

THE SECRET TO BUSINESS RESILIENCE

Be like the bamboo, not the oak

COMMENTARY BY
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“Singapore is too small and its talent pool is too small to produce a world-class manufacturing giant of the Fortune 500 class,” Singapore’s founding Prime Minister Lee Kuan Yew once said. A cryptic remark, indeed, because it does not imply that he thinks Singapore cannot produce knowledge-based giants, or resilient “bamboo innovators”.

Why bamboo innovators? Bamboos bend, not break, even in the most terrifying storm or devastating earthquake that would snap the mighty oak tree. It survives, therefore it conquers.

Disruptive industry trends and black-swan crises have become a permanent fixture in today’s market-

place. How wonderful it would be if countries, companies and individuals can stay resilient amid such upheavals and unorthodox challenges.

The study of bamboo innovators could inspire companies to be productive innovators in order to surpass stall-points in their business models during tumultuous periods, particularly for small and medium enterprises aspiring to scale up to become global champions.

But why is it that Asian companies are predominantly product manufacturers in the first place? This could ironically be a result of the Asian values of hard work and sacrifice.

It is far easier for the Asian entrepreneur to be the middleman taking orders from a few important anchor multinational corporation customers with access to the end-customers, take capital risk investing in tangible

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assets and work hard to produce the required products with quality and efficiency — than to attempt to build business models that have direct ownership of the hundreds and thousands of end-customers.

As a result, these entrepreneurs are unwilling to share the rewards with their “undeserving” staff who took neither risk nor sacrifice. They treat employees as expenses and not intangible assets, make most or all of the decisions and hoard most resources and information, running the firm as a “one-man show”. Eventually, they may face the challenge of business continuity arising from succession woes.

NEW IDEAS

Keyence is an example of the unconventional Asian firm. Founder Take-mitsu Takizaki liberated the firm from manufacturing conventions and built a knowledge-based enterprise in laser sensors for factory automation, serving more than 100,000 customers in 70 countries.

Despite having less than 1 per cent global market share in a commodity-like product and only around 3,000 employees, Keyence commands a US\$17-billion (S\$21.1 billion) market value — approximately similar to Singapore’s Keppel Corp, a global leader in offshore oil rig design and building.

Mr Takizaki understood keenly that Keyence cannot improve on Japan’s legendary manufacturing efficiency. So, unlike its manufacturing-based competitors who leave sales to distributors, wholesalers and agents, it deliberately avoids making products, except for manufacturing steps that involve trade secrets kept in-house.

Most of its employees are either “sales” or “research” staff. In their direct contact with the customers, Keyence’s in-house “sales” team picks up new product ideas on frequent factory visits. For instance, its front-liners observed from the production lines at instant noodle factories that the noodle quality was compromised because the noodles were manufactured at variable thicknesses. Laser sensors that could measure noodles to 1/100th of a millimetre were developed to ensure consistency.

A quarter of sales at Keyence is generated from such new products every year, more than what 3M achieves. To excel in these areas, Keyence had to cultivate a meritocratic culture, and it is known for having some of the highest-paid employees in corporate Japan.

Bright young people from rival firms are attracted to Keyence by the performance-based pay. The average salary there is US\$100,000. Engineers also get to do their own research, rather than labouring for years under grey-haired supervisors.

THE EMPTY CORE

Keeping the front line or the “periphery” resilient and innovative, and the centre or the “core” diffused, and enforcing meritocratic values at all levels have compounded immense value at Keyence. This “core-periphery” growth pattern is also that of the bamboo: The vitality of its growth revolves around its “empty” centre.

Instead of constructing itself inch by solid inch, like a tree, the nutrients and moisture that would have been exhausted making and maintaining its empty centre can be utilised for growth of its periphery in the stem. From a builder’s viewpoint, the architecture of the bamboo presents a powerful configuration: Fibres of greatest strength occur in increasing concentration towards the periphery.

Manufacturing and project-based companies often tout the size of their order book and their idea of “team” is about having high-profile dealmakers who can bring in the sales orders; the job of “everyone else” is to execute efficiently and “productively”.

The well-connected dealmakers may be able to pull in high-dollar projects, but because of the difficulties in coordinating and executing large-scale complex projects, these deals cannot be repeated and the hype associated with a big order book starts to fade, particularly when cost overruns and delivery delays rear their ugly heads. Bigger becomes riskier.

Even in manufacturing, the only way to perform and execute large-scale complex projects repeatedly is to create a culture of excellence where the interests of emotionally engaged front-liners matter in the innovation and value creation process.

Customers are attracted to this contagious performance culture rather than to the dealmakers on a relationship basis, resulting in a valuation breakthrough beyond the billion-dollar market value barrier that many Asian companies find difficult to break.

“Fortune 500”? With “emptiness” in business model design, Singapore can instead aim for its own resilient “Bamboo Innovator 500” powerhouse with a US\$10-trillion value.