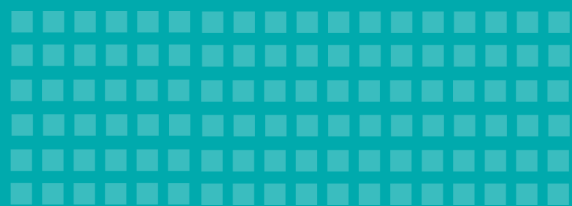


:: Enhancing Capacity and Capability of SMEs



In order to survive in today's globalised and challenging environment, it is imperative that SMEs be competitive and resilient. Towards this end, SMEs need to continuously strengthen their capacity and capability to produce high quality products and services at competitive prices.

Strengthening of capacities and capabilities would involve the acquiring of new skills, techniques and technologies, and how to utilise these to improve their business operations. One critical area is on strengthening capability of SMEs in marketing and promoting of their products. Another is on ensuring that SMEs have the capability to undertake proper financial management of their businesses.

The small size of the SMEs and constraints on resources may limit their ability to enhance capacities and capabilities. SMEs generally lack economies of scale and may incur high costs in acquiring and utilising technologies and upgrading skills of their manpower. The SMEs also tend to have limited access to timely and accurate information on market opportunities, financing and technology advances.

One of the strategic thrusts identified by the National SME Development Council in supporting the development of SMEs is building capacity and capability of the SMEs, in seven broad areas, namely marketing and promotion, training and human resource development, advisory services, entrepreneur development, technology development, product development, and awareness and outreach. Comprehensive support in these areas is necessary in strengthening the competitiveness and resilience of SMEs.

Marketing and Promotion

Creating opportunities and demand through marketing and promotion strategy is vital to SME growth prospects.

The essence of marketing and promotion goes beyond merely advertising, distributing and selling products. Effective marketing and promotion activities cover businesses' ability to anticipate and identify customer demands, finding the best way to satisfy these demands, and generating profits in their business.

All businesses, including SMEs, can expand customer base, gain access to new markets and convey a positive and progressive business image, through marketing and promotional efforts. Effective marketing and promotional strategy enables the business to increase organic growth focussing on higher products holding per customer as well as attracts new customers based on niche offerings and capabilities of the business.

By virtue of their relatively small size, SMEs face limits on manpower, funds and knowledge, which in turn restrict their abilities to establish effective marketing and promotion strategy, particularly in the international arena.

As such, the need to open up new markets for SME products was identified as a pertinent factor for developing Malaysian SMEs. One major area of focus of SME assistance by the Government has, therefore, been in the marketing and promotion of SME products and services.

The Government currently provides both financial and non-financial support to SMEs in the area of marketing and promotion, with assistance extending to cover areas like direct promotional activities, brand and franchise development efforts as well as linkages between suppliers and customers.

Financial assistance is extended primarily in the form of grants and soft loans, while non-financial support ranges widely, from holding exhibitions and trade fairs and facilitating trade alliances for SMEs, to developing and establishing SME brands.

Various Ministries and Agencies are actively involved in assisting SMEs through marketing and promotion efforts. Their work is focused on:

- Expanding product markets;
- Linking SMEs to larger enterprises and Government-linked companies;
- Branding, packaging and designing products; and
- Creating and strengthening networks and trade alliances through trade shows, exhibitions and other similar events.

Market Expansion

SMEs need to expand their businesses beyond their current markets in order to achieve steady growth. Many SMEs are limited by their size and resources, and are unable to engage in activities that can increase the demand for their goods.

Recognising this, the Government has provided specific support to SMEs wanting to engage in market expansion activities, disseminating the help through various Ministries and agencies.

(a) Market Development Grant

One major financial assistance programme is the Market Development Grant, which aims to help companies to penetrate overseas markets. The scheme is administered by SMIDEC.

Companies can seek a matching grant of up to RM100,000, to cover expenses incurred in activities to bring an SME's goods abroad. This would include participating in trade missions, preparing promotional materials and improving packaging and design for overseas markets as well as cost for establishing overseas sales offices.

Since its inception in 2002, the scheme has benefited 1,180 SMEs, with allocation amounting to RM26 million. In 2005, the scheme saw a record number of 814 approvals, for funds amounting to RM4.8 million.

(b) Grant for RosettaNet Standard Implementation

In January 2002, the Government launched the RosettaNet Grant Scheme, providing financial help to companies wishing to adopt RosettaNet, a messaging and communication standard used by the global network of electrical and electronic (E&E) suppliers.

Malaysian companies using RosettaNet are able to conduct business electronically with their global partners, suppliers and buyers, as part of their Supply Chain Management. Using the system reduces inefficiencies caused by imperfect data, speeding up transaction times and lowering overall business transaction costs.

The scheme provides a 50% matching grant up to a maximum of RM100,000 per company, covering expenses like the purchase of software and hardware as well as licensing fees.

In November 2002, specific help was extended to SMEs needing to join the international E&E supply chain network. SMEs in the E&E sector were offered the choice of implementing the RosettaNet Standard through subscription to hosted services offered by Application Service Providers. The Scheme provides financing up to 70% of the approved project cost, with a maximum of RM30,000 per company. Since its inception in 2002, a total of 45 projects have been approved amounting to RM2.27 million.

(c) AgriBazaar

AgriBazaar is an internet system for farmers, producers, retailers and exporters to interact and conduct their trading on-line. It provides vital business information, including data on new supply, supply feedback, price quotations, logistics services, inventory management, market projections and payment management.

The programme aims to provide services and benefit to companies in raising their efficiency and productivity and overall competitiveness of agricultural businesses as business transactions are aligned and sped-up through better communication via the internet.

SMEs using AgriBazaar are able to discover the best prices for their products, reduce administrative costs of sales and purchases, access the market at any hour of the day, gain latest market and technology information, take advantage of business opportunities, and use the platform to advertise their products. In short, SMEs in the agriculture and agro-based industries can use AgriBazaar to expand their business.

(d) Marketing and Promotion Programmes by FAMA

Agriculture-based businesses have the support of FAMA, the Federal Agriculture Marketing Authority, which exists specifically to oversee the development of marketing and promotion of agricultural products. FAMA also provides information on price analysis, and demand and supply situation to the farmers and traders through the supply and demand virtual information portal.

FAMA monitors, coordinates, improves and develops the marketing for agriculture products in Malaysia. It provides a variety of marketing and promotion assistance programmes to businesses, and this includes acting as business facilitator between producers and their customers through programmes like TEMAN and Collection Centre, and contract farming arrangement as well as promoting and trading agricultural produce in domestic and international markets. It also conducts courses, seminars and training to raise knowledge and skills on product marketing.



(e) Franchise Development Assistance Scheme

The Ministry of Entrepreneur and Co-operative Development (MECD) helps businesses improve the demand for their goods by creating linkages between producers and potential buyers as well as providing forums at which producers and businesses can exhibit their goods to potential buyers.

In its drive to increase the number of Bumiputeras in business, MECD offers training to business owners under the Franchise Development Assistance Scheme, where help is given to individual entrepreneurs to create a franchise out of their products or services, to be marketed locally or overseas. Other than organising training-centred seminars, conferences and expositions, MECD also produces Franchisor Directories to promote local franchisors, and offers financial help in the form of grants not exceeding RM100,000 to be provided for each franchise product.

Forging Greater Linkages with Larger Enterprises

SMEs have the ability to grow and act as clients or subcontractors to larger enterprises as suppliers of raw materials, inputs or specialised goods and services. In forming partnership or alliances with larger enterprises, SME can benefit from knowledge and contacts acquisition, technology expansion and capability development. For the larger enterprises, this linkage helps them to lower production costs and facilitate in meeting their requirements on quality and standards.

(a) Industrial Linkage Programme

The Industrial Linkage Programme (ILP) is aimed at developing domestic SMEs into competitive and capable manufacturers and suppliers of parts and components to large companies, multinational corporations (MNCs) and other global buyers. Through SMIDEC-sponsored business matching and business networking sessions like the SMIDEX Annual Showcases, the SME Convention, and mini product displays, manufacturers are put in direct contact with potential customers.

To further improve ILP, the Global Supplier Programme (GSP) was introduced. Under the GSP, training and assistance are provided to SMEs aimed at raising their ability to provide high quality goods and services to MNCs in Malaysia, as well as to their global production network. To date, a total of 844 employees from 183 companies have been at training development centres under this initiative.

SMIDEC's linkage efforts have thus far focused on three manufacturing sub-sectors : automotive, food and non-food based businesses. It works closely with the national car manufacturers and local hypermarkets to develop the chain of existing suppliers, as well as to introduce SMEs as potential suppliers.

As at December 2005, a total of 1,088 SMEs were registered under the ILP, out of which 429 SMEs were linked to MNCs and large companies. To date, the programme has generated actual total sales amounting to RM335 million involving 288 companies. In 2005, the total potential sales generated amounted to RM88 million involving 415 companies, of which RM46 million was garnered during the SMIDEX 2005, and RM43 million during the ASIAN SME Convention.

(b) Vendor Development Programme

The Vendor Development Programme (VDP), undertaken by MECD, provides support to Bumiputera SMEs wishing to participate in Government-linked supply contracts to Government-linked companies and MNCs. It also sponsors the vendors' participation in international exhibitions organised by Government agencies.

