Media Coverage

Going big, while staying small: the rise of micro-multinationals

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Singapore "could easily slip into irrelevance" if it does not innovate or harness technology, given the changes in the global economy, was the stark reminder given by the managing director of Singapore's central bank Ravi Menon at a Foreign Correspondents Association event.

This was echoed by the Singapore Ministry of Trade, which published a paper in May reiterating the overall productivity benefits for Singapore of allowing market forces to determine the competitiveness, and therefore sustainability, of companies in Singapore.

The message for Singapore businesses to continuously evolve, innovate and adapt to the times could not be clearer.

The good news is that many Singaporean companies are already responding to the changing market patterns and consumer needs and are re-shaping their businesses accordingly, either in how they generate revenue or manage their operational costs.

The market dynamics are also prompting many businesses to transition or re-emerge with a new business model: the micro-multinational.

While diverse in sector, these firms – typically with a turnover of around USD50m-USD250m – have some shared characteristics. They have a global mind set, thinking across borders and having the confidence to innovate; they are agile and would expand internationally early in their lifecycle; they are niche, often specialising in one part of the production cycle or providing highly specialist goods or services; and they are tech savvy, adopting new technology to foster their network and brand, and capitalising on the global nature of social media.

Leveraging heavily on technology and digital platforms, micro-multinationals operate across multiple borders without having a global physical presence.

The emergence of this new corporate breed has also coincided with the increasing ownership of mobile devices and internet access across the world.

In ASEAN alone exists the second-largest community of Facebook users, behind only the United States. Indonesia, with the world's fourth-largest population, is rapidly becoming a digital nation; it already has 282 million mobile subscriptions and is expected to have 100 million Internet users by 2016.

Removing the need for a physical market-place means that all a Singapore business essentially needs is an internet presence, a distribution channel and a big idea.

A good example of a successful micro-multinational is Airbnb, which has very quickly become the largest hotel chain in the world and now lists over 2 million rooms.

The company has built up a network of hosts in over 190 countries, demonstrating that real growth is achievable in a nimble way across borders.

The ability for small firms to quickly become global players is being further enabled by the emergence of online marketplaces such as Amazon, Zalora, Qoo10, Etsy and Alibaba. These sites are expected to own almost 40% of the global online retail market within the next five years.

Technology has certainly made it easier for companies to expand overseas but is also creates its own set of challenges too.

For example having originated from a technologically advanced country like Singapore, many local companies are blind-sided by payment infrastructures in other countries that are at different stages of development.

This has profound implications for these companies in needing a centralized yet bespoke payments platform that caters for the efficient transfer of funds between buyers and sellers across multiple countries.

These challenges have in itself triggered a new strand of Fintech activity in Singapore, giving rise to solutions that fill gaps in areas like Corporate Treasury and Instant Payments. Having an up-to-date corporate treasury system enables the smooth collection, handling and usage of cash across multiple geographies by assessing market liquidity, cash flow and investments.

While the latest in Instant Payments allows consumers and businesses to immediately exchange monetary value, increasing market liquidity; faster payments also reduce settlement risk. And with the rise of fast and convenient payment instruments, the use of cheques and even cash will likely diminish, reducing the cost of payment processing. For consumers, instant payment notifications offer a better user experience and a more convenient way to manage personal finances.

Catalysing such growth is the Monetary Authority of Singapore (MAS) in building a sustainable Fintech eco system in Singapore, such as setting out guidance on adoption of cloud services and organising the inaugural Singapore FinTech Festival in November.

The message is clear: business leaders and senior executives need to understand their changing environment, challenge the assumptions of their operating teams, and relentlessly and continuously innovate.

A company does not necessarily have to be large-sized or have been established for a long time before going global and thriving. The micro-multinational model presents a good model for small firms to emulate.