

**The experience of Australian small and medium sized enterprises in
Singapore**

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Abstract

An increasing number of small and medium sized enterprises are engaging in overseas operations. This paper reports on research carried out on 18 small Australian businesses which have established an on the ground presence in Singapore. This constituted approximately half of the Australian small and medium sized enterprises which were identified as operating in Singapore. It was found that Singapore was not chosen to be their main market but rather to act as a base in which to penetrate the region. Most of these firms received no support from government agencies in setting up their operations, many finding the processes too cumbersome to be worthwhile. A number of the firms were induced to set up by the availability of a local manager to operate the business. Over half the firms used local rather than expatriate managers. Two major problems encountered in employing local staff were the tendency to job hop for small increments in pay and a lack of long term commitment to the employer. A number of respondents also found it difficult to adapt to what they termed the "trading mentality" of many Singaporeans. This was the tendency to think in terms of price and quantity rather than the suitability of the goods for the purpose. Many businesses found that the Singapore market was not as open as they thought with many cliques being formed in industries which attempted to exclude outsiders. A clique was also formed by Singapore government owned companies and a number of respondents avoided government tendering because of the tendency for the work to be given to other government owned companies.

The implications of the above findings are discussed and the relationship to the literature is explored.

INTRODUCTION

Recent changes in the world economy have included deregulation of major industries, the reduction and dismantling of trade barriers and advances in communication technologies. These have changed the way we view and interact with the world. The world is increasingly be seen as a global market place where companies are no longer insulated from international forces. Many domestically oriented firms are finding that their home markets are no longer sheltered from international competition. Others are finding that international markets are providing sources of growth that otherwise would not be available to them. This is leading to increasing rates of internationalisation, with companies being urged to "think local, act global" and to be part of the "global village" (Parker 1999:235).

FOREIGN DIRECT INVESTMENT AND AUSTRALIAN SMALL BUSINESS: A BRIEF ACCOUNT

The process of the globalisation of business has attracted considerable academic interest. See for instance Ohmae (1990) and Oesterle (1997). One of the ways in which firms may internationalise their activities is

by undertaking foreign direct investment (FDI). Foreign direct investment is defined as “..the investment of capital in an enterprise that gives the investor a significant influence over the management and operation of that enterprise” (BIE 1995:2). It usually involves the direct overseas transfer of capital and may include transfer of management skill, technological knowledge or intangibles such as brand names. There are significant management implications for firms undertaking FDI. Rather than a passive shareholding, FDI involves the making of major management decisions such as those involving strategy, staffing and often day to day management decisions.

Most academic studies of FDI have concentrated on large countries of the so-called triad nations of North America, Europe and Japan (Ohmae 1990, Hirst and Thompson 1996). As a traditional importer of capital, Australia is latecomer to making major overseas investments. It is only since 1980 that Australian firms have been active participants in this activity (BIE 1995a; BIE 1995b; Marsh 1996). By 1999, Australian investment abroad had reached A\$258 billion. (ABS Cat No 5363.0). Most of this investment has been directed at towards other English speaking countries with the United States, United Kingdom and New Zealand accounting for 59% of the total (Marsh 1996; Port Jackson Partners 1992).

Most of the literature in relation internationalisation of business has been directed towards large corporations, with authors such as Bartlett and Ghoshal (2000) promoting globalisation strategies. However, small and medium sized enterprises (SMEs) are increasingly looking towards overseas markets as a form of expansion (Haati, Hall and Donkels 1998; Neilsen, Pedersen and Vestergaard, 1999 and Bell, 1995. For the purposes of this study we have defined a small enterprise as one with a global workforce of less than 20 employees in the service sector and less than 100 in the manufacturing sector. Medium sized enterprises have a global workforce of between 20 and 500 in the service sector and between 100 and 500 employees in manufacturing (ABS 1993-94). These companies have grown in importance in the internationalisation of the Australian economy over the last ten years (Australian Department of Industry, Technology and Commerce, 1992; AMC McKinsey, 1993; Philp 1998). As most research has been directed towards larger corporations, not a great deal is known about the motivations or actions involved in the internationalisation of the SME sector. However useful research in relation to Australian SMEs overseas may be found in DFAT (1995). It is the aim of this paper to contribute to knowledge in this area.