SMEs are also given access to courses and technical training, as well as consultancy and advisory services, as a means to helping SMEs improve their product quality, delivery, and design, while at the same time reducing costs of production.

(c) Expanding Local Markets

The Ministry of Science, Technology and Innovations' Local Market Expansion Programme paves the way for Bumiputera ICT companies to provide products and services to Government-linked companies.

In its bid to encourage and develop more Bumiputera-based ICT businesses, the programme has successfully helped establish collaboration initiatives between Bumiputera SMEs and a number of GLCs, such as Tenaga Nasional Bhd, Telekom Malaysia and Petronas. Actual sales of products and services opportunities have been identified, with an estimated value of contracts worth RM254 million.

Branding, Packaging and Design

Strong branding, packaging and design of products are critical in attracting and retaining customers. It is important to build capabilities in researching, defining, and building brand and holistic package. After all, the brand, packaging and design represent the promise or assurance to customers, in addition to depicting the business competitive edge against competitors.

In cognisance of the importance of branding, packaging and design in terms of value-add to the products and services of the SMEs, the Government has initiated schemes to assist SMEs develop brand, packaging and design strategies.

(a) Grant for Enhancing Product Packaging, Design and Labelling Capabilities of SMEs

Recognising the importance and value of good packaging designs, as well as the need to adhere to the international market requirement on product labelling, the Government introduced this grant scheme in 2005. Administered by SMIDEC, the scheme provides assistance to SMEs who want to acquire and improve product packaging, design and labelling capabilities. This grant provides a maximum of RM200,000 per company for this purpose. During the year, 16 applications were approved, amounting to RM0.5 million.

(b) Brand Promotion Grant

A product with a strong brand is easily recognised and differentiated from its competitors, and, potentially command a price premium. There is greater awareness of the need to use branding as a marketing tool, and companies in Malaysia are being actively encouraged to invest in developing a brand strategy for their products and services.

MATRADE has expended great efforts to aid Malaysian companies to develop strong brand names for products and services originating in Malaysia, to be carried overseas. MATRADE's Brand Promotion Grant provides SMEs with a 100% reimbursable grant for development and promotion of brands subject to a maximum grant of RM1 million per company.

(c) Brand Development - Malaysia's Best

Malaysia's Best is FAMA's branding project, to raise the competitiveness of local agriculture products in both the domestic and international markets. Better branding means greater consumer confidence for quality and safety, as well as overall image of Malaysian agricultural products. Through this programme, FAMA has created schemes to grade, label and package products to meet consumer needs, particularly for the international market.



Creating and Strengthening Networks and Trade Alliances

(a) SME Product Promotion Programme

The Ministry of Domestic Trade and Consumer Affairs (MDTCA) undertakes specific programme to increase local SME products sold by hypermarkets. SMEs are given assistance in establishing links with supermarkets and hypermarket chains, with a view to supplying goods, as well as to engage in market collaborations and to gain work experience.

As part of these efforts, MDTCA brought its SME promotion programme to supermarkets and hypermarkets in Hong Kong and Singapore in 2005, themed the “Taste of Malaysia”. SMEs showcased their products in both countries, and met with potential business partners in their bid to penetrate the respective retail markets.

(b) MSC Malaysia Overseas Marketing and Branding

Strategies by MOSTI to assist ICT SMEs expand overseas are centred on building new channels and markets for exports of local ICT products. Existing programmes assist Bumiputera SMEs engaged in ICT-related businesses to explore export opportunities through participation in trade exhibitions, overseas marketing missions and seminars.

One area of emphasis in 2005 was the OIC markets. A total of 76 MSC companies participated in various missions, exhibitions and workshops conducted for the OIC market during the year. The efforts resulted in the creation of 10 business leads valued at RM370 million.

(c) SMIDEX 2005

Annually, SMIDEC organise an exhibition which is known as SMIDEX. This event provides the platform for participating companies to showcase and exhibit their products and services capabilities to potential customers. It also forge closer linkages and networking between SMEs and large enterprises and MNCs.

During the year, SMIDEX 2005 was held in collaboration with the Malaysian International Chamber of Commerce and Industry. The event comprised exhibition, product presentation and business matching sessions. A total of 315 booths, involving 226 companies participated in the event, which attracted 4,928 trade visitors. The business matching sessions organised during the showcase generated potential sales of RM45.9 million.

(d) Showcase Usahawan

“Showcase Usahawan” is an annual initiative conducted by the MECD, to promote local SME products and services in both the local and foreign markets. The programme aims to connect producers directly with potential distributors, and works on widening the reach of producers’ goods while providing help to distributors to identify quality products. The programme also provides a platform for SMEs to establish a strong network of linkages between suppliers, distributors and consumers.

(e) Exhibitions to Promote Networking

“BUILDEX”, the Building Materials and Equipment Exhibition and “MALBEX” the Malaysia International Building Exposition are initiatives undertaken by the Ministry for Plantation Industry and Commodity to provide a forum for entrepreneurs in the construction industry to create business networks and to showcase their products. The Ministry also organised the Malaysia International Furniture Fair for the furniture industry last year.

(f) Marketing and Promotion for Rural Entrepreneurs

The Ministry of Rural and Regional Development (MRRD) conducted marketing programmes for rural entrepreneurs. The scope of the programmes includes participating in, as well as organising, exhibitions, expositions and trade missions, and the establishment of collection and marketing centres for SME products. These programmes were conducted under several agencies including Lembaga Kemajuan Kelantan Selatan (KESEDAR) and Lembaga Kemajuan Wilayah Kedah (KEDA). During the year, 25 exhibitions/expositions were held, attracting a total of 1,100 participants.

Training and Human Resource Development

Businesses best equipped to face challenges posed by, and to take advantage of opportunities presented by, globalisation, are those which are able to harness the skills of their workforce, through workplace learning and training, combined with innovative organisational and work practices. This is especially so as the production of goods and services becomes more knowledge and skill intensive.

Human resource management in SMEs must adjust to suit the ever-changing business environment, altering business strategies and allowing for improvements in business processes and systems, which can be done through skills upgrading and knowledge training for the employees.

A well-trained workforce plays an essential part in business growth, contributing to higher productivity through use of high-technology production tools and equipment, raising overall total factor productivity.

The Government supports and encourages worker training and skills upgrading through various schemes. Training programmes currently administered by Government agencies focus on increasing the knowledge and skill intensity of the workforce, as well as providing workers with up-to-date skills needed to keep up with modernised and automated production techniques.

Initiatives to develop SMEs undertaken by the various Ministries and agencies have in most parts, comprised training and development. In addition to these training programmes, the National SME Development Council mandated the Human Resource Development Berhad (PSMB) to coordinate and oversee training and human resource development for SMEs in the country.

Human Resource Development Fund

The Government established the Human Resource Development Fund (HRDF) in 1993 to facilitate continuous retraining and skills upgrading to workers. The HRDF's role was enhanced with the passing of the Pembangunan Sumber Manusia Berhad Act in 2001, which made it compulsory for employers to register with the PSMB, if their business exceeded a certain size.

There are close to 10,000 employers registered with the HRDF, and of this, 85% are SMEs, engaged in businesses in the manufacturing and services sectors.

Companies registered with the HRDF pay a levy fixed at a percentage of their annual turnover, and are eligible to apply for training grants equal to that amount of contribution, in order to fund worker retraining and skills upgrading programmes.

SME Focus

Recognising that smaller employers might find it hard to fully bear the cost of training their workers, the Government approved a RM20 million training subsidy scheme in 1996, where employers were offered RM2 in training subsidies for every RM1 they contributed to the HRDF. Later, this was modified, whereby employers were allowed to claim subsidies RM2 for every RM1 they spent on retraining and skill upgrading programmes for their workers.

A total of 1,236 small employers benefited from the scheme, with a total of 17,661 training places approved. The majority of the employers applying for the scheme came from the manufacturing sector, reflecting the greater training needs of workers in this sector of the economy.

In May 2005, the Government injected another RM4 million into the scheme, now renamed the **Training Incentive Scheme**.

Under this programme, employers with between 10 and 49 workers, with paid-up capital below RM2.5 million, were offered RM1 for every RM1 spent on training activities for workers. This again proved a popular approach, with the entire fund disbursed within months.

In 2000, PSMB established an **SME Unit** to give a special emphasis to encouraging SME employers to train and retrain their employees. The unit attempts to instill a positive mindset on worker training and retraining for SMEs, encouraging them to fully utilise their HRD contributions.

The SME Unit's main activities centre around providing employers with training advice, through direct contact with them. It provides educational programmes like talks and seminars to help employers work through the formalities of tapping into the HRDF and also introduces employers to training professionals who can help with worker training.

A number of HRDF schemes are directed specifically at SME employers, addressing various SME-related workforce training issues. The most pertinent aspect of SME training is affordability, and all the schemes are therefore focused on specific issues of affordability of training to employers.

