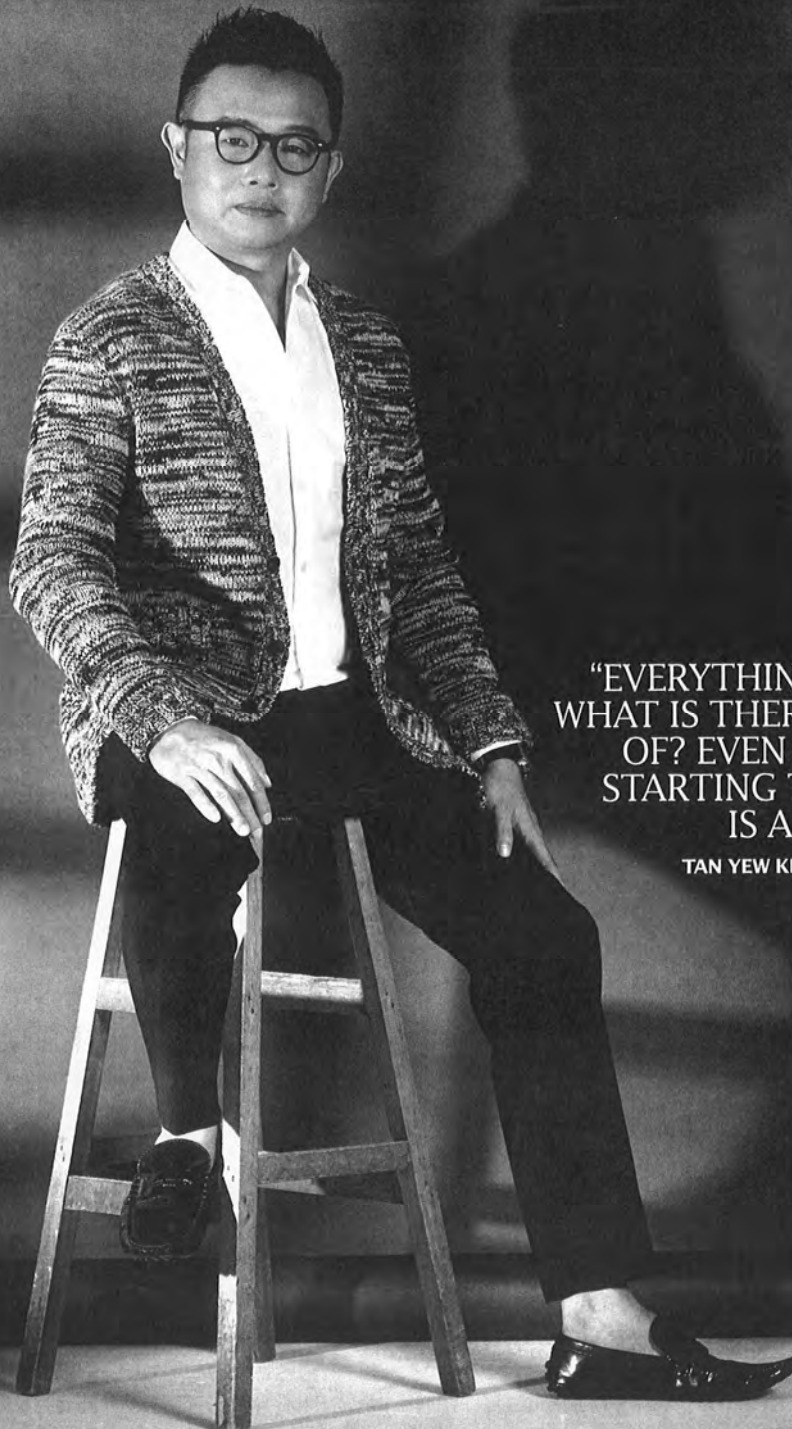


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“EVERYTHING HAS A RISK,
WHAT IS THERE TO BE AFRAID
OF? EVEN THE ACT OF
STARTING THE BUSINESS
IS A RISK.”

TAN YEW KIAT, CEO OF BYSI

Lam Joon Khoi
*Secretary-General,
Singapore Manufacturing Federation (SMF)*

"THE government has made it very public that the manufacturing sector will remain a key pillar of Singapore's economy, so the outlook for the sector given this support is positive from a national perspective.

From a global perspective, the region is growing. I think there is a positive outlook for Singapore. The future is bright, but the question is, how can companies take advantage of the opportunities and support?

Many of our members will have to re-think and re-examine their own business model. Some will see the need to restructure to stay competitive.

Some may even have to work on collaborating with others so that their cost structure can be lowered. There is now higher impetus for SMEs to collaborate to share cost, especially if they don't want to merge.

We recently had a matching of food & beverage (F&B) outlets with food manufacturers, where F&B outlets can outsource some of their food preparation work to food manufacturers that already have plants.