AUSTRALIAN BUSINESS AND SINGAPORE

The geographic proximity of Australia and South East Asia has not led to significant investment flows out of Australia to the region. Various factors such as historical ties and cultural and commercial familiarity may explain why investors have not made Asia a priority (BIE, 1995b; Yetton, Davis and Swan, 1992). In making this observation, it should be noted that up until the independence of South East Asian countries, Australian companies were active in the region, particularly in mining. Subsequent to independence, many of these investments were either taken over or discouraged by the host governments. It is only since the early 1980s that a new wave of investment has taken place. Between 1985 and 1990, Australia's outwards FDI directed towards ASEAN countries grew at an annual rate of nearly 40% (BIE, 1995a). During the 1980s, the region held 39% of Australian FDI but this proportion fell sharply to 7.5% by the early 1990s (BIE 1995a). One of the reasons given for failure of investment in the ASEAN region to match the investment growth in other parts of the world has been that the perception that the risks outweigh the rewards. (Port Jackson Partners 1992).

Of the ASEAN countries, Singapore is the major recipient of Australian FDI. Singapore received 25% of the total outward Australian FDI in 1982/83 and 91% by 1990/91. This makes Singapore the largest recipient of Australian FDI in the ASEAN region (BIE 1995a).

The Singapore government has actively promoted the country as an attractive investment destination (TDB 2000). Factors such as an open economy, political and financial stability and its centrality and strong links with the region are often quoted as "pull" factors for foreign investors (Weinberger, 1998). The Singaporean government also provides various incentives such as tax holidays and reduced tax rates for desired investors (Wong and Edward 1996). From the Australian side, the Australian government provides assistance to potential overseas investors through its AusIndustry program (AusIndustry 2000).

GENERATION OF RESEARCH QUESTIONS

There has been little research as to why Australian SMEs would choose Singapore as a location for establishing an overseas presence. The "pull" factors noted by Weinberger (1998) and EEAU (1994) have often been quoted in relation to Singapore's advantage and are used to promote Singapore as an investment destination. However, against this, Singapore in relative terms is an extremely small economy and at 3.5 million people, is an extremely small part of the South East Asian region. From a business proposition point of view, it would appear that better opportunities may exist elsewhere in the region. This has led to the following research question:

Research question 1: Why do Australian SMEs want to establish a presence in Singapore?

Both the Australian and Singapore governments provide support for businesses undertaking FDI. The provision of these services consumes a large amount of public money, and questions as the effectiveness of this expenditure have previously been raised (Hooper 1991). This leads to the second research question:

Research question 2: How useful have SMEs found the sources of support provided by the Australian and Singapore governments when investing in Singapore?

The range of options available for SMEs to use, such as joint ventures and wholly owned subsidiaries, leads to the third research question:

Research question 3: What type of ownership structure have Australian SMEs adopted when establishing a presence in Singapore?

SMEs rarely have the management depth or the resources of larger corporations. Overseas operations are therefore likely to place a significant strain upon the management of the organisation. This leads to the generation of the fourth research question:

Research question 4: What are the challenges Australian SMEs have experienced in managing their Singaporean operation.

The issue of inter-cultural management is often raised as an ongoing challenge when managing in an overseas country. See for instance Trompenaars and Hampden-Turner (1997). This leads to the final research question.

Research question 5: What challenges has managing the local Singaporean staff presented?

METHODOLOGY

The nature of the research questions lent themselves to interview techniques. Questionnaires would have had the tendency to reduce responses to a few anticipated options. Whereas this would have assisted statistical analysis, it was considered that the full richness of data which was anticipated would not have been captured. Consequently, structured interviews were conducted with key personnel in the companies identified.