A number of key schemes offered by PSMB for SMEs include:

- **Skim Bantuan Latihan (SBL) Scheme** - the main funding scheme of PSMB, giving employers financial support for training undertaken by either local or foreign trainers, for workers on-the-job, or off-the-job;
- The **SBL-Khas Scheme** which offered relief to employers who were facing cash flow problems but still wanted to continue retraining and skills upgrading programmes. Through this scheme, trainers are paid directly by PSMB, with the funds deducted from the employer's HRDF balance later;
- **PROLUS (Program Latihan Yang Diluluskan) Scheme**, whereby training providers that are registered with PSMB are allowed to offer their services to employers, who can participate in the programmes without the prior approval of PSMB;
- Another pre-approved training scheme is **PERLA (Perjanjian Latihan Dengan Penyedia Latihan) Scheme**, where employers sending their employees for retraining/ skills upgrading with selected training providers have part of the cost borne by PSMB. It presents a faster route to retraining and skill upgrading programmes, as it does not require employers to seek prior permission from PSMB;
- **Juruplan Scheme (Consultancy Scheme for Training Needs Analysis)** which allows employers to apply for consultancy services from training consultants registered with PSMB. The financial assistance will be at 80% of the fees approved, and is a one-off exercise, with employers expected to carry-out their own training needs analysis in the future; and
- **Purchase of Training Aids and Setting Up of Training Room Scheme** which provides financial assistance of 80% to purchase basic training aids and set up training rooms, subject to a maximum of 20% of total levy paid in the previous year, as a means of encouraging employers to conduct more in-house training and to create a culture of training in organisations.

Training Effectiveness Survey

The PSMB conducts three-yearly surveys of its training programmes, to evaluate the effectiveness of the HRDF, identify weaknesses and limitations with a view to improve on the schemes offered.

Findings of the 2000 to 2002 survey showed that SME employers had different concerns when compared to large businesses in the manufacturing and services sectors.

SMEs, like large companies, cited work schedules and lack of funding as hindering plan to train their workers. In addition, SMEs also cited lack of on-site training facilities and absence of suitable training schemes as reasons limiting worker training. Larger companies cited job-hopping after training, and lack of trainers as bigger stumbling blocks for their training programmes.

But when it came to assessing the benefits gained from worker training programmes, both SMEs and large companies similarly ranked improved job performance, better product quality, higher productivity and better employee satisfaction as the major benefits of participating in training programmes.

Expanding Coverage

Given its role as the coordinator of training and human resource development for SMEs, PSMB has embarked on a comprehensive plan to undertake training needs analysis on a number of sub-sectors, to further understand the training needs of SMEs in these industries so that customised training programmes could be developed. For a start, an exercise to assess and identify training needs for employers in food and beverages and, logistics and distribution is being undertaken.

Skills Upgrading Programme by SMIDEC

The Programme is aimed at enhancing the skills and capabilities of employees of SMEs in the technical and managerial levels, particularly in critical areas such as the electrical and electronics, information technology, industrial design and engineering fields. The programme is carried out in 21 Skills Development Centres located across the country. SMEs sending their employees for training at the centres are eligible for a 50% training grant from SMIDEC. In line with the expansion of the scope of SMIDEC to cover the services sector and to meet the requirements of the industry in new technical areas, two new centres were established in 2005. In 2005, RM1.27 million was utilised to train 1,012 employees at these centres.

HRD Portal

Recognising that human resource training, retraining and skills upgrading programmes need to be undertaken on an ongoing basis if businesses are to remain competitive, the Government has continuously strived to make training schemes accessible to all employers, at their convenience.

Entrusted with providing training opportunities to as many employees as possible, Pembangunan Sumber Manusia Berhad (PSMB) realised the need for a method of instant and continuous access to training information and scheduling. It, therefore, launched the HRD Portal (www.hrdportal.com.my), an on-line training resource centre for employers, employees and training providers.

Where before trainers had to advertise separately without knowing whether the information reached employers, now, they can place their programme information on the HRD Portal, and be sure that the information will reach their targeted audience, the employers.

For employers, where time is often of the essence, being able to access a website 24 hours a day, 7 days a week, from anywhere, make it more efficient for them to book the required training programmes for themselves and their employees.

Round The Clock Access

As a one-stop training centre, HRD Portal offers training providers an opportunity to market training programmes through the internet. The Portal:

- Allows for continuous promotion of training programmes and other training activities in a dynamic calendar format;
- Provides a complete profile of training programmes with detailed information on training centres, trainers, course outlines, course schedules, course fees, training locations and training schemes covered by PSMB;

Box Article : HRD Portal

- Offers on-line processing of registration for trainings; and
- Provides free e-mail and instant messaging services to better facilitate communication between trainers and employers.

Training providers are also able to use the Portal to deliver the latest information on course details, on a cost effective and timely basis.

Employers, on the other hand, can use the Portal to perform on-line searches for training programmes to best suit their needs. Where before, comparisons of courses might be difficult, the same task can now be done in one sitting, at the click of a mouse. Once a suitable course is found, the most up-to-date information on course fees, course outlines and trainers profiles will be provided.

The online registration service enables employers not only to register for the training programme, but monitor the status of their registrations with training providers.

Link to PSMB Schemes

The HRD Portal also provides PSMB members with a seamless access to SBL Online and SBL-Khas Online, another PSMB online service which allows employers to submit online applications for training grants.

This makes it easier for employers to register for training with training providers and apply for training grants with PSMB.

PSMB is hoping that the added conveniences offered by HRD Portal will encourage employers to take a more proactive approach when planning their organisation's training needs.

SME Platform

In view of the many benefits to employers offered by the HRD Portal, the NSDC endorsed the rollout of the HRD Portal as a common platform for SMEs to source their training programmes in order to retrain and upgrade the skills of their workforce.

As such, the membership of the HRD Portal has since been extended to include all employers and government training agencies related to the development of the SMEs in Malaysia. It is hoped that this will encourage more employers in general, and SME employers in particular, to seek out the benefits provided by the facilities offered by the HRD Portal.

Box Article : HRD Portal

Advisory Services to SMEs

Very often, SMEs lack the expertise and knowledge needed to improve their business operations and to engage in expansion plans.

Advisory services, therefore, form a crucial part of the support network needed to support the growth of SMEs, to help in their overall performance and competitiveness.

The Survey conducted by Bank Negara Malaysia in 2001 found that SMEs need advisory services particularly in the areas of accounting and finance, marketing, business administration and management, ICT and technical know-how.

SMEs require guidance throughout their business cycle, at almost every stage of their business. The type of help needed varies widely, ranging from professional management of the company, to business-related and technical-related matters.

There are various ways of how SMEs can use advisory services.

SMEs whose expansion plans are limited by their inability to obtain financing due to poor business plans, for example, need help in crafting a focused and meaningful plan which can make the difference between expansion and stagnation.

Similarly, an SME's uncompetitive and low value-add product would require technical input on how to improve production methods and quality, eventually leading to growth and expansion of the business.

Unlike large enterprises, SMEs are limited by their size and the amount of resources available for investment in research and development, particularly in the areas of product innovation as well as product-marketing and promotion. All these activities are crucial for the survival of a business in an increasingly competitive environment.

Having access to experts' advice will serve to reinforce SMEs' learning process, helping to keep them abreast with industry best practices and enhancing their ability to meet their business and financial commitments.

Recognising this, Government agencies provide a wide range of advisory services to SMEs.

There are generally two types of advisory services extended to SMEs :

- Business and financial management advisory, which covers areas like marketing, accounting and finance, information technology and auditing; and
- Technical advisory, which covers areas such as R&D on production technology, technical information on intellectual property, product innovation, and certification. Some Government agencies also offer incubator programmes and assistance to technology start-ups, offering them shared resources, expertise, and intellectual capital.

Business and Financial Management Support

Government agencies offer SMEs business and financial management support in order to enhance their viability, competitiveness and resilience. The emphasis has been on providing help to SMEs to improve the quality of the submissions required for financing applications. Several agencies have put in place specific infrastructure for this, including providing dedicated teams to advise and counsel SMEs.

Bank Negara Malaysia has, on its part, mechanisms in place to help SMEs with financing-related matters, from providing information on the types of financing open to SMEs, to helping businesses restructure and reschedule loans, as well as acting as a mediator between borrowers and financial institutions. This last is done through Bank Negara Malaysia's Small Debt Resolution Scheme.



In 2005, Bank Negara Malaysia launched the “Laman Informasi, Nasihat dan Khidmat” (BNM LINK) to facilitate a rapid and efficient response to queries from the general public as well as SMEs, by continuously providing technical knowledge and advice, and assisting in the resolution of complaints and enquiries.

SMEs can also seek advisory assistance directly from commercial banks and selected development financial institutions (DFIs). Banking institutions have established dedicated units to deal with SME and Bumiputera clients. These units cover a broad spectrum of services, including providing SMEs with financial plans suitable to their needs, to providing cash management services, as well as other ancillary services such as financial management and insurance protection.

The DFIs, such as SME Bank, Bank Pertanian Malaysia, Exim Bank and the Credit Guarantee Corporation Malaysia Berhad (CGC), offer advisory and consultancy services to SMEs in the area of management, as well as marketing.

The SME Bank has been given the mandate to nurture and meet the unique needs of the SMEs. With its primary role to contribute towards the growth of a more robust Malaysian entrepreneurial community, the SME Bank serves as a one-stop financial centre responding to the funding and business growth needs of SMEs.

In addition to providing financing, the SME Bank is also mandated to provide financial and business advisory services to support the growth of SMEs.

In nurturing the SMEs, the SME Bank also carries out various entrepreneurship training programmes with the objective to channel knowledge and know-how in various aspects of business in order to develop competitive and resilient entrepreneurs.

