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## Solid support for SMEs

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THRIVING small- and medium-sized enterprises (SMEs) in Penang's manufacturing sector have contributed greatly in ensuring that multinational companies (MNCs) in the state remain globally competitive. The ability of these enterprises, estimated at over 1,000, to provide world-class services and products in the supply chain, has become important in times of economic difficulties. 'In the present economic climate, the manufacturing sector plays an important role in spurring economic growth for the state,' says Penang Development Corporation (PDC) deputy general manager B J Yeang.

'This sector is very significant to the state economy as it makes up 52 per cent of the state's Gross Domestic Product and provides employment for about 40 per cent of the total workforce. The presence of many multinationals and several successful local manufacturing companies have assisted the state in cushioning the impact of the economic downturn.' Statistics show that for the first six months of 1998, the 422 factories in PDC industrial parks spent a total of RM1.74 billion to boost their operations. Yeang says this indicates investor confidence and commitment to the economic well-being of Penang and Malaysia, though 'globalisation' has exposed these operations to worldwide competition.

Penang Development Skills Centre (PSDC) executive director Boonler Somchit says SMEs have a crucial role to play in the further development of Penang's manufacturing sector. 'The next wave of industrial development for the state would be for existing SMEs which are supporting Penang-based MNCs to become global players themselves,' says Somchit. 'After 25 years of manufacturing experience, now is the right time for our local players to step to the forefront and be global players themselves.'

Penang, for more than two decades, has been home to many of the world's top semiconductor, computer and computer-related companies. Intel, Motorola, Dell, Hewlett-Packard, Acer, Siemens, Hitachi, Komag, AMD, Sony, Seagate and Xircom are just some of the electronics giants found in PDC's five industrial parks on Penang island and the mainland.

Their operations are supported by around 1,120 SMEs, which today are poised to stand out and be counted as big players in their own right.

'Since the mid-70s, PDC has promoted synergistic partnerships between MNCs and SMEs,' says Yeang. 'While the MNCs have benefited from this partnership through easy availability of world-class parts and components at competitive prices and savings in freight charges, the SMEs on the other hand have benefited from accessibility to larger markets, and expanded their skills, technology and products through development programmes.'

Somchit concurs, and attests to the fact that these SMEs are indeed 'up to speed' in possessing the right skills required by the MNCs. 'Over the past 10 years, we have built up an impressive list of SMEs which started out as vendors to multinationals, and which have today become international entities themselves. These include Eng Teknologi, BCM Electronics, Globetronics, Unico Electronics, Trans Capital, Wong Engineering and Loh Kim Teow Engineering.

'Eng and Unico are prime examples of how multinationals in Penang have helped SMEs attain international standards,' adds Somchit. 'They went through the mentoring process and technology transfer that have helped them acquire the necessary experience, paradigm shift and exposure. Today,

these companies are in turn creating value-added processes by transferring technology to their vendors.'

Last month, the PSDC pioneered the country's efforts at promoting better linkages between MNCs and local SMEs, by launching its Global Supplier Programme or GSP. It is hoping that the success of GSP in the creation of world-class suppliers will serve as a model that can be adopted by other states in the country.

The PSDC's aim, among others, is to upgrade the capability of local companies to be world-class suppliers of services and materials, not only to the MNCs in Malaysia, but the world over, says Somchit. 'The GSP will formalise these processes and allow a larger number of vendors to acquire the required core competencies such as quality, customer service and productivity.'

Eng Teknologi, Globetronics and Trans Capital are participating in the GSP programme. 'When the concept of Total Quality Management was first introduced, companies used it to gain competitive edge,' says Somchit.

'But today, TQM is no longer looked upon as an advantage, but a prerequisite for entering the international arena. For Penang to continue attracting high-tech manufacturing industries, our local vendors need to understand how to optimise their internal and external supply chains.'

What role does the PSDC see itself playing in meeting these needs?

'Our training philosophy is for shared learning,' says Somchit. 'We have become a catalyst in the transfer of training and knowledge from the more developed corporations to the local companies. We will continue to utilise the resources of our members to assist in the training of SMEs.'

The PSDC, Malaysia's first industry-led training centre, is a joint effort between the government, academia and industry. It provides human resources training in meeting specific manufacturing and service industry needs of the state.

Its uniqueness lies in the fact that although its establishment was a state government initiative aided by academia, the management expertise and administration of this non-profit organisation is left entirely to the industry. It has earned praise from Prime Minister Datuk Seri Dr Mahathir Mohamad, who once described the PSDC as a 'good example of Malaysia Incorporated concept at work'.

Yeang says the Penang government and PDC's continuous efforts augur well for the future of the state's SMEs. 'With the hosting of Asia Interprise '99 this month, SMEs here are poised to achieve greater heights in Penang's march towards becoming an industrialised state,' she says.

Asia Interprise (website: [www.asiainterprise99.com.my](http://www.asiainterprise99.com.my)) is a business-matching event between SMEs in Europe and Asia, which will be held at the Equatorial Hotel, Penang on April 26 and 27. The non-profit government-sponsored initiative is being organised by the PDC and its four European partners: Enterprise Ireland, Italian Institute for Foreign Trade, Spanish Institute for Foreign Trade and the Malaysian German Chamber of Commerce. A Conference on International Procurement on April 28 will serve as a post-conference event which will see international procurement officers from MNCs like BMW, Bosch, Dell, Motorola, Proton and Siemens briefing SMEs on their procurement policies.

'Asia Interprise provides a platform for cooperation and collaboration between our own SMEs and those from Europe and other Asian countries,' says Yeang. 'This strategy of "smart partnership" has been in existence for some time now and we believe our SMEs have to reach out. The state government, through the PDC, has included SMEs in our investment promotion missions in the past and will continue to do so.'

Yeang is also optimistic that Asia Interprise would 'open the minds' of SMEs further to the latest developments internationally. It would allow

participants to gain access to newer, better technology and larger markets by forging strategic alliances with other Asian and European partners. SMEs need to understand the challenges brought about by globalisation in terms of effectiveness, efficiency, cost-competitiveness and closeness to customers, and equip themselves to meet them, says Yeang. 'On our part, the PDC will continue to support this learning process, with assistance through policy and coordinating efforts.'

These efforts, she hopes, will mould Penang SMEs into forming the 'bedrock of local manufacturing capability'.

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