

CULTIVATE THE SPIRIT OF INNOVATION

The ability to upset and disorganise the existing way of doing things will help SMEs survive the ongoing productivity drive in Singapore **BY MIRANDA LEE**

WHAT is entrepreneurship? Many assume that it must mean new technology – so we see governments rushing to fund new Silicon Valleys. Or that it is about startups – so they push grants to prop up small and medium-sized enterprises (SMEs). But one does not need to be a geek to be an entrepreneur. For instance, Austrian marketer Dietrich Mateschitz built a business empire out of an energy drink. Red Bull is today a global cult brand, with over five billion euros (S\$8 billion) in sales last year.

Nor is the small-business owner necessarily a true entrepreneur. One dreams of opening another shop, but the other dreams of changing an entire industry. Charles and Keith Wong – the duo behind the shoe brand that bears their names – are entrepreneurs rather than just shoemakers in the way that they set their eyes on global shores from early on. Today, Charles & Keith has 390 stores in Asia, the Middle East, Europe and Africa.

This spirit of innovation is well-recognised as the catalyst for economic dynamism today. It stands in the breach between stagnation and growth. But innovation – the ability to upset and disorganise the existing way of doing things – is that same ingredient that will help SMEs survive the ongoing productivity drive in Singapore.

In all likelihood, tighter foreign manpower policy and higher wage costs are here to stay. SMEs also face the compounded challenge of having to compete for talent with large multinationals in a finite talent pool. To win in such a landscape, Singapore entrepreneurs would have to apply their native ability to survive the odds and transform themselves.

Entrepreneurs, by one definition, are contrarian value creators. They see business opportunity where others see only dead ends.

For a long time, Ya Kun's coffee business relied on seasoned coffee brewers to roast the coffee beans well. The quality of their brews – and survival of the business – relied on this one process.

But good coffee brewers were few, and expansion plans were hampered. The company had to extend coffee quality assurance beyond brewing, breaking it into a number of smaller steps including sourcing for and owning coffee plantations to ensure access to high-grade beans. Today, the coffee house runs 40 outlets in Singapore and 30 more overseas.

Having an appetite for new ideas is also important when faced with the need to build entire ecosystems out of thin air, from supply chains to labour pools. Bee Cheng Hiang, a barbecued meat retail chain, dealt with one of its biggest problems – recruiting and retaining young people as brand managers – by expanding the work scope to include branding, marketing and business



PHOTO: ISTOCKPHOTO

development for new regional markets such as Japan and South Korea.

This sort of imaginative thinking on how to attract good workers will be increasingly important as more Gen Y-ers – who expect less traditional roles – join the workforce.

SMEs in Singapore are squeezed on many fronts: an ageing workforce that inevitably impinges productivity; higher wage and rental costs; tighter foreign labour policies; and sharper competition from fast-developing countries in the region. Some may be driven out of business altogether as each industry consolidates.

But those that survive are the ones that are willing to pilot and then scale up new ideas. They are also adept at reacting quickly in rapidly changing markets. These are skills that will help them cater to the new middle classes, and thrive in a fast-expanding Asean region and beyond. ■

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COPING IN A CHANGING MARKET

How SMEs can survive and thrive in a difficult business climate:

1 Focus on your ambition. Ambition is more than strategy. Strategies come and go; ambition is why you started your company in the first place.

2 Train and engage your people. A good place in which to work is what will sustain your business in the long run. One of the main reasons that great people leave jobs is that they feel they are not learning anything.

3 Pilot new ideas and scale up for the longer term. This ensures relevance and freshness of the business.