As small and medium sized enterprises do not generally have a high profile, particularly in the area of foreign investment, identifying target organisations can present problems for researchers. One of the most fruitful sources of data in relation to business presence may be found in commercial directories. Organisations meeting the profile of those required for this study, namely Australian owned SMEs with an on the ground presence in Singapore, were identified through two sources, namely the Kompas Singapore 2000 CD-ROM and the Singapore Australian Business Council's 1999 directory. As the interviews were to be conducted in Australia, Australian addresses for these companies were established and further research was undertaken to ensure that they met the criteria for being a SME. Thirty-six companies were identified as fitting the sample requirements. All of these companies were approached and 18 consented to be interviewed. Of the 18 interviews, 10 of the interviewees were involved in setting up the Singapore office. Thirteen of the interviews were face to face and conducted in Sydney and the remaining five were

conducted by telephone as they were located outside of New South Wales. Where permission was given the interviews were taped. In the remaining cases, notes of the interviews were taken.

Thirteen of the 18 companies were small enterprises with the remainder being medium sized enterprises. The sample was equally split between manufacturing and service industries. A summary of the nature of the companies is shown in Appendix 1.

The sample size, although small in number, constituted all of the companies which could be identified as fitting the sample characteristics and which consented to be interviewed. As such, the sample could almost be seen to be a census rather than a sample. This introduced a dilemma for the researchers. The research was intended to focus upon the experience of Australian small and medium enterprises in Singapore. If the sample size was to be enlarged to include the experience of foreign owned companies generally, it would compromise the intentions of the research. It was therefore decided to use only Australian based companies in the sample, whilst acknowledging the limitations of any conclusions which may be drawn.

In research of this nature, samples such as that used in this study tend to be biased. The sample excludes those companies which have been unsuccessful in their endeavours or have experienced disappointing results and withdrawn from the market. Others would have decided to invest in other ASEAN countries. It also precludes those which have undertaken their research and decided not to proceed with their endeavours. However identifying these companies is always difficult and many principals involved in the decisions may not wish to be interviewed. These limitations must be kept in mind when interpreting the results.

RESULTS

Research question 1: Why do Australian companies choose to establish a presence in Singapore?

The reasons quoted by the Australian companies for establishing operations in Singapore could be grouped into four main areas: geographic location, advantages of being close to the market, the existence of good governance and financial gains from having a presence.

Table 1 shows the percentage of respondents quoting the various aspects of the advantages of Singapore's location. Of particular relevance is the ability to access other markets from Singapore and to act as an operational base for the region. The availability of various business support services, such as financial, shipping and logistics support was also quoted as a benefit of establishing a base in Singapore. The SMEs also found that through Singapore's central location, business tended to come to them as customers moving throughout the region generally transited Singapore.

The respondents saw further benefits accruing from the existence of an international presence in Singapore. By having a presence, it provided credibility to a company's operations and assisted in building a brand name.

Put Table 1 here.

Table 2 shows the percentage of respondents quoting the various marketing advantages of having a presence in Singapore. Half the sample identified that a presence in Singapore helped maintain and strengthen relationships with customers and suppliers and assisted in gaining credibility as a reliable supplier. A presence in Singapore also sent the signal that the company was in the region for the long term and enabled firms to provide better service to customers in the region. As such presence was beneficial for relationship building. Twenty two percent of firms also stated that a base in Singapore was useful for gathering information on the market. The advantage of being able to provide custom made products was quoted by two of the five manufacturing SMEs. It was also quoted by 28% of the SMEs, that presence in the Singapore market provided support and caché for their brand name.

Presence in the Singapore market also enabled a firm to expand its business, with 39% quoting this as a major reason for establishing in Singapore. Five firms (28%) of the sample stated that establishing a presence in Singapore was influenced by a need to follow customers into the region.

Put Table 2 here.

The final group of benefits derived from Singapore's stable governance. Forty percent of the sample nominated that the commercial environment of Singapore was transparent and easy to understand. Twenty percent found that it was a similar market to Australia. However only 10% nominated that it was an efficient place to conduct business. This was mainly because of rising costs and the need to travel to service customers who were located away from Singapore.

Research question 2: How useful have SMEs found the sources of support provided by the Australian and Singapore governments when investing in Singapore?

