

APEN – CIS (Credibility Index for SMEs)

: CIS Based Developmental Method of SMEs

November 2015

APEN

(Asia Professional Education Network)

contents

- 1. Background**
- 2. Necessity of CIS**
- 3. The Structure of CIS**
- 4. Projects undergoing**
- 5. CIS Based Developmental Method of SMEs**

background

Joint Media Statement on the ASEAN Roadshow to Japan
28 April 2012 Tokyo, Japan
(extract)

Areas for further cooperation

7. Through the various opportunities presented at the Road Show, including the informal AEM-METI meeting, the Ministers outlined the following areas for further cooperation:

(Support for Small and Medium Enterprises)

Promote and support the efforts of

the Asia Professional Education Network (APEN)

and ERIA to strengthen networks of SMEs in ASEAN and East Asia through

"Only-one SME Mission" to ASEAN Member States,

the establishment of **the "APEN Credibility Index for SMEs"**

and the development of the "Comprehensive Higher Professional Education System

which will enhance technology transfer and collaboration among SMEs and enhance human resource development.

background

THE EIGHTEENTH AEM-METI CONSULTATIONS
30 August 2012, Siem Reap, Cambodia
JOINT MEDIA STATEMENT

12. The Ministers reaffirmed the importance of capacity building of human resources for small and medium enterprises (SMEs) and welcomed Japan's initiatives for introducing a "Comprehensive Higher Professional Education System (Multiversity)" and **facilitating networking among SMEs through the Asia Professional Education Network (APEN) in interested ASEAN Member States.**

background

Joint Media Statement of the 20th AEM-METI Consultations (Nay Pyi Taw, Myanmar, August 26, 2014)

14. The Ministers appreciated the AMEICC Working Group's activities to implement the ASEAN-Japan 10-year Strategic Economic Cooperation Roadmap, which include

...

and developing industrial human resources in ASEAN through **the combined efforts of the Asia Professional Education Network (APEN) and participating AMS under the Working Group on SMEs,**

ASEAN SMEWG (SME Working Group) is
-the SEOM (Senior Economic Officials Meeting) level
(Vice Ministers, Director Generals) of AMS (ASEAN Member States)
-bi-annual meeting

APEN has been invited to the 'joint consultation between ASEAN SMEWG and Japan since June 2012.

June 2012 : KL, Nov. 2012 : Hanoi, June 2013 : Vientiane, Nov. 2013 : Yangon

June 2014 : Manila, Nov. 2014 : Siem Reap, May 2015 : Bangkok, Nov. 2015 : Jogjakarta

background

**Approval of JAIF (Japan-ASEAN Integration Fund)
(March 2015)**

**Two Projects of APEN have been approved as JAIF Projects,
and funded**

CIS (Credibility Index for SMEs)

**: a new rating system for Asian SMEs, mainly concentrated on technology
and human resources**

Multiversity

: a new education system for professionals

Necessity of CIS

1. 'multi-nationalization' of SMEs

- Many Asian SMEs will invest abroad, and be multi-nationalized.

*AEC (ASEAN Economic Community) 2015

*multilateral investment treaties on FTAs

2. multi-nationalized SMEs will face 'credibility problem'.

- In getting loans or investments by financial organizations

- In finding good partners

⇒multi-nationalized SMEs need to prove their credibility

Necessity of CIS

3. Rating systems will be a good way to prove credibility of multi-nationalized SMEs.

4. There are some rating systems for SMEs, however...

- most of them are rating systems for corporate bonds, thus specifically concentrated on judging financial status

***Moody's, S & P**

***CRD (Credit Risk Database)**

Necessity of CIS

5. Different from big enterprises, the most important factor of multi-nationalized SMEs will be ;
the potential of explosive expansion

Thus we need to establish an adequate indicators of judging this potential of multi-nationalized SMEs.

6. however, there are few stylized indicators system to judge the potential of multi-nationalized SMEs.

⇒we need to establish a new rating system

☆applying the methodology of Japanese experience

Necessity of CIS

7. According to the Japanese experience...
we emphasize the importance of precisely judging of
- technology
 - human resource development

since ordinary rating systems of corporate bonds will not make a big emphasize on them.

The Structure of CIS

The System of 3 Index

1. Common Index
2. Local Index
3. Emerging Company Index

(Base model of CIS)

CIS

1. Management Strength

1-1. Social Nature of the Corporate

1-2. Corporate Vision (Clear definition and its penetration in the company)

1-3. Corporate Strategy (Concreteness and Implementation Plan)

1-4. Credentials of CEO/Managements

1-5. Adaptability to Globalization (Management Aspects)

2. Technical Capabilities

2-1. Superiority in Technologies and Services

2-2. Experiences in R&D Activities (Technologies and Services Aspects)

2-3. Patents

(Base model of CIS)

CIS

3. Marketing and Sales Activities

3-1. Corporate Structure of Sales

3-2. Marketing and Positioning

3-3. Indexes (Sales Aspects)

3-4. Adaptation to Globalization (Marketing Aspects)

4. Human Resource Capabilities

4-1. Recruiting

4-2. Human Resource Development

4-3. Personnel Management System

4-4. Indexes (Personnel Aspects)

4-5. Adaptation to Globalization (Personnel Aspects)

(Base model of CIS)

CIS

5. Organization Strength

- 5-1. Organizational Framework (Roles, Responsibilities, Authority)**
- 5-2. Organizational Framework (Compliance, Risk and Information Management)**
- 5-3. Organizational Framework (Prevention of Faults, Process Improvements)**
- 5-4. Relationship with Partner Companies**
- 5-5. Organizational Culture (Work Site Conditions, Information Communication)**