This was an initiative by the Restaurant Association of Singapore and SMF, and such collaborations can help to lower cost.

One way for SMEs to change the business model would be to bundle their product with after-sales service - either by themselves, or working with collaborators - to bring about better value to customers. So their business model may well go into partnership, although that requires an analysis of their own product value chain.

One example we always cite at the SMF is the iPhone. The iPhone is a product, so is the Nokia phone. But the iPhone bundles not just the product but services in the phone, such as the applications, so that it provides better value to the customer. So even though Nokia has a good phone that comes with a great camera, it doesn't have the applications to provide greater value to the customer.

So companies can look at working with value chain partners upstream and downstream to bring about greater synergies.

On the labour issue, it is generally difficult for manufacturers to hire Singaporeans. But Spring Singapore has launched the SME Talent Programme to encourage Singaporeans graduating from polytechnics and ITE (Institute of Technical Education) to take on a career with SMEs. That should help a little to showcase the operations of SMEs to the young workforce.

Overall, it will take a while for companies to reap the full gains of their productivity initiatives. But I think they will still survive. Their margins will be squeezed but the thing about business is that they will come up with new initiatives to overcome the challenges.

Competition and cost issues are not new to businesses, and they are managing costs all the time. It's just that this time there are new challenges - the foreign labour squeeze and rising land costs."



BY FELDA CHAY

BUSINESS AS USUAL

The situation with foreign labour policies is not that bad, say industry leaders



THE recent moves by the government to restrict the inflow of foreign workers and to raise the levy payable for each such worker hired lured doomsday prophets out of the woodwork. But after the initial angst, business leaders in the manufacturing, construction, restaurant and retail sectors now say that they can cope with the restrictions, that the name of the game is finding ways to work more efficiently, and that their individual sectors will emerge fitter and stronger.

Andrew Tjioe, president of the Restaurant Association of Singapore (RAS), puts it this way: "The outlook is not that bad. We have to adapt and change. This is a transition period. Singapore companies are used to hiring foreign workers freely because of the availability of such low-cost labour.

"We need to sit back and think: which other country freely allows in so many foreign workers?"

Restaurateurs had previously been among the most vocal in opposing the changes to foreign-worker policies, but with the government standing its ground on the matter, the food and beverage (F&B) sector is starting to accept that there will not be a policy turnaround.

Among the solutions being studied are automation and job redesign. Mr Tjioe says: "We are not going to sit around and do nothing as the changes take place. Businessmen are usually quite resilient."

Other hard-hit industries are also coming around to the situation and beginning to see that there are ways to cope with the transition period.

On top of automating and using technology, they are

trying to tap alternative sources of labour, such as hiring local students, homemakers and even retirees who are willing to work part-time.

Some firms are also attempting to woo Singaporeans, although the task remains challenging.

Lam Joon Khoi, the secretary-general of the Singapore Manufacturing Federation (SMF), says: "Many manufacturers generally find it hard to hire Singaporeans, but schemes like the SME Talent programme will help SMEs to take in locals." Many SME manufacturers are also looking to collaborate with each other to provide better value, he adds.

Another way to cope is to professionalise. Ho Nyok Yong, president of the Singapore Contractors Association (SCAL), says: "SME contractors now need to be professional, progressive and productive. They need to strengthen their management skills and procurement systems."

In the case of retailers, it means ensuring that "every product introduced makes a profit", says Jannie Chan, president of the Singapore Retailers Association (SRA).

With tougher conditions locally, SMEs are also looking into expanding overseas.

Ho Meng Kit, the chief executive officer of the Singapore Business Federation (SBF), says: "SMEs are cautiously optimistic and resilient. In fact, they are quite active in venturing overseas, particularly into emerging markets in Asia, and even Africa.

"So SMEs are getting the message and looking at expanding and growing outside of Singapore."

Mr Tjioe sums it up succinctly: "When the going gets tough, the tough get going." ■

Ho Nyok Yong

President, Singapore Contractors Association (SCA)

"THERE are many jobs for us, in particular infrastructure jobs such as tunnelling and roadworks. The HDB (Housing & Development Board) also has many projects.

But there is a shortage of manpower in the industry. The locals are unwilling to enter our business, and manpower cost for foreign workers now is also very high because of the higher levies. Many small contractors are downsizing, and it's also very difficult to get subcontractors now.



But the government is firm that it wants to raise productivity, and at SCA we agree.

Currently, the bigger contractors are already on the productivity journey

and have upgraded a lot of equipment and trained their workers. They are proactive. The SMEs, however, are finding it a bit difficult because they are small and don't have much resources.

SCA is trying to help them currently. We set up a clinic with the BCA (Building & Construction Authority) about once a month, and invite about 10 contractors to come and learn about how they can improve their productivity.

