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SPEECH BY THE MINISTER FOR LABOUR, MR ONG PANG BOON, AT THE NATIONAL PRODUCTIVITY BOARD'S 10TH ANNUAL CERTIFICATE PRESENTATION DINNER HELD AT THE NEPTUNE THEATRE RESTAURANT ON WED 19 APR 78 AT 7.30 PM

The pace of world economic recovery is largely dependent on the lead taken by the industrialised Western economies and Japan. The fear of triggering off another bout of inflation makes recovery more difficult. Meanwhile increasing unemployment provides fuel for protectionism. While protectionism provides a short-term solution, it will retard the development of the world economy and affect adversely the economies of developing countries. Compounding this situation is the decline of the US dollar against the other major currencies and its unstabling effect on the international monetary system. There is, therefore, little room for optimism and the realities of operating in a sluggish and uncertain world economy have to be recognised.

Singapore, without an agricultural base and dependent primarily upon international trade, cannot allow escalating unemployment and high inflation to permeate its economic system. It was only with hard work especially in the manufacturing and service sectors and intensified export and investment promotion that we managed to attain a 7.8 per cent increase in Gross Domestic Product (GDP) in 1977. This was an improvement over the seven per cent increase the previous year. Inflation was also successfully contained in 1977 with the Consumer Price Index increasing marginally by three per cent after declining by 2 per cent in 1976. Jobs were and are still available for those willing to do a fair day's work.

Unemployment in 1977 fell from 4.5 per cent in 1976 to 3.9 per cent. 33,500 new jobs mainly in the manufacturing and commerce sectors were created last year. Labour productivity measured by value added per worker also registered an increase of 4 per cent.

While there is little we can do to spur world economic recovery, there is much that we should do to gird ourselves to meet the mounting competition in the shrinking world markets. Towards this objective, we had exhorted our workers on the imperatives of positive work attitudes. It would perhaps be opportune for me this evening to discuss a complementary subject and that is the desirability of upgrading business performance and enhancing management ability.

In 1977, 2,885 companies were registered with the Registrar of Companies. During the same period, 127 local companies were wound up by the Court while 350 other local companies wound-up voluntarily, ceased business or were struck off. Why do these businesses fail? Actual statistics on the causes are not available. While possible causes include the use of out-dated technology, resistance to change, lack of innovation, competition, problems of capital, poor location and premature expansion, one suspects that if there had been better management ability business failures could be drastically reduced. It is true that success will depend on entrepreneurial judgement. However, in the modern business world of today, this alone is not enough. It must be backed up by modern management techniques and methods. It is modern management which will enable our local businesses to expand and to compete overseas.

It is still common to find many enterprises in Singapore, particularly the small and medium-sized firms, lacking proper accounting, costing and budgeting systems. The inevitable result is that such firms experience difficulty in controlling costs. This results in frequent cost overruns, inability to quote competitive prices or assess the profitability of individual products. The lack of a proper management system works against such firms as they will experience difficulties in satisfying the lending requirements of banks and other financial institutions.

Many of the smaller and medium-sized firms in Singapore also face production problems. These are largely due to incorrect plant layout, inadequate stocks and poor quality control.

Our efforts to increase productivity and be more competitive can best be achieved if we utilise the wide range of management tools and techniques currently available. Briefly, these can be categorised under management training, management information systems, industrial engineering, supervisory development and automation and technology. Training courses in these fields as well as consultancy services are offered by the National Productivity Board. Greater efforts should be made by the NPB to improve and upgrade these courses and especially the consultancy services in order to meet the requirements of the firms.

Technology also increases productivity. The notion that technology is expensive, complex or sophisticated is erroneous. The concept of low cost automation, which is also promoted by the National Productivity Board, uses

inexpensive standard components to modify existing equipment to attain a high degree of automation and thus speed up the production process. Needless to say, a quick return on investment is achieved.

The methods and techniques described will not result in significantly improved performance unless managers can motivate their workers towards the attainment of organisational objectives. Workers should not be treated as mere cogs in the business enterprise. The need to motivate has assumed greater relevance in Singapore as our workers are becoming more educated and aware of their rights and obligations. It should be recognised that an organisation's best improvement resource is its employees. Worker motivation can be achieved if good communication and understanding exist between both parties. Management should encourage workers to suggest work improvements. Increased output should be acknowledged. A properly mapped out and administered career development programme would go a long way in demonstrating concern for the welfare of workers and also inculcating company loyalty. Opportunities should also be given to workers to use their job knowledge and ability to identify and solve problems for the company.

In short, if Singapore's entrepreneurs and managers are quick to take full advantage of modern management techniques and tools, while at the same time adopt necessary measures to motivate their staff towards higher levels of production, we will stand a better chance of weathering the ills of the world economy and moving towards a better society.