The CGC also provides advisory services to SMEs through its panel of Business Advisory Services Entity (BASE). This service helps SMEs to prepare their business plans and working papers for loan applications and all matters related to it.

Technical and Management Advisory Support

In addition to access to financing, SMEs also need to have access to technology and technology transfer in order to grow.

The SME Experts Advisory Panel was launched by SMIDEC in 2003, aimed at providing technical assistance so SMEs could improve their efficiency, productivity and technological capabilities. Companies can claim up to RM18,000 each to cover the costs of hiring experts to prepare feasibility study reports of proposed plans.

Industry experts registered under this scheme cover areas connected to the technology and machinery used by a business, production of goods, and ICT.

The Ministry of Science, Technology and Innovations (MOSTI) provides technical advisory services pertaining to standards and certification, as well as matters of health and safety, with a view to helping SMEs meet international standards on such matters.

In 2005, 56 companies benefited from these advisory services.

In addition, MOSTI also assisted over 80 SMEs in the areas like research and development of new products, technologies and processes, instilling creativity and improving quality and productivity.

The Ministry of Rural and Regional Development's advisory services focuses on equipping rural entrepreneurs with entrepreneurship knowledge and skills, and to disseminate information on entrepreneurship opportunities to the rural entrepreneurs.

SMEs involved in plantations and commodities have access to technical advisory services provided by the Ministry of Plantation Industries and Commodities. Covering businesses involved in timber, palm oil, rubber, cocoa, pepper and tobacco industries, the technical advisory services focus on improving SMEs' knowledge on best practices in their respective industries. The use of biotech in connection with increasing productivity is also a feature of advisory services provided by the Ministry.

Agricultural producers are also given advice on the use of modern technologies to improve crop yields and create sustainable production. MARDI, an agency under MOA, provides technological advisory services to farmers and businessmen engaged in the agriculture sector.

The full list of SME advisory services provided by Ministries and agencies is available on the SMEinfo Portal (www.smeinfo.com.my).

The concept of what makes an entrepreneur, and entrepreneurship, varies widely. It covers many aspects - from innovation, to risk taking, market savvy, and owning and managing a business.

Nevertheless, it is widely accepted that entrepreneurship is a necessary driver of innovation and economic growth of a nation. Therefore, countries are actively promoting entrepreneurship as a way of accelerating economic development.



The approach to entrepreneurship development in Malaysia is holistic. Government support takes the form of programmes designed to provide an infrastructure to make it easier for entrepreneurs to enter business, inculcate the entrepreneurial spirit, and educate potential entrepreneurs through training.

One major development in the Government's efforts to promote entrepreneur development was the establishment of the Ministry of Entrepreneur Development in 1995, which later evolved into the Ministry of Entrepreneur and Cooperative Development (MECD) in 2004. As the main motivator for entrepreneurial success in Malaysia, MECD aims to help aspiring businessmen address the many aspects of building a successful business.

Apart from MECD, other Ministries, agencies and institutions also actively promote entrepreneur development in their respective sectors, including SMIDEC, the Ministry of Agriculture and Agro-based Industries, the Ministry of Science, Technology and Innovations, the Ministry for Rural and Regional Development, as well as tertiary education institutions.

The support system comprises of both financial and non-financial assistance. Entrepreneurs have access to a variety of financial assistance mechanisms, including grants, soft loans, equity financing, venture capital, credit guarantee and tax incentives. Non-financial help ranges widely: advisory services, training, help with R&D and innovation, incubation centres and mentoring services.

No effort has been spared to create an environment which is conducive for entrepreneurs to bring their innovative ideas to reality, and to grow and sustain their business once it has been established.

Creating the Next Generation of Entrepreneurs

Entrepreneurship activities have been introduced in schools to develop an entrepreneurial spirit to children at a young age. Efforts focus on exposing children to career possibilities offered by being entrepreneurs, and to encourage them to develop their own entrepreneurial visions.

Further on, in institutions of higher learning, efforts are aimed at fostering students' positive business attitudes and developing ideas, as well as developing their skills in building viable businesses. Formal education is the means by which entrepreneurs-in-waiting become aware of their strengths and weaknesses and become better prepared to exploit any opportunities they may encounter.

Recognising the importance of promoting entrepreneurship skills at an early age, the Ministry of Education and Ministry of Higher Education emphasise this in co-curriculum activities at school and vocational institutions, as well as institutions of higher learning. Industrial training and attachment programmes are also provided to prepare young people with skills and knowledge necessary in the business world. Graduates are made aware of and put in contact with other Ministries, such as the MECD, to further build on their entrepreneurial skills.

One major development was the establishment of the National Institute for Entrepreneurship or INSKEN in January 2005. Established by MECD, INSKEN is meant to help create and develop world-class entrepreneurs as part of the nation's efforts to promote a thriving Bumiputera Commercial and Industrial Community.

Envisioned as more than a mere training institute for future businessmen, INSKEN will, in addition to running relevant business training courses, actively provide market data and research to support entrepreneurs, act as a one-stop information and research centre for entrepreneurs seeking information to do business, provide consultancy services for entrepreneurs, and also work on developing entrepreneurship programmes at home and in strategic alliances with countries across the globe.

Assistance for Entrepreneurs

Government assistance continues through to business start-up stage where financial and non-financial assistance are offered to entrepreneurs to facilitate their entry into business. Programmes introduced aimed to provide a supportive environment for potential entrepreneurs to realise their ambitions.

Specific programmes undertaken by MECD are meant to promote viable, resilient and competitive entrepreneurs. The programmes are design to nurture entrepreneurs and help them along by providing training and advisory, financing assistance, and business premises. The programmes include:

- **Vendor Development Programme (VDP):** The VDP provides support to Bumiputera SMEs wishing to participate in providing products and services to Government-linked companies and MNCs in their outsourcing activities. Industries accorded priority under the VDP include automotive, electrical and electronics, and telecommunications. MECD puts entrepreneurs (vendors) in touch with financiers and anchor companies, who are responsible for training and providing technical assistance to the vendors.

- **Franchise Development Programme :** This programme promotes Bumiputera involvement in the franchise business by providing training, financing, business premises and progress monitoring to entrepreneurs involved in the franchise business.
- **Groom Big Programme :** Begun as a project to identify and promote the creation of secondary Bumiputera enterprises, the programme aims to increase the overall number of small and medium-sized Bumiputera enterprises while nurturing a new breed of global Bumiputera businesses. Selected businesses with turnovers of between RM1 million and RM25 million are given training and guidance to improve their existing businesses. Assistance is holistic and tailored to suit the business needs, it can extend to help with funding the business, product expansion and international networking.

To increase and upgrade Bumiputera participation in the retail business, Perbadanan Usahawan Nasional Berhad (PUNB) provides assistance through the Bumiputera Entrepreneur Retail Project Fund (PROSPER) by providing equity and capital financing of up to 30% and 90% of total project cost.

Gerak Usahawan road-show series, with the theme “Choosing Entrepreneurship as a Career”, is an important outreach programme to create awareness among entrepreneurs and SMEs on various programmes to support entrepreneur development. The road-shows, which were held in five states in 2005 – Selangor, Kedah, Terengganu, Johor and Sabah not only brought together MECD and its agencies, but involved all Government Ministries and agencies which covered aspects of entrepreneur development, as well as financial institutions. *Gerak Usahawan* also saw the involvement of large government-linked companies like Petronas, Tenaga, Telekom, offering entrepreneurs chances to explore doing business with these large companies as suppliers or contractors.

The business opportunities brought through the programme to entrepreneurs and aspiring entrepreneurs were the largest ever to have gathered in one place, creating many opportunities for the creation of new micro and small businesses, and providing the potential for existing businesses to grow.

It was a chance for entrepreneurs and aspiring entrepreneurs to discuss specific problems with relevant officers from Government departments, clearing up issues over licensing, eligibility for funding and other aspects of doing business in the space of a few hours, eliminating the need for multiple visits to various departments.

Women Entrepreneurship

Women are increasingly becoming significant contributors to the country's economy. Women account for about half of total population, and about 36.7% of Malaysia's total workforce of 10.9 million, with increasing representation at the professional, managerial and technical levels.

Over the years, women have come to assume increasingly prominent roles in the business world. With the changing of trend in business and the increasing importance of the services industry, we are witnessing more women entrepreneurs venturing into commercial businesses within niche markets.

Recognising their potential contributions, an aspect that the Government is focusing on is to increase women participation in business and entrepreneurship. During the Eighth Malaysia Plan (8MP), specific programmes were undertaken by the Government to further enhance women's involvement in business.

The women development agenda continues to feature in the Ninth Malaysia Plan (9MP). The Government will intensify efforts to provide an enabling environment to allow more effective participation of women in national development.

The emphasis is on equipping women with skills and knowledge to enable them to be competitive and versatile to perform in a more challenging knowledge-based economy. Specific focus will therefore be on training and promoting ICT literacy.

Strategic thrusts under the 9MP includes the development of women entrepreneurs. Efforts will be undertaken to enhance women's participation in business and entrepreneurial activities through improved consolidation of financial assistance and training programmes. More opportunities will be provided for women to undertake agro-based business, leverage on potentials of bio-technology and improve networking. Special windows will be created in the existing financial programmes to enhance access to financing for women entrepreneurs.