We also help them to apply for BCA's \$250 million Construction Productivity and Capability Fund. So even among the smaller contractors, many are slowly coming on board the productivity drive. We started this clinic last year, and now we want to hold it twice a month.

SMEs now need to be professional, progressive and productive. They need to strengthen their management skills and procurement systems, and there are a lot of training courses for these now. Overall, there is definitely room for improvement to raise productivity."

Andrew Tjioe

President, Restaurant Association of Singapore (RAS)

"PERHAPS we were too used to easy access to foreign workers before. So when the government cut back access, it was a shock.

We now have to adjust. The way that we run restaurants now cannot be the same. Restaurant sizes and menus may have to be smaller. Restaurants with more than one outlet will also have to operate from central kitchens so kitchens in each restaurant can be smaller, which means they need to hire fewer staff.

We can be more like Japan. If you go to any restaurant in Japan, you will see that they usually don't need that many employees. Their menu is simple, the food is simple, and the number of contact points is minimal. Basically, staff serve from the kitchen and that's it. But if you run a traditional Chinese restaurant, the wait staff are always around the customer.

So customers will now have to accept that this will no longer be the case. They will need to be more patient; when they raise their hands to ask for service, it may take longer for them to be served, especially during peak hours.

If the customer pulls a long face, the servers



will feel uncomfortable; and when they are uncomfortable, they will not be that friendly; and the customer's dining experience will be lousy. So it takes two hands to clap, and the customer needs to be a bit more understanding.

It is very hard for restaurants in Singapore to hire locals. In a way, you can say that we have been victimised by the strong economy and good life in Singapore. When children grow up with maids serving them, it is very hard to expect them to serve someone else. Perhaps that can change through education, but it will take a long time.

Restaurants will now have to look at using all resources, such as older workers, students, part-timers, ex-convicts or the disabled.

We can also train staff to multi-task and use more technology. I'm not sure why Singapore is so slow in adopting electronic payment systems. In Japan and even in China now, you don't have to leave your table to make payment. Waiters carry a hand-held terminal and they come to you, swipe your card and return it on the spot.

In Singapore, it seems the banks don't like such a system, but it will actually help us to cut down on manpower if we can adopt such a system because these hand-held terminals can take orders and receive payment."

Jannie Chan

President, Singapore Retailers Association (SRA)

"THE outlook has always been extremely difficult for us because of high rentals and lack of staff. Also, the consumer dollar has shrunk.

Retailers need to be alert, look at what each of our strengths are, and maintain the top line. There is always this perception that opening in new malls will create new business. If you are looking at medium to long term, that may be true, but retailers also need to look at the short term and whether it is possible to sustain that investment financially, bearing in mind that in the not-too-distant future, interest rates will increase.

Most SMEs today are living day by day. It's about survival now. And the rental issue is a two-way thing. It's not just about malls asking for high rents. If individual retailers want to take up new space and pay the rent, then they are taking the risk. They have to look at their business over the next one year and see where they are going to be, and evaluate if it is worth taking the risk.

They therefore need to change their mindset. There is no point believing that every shop opened will make money. Retailers have to realise that now, every new shop opened may

lose money. The question each retailer has to ask himself is: 'Can I afford to lose money?'

One good thing that has emerged from the high-rent environment is that the industry is starting to become more professional. So every sale that is made and every product introduced has to make profits.

At the end of the day, retailers have to look into the cost issue. The government can help us only when we help ourselves. Retailers are all entrepreneurs. We can learn to survive in the new environment, and there are many areas to learn. The government provides many courses for upgrading.

Individual retailers now also need to understand their products and services better. They have to try and understand whether they have the right product and who their audiences are. They have to be alert and street-smart, know their competitors and keep costs down.

There is also a need to bring locals into the industry. We need to show locals who are keen to join us that there is a career path for them. We are now trying to work with the government to introduce a plan for this."



What SMEs say

Allen Ang

Group managing director, Aldon Technologies

"It's very simple: In order to survive, we have to keep costs low. Given the present circumstances, we need to be very innovative to counter the higher costs. We continuously try to develop new products and services. That creativity will probably give us some advantage in terms of top and bottom line, and help us to counter the higher costs."



Andrew Tsui
Director and managing partner, Fast Offshore Supply

"The difficult environment has made us sharper.

Like all SMEs, we will have to improve and re-invent ourselves continually. Currently we are coping, but if conditions get worse, the government should ease up on manpower restrictions to help."

Victor Khaw

General manager, Allalloy Dynaweld



"We are trying to expand and provide more services to our customers. But in the meantime if you look at the cost and labour structure, we can't focus on anything that is of low value anymore. The returns for high-value products are so much better, and you use the same people. So the focus should be on high-value work."