6. Financial Strength

- 6-1. Financial Soundness**
- 6-2. Profitability and Growth Potential**
- 6-3. Certainty of Financial Statements and Assets (Evaluation and Maintenance)**

Projects undergoing

1. JAIF process

- (1) Establishing the CIS-Base Model**
- (2) CIS Seminars in AMS (ASEAN Member States)**
- (3) Developing the CIS-Local Models**
- (4) Evaluating local SMEs by CIS-Local Models (4 of AMS)**

CIS (Credibility Index for SMEs) Project

- To Develop CIS Base Model
- To hold CIS Dissemination Seminars
- To develop CIS Local Models (based on CIS Base Model)
- To evaluate local SMEs (with CIS Local Models (4 countries))

CIS Technical Committee to promote CIS Project
Members: APEN Member University Professors
Related Governmental Agency Officials
Private Sector Experts

To develop CIS Base Model (AIIT)

- Based on AIIT's SME evaluation experiences
- Six evaluation axes
 - 1 Management Strength
 - 2 Technical Capabilities
 - 3 Sales Capabilities
 - 4 Human Resource Capability
 - 5 Financial Strength
 - 6 Organizational Strength

CIS Dissemination Seminars

- (APEN Members)
- To disseminate idea / usefulness of CIS
 - To Promote CIS Project
 - Be held at four places (2 seminars at 1 time)
 - International guest speakers
 - 40 attendees expected each time

To Develop CIS Local Models

- (APEN Members)
- APEN Secretariat provides Base Model
 - Members modify Base Model to fit each country
 - Trial evaluation on selected SMEs to adjust and confirm the model is usable and effective

To evaluate Local SMEs

- (AIIT/APEN Members)
- Evaluate 30/35 SMEs by teams <For Participating SMEs>
 - Know partners' credibility
 - Know own strengths & weaknesses
 - Help establish company strategy

Projects undergoing

2. dialogues with AMS

- **Some AMS have already established and been operating their own rating system for SMEs.**
- **APEN is actively continuing dialogues with those AMS on especially complementarity of those systems.**

Projects undergoing

discussions with SME Corp Malaysia

1. Ms. Sharifah Najwa Syed Abu Bakar, Director,
Programme Coordination Division
(November 11th, 2014)

2. Ms. Azyani Abdul Hamid, Manager of International Cooperation Secretariat
(February 27th, 2015)

3. Dato' Hafsa Hashim, CEO (March 2nd, 2015)

[complementarity with SCORE System]

-Local Index for narrowing gaps

-Emerging Company Index for encouraging business start-ups

★ **Future Steps : CIS Based Developmental Method**

CIS Based Developmental Method of SMEs

- 1. SME promotion is the key factor in ICBM.**
- 2. Various tasks should be tackled in SME promotion.**
 - SME policy making by the governments
 - SME Finance
 - Technology
 - Human Resource Development
 - improvement of management

CIS Based Developmental Method of SMEs

3. CIS will be a good material in compiling SME promotion policies in various fields, since

- CIS figures out a SME through 6 axis, Finance, Human resource, Technology, Management, Sales, and Organization.

- Each axis will be evaluated by three experts based on the self assessment, materials and interviews to the stakeholders.

- CIS can represent the potentiality of the SME, different from usual financial assessment.

SMEs in the early stage should not be assessed only through the financial point of view.

- Ranking of SMEs will be possible by using CIS, by using “the Rainbow Stars System”.

CIS Based Developmental Method of SMEs

[the Rainbow Stars System]

- Number of stars

☆☆☆ : super-excellent

☆☆ : excellent

☆ : good

- Color of the stars

red : all axes are equally excellent

orange : especially excellent in Management Strength

yellow : especially excellent in Technical Capabilities

green : especially excellent in Marketing and Sales Activities

blue : especially excellent in Human Resource Capabilities

indigo : especially excellent in Organization Strength

purple : especially excellent in Financial Strength

CIS Based Developmental Method of SMEs

4. CIS is effective in compiling SME promotion policies by the governments, since ;

- **CIS helps the governments to understand the structure of local industry, the strength and weakness of local companies,**

- **CIS helps the governments to understand what kind of industrial cluster should be established in the regions in near future.**

CIS Based Developmental Method of SMEs

5. CIS is effective in establishing new SME Finance schemes, since ;

- CIS checks the total stability of the SME and make a finance based on CIS score.**
- CIS finds out a promising SME for the finance.**

CIS Based Developmental Method of SMEs

6. CIS is effective in enhancing technology of SMEs, since ;

- technological outlook can be obtained by the analysis of CIS data.**
- CIS provides excellent information for the investment.**

CIS Based Developmental Method of SMEs

7. CIS is effective in Human Resource Development of SMEs, since ;

- demands for the human resources can be given in CIS**
- CIS provides excellent information for the educational investment**

CIS Based Developmental Method of SMEs

8. CIS is effective in giving strong incentive for improvement of management, since ;

- CIS tells the strength and weakness of each SME.**
- CIS urges SMEs to invest to overcome the weakness and to win a higher ranking.**

CIS Based Developmental Method of SMEs

[the System of CIS Based Developmental Method of SMEs]

1. Finance

- Community finance, not-for-profit finance system
- International financing system like cross finance, digital finance, etc.

2. Rating agency based on CIS

- Not-for-profit organization
- University network like APEN

3. Institutes

- Public technical institute to assist SMEs, testing and renting the equipments
- Training center for the engineers in SMEs

4. Professional schools

- Network of Universities like APEN
- Network of Vocational schools

APEN Headquarter

Center of Industrial Community Building in Asia

