Title	Importance of ICT to SMEs
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Abstract
SMEs need to embrace the state-of-art technologies to penetrate non-traditional markets and remain competitive in the face of increasing challenges posed by globalisation, liberalisation and technological advances.

Importance of ICT to SMEs

Small and Medium Enterprises (SMEs) play an important role in sustaining domestic and regional economic growth, in addition to being important agents for alleviating poverty in developing countries. SMEs in Malaysia are defined as companies with annual sales turnover not exceeding RM25 million and full-time employees not exceeding 150. According to the International Trade and Industry Ministry statistics, in 2003, SMEs constituted about 92 per cent of the total number of companies registered with the Companies Commission of Malaysia and contributed 29.1 per cent of total manufacturing output, 26.1 per cent of value-added and 32.5 per cent of total employment. Thus, SMEs represent one of the important segments of the Malaysian economy.

About 40 per cent of the SMEs in the manufacturing sector are in the resource-based sector. The wood and wood products industry accounts for about 12.8 per cent, food, beverages and tobacco, 10 per cent, paper and paper products, 9.9 per cent, and rubber and plastic industry, 7.4 per cent. The other important sectors for the SMEs are machinery and equipment (9.4 per cent) and textiles, apparel and leather (8.8 per cent).

The borderless world exposes these enterprises to many challenges that affect their businesses both domestically and internationally. Current negotiations in the World Trade Organisation (WTO) and the Association of South Asian Nation (ASEAN) Free Trade Agreement (AFTA) have led to intensified competition in both export and domestic markets. This, requires Malaysian companies to enhanced their competitiveness and comply with the necessary standards.

The outsourcing trend to gain competitive advantage and operational efficiencies by the multinational corporations (MNCs) and large companies, have created new business opportunities. Malaysian SMEs could benefit from these opportunities, provided that they are able to meet the requirements set by MNCs and large companies. The factors that influence decisions by MNCs and large companies to appoint suppliers are mainly cost, quality, efficiency and delivery system. The efficiency and effectiveness of the delivery system can be achieved through the utilisation of Information and Communications Technology (ICT), which integrates SMEs into the global supply chain.

ICT enables improved business process efficiency and productivity. Businesses can reduce operational costs by decreasing material, procurement and transaction costs, resulting in lower prices for intermediate and finished goods, and they can also use more and better information to improve the value of their output. ICT can also facilitate global connectivity, resulting in new ways of creating and delivering products and services on a global scale. New business models and market configurations enabled by ICT, including business process outsourcing and value chain integration, provide the SMEs with access to new markets and new sources of competitive advantage, to drive income growth.

In an environment characterised by rapid advance in ICT, globalisation, liberalisation, and greater reliance on knowledge for value creation, Malaysia plans to leapfrog into the post-industrial age by leveraging ICT as a strategic lever for national development and global positioning. Vision 2020, which envisages a fully developed, knowledge-rich Malaysian society by the year 2020, stresses the importance of the development of the ICT sector and the use of ICT, to gain global competitiveness. The intent behind Malaysia's Multimedia Super Corridor (MSC) has been to create a high-tech environment and infrastructure that can attract national and international investors and create spillover effects in the rest of the Malaysian economy.

One of the steps taken by Malaysia to keep the country's economy, including the ICT sector, afloat was the introduction of an incentives package in May 2003. One particular incentive that benefited the local ICT industry indirectly was the additional RM600 million allocated to the small and medium industry fund. What is more, several areas directly or indirectly related to the ICT industry have received much attention in Budget 2004.

There are many government assistance plans, including financial help, tax incentives, and business advisory assistance to support the SMEs, but many SMEs in Malaysia are still unaware of the various assistance programmes provided and supported by the government. According to the MITI Report 2003, ICT spending in the manufacturing sector continued to be dominated by MNCs and large local companies involved in high-tech manufacturing.

SMEs should realise that the economy and business are shifting towards a new world configuration of digital information and knowledge-based work. Therefore, SMEs should see the adoption of ICT as inevitable. SMEs should also look upon ICT as a tool to stay alive and be able to compete on a level playing field with their foreign counter part. SME owners need to take on this challenge seriously and find out how business intelligence and knowledge management solutions as well as new economy related assistance schemes offered by the government can assist them.

SMEs need to embrace the state-of-art technologies to penetrate non-traditional markets and remain competitive in the face of increasing challenges posed by globalisation, liberalisation and technological advances.

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