Thirty four percent of the sample received Austrade's Export Market Development Grant (EMDG). However only one manager commented that this was crucial to their presence in Singapore. Only one of the firms in the sample still continues to receive an EMDG grant. Forty percent of the sample found that Austrade was useful for referrals to networks and for identifying opportunities in the Asian region. Two of the sample found that Austrade was useful for initiating contacts at the government level. However none of the sample felt that there was no need for Austrade although most found it useful only in the early stages of internationalisation.

Only two firms (11%) of the sample found that the Economic Development Board (EDB) of Singapore was particularly helpful. The assistance was mainly as a referral agency and as a provider of information. Only one firm was receiving tax incentives from the Singapore government.

Research question 3: What type of ownership structure do Australian SMEs adopt when establishing a presence in Singapore?

More than half of the sample (56%) of responded that they had been exporting through agents before establishing a direct presence in Singapore. Of these firms, which were ten in number, nine firms later

established wholly owned subsidiaries in Singapore whilst one went into a joint venture with a Singaporean partner. Of the remaining firms, four entered joint ventures, three with local Singaporean interests and one with another Australian firm. One firm acquired a local company as a means of market entry. Of the nature of work being carried out by the wholly owned subsidiaries, ten were undertaking much the same work as the Australian parent but on a smaller scale, four were sales offices and two firms were representative offices.

Fifteen respondents (83%) stated that the Australian head office preferred the wholly owned subsidiary structure, with full management control, where local regulations allowed it.

Research question 4: What challenges have the Australian SMEs experienced in managing their Singaporean operations.

Forty percent of the sample found that they did not experience any significant difficulties in setting up in Singapore. However 22%, or four firms, nominated that it was difficult to access the Singapore market. The difficulties could be grouped into three main areas. Three of the four firms nominated that the existence of market networks or cliques presented an impediment to market entry. This was particularly applicable to those businesses owned and controlled by the Singaporean government. One respondent stated that they no longer submit tenders to firms which are linked to the government.

Two firms (11%) identified that finding the right staff was a problem. A further two firms nominated finding reliable agents who would adequately represent the product presented difficulties. Six firms (35%) of the sample found that costs were rising in Singapore and that it was no longer a cheap location to do business. Four firms (22%) found that the Singapore market was always changing and that industries which they had established to service had moved to other locations. This was linked to the movement of labour intensive industries out of Singapore.

Research question 5: What has been the SME's experience in managing the local Singaporean staff?

Interpretation of the answers to this research question must be tempered by the fact that the interviews for this research project were carried out in Australia. However, the person interviewed did have a close knowledge of the Singapore operations. The main issues raised in relation to the Singaporean staff were those of low levels of staff loyalty, the prevalence of a trading mentality and an emphasis on monetary rewards. Six firms (33%) responded that the Singaporean staff appears to have only a short-term perspective on their job and generally only stayed a year. They also seemed to change jobs for very small increments in pay. They also expected quicker promotion than Australian staff. Six firms (33%) also noted the prevalence of the "trading mentality" in Singapore and linked this to the high staff turnover. The trading mentality was associated with price sensitive trading with high volume and low margins. This leads to high price sensitivity which also affects the labour market. A number of respondents also stated that the trading mentality also affected business in general, with constant pressure to lower margins.

SUMMARY AND INTERPRETATION OF THE FINDINGS

Respondents were fairly clear that location played a significant part in their establishing a presence in Singapore. Its central presence in the region allows easy access to neighbouring countries, particularly Thailand, Indonesia and Malaysia. One of the attractions as a hub was the presence of other firms in the region as well as within Singapore itself. Having fewer resources, SMEs would clearly be attracted by the economies of being at a centre of economic activity. Similarly the lower level of political risks compared to certain neighbouring countries would be attractive to SMEs. Singapore was also seen as a reasonably easy location to establish an international presence. The central location of Singapore also drew companies as it led to shorter supply chains.

Singapore's attempts to differentiate itself as a high technology centre was seen to give credibility to those established in the country. This would be of particular importance to small business which have to make a greater effort to establish credentials in a market.

