

Pursuing Perfection in Partnership with Lexus

Strong small and medium enterprises are a common feature of developed nations. Malaysia, with its vision of becoming a developed country by 2020, is pulling out all the stops to spur its SMEs into becoming international players. Four chief executives give their views on how our SMEs can become suppliers to MNCs and attain global status.

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The last century saw four revolutions - information, communication, automation and globalisation. Globalisation has begun and no one is spared its impact, be it positive or negative. Our SMEs must respond to the wake-up call if they are to survive, let alone grow in their own backyard.

Gearing up to supply global organisations is the stepping stone to becoming global players themselves if that is their ultimate game plan. The world's largest glove producer, Top Glove, was once a SME.

My 12 years of TEC experience with over 200 SMEs indicate that the majority of them are in the 'Go-Go', transition to Adolescence or Adolescent phases of their company's life cycle. After having successfully started their businesses and grown in the first several years, their common challenges are: one-man shows, venturing into too many things at the same time, weak control systems, organising things around people (usually with family members and close friends), resources spread too thin, funding issues and where everything is a priority.

So, what does it take to be a part of the global supply chain for the Intels, Motorolas, Ikeas, Dells, Nokias and Sonys of the world? The entrepreneurs and/or top management of aspiring SMEs must:

- Have a committed vision to become a global player;
- Hire professionals instead of favouring family members in key critical positions and link incentives to performance to motivate and retain them;
- Be open to ideas of bringing in new shareholders/partners with synergistic fit to fund and/or assist future growth although this may mean sharing ownership and/or diluting majority equity control;
- Be prepared to relocate facilities and/or invest in new ones overseas to be logistically close to the MNC customers to provide shortest lead time and after-sales support. For example, AT Engineering invested in new facilities in Suzhou and Aident Corp in Shanghai and Tianjin to support their customers;
- Invest continuously in infrastructure - up-to-date facilities, modern technology, quality-control systems and people development to align resources with company vision;
- Be transparent with financial and other information with MNC customers to determine competitive pricing and fair margins for long-term supply relationships;
- Learn fast and adapt with agility as future changes are likely to double or treble the present speed of change. The future will surprise us with wild cards which could win us the game or wipe us out;
- Appoint a board of directors with non-family members with proven track records as the majority (or join a formal mentoring peer group like TEC or YPO) to continuously test the company's strategies, provide objectivity and neutrality on major decisions, and ensure good governance;
- Collaborate on MNCs' new product innovation programmes to co-design and co-develop new components to further strengthen relationship;
- Participate and support some of the MNCs' corporate social responsibility initiatives to further build rapport and trust with MNC customers; and
- Invest in branding initiatives in preparation of becoming a global player in future with or without government grants.

Survival does not go to the strongest but to those who adapt best.

