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ENTREPRENEUR INSIGHTS

Gaining an edge through innovation

As competition intensifies, manufacturers need to use technology to develop new products that will grow their business. And help is available, report CHARMIAN KOK and NISHA RAMCHANDANI

THE days of relying on low costs and pure manufacturing competencies to draw investments and business into Asian countries are gone.

As organisations in the region find that their initial cost advantages are being eroded by improvements in the countries' economies and rising labour costs, more are seeking competitive advantages in innovation, partly in response to customer demands.

And with global outsourcing extending beyond manufacturing and design to areas like innovation and R&D, Asian manufacturers find that they are playing an increasingly vital role in their customers' R&D strategies.

This is especially so since the R&D-based innovation process is becoming increasingly complex, as more multinationals embark on a drive to externalise their R&D and innovation pipeline.

Spring Singapore, the government agency which helps the development of local enterprises, said: 'With competition becoming more intense both globally and domestically, it is increasingly difficult to compete only on cost. Where feasible, our SMEs should explore the use of technology to develop new products or processes that will allow them to grow their business and to improve their profitability.'

Selling points

This sentiment is echoed by Jong Voon Hoo, chief financial officer of China-based Youcan Foods. 'Competition is intensifying across most industries and it is getting more difficult to find unique selling points on similar products. Therefore it is important that our R&D department remain creative,' he said.

However, creativity is not something that can be obtained at the turn of a tap.

Most of the companies BT spoke to highlighted the crucial role of having an environment that encourages and rewards creativity, experimentation and enterprise.

Fong Saik Hay, chief technology officer of ST Engineering and president of ST Dynamics, believes that having an enlightened management which is patient and tolerant towards diverse views is key to a flourishing culture of creative R&D in a company.

'We have a culture that says it is fine to fail. It is better to try and fail than not try at all. It is more important that we learn from our failures,' he commented.

For Darius Cheung, CEO of mobile technology start-up tenCube, teamwork plays a big part in creating a conducive and supportive environment which allows creativity to thrive.

'We build a team that is collaborative and strongly-tied, which encourages idea-sharing and frank feedback,' said Mr Cheung, adding that the company is slow to dismiss any suggestions before careful evaluation.

'Asian companies are commonly pressured to focus on short-term profits without the freedom to invest in creative processes that may be difficult to justify in terms of monetary returns. However, it is the very same process that is required to create innovations that may produce tremendous bottom-line results,' said Mr Cheung.

ST Engineering, on its part, leverages on partnerships with research institutes, small start-ups as well as mature companies to boost its own innovation capabilities.

'We scout for technology partners locally and all over the world. Basically, we focus on what we excel in - translating our capabilities into solutions to meet market requirements,' explained Mr Fong.

Customer needs have also served as an impetus for some companies' R&D efforts.

'All innovative ideas lead to better products and processes, which in turn translates to better customer service. All these will enhance and improve customer relationship as well as expand business,' said Tan Kay Guan, chief operating officer of Miyoshi Precision Limited.

Over at ST Engineering, financial rewards are offered for inventions and the company has established a Business Excellence Component Committee which focuses on building a strong innovative and technology-savvy culture.

Short-term pain

However, many small companies may not even have the necessary resources or ability to weather the short-term pain before reaping its rewards.

In Singapore, at least there is some form of government aid available.

To help such companies, Spring Singapore launched a \$150 million Technology Innovation Programme (TIP) last August. It supports the development of technology infrastructure of SMEs by setting up Centres of Innovation that provide technological consultancy and advice to SMEs.

Spring Singapore also launched the \$9 million Intellectual Property Management (IPM), a programme that encourages SMEs to develop a strategy to create, own and protect their IP to ensure that SMEs reap the rewards of their R&D efforts.

The programme, which covers brands, designs and trade secrets among others, offers a prime way for companies to protect their ideas in an affordable and effective manner. Still, certain elements can pose a substantial obstacle when it comes to creative R&D in Asia.

'Thomas Friedman wrote a book *The World is Flat* which describes a level playing field brought about by the accessibility of information, flow of ideas and capital, in terms of innovation and research. The challenge is to have an organised system to bring good ideas to the market,' said Mr Fong of ST Engineering.

He also lamented the difficulty of finding ways to encourage talent to stay in the science and technology fields.

Still, all is not lost.

One of the ways ST Engineering overcomes such challenges, he said, is through a combination of entrepreneurial spirit, innovative products, creative packaging and leveraging on group resources and positioning.



Meeting the challenge: Mr Darius Cheung (above), Mr Jong Voon Hoo and Mr Tan Kay Guan. Spring Singapore has launched the Intellectual Property Management programme which encourages SMEs to develop a strategy to create, own and protect their intellectual property to ensure that SMEs reap the rewards of their R&D efforts.

