BY CHIU WU HONG

STAYING AHEAD

Companies need to reassess business direction and improve operations to keep up with the demands of the new economy

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OLD economy, new economy – business is business, and some things never change. What has changed, however, are the challenges that today's business owners face. The issues are far more complex and dynamic; and the decisions, difficult.

Rising operating costs, market competition, the shortage of skilled talents and a greying population remain the biggest concerns among business owners in Singapore.

In the fast moving consumer goods (FMCG) sector for instance, there are already an infinite number of marketplaces serving billions of consumers around the world. The battle to stay ahead of the game is fierce. For companies in this space, competing on cost is at best a zero-sum game. They will need to reassess business direction and improve operations to keep up with new economy demands.

Companies in the manufacturing sector such as shipbuilding and precision engineering have not had it any easier. They are as challenged by rising costs and, in recent years, an acute shortage of skilled labour.

FACING UP TO THE CRUNCH

To better manage costs and the shortage of skilled labour, companies have been turning to technology to improve operational efficiency and productivity in the workplace.

A growing number of business owners have also come to recognise that efforts to raise productivity have to be more concerted and holistic. It is not enough to simply invest in new equipment. They must hire and retain the right talents, harness technology to improve processes and ensure that staff receive the training that they need to be effective in their jobs.

For companies that have gone down the productivity route, it has also become increasingly apparent that to raise business performance to the next level, innovation – whether evolutionary or revolutionary – has to take place. It is the key to business sustainability.

NOT ROCKET SCIENCE

Innovation is about finding better ways to do things. It can take many forms, from improving processes and enhancing customer experience to changing the business model.

An example of innovation in its simplest form is the use of technology to improve workflow and reduce paper consumption. Another example is that of a retailer designing an application to capture consumer spending habits in order to develop targeted promotions. Such applications may be innovative by way of concept and ideas, but do not require new technological breakthroughs and are easily implemented.

Innovation is also possibly one of the most effective ways to gain market share and build a sustainable profitable business. Occasionally, these innovations can turn out to be game changers. Take the Apple iPhone and iPad for instance. These products have changed the way that we think about technology and how we interact with personal devices.

For innovation to happen, there has to be business leadership and entrepreneurial spirit. Everyone in the organisation has to be committed to doing their jobs better.

Many established companies – both overseas and in Singapore – understand that innovation must be on the board's agenda and have dedicated chief innovation officers (CIOs) within their organisation. The role of the CIO is to think ahead of the curve, build and align the innovation culture and strategies, and nurture new business ideas that will transform the organisation.

A home-grown company that comes close is Wong Fong Engineering Works (1988) Pte Ltd (WFE) which started as a modest servicing workshop in the 1960s. Fifty years on, WFE is recognised in the industry for its innovative solutions for load handling and transport logistics, waste management, mobility aids and defence systems.

Given its understanding of engineering industry needs, and building on its experience and expertise, WFE established WFRIC World, its research and innovation centre to re-engineer and re-design its processes and products. Having these capabilities have allowed WFE to pull ahead of its peers, and has resulted in collaborations that place WFE squarely in previously untapped markets. The most recent is its collaboration with the NUS Environmental Research Institute to design and develop sustainable waste management solutions for cities.

WFE's latest inventions – the fibreglass reinforced plastic tailgate and the HERK Doorlift – made their debut at the China Commercial Vehicle Exhibition in November last year and were well received.

EASING THE WAY AHEAD

To support and subsidise enterprises like WFE in their productivity and innovation activities, the Singapore government has rolled out numerous programmes, the latest being the Productivity and Innovation Credit (PIC)+ scheme, an extension of the PIC scheme introduced in 2010.

The PIC+ scheme is available to SMEs which incur PIC qualifying expenditure beyond the combined cap of S$1,200,000 for years of assessment (YA) from 2013 to 2015 and from 2016 to 2018, respectively. In addition, the expenditure cap for the 400 per cent tax deductions/allowances has been raised from S$400,000 to S$600,000 per qualifying activity per YA.

The scheme also provides substantial tax benefits to companies that undertake research and development (R&D) activities. Tax deduction for qualifying R&D conducted in Singapore has been raised from 100 per cent to 150 per cent while other R&D expenditure is kept at 100 per cent.

The common assumption is that R&D involves large capital outlay and scientific technology or laboratory research. What most companies do not realise is that, subject to meeting the definition of R&D, activities such as the restructuring of business operations or deployment of methods to improve the quality of products and services offered, or just to reduce costs, may qualify for R&D tax deduction.

Other activities that may qualify for tax benefits under the PIC scheme include registration of intellectual property rights (IPR), acquisition and in-licensing of IPR and approved design projects.

TAKING THAT FIRST STEP

It is important to remember that productivity is not about cutting costs. It is about doing the right things to achieve maximum efficiency and value. And innovation comes into play in a big way.

Companies have to start thinking and acting differently as one. It would involve asking the right questions, taking calculated risks, having a tolerance for failure and celebrating successes, big and small.

It is important to:

- **Stay focused:** Know what works, what are your company's core strengths and commit to making them better. Chasing unproven business ideas will distract you from your primary goal.
- **Recognise that innovation does not happen overnight:** Often, a new business, product or service is born of numerous iterations.
- **Be comfortable with ambiguity:** Have patience especially when ideas don't fly, encourage staff to experiment as innovations are born from iterations.

Innovation is not an exercise. It has to be part of every company's DNA. ■

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