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THE ST INTERVIEW

Wading into the Blue Oceans

Wanted: Entrepreneurs who dare venture into new markets
By Francis Chan, COMPANIES CORRESPONDENT



Mr Lee says a lot of talk about productivity tends to focus on workers rather than the CEO, but besides manpower, many other factors can hold back a firm's productivity. --ST PHOTO: JOYCE FANG

ENTREPRENEURS can be the real game-changers in the national productivity movement because of their ability to innovate and create value.

And those same instincts and ideas are essential in freeing up bottlenecks that hamper company growth, according to the Minister of State for Trade and Industry, and Manpower.

Mr Lee Yi Shyan, 48, who is also Minister-in-charge of Entrepreneurship, has seen it happen often enough - budding Singaporean entrepreneurs, who against all odds, manage to transform their ideas into thriving businesses.

That same mindset could help bosses think of incremental changes in productivity that go well beyond just getting workers to increase output and lower costs.

'Cheaper doesn't always mean better,' said Mr Lee. 'Sometimes you must think of value creation, that is the most important.'

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Wading into the Blue Oceans

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Many bosses have already used technology to boost efficiency and have sent workers for skills upgrading, but the real challenge is how to get them to be more entrepreneurial and innovative.

Mr Lee sees all that starting with the men and women at the top. A lot of talk about productivity tends to focus on workers rather than the CEO, he said.

'Cheaper, better, faster' - CBF for short - have been the buzzwords as the Government campaigns to drive productivity growth up from 1 per cent a year in the past decade, to 2 per cent to 3 per cent.

And bosses have invariably become preoccupied with trying to squeeze more out of their workers. But, besides manpower, many other factors can hold back a firm's productivity, said Mr Lee.

'There are segments from market competitiveness to internationalisation, to brand building and even the type of business model used. So if you are at a stage (of losing productivity), maybe it's time to tell your workers, 'Guys, you've done your best, but the productivity problem does not lie with you, it lies with me!.'

Business owners have to ask themselves competition-related questions, the same ones entrepreneurs would have raised and tackled at the outset, he said.

'Yes, there is room for (Ishikawa) fishbone diagrams and for workers to work harder, but beyond a certain level, what you will need is business model innovation, you will need something that no one else has ever done before,' he said.

This strong correlation between productivity and innovation meant it made even more sense to promote entrepreneurship and create an eco-system conducive for firms - especially small and medium-sized enterprises (SMEs) - to thrive.

The former chief executive of International Enterprise (IE) Singapore - his last job before entering politics - believes the local business community is already on the cusp of a new phase.

He pointed out that the number of top-tier SMEs in Singapore - those with more than \$100 million in revenue - almost doubled from 280 in 1998 to 530 in 2007. He would not be surprised to see the figure double in the next decade.


Through innovation, local firms have become more sophisticated, and in time, may become world-class with products known globally, he said.

'We are now making that very important shift towards an era of entrepreneurship and innovation,' said Mr Lee, who has held various positions at the Economic Development Board and the former Productivity Standards Board.

'What we should do more is to create business models that can scale up more quickly,' he said, referring to technology-based innovations such as the iPhone, Web-based telephony software Skype, social networking site Facebook and Chinese search engine Baidu.com.

'Baidu was a competitor of Google, but they managed to

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establish a huge following in the Chinese market really fast. So sometimes when creating a business model, you can either be an originator or be a really quick follower - both have their risks and rewards.'

Singapore could benefit from having more start-ups going into similar areas that would allow them to scale up and overcome market constraints, he said.

Local entrepreneurs must seek and operate in 'Blue Oceans' of uncharted markets where demand is created rather than fight over 'Red Oceans' or established, conventional and saturated markets.

Mr Lee is the third to hold the post of Minister-in-charge of Entrepreneurship since he took over from Minister for Community Development, Youth and Sports Vivian Balakrishnan in May 2006.

Transport Minister Raymond Lim was the first to hold the post, created in 2003 after Economic Review Committee (ERC) recommendations aimed at making Singapore more business-friendly. Mr Lee said the Government felt the ERC recommendations were valid, as it believed entrepreneurship could actually be nurtured.

'So we went on to do what we thought was correct and never looked back since. Today, statistics validate our progress in the different aspects of our entrepreneurship scene, but you can feel it too.'

Rankings and figures suggest that the Republic has increasingly become more business-friendly, even for start-ups.

The World Bank ranked Singapore the easiest place to do business for the fourth straight year last year. And Accounting and Corporate Regulatory Authority figures show the number of new start-ups registered here rose from 36,729 a decade ago to more than 51,000 last year.

This translates to more than 100 businesses for every 10,000 Singaporeans, almost double that in Britain (53) and Finland (56), although it remains only half of that in the United States (207).

Today, more than 160,000 business entities operate here, of which 99 per cent are SMEs, which provide jobs to six out of every 10 workers, and account for nearly half of economic output and about 30 per cent of economic value-add.

More than 70 per cent of SMEs attribute their revenue to markets abroad.

'These are huge numbers, but we don't hope to move the needle per se,' he said, acknowledging that he did not view it as purely a numbers game.

'There are those in the high end of the pyramid that we can focus on and those at the bottom, the start-ups, whose growth we can help accelerate.'

The focus now is helping bosses to be more 'holistic' over productivity gains.

'We will go and say, 'Hey guys, there are a lot of things you can do within your shop or store, such as automation, embracing technology, training of workers - all which you must

do, but up to a certain level you must innovate'. So over time we need to get our people away from the 'Red Ocean', the 'me too' product category... and think of the 'Blue Ocean'.'

Mr Lee thinks that in some ways Singapore may be a victim of its own success.

'Someone once asked how we can create more hunger in our population,' he said. 'But with 2.2 per cent unemployment, and graduates having four or five choices in terms of job offers, who do we have left to be entrepreneurs? That's a good problem, but it is also a challenge.'

One way: Expose local entrepreneurs to new, creative thinking in larger economies like the US and China, to create the mindset and cultural change they need to be more competitive, he said.

But Mr Lee admits nurturing entrepreneurship and productivity is not straightforward. The Government can work to create a dynamic culture here, but this can be successful only if enough budding entrepreneurs out there take the leap.

'The cultural aspect is important because entrepreneurship is almost as much a mindset as it is a skill set,' said Mr Lee.

'So if you talk about someone promoting entrepreneurship, it almost sounds like an oxymoron, because to some people you're born an entrepreneur.'

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MINDSET AND SKILL SET

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