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Singapore Government

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SPEECH BY PRIME MINISTER GOH CHOK TONG AT THE PRODUCTIVITY 2000 CAMPAIGN RALLY, AT SUNTEC CITY CONVENTION HALL, ON TUESDAY, 4 APRIL 2000 AT 4.00 PM

Innovation: Key to Singapore's Future

1990s: A Decade of Quality

When I launched the 1989 Productivity Campaign, the world was at the threshold of a new and challenging decade. Eastern Europe was just opening up, and turning from communism to capitalism. Regional trading blocs were emerging in Europe and North America. Nearer home, East Asia was freeing up their economies. All these meant greater competition for markets and investments.

There was no way we could compete with the labour-abundant countries on the basis of wage costs. Our only solution was to produce goods and services of a better quality than others do, and produce them efficiently. This demanded productivity and zero-defect in manufacturing processes. Improvements here were critical because we were moving into capital-intensive and high-

technology manufacturing operations.

Towards this end, we launched several initiatives in the 1990s. The Service Quality (SQ) Centre was set up in 1990 to run relevant training programmes. In 1991, a Total Quality Process programme was introduced to help companies develop a quality culture and mindset among their workers. In 1992, we were one of the first countries in Asia to launch the ISO 9000 certification scheme. Two years later, we established the Singapore Quality Award to encourage organisations to manage their systems and resources using world class standards of excellence.

2000 and Beyond: A New World

We are now into a new era. The new decade, the new century and the new millennium coincide with another great watershed in human history – the emergence of a new economy driven by the IT revolution. The new economy, based on knowledge and ideas, is unlike the old economy, which is dependent on natural resources and geography.

The era unfolding before us will be full of excitement. Technological advances have accelerated the pace and scale of change. The rapid spread of knowledge has sped up the creation of new products and services, and the development of sophisticated production processes. A virtual economy exists on the Internet. You can now buy an amazing variety of things over the Internet – software programmes, groceries, airline tickets, stocks and shares, car parts and even pedigree dogs. E-commerce has helped companies lower purchasing costs, reduce inventories, deliver more efficient and effective customer service, minimise sales and marketing costs, and create new sales opportunities. For example, General Electric has saved 15% on its cost as a result of reorganising its supply chain around Internet procurement.

Globalisation is also marching onwards relentlessly. The size of a country and distances to market are no longer insurmountable constraints. In fact, today, few products are made totally in one country. A company that only looks to local suppliers for raw materials and sells only to local customers will languish. Winning companies look to the world market to source for the best materials, take advantage of the global pool of talent, produce where it is cheapest, and sell where the demand is.

Globalisation means intense competition for every sector of the economy,

including our neighbourhood “Ah Peh and Ah Mah” provision shops. But a more integrated economic world also means new opportunities for a new class of entrepreneurs. For example, today, Dell sells US\$40 million worth of computers, software and services from its website each day. We also have local examples. Local companies that have capitalised on e-commerce include traditionally domestic-oriented organisations like Bee Cheng Hiang, Nanyang Optical and Tollyjoy. A home-grown software company, Third Voice, was named by Fortune magazine as the only Asian outfit set to become the next Yahoo!

Our Response: Innovation

Throughout the history of mankind and civilisations, countries and corporations, which were able to anticipate, respond and adapt to changes quickly, have triumphed over others. Those that failed to act and react quickly fell by the wayside. This is true even for economic giants such as Germany. They too could be vulnerable if they do not change fast enough. Germany has traditionally been Europe’s most powerful economy. German efficiency and reliability are legendary. Yet, from 1995 to 1998, Germany’s economic growth was 2.1% a year – half the 4.5% achieved by the US and even lower than the OECD average of 3%.

Some blame Germany’s poor performance on its reunification after the fall of the Berlin Wall. Others cite over-regulation and welfare-state policies. But the problem may be more deep-seated. German precision and quality were excellent for the industrial economy. However, with technology and markets in a flux, the world favours flexibility and greater agility.

Likewise, Japan is facing a big challenge in adapting to the new economy. Its life-long employment culture, a virtue for social stability, may become an albatross when nimbleness and responsiveness are required.

The lesson for us is clear. We cannot cling on to strategies and programmes which might have served us well in the past but which are no longer relevant. In the old days, the Americans used to say, “If it ain’t broke, don’t fix it”. Then they changed it to, “If it ain’t broke, fix it now so that it will not break one day”. Now the saying is, “If it ain’t broke, break it before your competitors do”. What this simply means is that when all things are going well, look for something else, look for new ways of doing things and new things to do. To be producing the same things more productively alone is not enough. You have to innovate

before others do. Unlike in the past, countries, corporations and even individuals who fail to innovate quickly will become outdated and irrelevant.

Vision of an Innovative Society

To many people, the word “innovate” conjures up images of science labs, high-tech computers, and people with a string of degrees working in a faraway place called Silicon Valley. But that is incorrect. Innovation is nothing more than coming up with good ideas and implementing them to realise their value. It is about value creation.

There are pockets of innovation everywhere in Singapore. Let me give you a few down-to-earth examples. The amazing variety of hawker food we have in Singapore is an example. In the past, when you ordered ice kacang, you would expect to get syrup, red beans, chinchow and ice shavings. But now, they come with soursop, durian and even something called “IQ balls”. I do not know whether IQ stands for intelligence quotient or ice kacang spelt with a ‘q’.