The existence of Singapore as a hub is reinforced by the significant pull exerted by the need to serve established customers in the region. There was a beneficial conjunction of events in that the pull factor exerted by customers, and the need to maintain relationships, coincided with the opportunity to expand business. Few of the respondents chose Singapore for the simple reason of expansion; opportunities presented themselves which were responded to.

Few of the respondents noted the Singapore provided a cost advantage. Indeed a number found that it was becoming rather expensive. However a significant number did note the business transparency and good governance of Singapore was an attraction.

The above findings are revealing of patterns of expansion in relation to SMEs. SMEs do not have the depth of management of larger corporations and could be expected to choose expand in such a way as to minimise both risk and drain upon management resources. The firms in the sample were not in mass markets and as a result the higher costs associated with locating in Singapore could be offset with the other advantages of location. There appeared to be a compounding of multiple benefits of location.

The sample appeared to be equivocal in relation to the benefits provided by Austrade and the EDB. In relation to Austrade, the benefits were related to the provision of information and referrals which half of the sample found useful. However only 5 out of the 18 companies had entered the market with no prior experience. The others were either long established (nine had been there since before 1990) or had followed key employees or customers into the market. Over half of the sample had exported through agents prior to establishing a presence. It would not therefore be expected that most of the sample would have a use for Austrade's services.

Few of the companies received help from the EDB in Singapore. Only one was receiving tax advantages. Two firms commented that the EDB was useful for referrals and information. This tends to support research which indicates that the benefits of Austrade do not apply to all companies.

The SMEs preferred to operate through wholly owned subsidiaries, and quoted that this was the policy of head office. Although four had established various types of joint ventures, most firms appeared to want to maintain sole control over the subsidiary's operations.

Whereas Singapore is noted for its free trade policy, the influence of the government is quite extensive in the island. Many of the major enterprises are either government owned or controlled, Singtel and Singapore Airlines being examples. It appears that these firms form a network which tend to support each other and three firms noted very difficult to break into this network. One reported that it was not worthwhile tendering to companies in this group. For all of its self-promotion as an open economy and an attractive place to do business, Singapore remains both geographically and population wise and perhaps in attitude, a small place. It is not surprising therefore that cliques and networks form in certain markets.

A further difficulty in doing business in Singapore was rising costs which were noted by six companies. This obviously is outweighed the advantages offered by Singapore as none of the firms reported moving location. Four however reported that the industries they served had moved to other locations but that they would stay in Singapore and travel to the region to support their clients.

Six respondents commented upon the "trading mentality" of employees. They defined a trading mentality as constant seeking after small incremental gains, be they either from customers or suppliers or in relation to their employment. This aspect of local business and employee practices obviously rankled with these respondents and appears to be one of the cultural characteristics which must be adapted to. This aspect of local employee practices has not been identified in the literature.

The main negative comments in relation to staff were the short-term time horizons of most employees. Six firms commented that many left after receiving bonuses and that turnover was high. This led to reluctance to train employees. It is difficult to determine whether these experiences are confined to SMEs. Being smaller business which are mainly subsidiaries of an overseas owned company, the respondents would not be in a position to offer significant promotion or other career path benefits. This may have influenced many employees to leave whereas they may not have done so in a larger, local organisation.

GENERALISABILITY OF THE FINDINGS LIMITATIONS OF SAMPLE SIZE

Pervious mention has been made of how the research aim, that is studying the experiences of Australian small and medium sized enterprises in Singapore, conflicts with what is a reasonable sample size for research of this nature. These two aims are incompatible in this instance. In this study it has been decided to use the smaller sample size to maintain the integrity of the research questions. This does imply that the results may be skewed by the atypical experiences of a few respondents.

In undertaking the research there were problems in identifying firms meeting the sample requirements. It was suspected that many more Australian SMEs had a presence in Singapore than could be identified through the Kompass directory and other published sources. Greater time and resources may have overcome this problem.