Focus on Women

With the emphasis accorded to women under the 8MP, the Ministry for Women, Family and Community Development (MWFCDD) was established in 2001 to spearhead gender equality, and family and community development initiatives. As a lead agency in increasing women participation in business, the MWFCDD has continuously collaborated with other government agencies at both federal and state levels and non-governmental organisations in implementing skills and entrepreneurship training programmes. This is in line with its mission to integrate the perspective of women into all aspects of Government and its objective to raise women's participation in family and society.

Courses run were in areas such as business, accounting, organisational skills, financial management, agricultural product development, local handicraft production and packaging, each aimed at helping women develop skills in their chosen area of business.

MWFCDD is also actively encouraging women to work from the home.



Recognising that many women need to remain at home as the family's main caregiver, the MWFCDD is taking initiatives to launch a Home Office Programme. The programme will allow women the flexibility to work from the comfort of their own homes, and many of them are likely to set up sole-enterprises or small partnerships from home, thereby boosting the number of female-owned enterprises.

Creating an office, or business base, from home rather than in rented premises will also help in reducing start-up costs of any small business. It does away with the need for office rent, renovation of the premise as well as operational costs.

A special effort has also been taken by the Ministry to develop ICT skills for women. One major project in this area was the launch of Portal NurITA, an interactive portal providing online facilities for women in business. It was launched as a tool to encourage women to use ICT to build and improve on their businesses. Portal NurITA provides a forum for female entrepreneurs to market their products, gain access to information on job vacancies, as well as obtain information on legal and other counselling services. Information on facilities and services provided by Government agencies is also available on the website.

Box Article : Women Entrepreneurship

Assistance Specifically for Women Entrepreneurs

All special funds offered by the Government are accessible to women entrepreneurs. These funds generally cater for different segments of business, instead of being gender specific.

However, recognising the potential of women entrepreneurs in the economic development, initiatives have been taken to further boost women participation in business, through the creation of funds solely for the benefit of women entrepreneurs. These include:

Special Assistance Scheme for Women Entrepreneurs

To further facilitate the development of women entrepreneurs and to enhance their capability and capacity, SMIDEC introduced the Special Assistance Scheme for Women Entrepreneurs in 1999 to provide greater access to the various matching grants schemes and soft loans for women entrepreneurs.

Recognising that most women are in the services sector, the Scheme has special coverage in the sector, including manufacturing related services, professional management services, IT related services, education services, software development, designing & packaging, R&D, marketing, tourism and other business services.

The Scheme aims to:

- Upgrade the technological capabilities and technical skills / expertise of women entrepreneurs;
- Integrate more business owned and run by women into the mainstream of manufacturing through inter and intra industries linkage; and
- Enhance global competitiveness of companies owned and run by women.

The Scheme is opened to businesses majority-owned by women, or managed by women. As at 31 December 2005, a total RM50.9 million was approved to 531 women entrepreneurs under the various financial assistance schemes offered by SMIDEC. From this amount, RM21.6 million or 42.4% was approved to 43 women entrepreneurs under the Soft Loan Scheme for SMEs.

Under the scheme, priority is given to manufacturing or its related activities, services, as well as participants in the Industrial Linkage Programme (ILP), which aimed to develop SMEs into competitive and capable manufacturers and suppliers to large companies, MNCs as well as global buyers. The ILP facilitates industrial linkages to other programmes undertaken by SMIDEC such as business matching and business networking. This is aimed at encouraging and motivating women entrepreneurs to advance their businesses into more global and competitive levels.

The highest approval in terms of entrepreneurs was given to 128 women entrepreneurs under the Market Development Grant (MDG) Scheme. The high utilisation of MDG that provides assistance for SMEs to enter export market is an indication of awareness for women entrepreneurs to pursue opportunities in the export market.

Technology Acquisition Fund for Women

This fund, introduced in 1999, and administered by the Malaysian Technology Development Corporation (MTDC), aims to encourage women entrepreneurs to be involved in manufacturing and manufacturing-related businesses. Through this fund, MTDC provides funding in the form of grants to women entrepreneurs involved in the technology industry.

The fund's objectives are to:

- Integrate more women-owned companies into the mainstream-manufacturing sector;
- Upgrade the technological capabilities, technical skills and expertise of women-owned companies; and
- Enhance the competitiveness level of women-owned companies.

Assistance is given in the form of partial grants to acquire technology or attend training programmes for various purposes. This includes technology licensing matters and the acquisition of patent rights, prototypes and design as well as hi-tech equipment and machinery, to a maximum value of 70% of the total project cost, or RM1 million, whichever is lower. Firms are also given assistance to acquire technical expertise from overseas to improve processes and product as well as to train staff to acquire new technical skills.

Here, the grant covers up to 50% of the project cost, or RM30,000 whichever lower. And for the purchase of high-tech equipment and machinery, a grant up to 50% of the project cost or RM1 million, whichever lower, can be provided.

Aimed at providing a special window to enable women entrepreneurs to move up the value chain of production, the funds focused and targeted approach has made it well-received by women entrepreneurs.

As at the end of 2005, MTDC had approved the disbursement of RM24 million to 46 companies. In order to better serve SMEs, the scheme is in the process of being further refined in order to better enhance the growth of competitiveness of female-owned and run concerns.

Women Franchise Programme

This programme, administered by the Ministry of Entrepreneur and Co-operative Development (MECD), is aimed at creating high calibre women entrepreneurs, who are competitive and confident in the franchise business. This is essentially a training programme to educate the women entrepreneurs on subjects of business and risk management. The programme also provides motivation for personal development, and practical training through attachments with selected franchiser outlets. After undergoing training, participants will receive further assistance in preparing business plans to assist budding entrepreneurs obtain financing and facilitate their transition into the business world.

Women Trade Outreach Programme

A special programme for women entrepreneurs involved in small-and medium-sized businesses, called the Women Trade Outreach Programme (WTOP) was introduced by MATRADE in 2005. The main objective of this programme is to assist women in small and medium operations to venture into the export markets through participation in various export promotion activities. The programme helps these women in penetrating the export markets and to improve the export skills and knowledge of the market among selected companies.

Technopreneur Development

As part of the overall developmental effort, Government support in recent years has focused on aiding the growth of entrepreneurs in the information and communication technology (ICT) sector, that is technopreneurs.

The main emphasis is on further strengthening the human resource capabilities in ICT, improving hard and soft infrastructure, and building and nurturing a critical mass of SMEs in the field of ICT.

Towards this end, technopreneur development programmes, mostly undertaken by the Ministry of Science, Technology and Innovation (MOSTI) and its agencies, focus on nurturing new businesses, by giving them the necessary technical, financial and operational support to grow from fledgling enterprises into full-strength businesses.

Technopreneur Development Flagship

The Multimedia Development Corporation (MDeC) launched the Technopreneur Development Flagship (TDF) in 2001 to support MSC efforts to develop ICT SMEs. The TDF was meant to create a nurturing environment in which these SMEs could emerge, survive, and thrive.

The initiative has been re-named the Technopreneur Development Programme (TeDD) under the Ninth Malaysia Plan.

TeDD is to initiate programmes geared towards the development of technopreneurs, both for start-up as well as existing ICT companies. Its role is also to catalyse and nurture a cluster of competitive ICT SMEs offering assistance to facilitate the growth of ICT SMEs into MSC global companies.

The programmes under TDF include:

- Outreach Programme;
- MSC Technopreneur Competency Centre Programme;
- Bumiputera ICT Entrepreneur Development Programme;
- Start-up Development Programme;
- National Incubation Development Programme; and
- Asia Pacific ICT Awards (APICTA) Programme.

Outreach Programme

A general information and education effort by the MDeC, the outreach programme brings greater awareness of Technopreneur Development Programmes to a wider population, in the hope that it will encourage companies to work on ICT-related businesses, with a view to possible conversion into MSC Status.

Key projects in this category include efforts to identify and assist potential MSC companies, and the provision of on-line information and communication resources for fledgling ICT businesses through the Technopreneur Development Portal (www.technopreneurs.net.my). The portal provides a comprehensive public domain ICT SME Industry database including MSC and Non-MSC Status Companies.

In addition, the MDeC also publishes the Annual MSC ICT Industry Directory with emphasis on marketing of ICT SME products.

MSC Malaysia Technopreneur Competency Centre Programme

As an industry-specific initiative, the programme aims to improve the knowledge, skills and competencies of technopreneurs as well as management team of ICT SMEs. Efforts are also extended to encourage unemployed graduates to venture into technopreneurship by providing re-skilling programmes, as well as promoting technopreneurship as a culture to the Malaysian youth.

Specific programmes include education lectures and workshops, as well as linking technopreneurs to successful businesses in the same area, and connecting them to relevant business-related associations.

Over the year, about 300 technopreneurs and senior managers were trained and coached, and close to 100 unemployed graduates were given the skills to enter the field of technopreneurship. They in turn submitted over 30 ideas for new ICT-related businesses.

Bumiputera ICT Entrepreneur Development (BITE) Programme

Education and development efforts to develop Bumiputera ICT techopreneurs are jointly undertaken between MDeC and Majlis Amanah Rakyat (MARA). In addition, MDeC together with MECD established the E-Biz Academy, to provide training to Bumiputera ICT techopreneurs and entrepreneurs.

