

## Upgrading SME Quality & Productivity Along Supply Chain

This article is extracted from a paper presented by Tan Sri Dato' Soong Siew Hoong, ACCCIM Secretary-General at Era Seminar on Paving the Road to Enhance Business Competitiveness held on 28<sup>th</sup> April 2007, at Shah Alam, Selangor.

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### PREAMBLE

Malaysia has evolved from an agricultural to primary industry economy (rubber, tin, timber.....) into an industrial manufacturing economy today.

This happened after gaining independence in 1957 and began with the First 5 year national development plan from 1966 to 1970 to the current 9MP, 2006-2010.

From being petty traders and repairs...../jobbing businesses, many have graduated to become importers, distributors and manufacturers of import substitution products, and even suppliers and exporters of parts and components services to large multi international companies.

### GLOBALISATION

With the advent of a globalised economy, which eventually affects the SMEs in Malaysia, the question is - can they overcome the challenges to survive; and to prosper. Different trades and industries and different companies will have their own problems, and will have to react in their own ways.

Being a signatory to various Free Trade Agreements with other countries (AFTA, WTO ...) all businesses in Malaysia are facing more and greater competition, everywhere, all the time.

### CHALLENGES & RESPONSE

Even in the same trades or industries, different companies will respond and solve their problems each in their own manner. In the process, many will fall, many will gradually fade away.

But some through sheer hard work, perseverance and innovativeness, will find the opportunities and niche technologies to survive and go on to greater success!

### UPGRADING QUALITY AND PRODUCTIVITY ALONG THE SUPPLY CHAIN - THE WAY TO SUCCEED

Whether the SME makes the whole product or makes and supply components as OEM or provide some service.....along the supply chain, the cost of the component or service will affect the sale ability of the final product. The larger industries, MNCs, or exporters have to compete in the world market.

In an open economy the end user will only buy what is good and cheap!

## SMEs AND THEIR VITAL ROLE

This is where SMEs, wherever they are along the supply chain, should seek out niche areas where they can supply a component or a service which will be better and more cost effective, which in turn must translate into lower manufacturing cost for the product.

This will enable the larger company, or MNC or exporters and the SMEs themselves, to survive in today's very competitive international market.

This calls for application of newer technology, newer materials, newer processes, greater utilization of Information and Communication Technology. This is what members of ERA can offer, their expertise and experience to help SMEs upgrade!

## THE HUMAN FACTOR

Ultimately these tasks depend on the Human Factor, whether the person has the entrepreneurial spirit, the innovativeness and the perseverance to succeed.

I believe that amongst you here, there will be those who possess such qualities. I believe also that some of you will influence others, especially younger ones, to acquire the virtue of entrepreneurship, to be more innovative and persevering to overcome challenges and prosper.

(The ACCCIM has published a third edition of Promoting and Practicing Universal Values and Good Work Ethics, available on request)

## SUMMARY

- a. The national economy needs to have sustained growth to provide the employment opportunities and achieve the quality of life for its citizen envisaged in vision 2020
- b. The government is providing more incentives and facilities to encourage increased domestic investments as well as cross border investments
- c. Small and Medium enterprises play a very important role in this mission.
- d. The opportunities for SMEs to render their services in the IMP3 are immense if we See and not just look; Listen and not just hear.