A further issue in relation to methodology which is of relevance is that this research provides a snapshot at a point of time. It is likely that greater understanding of the problems and issues involved could be gained by a longitudinal survey. This would provide a more dynamic picture which would more appropriately match the dynamics of the sample group. Time and resource constraints precluded a longitudinal study for this research project.

RELATIONSHIP TO OTHER RESEARCH

This paper had as its main research focus the reasons why Australian SMEs chose to establish a presence in Singapore, and to investigate the difficulties which were experienced by those companies. Most research that has been undertaken on Australian investment in the South East Asian region has generally not differentiated between countries in a qualitative sense. They have mainly concentrated on identifying statistical indicators (EAAU 1994). However, although they are all in the same region, the nations of ASEAN are extremely diverse. Differences in governance and business practices were highlighted by the economic downturn of 1997. Given the wide publicity of these events in Australia, it is likely that the region has been segmented in potential investor's eyes. Singapore also has psychological advantage of being a transit point for Australians travelling to Europe and other parts of Asia.

Johanson and Vahlne (1977) and Johanson and Weidersheim-Paul (1995) identified psychic distance as having an effect upon investment decisions. Companies were more likely to invest in countries which had characteristics which were familiar to them. This study provides support for that proposition.

Whilst it would be a subjective judgement, the "psychic distance" between Singapore and Australia is likely to be the lowest of the Asian countries. English is widely spoken, the legal system is familiar and Singapore is the most westernised of Asian countries. In addition, Islam is less of an overt influence than in some neighbouring countries. Over one third of the respondents reported that there was no difference in managing Singaporean staff compared to local staff. Seven firms (39%) of the sample reported that they did not experience any problems in setting up their Singaporean operation, the main reasons being given was the transparency of laws and regulations, similar market condition and the efficiency of doing business.

Both the Singaporean government (EDB 2000a and b) and writers such as Burns (1998) and Wong and Edwards (1996) refer to the geographic and institutional benefits of establishing in Singapore. The companies interviewed provide support for this position. Geographic factors identified by the respondents included favourable location and the benefits of being central to a network.

However not all respondents were as supportive of Singapore being an open market with four firms stating they had difficulty in gaining market access. Three of these firms stating they had difficulty with networks, including that of the Singapore government linked companies. The existence of the government-linked companies acting a mutually exclusive group is not a view of Singapore that the government promotes. By one estimate, government linked companies account for 60% of Singapore's GDP, hardly an insignificant amount (Clifford, Shari and Einhorn 1999). This forms a significant trading bloc which has the capacity, and according to some of the respondents, the willingness to manipulate commercial relationships. On this evidence, the image of Singapore promoted by the government and other commentators of Singapore being an open market is true at only one level of economic activity.

The findings support previous research into strategies adopted by SMEs when expanding overseas. Table 3 is a summary of the entry strategies of the sample. It can be seen that over half of the sample had exported prior to investing and that only three of the 18 firms adopted a greenfield strategy without prior participation in the market. Other firms which had not exported reduced their risks by either acquisition or entering a joint venture. This conforms to findings of a survey undertaken by DFAT (1995). This survey found that personal contacts and alliances with other firms were important for small firms when internationalising their operations.

Put Table 3 here

The reasons given by the sample to establish overseas operations were similar to those established in previous research related to Australian business FDI patterns. In relation to manufacturing companies, BIE (1995) found that market based factors, such as growth potential, proximity to customers and distribution advantages were high in relative importance. This was followed by cost based considerations, natural resource based factors, host government policies and Australian government policies. For service industries, market based considerations were the most important, followed by host government policies.

The main exception is the existence of host Australian government policies in the case of the manufacturing companies which did not rate a mention in this study's sample.

The findings also generally conform to the stages of internationalisation described by Gankema, Snuif and Zwart (2000) and Corviello and McAuley (1999). From previous literature they identified five stages of internationalisation. These were domestic marketing, pre-export, experimental involvement, active involvement and committed involvement. Although this was not a longitudinal study, it has the characteristic of taking a snapshot of the active investors in a market. The longest established respondent had been in Singapore market since 1970, and the most recent since 1997. Half of the sample had been established in Singapore since before 1990. This spread of lengths of time in the market permitted a unusual perspective on the stages of international growth theory.