Or take “yu sheng”. It is actually a very simple and cheap dish of shredded vegetables, raw fish and deep fried crisps. But enterprising businessmen led us to believe that the raw ingredients symbolise the renewal of life and prosperity. They even get us to toss the salad ourselves, and then charge us for service. Well, they have created value out of our superstitious beliefs. I hear foreign restaurants in Singapore are now getting into the act. Last Chinese New Year, an Italian restaurant offered an Italian smoked salmon yu sheng with grapefruit, basil, Parmesan cheese and pine nuts.

Some of our departmental stores are also very innovative in their approach to increase sales. When a customer walks into the shop, especially during a sale, to buy, say a pair of trousers, he will be greeted by a sales person. The sales person will ask the customer three standard questions: (1) What style do you want – baggy or straight cut? (2) What is your preferred material? And (3) What is your size? He will then excuse himself and return shortly with different samples for the customer to try. The idea of such a personalised service is to help the customer make his purchase quickly and get him out of the shop so that more customers can come in.

But isolated examples such as these are not good enough. We need to bring together the best talents worldwide and, at the same time, maximise the creative energies and drive of everyone in Singapore. Innovation must be the new

Singapore mindset.

The future Singapore economy cannot thrive on productivity alone. It must be driven by both productivity and innovation. We have to become an innovative society. Let us work towards this goal over the next 10 years. The spirit of innovation must permeate every level and every sphere of our activities. We want a spirit of enterprise, where trying, learning and improving is a way of life; where everyone seeks to create value to have the extra edge. Singapore will then be a place where embracing change and creating value become instinctive.

We need to review our deeply held assumptions and beliefs to bring about this vision. Many would have to give way to fresh ideas and new practices. To bring about a change of mindset is not an easy task. Let me just give you one simple example to illustrate the scale of the problem that lies before us.

Changing mindset is like changing the way we type. We are all familiar with QWERTY, the six leftmost and topmost letters of the alphabet on a keyboard. This arrangement of the letters, as well as the other letters of the alphabet, is the standard layout of most keyboards. But this is not the most efficient layout! Typewriter inventor Christopher Sholes designed the QWERTY arrangement in the 1870s because his early typewriters could not handle rapid typing speeds without jamming. Sholes' layout fixed this problem by separating the most commonly struck key pairs.

In 1936, Dr August Dvorak invented a new keyboard to maximise typing efficiency. The layout was more efficient as it minimised finger movement. It was a big innovation to increase both speed and accuracy, compared to QWERTY. But the new layout never caught on. Typists learnt their trade on QWERTY keyboards. Their teachers had learnt on QWERTY keyboards, as these were what manufacturers produced. Manufacturers made QWERTY keyboards as these were what typists wanted. Those who learnt to type on QWERTY keyboards were unwilling to switch to Dvorak because they were afraid of the learning curve. One hundred and thirty years later, the mechanical typewriter is gone but the layout of the letters on today's computer keyboard remains. This is a clear case of how innovation and creativity can be stifled because of our reluctance to change.

A New Focus for the Productivity Movement

If the QWERTY phenomenon were a mere aberration in society, it should

deserve no more than a good laugh. But it is not. Examples similar to the QWERTY keyboard are pervasive in the economy. For example, many of us still prefer to pay our regular PUB and telephone bills by cash or cheques when GIRO is available. Hence, if we want to realise our vision of an innovative society, we need a concerted, deliberate effort to transform the mindsets and processes which choke and kill innovation. A national focus on innovation is required.

The Productivity Movement made a good start in the last five years by adopting “Innovation and Quality” as its theme. Innovation must now be lifted to a higher plane. Hence, from today, the Productivity Movement will be expanded to become the Productivity and Innovation Movement. It will emphasise, promote and spread Innovation and Value Creation to all sectors of the economy. The National Productivity and Quality Council will also be repositioned accordingly. These are not just name changes. We will give topmost priority to promoting innovation to all segments of society.

I hope we can see many initiatives to boost innovation in the years to come. Our years of productivity promotion have taught us that innovation must also be systematically promoted through the four stages of awareness, education, action and ownership. This will cover the workplace, schools and society at large. The Ministries of Education, Trade and Industry, and Manpower, and the Singapore Productivity and Standards Board (PSB), Economic Development Board (EDB) and other agencies will have to work closer together to cultivate the innovation culture among students, the workforce, businessmen, the Civil Service and leaders in society.

PSB will play a lead role in developing and improving specific tools and programmes to enable innovation to take place. For example, quality circles, which have been promoted since 1982, can now expand their scope to become Innovation and Quality Circles, or IQ circles, to follow the example of IQ balls.

Once ideas are conceptualised, they need to be developed to realise their full potential and value. PSB could play a matchmaker role to marry innovative ideas with individuals and organisations that can implement and realise them. PSB will work with the National Science and Technology Board (NSTB) and EDB to harvest innovative ideas for implementation in industry.

To support all these efforts, a framework to reward and recognise innovative efforts at both the individual and organisational levels must be in place. EDB,

NSTB and PSB will therefore jointly introduce the National Innovation Awards from next year to serve as the premier award to recognise exemplary innovation efforts.

Conclusion

Ultimately, it is people who will make the difference in transforming Singapore into an innovative society. The Government will provide the infrastructure and create the environment for more people to take business risks. But each of you must act. The theme of the Productivity Campaign this year, “Innovation and Value Creation”, is an appropriate call for action. Each of you can and must innovate. Together, we can transform Singapore and ride the crest of change in the world.

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