

# Growing with help of technology

IT systems and solutions can help SMEs to integrate their processes, weed out inefficiencies and increase productivity

INSTEAD of hunkering down during an economic crisis, successful businesses tend to look for opportunities to bolster their capabilities and to position for the next wave of growth. A growing number of savvy SMEs, for example, are investing in IT systems and solutions that will help them to integrate their processes, weed out inefficiencies and increase productivity, and provide them with the information and tools for more effective decision-making.

According to research firm AMI Partners, SMEs in Singapore are expected to invest about US\$3 billion in IT this year. The bulk of this will be on IT and telecommunications-related services, which accounts for 51 per cent, while hardware and software account for the remaining 49 per cent.

As Gina Luk, Asia-Pacific research and consulting manager, AMI Partners, points out: "Savvy SMEs understand the value proposition created by technology, and are no longer content to play the laggard in technology adoption. They are making strategic decisions based on the expectation that hardware, connectivity and business applications will act as vehicles to improve productivity and increase profit."

A case in point is Winson Press, a printing company which specialises in the production of paper boxes and labels. Early last year, Winson saw a major customer move out of Singapore, bringing with it 25 per cent of the company's sales. As its CEO Tan Jit Khoon notes wryly: "We were hit before the financial crisis hit us."

But instead of battenning down the hatches, the company went ahead to invest over \$100,000 in an Enterprise Resource Planning (ERP) system.

## IT's strategic role

Mr Tan believes that IT has a strategic role to play in bringing his business to the next level and acquiring better competitive advantage. He sees it as a long-term investment - something that any business will need to do at some point in time. The question is: When?

For Winson, the customer pullout presented the company with a window of opportunity to roll out its IT plans.

Servicing the customer was taking up a lot of the company's resources. Implementing its own ERP project would have put additional strain on these resources, with the staff having to set aside time to define their system requirements and formalise work flows. For SMEs that do not have a lot of buffer, this could have been a potential show-stopper.

Investing in the ERP system has enabled Winson to integrate its operations and provide better visibility into its business processes, from the status of jobs to its inventory levels. For example, it provides data on stock movements, allowing Winson to make more accurate projections and enabling it to negotiate for better pricing from suppliers.

By tracking an order from job creation to delivery and invoicing, and capturing the costs involved in executing the job, the system also gives Winson a more accurate picture of which jobs are more profitable, enabling the company to make more effective decisions on where to focus its resources.

The company has also enhanced its existing customer relationship management (CRM) and sales force automation solution which allows its front-line staff to serve customers better. With these, sales activities and customer engagements are much easier to track, without sales personnel having to spend time writing lengthy reports. Customer information can be keyed into the system and shared. This allows the staff to focus more on generating sales.



The returns on Winson's IT investments were such that while sales dropped 25 per cent with the loss of that one customer last year, the rest of the accounts grew by 10 per cent over the same period.

Equally determined to avoid a dead end is O1 Computer System, which deals with printing supplies and storage media. In 2001, in the midst of the dotcom crash and the events of 9-11, it implemented an IT system to support its sales, procurement, logistics, finance and management reporting.

## Growing the business

O1 Computer's founder and managing director Ong Bee Chuan is driven by a vision to grow the business. However, he is well aware that relying on manual processes will not allow the company to expand as quickly or as effectively as he would like it to. To scale its operations, investment in an IT system is necessary.

The conviction has paid off. The company's IT system has helped to strengthen its processes and improve controls. It now has a clearer picture of how work flows from one division to another and so even if a staff is absent, a colleague will be able to take over quite easily.

O1 Computer has benefited from improved efficiency

and productivity as a result of the computerisation effort, which contributed to its net profit growth averaging 20 per cent per year for the last four years. Data duplication has been minimised and printing costs have also been dramatically reduced as most of its information is now circulated and shared online.

Going forward, Mr Ong is targeting to grow the company from revenues of \$40 million a year to \$100 million in three to five years' time. In the meantime, the company is also putting in place its business continuity plan. This involves deploying a virtual private network which will enable staff to log in to the corporate network securely and access the information that they need to do their work.

Recognising that IT is an ongoing investment, O1 Computer sets aside almost \$100,000 a year to maintain and enhance its systems, in line with its policy of re-investing 40 per cent of its earnings back into the company. "Should there be a need, a solution that will help us to really improve our processes, we will not hesitate to increase our investments in IT," says Mr Ong.

This article is contributed by the Infocomm Development Authority of Singapore. Visit [www.ida.gov.sg/sme](http://www.ida.gov.sg/sme) to find out how the Infocomm@SME programme can help you adopt Infocomm for your business

**Staying ahead:** Winson Press' Mr Tan believes that IT has a strategic role to play in bringing his business to the next level and acquiring better competitive advantage

## SMEVoices

We are extending the deadline for last week's topic: "Do you think it is a good time to raise capital either through private investment or share markets now?"