Those companies with a presence predating 1990 formed a resilient group committed to the market. Those established since 1990 had been domestically oriented until they had reached what Ahroni (1966) called an initiating force which triggers a non-investor to investigate overseas investment. In the case of this study, the initiating force ranged from following customers, the availability of personnel to manage an overseas operation and the availability of a joint venture partner. Of the nine established since 1990, six were reported by respondents as being a success and three were unhappy with the outcome of the investment and were likely to withdraw from the market. This conforms to Gankema, Snuif and Zwart's (2000) stage of experimental involvement. Some of those established since 1990 have moved to the next stages of active involvement and committed involvement. This study could therefore be seen to be broadly supportive of the stages of international growth theory.

Respondents were given free opportunity to describe their experiences with local staff and used terminology and descriptors which are not familiar to most academic audiences. A number of dimensions have been accepted as generally applicable when evaluating characteristics, for instance those used by Hofstede (1980) and Trompenaars and Hampden-Turner (1997). The two characteristics most identified in

relation to local employees, namely that of the “trading mentality” and high rates of job hopping, seem not to figure in any of the commonly used measures. This raises interesting issues for researchers. Are the researcher’s dimensions capable of being understood by a management audience? If not, then perhaps the dimensions require modification. Alternatively, if they are understood, it is curious that parts of them were not identified in this study.

The “trading mentality” however has been alluded to by other studies, particularly Redding (1990) and Ang (2000) and as it forms one of differences between employee orientation in Australia and Singapore, it is not surprising that it was referred to by a number of respondents in this study.

Conclusions

This paper investigated the reasons behind the establishment of Australian SMEs in Singapore. Senior managers of 18 companies were interviewed, with the companies being equally split between service and manufacturing industries. The findings indicated that Singapore’s location was a major influence upon investment decisions, with its centrality at the centre of a geographic and business network being quoted as a major advantage.

Most of the respondents reported that the various government support agencies had been of little use overall, although a number did find them of major benefit. Most firms adopted the wholly owned subsidiary structure.

Questions of intercultural difference did not loom large as problems for respondents. However local employment difficulties were found to centre on the existence of a “trading mentality” on the part of employees. This was linked to a very short term approach to employment with constant job hopping being a problem.

Previous research, including surveys of Australian FDI and stages of internationalisation theory, were generally supported.

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Table 1
Percentage of respondents identifying benefits of Singapore's location

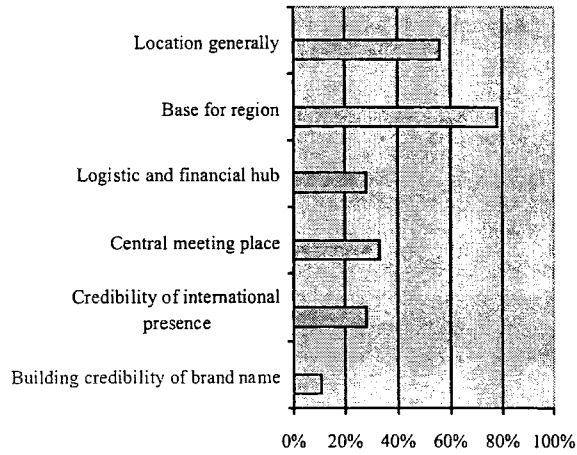


Table 2
Percentage of respondents the business advantages of locating in Singapore