Start-Up Development Programme

Intervening at a much earlier stage of business development, the Start-up Development Programme facilitates the development of ideas, proof of concept and prototypes into new ICT SME start-ups. It also helps the development of existing ICT SMEs for sustainability and growth.

Key projects include links to, and partnership with key players in the respective industries as well as advisory services to technopreneurs, helping them with the creation of viable business plans, marketing strategies and improving their overall access to financing.

National Incubation Development Programme

The Programme was established to provide facilities to support the creation and development of ICT-based entrepreneurs. It aims to promote, manage and develop the value of business incubation, towards the creation of a dynamic incubation industry to accelerate technopreneur and ICT SME growth.

Among the key projects of the programme includes the ICT SME Business Acceleration and Incubator Industry Development. The programme also promotes, manages and develops Acceleration Technology Labs.

There are currently 17 MSC Status Incubators nationwide and the incubators have come together to form the National Incubator Network Association in 2005. The Acceleration Technology Labs were set up in 2004, and so far, have assisted a total of 82 companies, with another 150 companies targeted for 2006.

APICTA Programme

This recognition programme aims to select potential high growth companies and accelerate their development into MSC Malaysia Global Companies.

There are annual recognition awards at both national (MSC-APICTA) and international (APICTA) levels to select the best of Malaysian ICT companies, technopreneurs, and students involved in ICT-related businesses.

The awards also serve as platforms for networking and creation of business opportunities and collaboration for the companies, and are complemented by accompanying meetings and forums to bring the best of ICT-related businesses around the world in contact with their local counterparts.

Business Incubation Programme

The Business Incubation Programme, managed by Technology Park Malaysia (TPM), aims to develop small business enterprises and promote entrepreneur development in three phases, namely, the innovation phase, incubation phase and finally, the enterprise phase. Through various assistance, the programme hopes to promote businesses that can be financially viable after they leave the incubator. The grooming process will progress to the point where these businesses graduate out of the incubator, with a number going for public listing.

Beneficiaries of this programme are mainly small start-up firms who need help at the point which they are most vulnerable, the start-up period. Companies are given flexible leases on premises that can be easily expanded, access to information on prototyping products they have developed, access to machinery, lab equipment, laboratories and auditorium space. Other support services include server co-location, campus networking as well as venture capital funding.

As at the end of 2005, TPM had successfully groomed 82 companies, through the following stages:

Innovation to Incubator	12 Companies
Incubator to Enterprise	18 Companies
Enterprise to Cyberjaya and other Locations	28 Companies
Listed on MESDAQ and 2nd board	24 Companies

Technology Incubation Programme

Technology Incubation Programme developed by SIRIM aims to encourage the development of new industrial manufacturers based on technology and expertise available in SIRIM. Under the programme, manufacturers have access to technical help on technology, business development advice as well as grants.

The services include improving product, process machinery and equipment, consultation on project management and technical expertise, space for scaling up or trial production, testing and calibration services and entrepreneurship programmes. Available technology includes advanced manufacturing, electronic and computer application, material processing and fabrication, and chemical technology.

As at the end of 2005, there were 44 companies operating under this programme, while 3 companies have graduated from the programme.

Box Article : Technopreneur Development

Technology Development Cluster

The Technology Development Cluster is an incubation program under the Malaysian Technology Development Corporation (MTDC). It aims to develop a cluster of high-technology based companies operating within universities or research institutes, in an environment that facilitates interaction and enhances collaborations between researchers and businesses.

At the same time, the tenants are provided with other services to help them to grow and move out of the incubators, equipped with the ability to compete in the open market. SMEs can benefit from this program through collaboration with other high-tech based companies to become knowledge-based companies.

There are currently 24 companies with a total of 800 employees utilizing the program. Of this, about 67% are in the ICT and multimedia industry cluster, another 29% in biotechnology and the rest in automation and software.

Moving Forward

ICT development continues to be recognised as a strategic focus in the Ninth Malaysia Plan. It is a necessary pillar to support the foundation for Malaysia as a knowledge-based economy.

The emphasis in the coming years is on catalysing the growth of K-based ICT SMEs that will contribute to high economic growth and increase net value to economic sectors, in particular, agriculture, manufacturing and services, through ICT enablement.

The MDeC will build the technopreneurship development ecosystem and provide the resources for the growth and development of a sustainable critical mass of K-based ICT SMEs through the Technopreneur Development Programme. Technology Commercialisation Centres will be established and pre-seed funding will be provided. Technopreneur development services provided will include access to markets, mentoring, business advisory, technopreneur competency development, global development and business plan development. Bumiputera entrepreneurship in ICT would be further promoted through the strengthening of the Bumiputera ICT Entrepreneur Development Programme. Start-Up Development Programme

Sector Focus

The Ministry of Rural and Regional Development (MRRD), in collaboration with all other agencies and Ministries, has worked on developing and commercialising products or services through its One District One Industry programme. MRRD provides grants to be used for products or services development projects, technical training, machinery and equipment, business premises, research and development, promotion and marketing.

In the craft industry, Perbadanan Kemajuan Kraftangan Malaysia (PKKM) set up to develop and promote craft entrepreneurs as well as the craft industry in general, sets about its work through four main implementation programmes. Covering training, incentive provision as well as research and development, these programmes help expand the range of Malaysian handicraft products, and also aid craft entrepreneurs in selling their goods at home and abroad. PKKM also provides opportunities for craft showcasing, at special events organised specially for the industry.

The Ministry of Plantation Industries and Commodities also plays its role in developing entrepreneurs in areas relating to the production of products based on palm oil, timber, pepper, rubber and cocoa. Entrepreneur development programmes conducted by its agencies focused on the promotion of transfer of technology, R&D and development of new products.

The Ministry of Agriculture and Agro-based Industries has been promoting entrepreneurship in the agriculture sector and agro-based industries. One of its key programmes is to develop resilient and competitive Bumiputera entrepreneurs in agriculture and food industries as outlined in the Third National Agriculture Policy. MOA assists selected Bumiputera entrepreneurs to attend and participate in expositions and exhibitions to promote their products locally and internationally through matching grants. The programmes cover training and marketing and promotion activities.

Technology Development

SMEs must adopt the latest and most appropriate production technology in their operations in order to enhance efficiency and increase productivity. Modernisation of production will enhance their operations in terms of significant reduction in production time, improvement in product quality, lowering of costs, more efficient manpower deployment and improvements in other operational and business aspects.

Infusion of technology is no longer a choice but a necessity for SMEs to remain competitive and resilient as they move ahead in a high value-added industrial environment with escalating consumer demands. With keener competitions in the local and international markets, SMEs are compelled to adopt new technologies to remain in business.

Due to insufficient resources and lack of know-how, some SMEs may face difficulties in adapting to new technologies.

To facilitate and assist SMEs to adopt improved technology in their operations, the Government provides both financial and non-financial support programmes on the following areas:

- Technology adoption; and
- Overall process improvements through the use of specific tools for efficient systems and business processes.

Financial assistance offered takes the form of grants, incentives and soft loans, while non-financial support ranges from providing training to R&D support.

Technology Adoption

(a) Grant for Product and Process Improvement

To facilitate SMEs to upgrade their technological capabilities, the Ministry of International Trade and Industry (MITI), provides assistance via the Grant for Product and Process Improvement.

The scheme offers a matching grant for SMEs to improve and upgrade their existing product, product design and processes. Under this scheme, SMEs are entitled to claim for the costs of consultation services by technical experts, technology acquisition as well as for training related to technology and skills development, testing and calibration, for testing equipment and for the cost of materials used in designing and building prototypes. An SME is entitled to a maximum grant of RM500,000.

For the 8th Malaysia Plan, a total of 234 projects were approved amounting to RM15.6 million. In 2005, a total of 102 applications were received, out of which 61 were approved with grants amounting to RM4.8 million.

(b) Soft Loan for ICT Adoption

Due to the overwhelming response for the Grant for Upgrading Engineering Design Capabilities and Grant for E-Manufacturing introduced by MITI in 2002, the schemes were converted into Soft Loan for ICT Adoption in 2004.

This scheme is to encourage SMEs to upgrade their business by adopting ICT into their process and operations. Under this scheme, SMEs are assisted in purchasing relevant software and hardware as well as to cover the cost of implementing a network and system. The loan ranges from RM20,000 to RM250,000.

Since the introduction of the scheme in 2004, a total of 22 applications have been approved amounting to RM3.9 million. Of these, 11 projects with loans amounting to RM2 million were approved in 2005.

(c) Knowledge and Skills Enhancement Programmes

The Malaysian Institute of Nuclear Technology (MINT) undertakes knowledge and skills enhancement programmes for SMEs in the ICT sector in order to raise productivity level and increase competitiveness of the companies.

The program covers a wide range of areas, including training required by the Atomic Energy Licensing Board Act. This includes training in the areas of testing and inspection technology for plant; assurance and techno-management; and environmental safety and health.

A total of 55 technical trainings and courses were organised by MINT in 2005.

Process Improvements**(a) Technology Acquisition Fund (TAF)**

TAF has been established to facilitate the acquisition of strategic and relevant technology by Malaysian companies, particularly SMEs, to enhance their technology level and production processes.

The objectives of TAF are:

- To promote technology upgrading through the introduction and utilisation of modern and efficient technology in the manufacturing and physical development of existing and new products or processes; and
- To enhance the competitiveness level of SMEs to enable them to compete globally.

