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**Headline: SMU survey highlights challenges for family businesses to grow and secure capital**

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SINGAPORE (Aug 17): A new survey on Singapore family businesses reveals that these businesses found it challenging to grow in spite of Singapore's small market size.

The study conducted by the Singapore Management University's Business Families Institute (BFI@SMU) surveyed 83 family firms in Singapore between December 2018 and May 2019.

Nearly half of these companies have a yearly turnover of under \$5 million. Led by Professor of Family Entrepreneurship Annie Koh, the study looks at how family businesses approach innovation.

About 74% of the participants indicated that innovation is important amid heightened competition in Singapore. But 83% of these firms said growing the business is also restricted by the domestic market size. In terms of overseas expansion, most listed finding the right talents and partners as main hurdles.

Koh says that innovation needs to be broad, stretching from organisational level to new products and services. However, only 27% of firms ranked organisational innovation important and 29% found processes important. About 40% of the firms focused on product and services innovation.

Interestingly, 68% of these firms said they would have gone ahead and innovate regardless of the availability of government grants. More than half of these companies that use external funding turned to bank loans. Less than 20% turned to crowdfunding and angel investors.

To be fair, bank loans are expensive form of capital for SMEs due to high interest rates. But some founders say small companies may not have a choice.

"It is because valuations for SMEs are usually very low so owners do not want to give up a high percentage of equity for a little money," says Joshua Koh, CEO of Commune, which is a unit under SGX-listed furniture manufacturer Koda.

Alan Phua, founder of Alchemy Foodtech, says that some SMEs may not have the technology capabilities that can attract venture capital funds.

While most SMEs take some form of government grants, Koh says, the utilisation of the grants can be limited.

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“So the grants can be used for very specific utilisation. But when you want to change business process, you want to change the whole [organisation and culture]. It's a longer process. So the government grants are usually for one year, and it's not multi year,” she says.

The survey also notes that most business owners believe that innovation will result in better financial performance. But 66% of them said they experienced an indirect link between innovative ventures and financial performance.