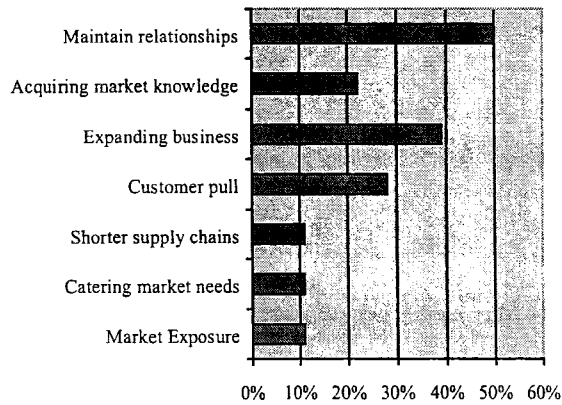
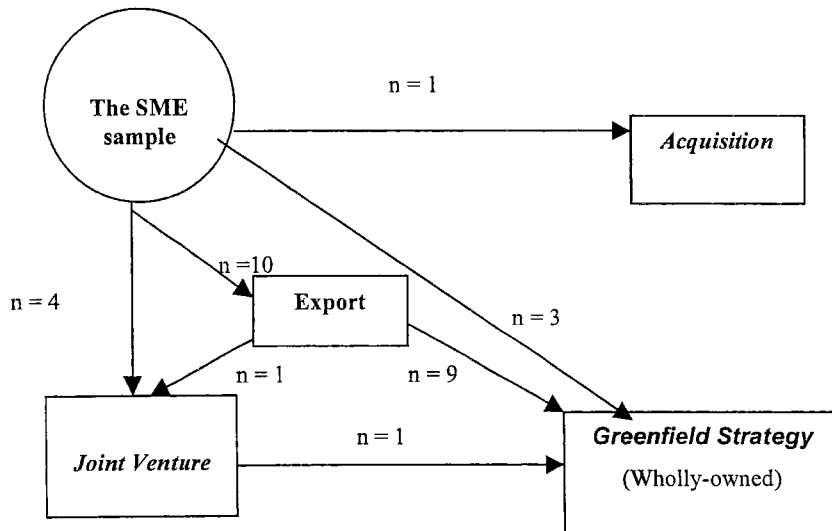


Table 3 - Strategy of Australian SMEs when entering the Singapore market



APPENDIX 1 - Characteristics of the firms interviewed

SME 1. Software development firm established in Singapore in 1995. Provides sales and support services

SME 2. Provides training and software courses and provides consulting services. Opportunistic development as an employee wanted to return to Singapore. Most employees subsequently left.

SME 3. Software distributor established in 1987.

SME 4. Chemical service company. Established in 1974

SME 5. Distributes chemicals and raw materials and acts as an agent. Established in 1970.

SME 6. Regional distribution base for industrial raw materials. Established 1987.

SME 7. Merchant and wholesaler specialising in animal fats and vegetable oils. Established in 1980.

SME 8. Seafood distributor established in 1984. Recently closed operations.

SME 9. Manufacturer of IT products. Established in 1997.

SME 10. Manufacturer and distributor of breathing apparatus. Set up as a joint venture in 1995.

SME 11. Manufacturer of flexible hoses. Established 1988.

SME 12. Sales office for furniture. Established 1990.

SME 13. Sales office established in 1997.

SME 14. Designer and manufacturer of cable ducting products. Established in 1984.

SME 15. Manufactures high frequency systems for defence industry. Established 1991.

SME 16. Joint venture manufacturing marine fendering systems. Established 1991

SME 17. Shipping and logistics provider Established 1992.

SME 18. Joint venture food manufacturing. Established in 1948.

APPENDIX 2 – Interview schedule

1. When was the business established in Singapore?
2. What products and services does the company offer in Singapore?
3. How many employees do you have in Australia and Singapore?
4. Does your company have expatriate staff in your office?
5. What is the nature of the tasks of the Singapore office?
6. Has the Singapore office met your expectations?
7. What were your motivations in investing in Singapore?
8. Why did you choose Singapore to establish an office rather than other SE Asian countries?
9. What benefits does your company derive from the Singapore office?
10. What were your experiences in dealing with Austrade?
11. Has the EDB of Singapore assisted you in any way?
12. Did the Singapore government provide any incentives to invest in Singapore?
13. What is the ownership structure of your Singaporean operations?
14. What procedures do you adopt when hiring local staff?
15. How much autonomy do you give your local staff?
16. Does the Singaporean staff meet your expectations? Why or why not?
17. What differences do you perceive in managing the Singaporean staff compared to Australian staff?

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