Through the Fund, administered by the Malaysian Technology Development Corporation, companies were given a partial grant of 70% of technology costs or RM2 million whichever is lower, to invest in modern and efficient technology for process improvement or product development. TAF has benefited many SMEs who have recognised the need to keep abreast of new technologies and shorten the technology development time for development of various products and processes.

In the 8th Malaysia Plan, the Fund was given an allocation of RM73 million. As at end-2005, 43 projects were approved with amount totaling RM63.5 million.

(b) Technology Incubation Programme

The programme, developed by SIRIM, aims to encourage the development of new industrial manufacturers based on technology. Under the programme, these new manufacturers will benefit from cost savings on machineries and plant investments, as well as receive technical help on technology, and consultation in business development and enrichment. The manufacturers would also be assisted in improving their products and processes, as well as on usage of machineries and equipments.

As end-2005, there are 44 companies operating under this programme.

Product Development

SMEs intent on remaining competitive in the face of growing globalisation and competition will have to rely on increased innovation as well as research and development (R&D) to develop new products that are of higher technology and more in demand.

Such investments are in line with the Government's aim of moving manufacturers further up the value chain, producing goods that are differentiated by the increased level of technology used.

With this in mind, the Government has taken steps over the last decade to create a conducive environment to encourage SMEs to engage in their own R&D activities, supporting the efforts through research grants and technical assistance programmes. The objectives of the programmes are to:

- Facilitate the adoption of technology to improve and add value to end products;
- Promote R&D for product improvement and innovations; and
- Promote quality enhancement and accreditation.

Adoption of Technology to Improve Products

A number of Government Ministries and Agencies currently have programmes to encourage the use of ICT tools as a means of improving SMEs' work processes as well as the quality and nature of their products.

One aspect of improved use of ICT is the introduction of **quality standards** for ICT businesses. By adhering to the standards set through programmes like the Quality Excellence for Software & Technology SMEs (QuESTS) Programme, and the MSC Project Management Capability Development Programme, SMEs will be able to enhance the quality of their products, and thus, compete better in international markets. By the end of December 2005, some 46 companies had benefited from these quality improvement programmes.

The **MSC Malaysia Anchor project** is introduced to encourage non-ICT SMEs to use ICT tools to improve their operations and production methods. The objective is to create and provide platforms and online portals for SMEs to use in offering their products and services to a wider audience. By the end of 2005, a total of 954 SMEs from various non-ICT sub-sectors successfully adopted e-business tools to improve their operations.

The **Enhancement Programme**, implemented by SMIDEC in collaboration with other Government Agencies, aims to assist SMEs to improve their critical business operations, such as product quality and production efficiency, as well as packaging and labeling. Sub-sectors covered under this programme include food processing, wooden furniture, herbal-based cosmetic and toiletries, as well as machinery and engineering.

Promoting R&D for Product Improvement and Innovations

In the continuous effort to promote a culture of research and development among businesses, there are now several programmes which focus on encouraging companies to invest in R&D in order to develop as well as improve their products. A range of financial and fiscal incentives have been provided by the Government to support SMEs to encourage collaboration between public research institutions and private sector entities, in order to improve the commercialisation of R&D.

(a) Contract Research Program

The Malaysia Institute for Nuclear Technology Research (MINT) runs a Contract Research Programme which aims to provide R&D support to SMEs based on their current problems and future requirements through contract research. The programme provides an avenue for researchers and SMEs to develop new products and services for commercialisation. Research undertaken under this programme seeks to produce an improved product as well as help create new ways of manufacturing products.

Areas where contract research can be undertaken include those involving industrial technology, medical technology, agro technology and bio-science, radiation processing technology and environmental technology.

An example of success under this programme is the creation of a wholly new product, Prevulcanised Natural Rubberlatex By Radiation (RAYMINTEX), which is the only rubber product of its type free from chemicals.

(b) Industry Research and Development Grant Scheme

The Industry Research and Development Grant Scheme (IGS), administered by MOSTI, aims to:

- Encourage the industry to be more innovative in R&D to develop new or significantly enhanced indigenous technologies;
- Promote the commercialisation of R&D outputs; and
- Promote collaboration and linkages between the public sector, private sector and local universities / research institutes.



The aim of IGS is to increase private sector R&D and promote closer cooperation between the private sector and Public Research Institutions (PRIs) as well as public sector universities through collaborative linkage. Malaysian majority-held joint-venture companies including those with MSC-status companies are eligible to apply. Collaboration with local PRIs or universities is a requirement. The approved R&D proposals must be undertaken in Malaysia. The scheme covers a number of priority technology areas, among them, aerospace, biotechnology, ceramics, electronics, aquaculture technology, poultry and poultry-based products, as well as resource-based products.

By the end of December 2005, 108 R&D projects had been funded under the IGS Scheme. 66 of these projects have successfully completed their R&D stage and developed demonstrative prototypes, and the various parties are now commercialising their R&D outputs. A total of 26 of the completed projects have been successfully commercialised with total sales of RM147.5 million.

(c) Commercialisation of R&D Fund (CDRF)

The Fund, administered by the Malaysian Technology Development Corporation, was established to encourage local companies, especially SMEs, to be involved in the commercialisation of local R&D findings. The fund provides assistance to qualified companies undertaking commercialisation of R&D results in the form of partial grants ranging from 40% to 70% of the approved project cost.

The CDRF has benefited SMEs. As at December 2005, RM32.5 million had been approved to fund commercialisation efforts of 29 companies.

(d) MSC Malaysia Research and Development Grant Scheme (MGS)

The grant, which provides financing up to 70% of a total project cost, is accessible to companies undertaking R&D for new products and services, as well as joint-venture efforts with international companies who have cutting edge technologies. The MGS was given a total allocation of RM165 million under the 7th and 8th Malaysia Plans. As at December 2005, 65 projects to the value RM141 million had been approved. Of this, some RM94 million has been disbursed.

The MSC Impact Survey of 2004 found that close to RM2 billion was generated in 2004, from total sales of products which had achieved commercialisation success with the help of MGS. A total of RM39 million was recorded in 2004 from the sale of these products overseas.

Promoting Quality Enhancement and Accreditation

A major aspect of product development is ensuring that the end result is of an acceptable quality. Maintenance of quality standards through the use of product certification programmes is the Government's main approach of ensuring standards are met, and financial help is extended to help companies gain necessary quality certification.

Several grants exist for this, one of which is the Grant for Productivity and Quality Improvement and Certification which provides SMEs up to RM250,000 each to companies which intend to obtain manufacturing-related certification. During the 8th Malaysia Plan, a total of 1,517 applications were approved under this scheme valued at RM45 million. In 2005, the scheme recorded 324 approvals valued at RM8 million.

Another quality-management programme is MOSTI's Quality Improvement Practices Scheme (QIP), which is essentially a modification of the MS ISO 9001 quality accreditation to suit the Malaysian environment. By the end of 2005, a total of 147 SMEs had been certified under the QIP Scheme.

The country's main accreditation and standards board, SIRIM, is the main motivator of quality accreditation, and it runs Total Quality Practices Programmes (TQP), which generally aim to promote a culture of valuing quality among manufacturing SMEs. SIRIM has, to date, trained and serviced more than 500 for its TQP programme, and more than 100 SMEs have been certified under the various certification programmes available.

Another SIRIM's conducted programme is the SMEs Technology Development Scheme, which encourages SMEs to increase their use of manufacturing technology and improve the quality of their products. SIRIM extends financial help, and provides experts to SMEs to help with R&D work. More than 80 SMEs had benefited from the scheme by the end of 2005.

Grant for Development and Promotion of *Halal* Products

In response to the growing opportunities available for *Halal* products and services, the Government introduced the Grant for Development and Promotion of *Halal* Products in 2005.

This scheme, administered by SMIDEC, provides assistance to local companies, which prepare *halal* products, or are developing and improving on *halal* products and processes, and which are acquiring related certification and quality standards, as well as engaged in promotional activities of *halal* products. This grant provides a maximum of RM150,000 per company.

During the year, the scheme recorded 10 approvals valued at RM150,000 with a total of nine approvals were for the food and beverages sector.

Standardisation and Conformity Assessment Infrastructure

Conformity to recognised standards offers a quick way for a product to gain acceptability in markets. By providing a best-practice guide, standards help businesses to assess their processes, allowing them to take steps to increase efficiency, enhance quality of their products and become more profitable.

The **Department of Standards Malaysia** is the body responsible for the development of Malaysian Standards. As of 31 December 2005, a total of 4,085 Malaysian Standards has been developed in 20 identified sectors, covering all areas of the economy. More than half of these standards are aligned to respective international standards, thereby giving businesses the platform from which to tap into the global procurement market.

The department also acts as the **National Accreditation Body** which ensures that the established Malaysian Standards for various industries are met. It does this through conducting conformity assessment exercises, which involves testing, calibration, certification and inspection. As at end 2005, the department accredited eight certification bodies for quality management systems (QMS), four certification bodies for environmental management systems (EMS), and one product certification body and has accredited certifications for both QMS and EMS about 3,600 and 500 companies respectively.

Awareness and Outreach

Businesses need to be aware of all factors which can affect and influence their business, including issues on the global and local business environment, technology advancements, industry best practices, opportunities and challenges, and available assistance.

