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**SPEECH BY GUEST-OF-HONOUR,
SENIOR PARLIAMENTARY SECRETARY
FOR TRADE AND INDUSTRY, MR TANG GUAN SENG
AT THE JOINT SEMINAR WORKSHOP ORGANISED BY THE
SINGAPORE CHINESE CHAMBER OF COMMERCE & INDUSTRY
AND THE TELEVISION CORPORATION OF SINGAPORE ON “
OPTIMISING HUMAN RESOURCES FOR A MORE
PROFITABLE BUSINESS” AT 1.45 PM ON FRIDAY,
14 NOVEMBER 1997 AT THE SCCCI AUDITORIUM**

CHALLENGES IN THE NEW BUSINESS ENVIRONMENT

1. I think many of you would agree with me that the most common advice you have heard is the great changes and challenges that the future would bring and the need to prepare for the future. As we approach the new millennium, we are all very interested to know what are the strategies to succeed in tomorrow's

business environment.

2. Let me share some of my thoughts on this subject with you. Every one knows that the future is uncertain. But at least one thing is certain, ie, the pace of change will be accelerated. This is the result of globalisation and technological developments. This has led to new playing fields.

3. So how do we react to this? One major strategy is to focus on developing capabilities which will help us manage the uncertain business environment in future. In the new business environment, business practices that used to work well may no longer see us through the uncertain future.

MINDSET CHANGE: FOCUS ON CAPABILITIES, NOT COST

4. The greatest challenge we have to tackle in this new environment is to change our mindset from focussing on cost and price all the time to focussing on developing our capabilities. To many companies, cost and price competitiveness determines business competitiveness. But cost and price competitiveness need not mean lower cost or price for a product or service. Customers are prepared to pay more as long as it is value for money. That is where we can make a difference – by competing on our capabilities to produce quality products and services valued by our customers.

5. I know that it is not going to be easy to invest your time, money and resources on long term capability development. But there are companies, that have already done so, have succeeded. Let me quote two examples. Abwin Pte Ltd, a company that deals in the purchase and reselling of second-hand commercial vehicles was able to find a niche in the market due to its vision and commitment in developing strong links with its customers, professionalizing its business and thinking long-term. Turnover grew from \$2.5 million in 1994 to \$15 million in 1996. Hi-P Tool and Die, an established mould maker continually and patiently developed its capabilities since the early eighties. It now has strong competencies to serve the needs of its MNC customers. It has also expanded its business in China. It trained, developed and managed its employees well and has built a strong company culture that will sustain it well into the future. Both are clear examples of SMEs that focussed on developing their capabilities to support long-term goals.

STRENGTHS AND ADVANTAGES OF SMEs

6. Many small businesses feel that they are more vulnerable to economic restructuring than MNCs. This is not true. All companies, big or small from all over the world are subjected to the pressures of the market. Big companies may have financial clout, but small businesses have their own advantages too. Being small allows for more nimbleness and speed in responding to market changes.

7. Smaller businesses are also in a better position to develop a more personal relationship with their clients. Smaller retailers, for instance, have better opportunities to know their customers more intimately, and can provide them with more friendly and personal service.

8. At the end of the day, it is important for SMEs to understand the business environment – the economic outlook, changing trends, technological advances, competitors and consumers and suppliers' latest trends that affect them.

Internally, SMEs must also understand the importance of good financial and human resource management. Only with an understanding of the total business environment can they find their own niche, establish a long-term vision, and work out strategies to support that vision. A good example is Challenger Technologies Pte Ltd, which has grown to become the largest computer retailer in Singapore with annual sales in excess of \$60 million. This dynamic SME was able to visualise its niche in the market and set clear goals. It constantly upgrades its business operations to remain efficient and competitive.

9. The examples I have quoted reflect the findings of the Department of Statistics (DOS) in June 97 on the profile of growing SMEs (GSMEs). These GSMEs generally paid their workers better, were more profitable and had the capacity and capabilities to compete effectively. They formed about 32% of all SMEs (94,027 based on the 1994 census). This is encouraging as SMEs tend to be perceived as slow-growing and undynamic. Indeed, SMEs are increasingly being recognised as a significant source of employment creation, innovation

and economic vitality for the country.

OPTIMISING HUMAN RESOURCES

10. I have painted the backdrop and what we should be focussing on. I'll now share my thoughts on how we can optimise human resources to increase profitability – the theme of today's seminar. Optimising human resources is going to become more important than ever in the business environment of the future.

11. Optimising human resources is not just about training and retraining, it is also about continuously searching for talents and sharing the success of the business with employees, and fostering innovation in the workplace. Such strategies are long-term, for which results cannot be achieved overnight.

Attracting and Retaining Talent

12. Firstly, SMEs should strive continuously for ways of attracting and retaining talented and skilled employees. Professionals can help SMEs to grow. SMEs should hire professionals, wherever possible, to undertake professional functions like business and market development, financial and human resource management. To retain talented employees, companies must also be prepared to treat them as potential partners by giving them a stake in the company for e.g., some form of employee profit sharing scheme. This will help you to secure the long term commitment and maximum contribution from them.

Skills Training and Re-training

13. Second, as employers you must see skills training and retraining as an investment. Continuous training will improve competence and productivity. With advances in technology and changing market trends, employers must constantly re-skill their staff. Training is an important means of capability development to deal with rising business costs. Anglo-French Travel, a SME winner of the 1996 National Training Award won because it saw training as an investment to support its long-term growth and profitability. Training has also translated into lower staff turnover of 17% compared to an average of 35% in the travel industry.

14. Unfortunately, training is an area where the smaller companies lag behind. In 1995, companies on average spent 3.6% of payroll on training. However, the average expenditure by companies with less than 50 employees was only 2.2%, while the average for companies with 50-99 workers was marginally better at 2.3% (*source: PSB*). There is clearly room for improvement.

15. SMEs should make use of the many training schemes available through the Skills Development Fund (SDF). Two such schemes are the Total Company Training Plan (TCTP) and On-the-Job Training (OJT). The TCTP helps companies to take a longer term and integrated approach to manpower development to support business goals. The OJT scheme addresses the lack of time and money SMEs have in sending their employees for training. Through structured OJT, the SME manager can train his workers systematically and quickly without them having to leave the workplace. This will help the company save time and costs in training. Besides being product and company specific, OJT ensures that the skills learnt are highly relevant and contribute immediately to work.

CONCLUSION

16. The business environment is fast changing. SMEs must constantly re-align their strategies to suit the market. The key is to develop capabilities – capabilities that help SMEs find their niche, and capabilities that help SMEs sustain long-term profitability. Only then can they have the capacity to compete effectively.

17. On this note, may I thank SCCCI and TCS for organising such useful seminars. I wish you all a fruitful afternoon ahead.