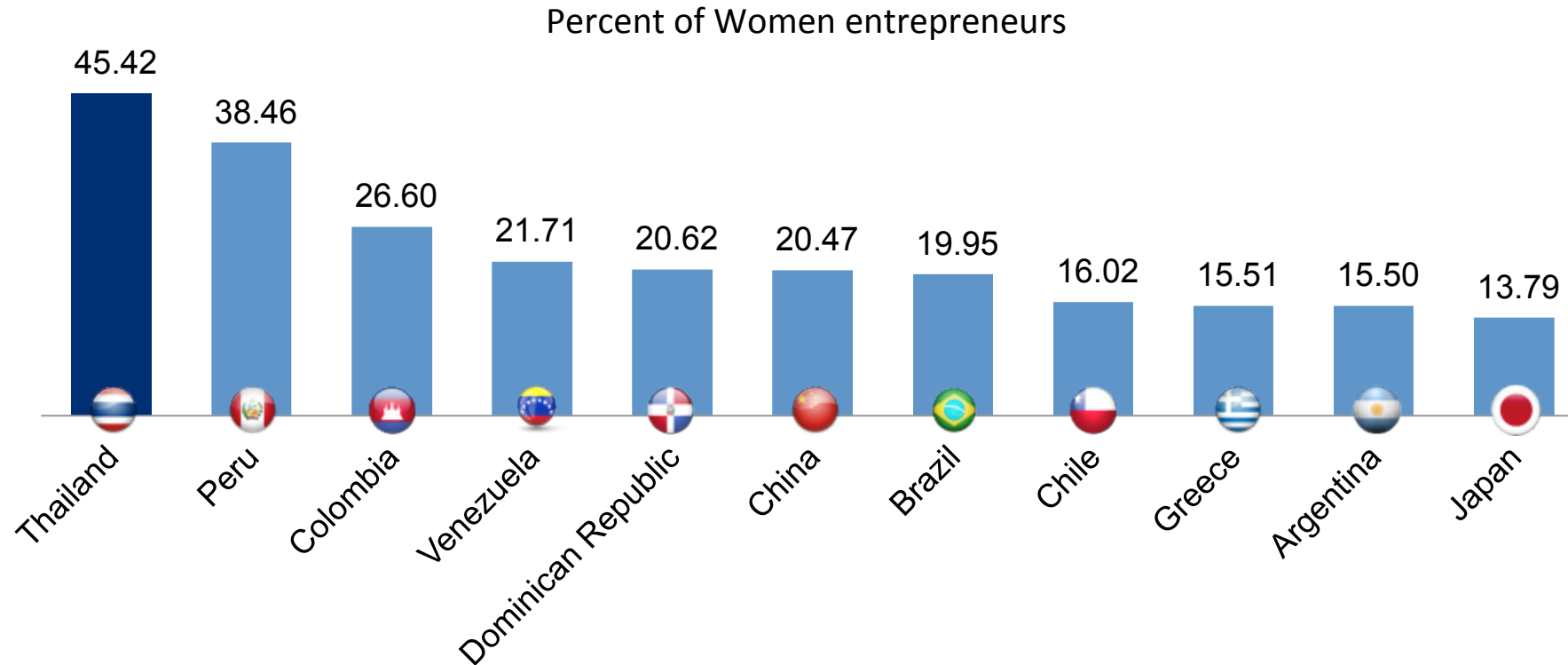
6 **The rise of women entrepreneurs**

The challenges of women start up

Gender still considered to hinder women potential in business

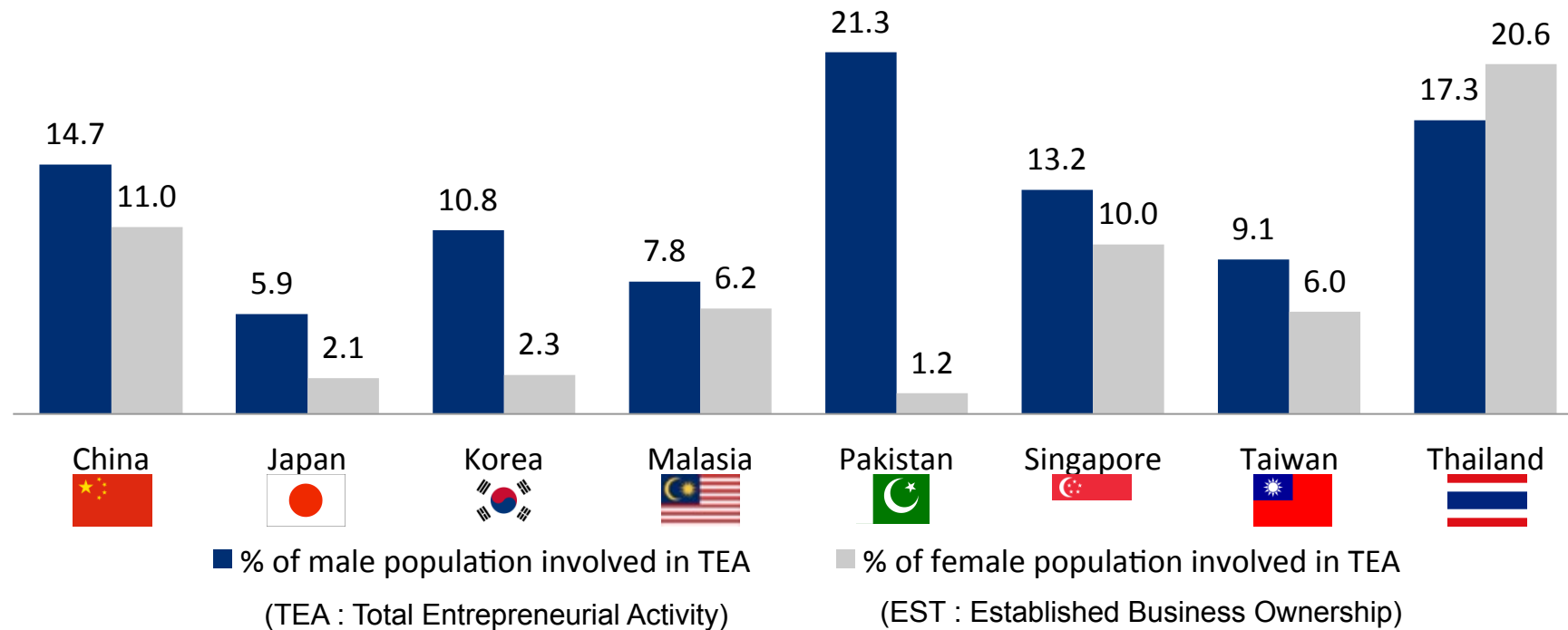


Top 13 countries with highest percentage of female entrepreneur



Women participation: Case of Thailand

Women in Thailand were even more involved in business start-ups than men



The Asia-Pacific & South Asia region on average showed 12.5% TEA rates for the male population and 7.4% for female. Broken down into the different countries of this region, **Thailand is the only country showing higher female TEA as well as the highest TEA rates**, combined men and women

Conclusions: Current issues for ASEAN SMEs

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THANK YOU