SMEs are no different. They are likely to become more competitive and resilient if they are made more aware of these business issues, using them to their advantage.

Recognising this, the Government has expended considerable resources to raise the performance of SMEs through various awareness and outreach programmes aimed at disseminating information to SMEs, using multiple channels like exhibitions, conventions, publications, road-shows, information portal and seminars, simultaneously.

Exhibitions and Conventions

Exhibitions and conventions organised by the Ministries and agencies provide platforms through which SMEs can create business networks by making contacts, exchanging information and developing relationships.

These events are effective venues for businesses to show, and sell their products, to a specific target audience.

Major SME-specific exhibitions and conventions organised in 2005 include:

- **SMIDEX 2005:** The exhibition provided a chance for SMEs to exhibit their products and services, as well as meet and forge linkage with larger companies. In conjunction with this, SMIDEC also organised SME Convention, to promote industrial linkages through business matching and networking sessions. SMIDEX 2005, involved the participation of 226 companies which attracted 4,928 visitors.
- **HPPNK (Hari Peladang, Penternak dan Nelayan Kebangsaan):** Organised by the Ministry of Agriculture and Agro-based Industry, HPPNK provided opportunity for farmers, livestock-farmers and fishermen to showcase their products and services especially the sale of agro-produce and processed products, at the same time have access to the latest development in the industry. The theme for HPPNK 2005 is Agriculture as Business, which is organised in Shah Alam and aimed to create awareness. Agriculture can be a lucrative activity and not only farming for subsistence. Awards are also presented to successful farmers, livestock-farmers and fishermen. Both individuals and groups.
- **MIHAS (Malaysia International Halal Showcase):** Organised by Ministry of Entrepreneurs and Co-operative Development (MECD), the showcase aimed at promoting certified Halal products globally. MIHAS 2005 involved participation from 332 companies from 18 countries.
- **“Gerak Usahawan”:** The nationwide road-show themed on making entrepreneurship as a career organised by MECD. In 2005, the exhibitions were held in five states, Selangor, Kedah, Terengganu, Johor and Sabah.

Information Portals

Aware of the increasing need for quick, round-the-clock access to vital business information, a number of internet portals have been established to provide comprehensive information on many business and economy-related issues.

The list of dedicated SME-information portals includes the:

- SMEinfo Portal (www.smeinfo.com.my)
- Training Portal (www.hrdportal.com.my)
- Portal Usahawan (www.mecd.gov.my)
- AgriBazaar (www.agribazaar.com.my)
- FAMA Xchange (www.famaxchange.org)
- Technopreneur Development Portal (www.technopreneurs.net.my)

Publications

Printed material, particularly annual reports and directories, are other repositories of information made available to SMEs. The list of publications offering a cohesive collection of information vital to SMEs includes:

- SME Annual Report
- SMIDEC Annual Report
- SME Handbook on Policies, Incentives, Programmes and Financial Assistance
- “A Decade in SME Development : 1996-2005”
- Publication of the Annual ICT Industry Directory with emphasis on marketing of ICT SME products.

Recognition Programmes

(a) Enterprise 50 Award Programme

The Enterprise 50 Award (E50 Award) is an annual programme organised by SMIDEC in collaboration with Deloitte KassimChan to promote and showcase successful home-grown companies.

The E50 Award, which attracts interests among companies from various sectors, recognises the achievements of Malaysian companies which are well positioned to meet challenges in the market place.

Quantitative indicators such as the company's financial performance and investments in research and development are used in the selection process. But winners are also judged on other qualitative indicators such as the management's outlook, its global orientation, its market presence and most importantly, its home-grown products.

Since its introduction in November 1996, response from Malaysian companies has been overwhelming. In 2005, the number of nominations received increased by 41% to 182 companies compared with 112 in 2004.

Nominations from small and medium enterprises accounted for 74% of total nominations, compared with 64% in 2004. A total of 19 SMEs emerged as winners of the Enterprise 50 Award.

(b) APICTA (Asia Pacific ICT Awards) Programme

A more detailed account of this annual national and international ICT Award Programmes, is in the Box Article on “Technopreneur Development” in Chapter 5.

The SMEinfo Portal

A One-stop Online Information Gateway for SMEs

The SMEinfo Portal (www.smeinfo.com.my) is aimed at providing a one-stop information resource for SMEs. It is an important initiative of the National SME Development Council to enhance the effectiveness and efficiency of the dissemination of information to SMEs.

The SMEinfo Portal also contains an online SME Business Directory, a platform that provides an opportunity for SMEs to advertise their products and services.

- Why SMEinfo Portal?
- Where and how can I obtain financing for my business?
- Where do I go for help/advice on financial matters?
- Where do I obtain training information that suits my training needs?
- Where can I find raw materials for my business?
- Where and how can I introduce my company and products to my potential customers?
- What is my monthly loan repayment? How much is the interest portion?

SMEs can find the answers to the questions above and more by visiting the SMEinfo Portal at www.smeinfo.com.my.

Convenient Access to Information

The portal provides SMEs with **convenient access to comprehensive resources** anytime and anywhere, covering the following:

- Detailed information on all Government programmes for SMEs, including the various financing schemes and business support services, offered to SMEs. Details of these programmes, including eligibility criteria and contact information of the agencies that provided these programmes, are available in the Portal;
- Information on the sources of financing and types of financial products offered by financial institutions to meet SMEs specific needs;
- Information on where and how to obtain training and advisory services on management, financial and entrepreneurship;

Box Article : SMEinfo Portal

- Government's programmes to support SMEs in marketing and promotion of products and services, upgrading of products and technology development;
- Tips on how to start, manage and grow a business, including steps involved in registering a business and obtaining licenses or permits;
- Financial tools such as cash flow and loan calculators, to assist SMEs to manage their financials; and
- Updates on upcoming events such as trade seminars, exhibitions, training programmes and conventions.

Advertising through the SME Business Directory

An important feature of the portal is the SME Business Directory, where SMEs can:

- Advertise their products and services to large potential customers worldwide by providing information about their companies, description on the products and services being offered, and contact details;
- Source for raw materials or relevant services by contacting the suppliers through the SME Business Directory; and
- Identify potential customers via the SME Business Directory and thus find new market for their products or services more effectively.

Since the launched of the Portal in January 2006, more than 11,700 SMEs have registered in the SME Business Directory of the Portal. To register, SMEs can do it on-line or contact Bank Negara Malaysia at:

Development Finance and Enterprise Department
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

Tel : 03 - 2693 2330
Fax : 03 - 2691 7052

Box Article : SMEinfo Portal

National Biotechnology Policy

Biotechnology has been identified as a new engine of growth under the Ninth Malaysia Plan (9MP). Its value creation is premised on the biotechnology industry being competitive and innovative in line with the country's aspirations of becoming a knowledge-based economy. It is further envisioned that biotechnology will facilitate wealth creation and social well being of all Malaysians. Therefore, development of biotechnology is high on Malaysia's economic agenda moving forward.

In addition to existing strengths in the areas of plantations and manufacturing, Malaysia has the potential for providing great value in biotechnology ventures, given its cost-effective business environment, world-class transportation and ICT infrastructure as well as cost-competitive base of knowledge workers and researchers. As such, Malaysia aims to be a competitive biotechnology hub connected into the global network of biotechnology players.

Launched in May of 2005, the policy outlines strategies and initiatives to develop the biotechnology industry in Malaysia, particularly in areas of agricultural biotechnology, health biotechnology and industrial biotechnology.

There are three phases of implementation for the policy, to be spread out over the next 15 years:

- Phase I (2005-2010): Capacity Building
Educating and training knowledge workers, enhancing intellectual property and legal frameworks, developing Malaysian brands and creating industries and jobs;
- Phase II (2011-2015): Intensifying Scientific Development for Commercialisation
Through new product development, developing spin-off companies, strengthening branding and developing technology licensing capabilities; and
- Phase III (2016 -2020): Building International Recognition
Consolidating the strengths and capabilities in technology development, strengthening innovation and technology licensing and promoting Malaysian global companies.

Box Article : National Biotechnology Policy

The development of SMEs within the biotechnology sector will be in keeping with the National Biotechnology Policy's main thrusts, areas of emphasis and assistance from the policies, and programmes begun under this policy will benefit SMEs involved in biotechnology-linked businesses.

- To transform and enhance the value creation of the agricultural sector through biotechnology;
- To capitalise on the strengths of biodiversity and to commercialise discoveries in health-related natural products and bio-generic drugs;
- To leverage Malaysia's strong manufacturing sector by increasing opportunities in bio-processing and bio-manufacturing;
- To establish biotechnology centres of excellence in the country;
- To build the nation's human capital in biotechnology via education and training;
- To apply competitive 'lab to market' funding and incentives to encourage committed participation from academia and the private sector;
- To improve the country's innovation system by reviewing the country's legal and regulatory framework;
- To establish a global marketing strategy to build brand recognition for the Malaysian biotechnology industry and to create benchmarks to measure and assess progress; and
- To establish a dedicated and professional agency, the Malaysian Biotechnology Corporation, to spearhead the development of Malaysia's biotechnology sector.

The biotechnology policy encompasses nine strategic thrusts which underline the direction and measures offered by the Government towards developing biotechnology for wealth creation and national well being. The strategic thrusts are:

