

Riding on energised currents

Supreme Components International treads a steady path to success in the midst of industry volatility, reports LIM WEI SHENG

UP AND down cycles are not a foreign concept to Vick Aggarwala – after all, he has been a mainstay in the electronics components industry, where boom and bust cycles come fast and furious.

Helming Supreme Components International (SCI) since 2005 after more than 20 years donning management roles in the very same industry, Mr Aggarwala has borne testimony to its vagaries, evidenced by stellar 30 per cent industry growth in 2010, only to be followed by a meagre one per cent the year after.

“The leaders of companies in the electronics industry are relatively young but amply experienced. . . Experience has sharpened their ability to cut or ramp up production in anticipation of growing or dampening eco-

nomonic sentiment . . . resulting in such volatile price and market changes,” he says.

Nevertheless, Mr Aggarwala remains unfazed by the uncertainty ahead, believing that the key to thriving in the industry lies in constantly seeking out new technologies and niches. His belief is apparent in SCI’s strategies, notably his foray into the sector of light-emitting diode (LED) component and gadgets distribution.

“We saw that LED replacement technology would be up-and-coming in the lighting industry, with the lower power usage and extra number of hours provided, along with its eco-friendliness,” Mr Aggarwala muses, noting that his prescient beliefs have been validated by the LED industry’s predicted compound growth of 20 per cent or more in the next five years.

His efforts are starting to bear fruit – having plunged into the LED indus-

try way back in 2007, the division is starting to break even and witness modest returns on its investment efforts. SCI has now positioned itself at the centre of a robust distribution network, linking up with major LED lighting component manufacturers such as Citizen Electronics of Japan. “We know this business keeps us growing up and up,” says Mr Aggarwala.

Another of SCI’s specialities lies in its distributorship of obsolete and end-of-life components which are often hard to find on the market, so that the specific needs of customers are met. In the event that the component cannot be successfully found, SCI also offers the service of recommending alternative products which can serve similar purposes, but at lower prices or at higher quality.

This special service has allowed the company to gain an edge over larger franchised distributors, who

“tend not to participate in (such services),” Mr Aggarwala explains.

Yet, the dynamism and competitiveness of the industry has propelled SCI to go beyond distributorship to offer customised solutions for its clients.

“We work with the R&D engineers of our clients, offering them partial or full solutions so that they can come up with finished products as quickly as possible, reducing the time needed to market these products . . . instead of them doing everything themselves as they may not have adequate research facilities for entire product design completion,” Mr Aggarwala says.

For instance, in the area of LED lighting, SCI supplies not only LED lamps but also integral peripheral components such as optics reflectors, heat sinks, and drivers to improve the life span and efficiency of the LED devices.

The technical and engineering expertise which underlies these efforts are attributed to none other than SCI’s sales staff, all of whom are trained engineers or degree holders.

“About half of our staff are Singaporeans, while the other half come from 10 different countries. As a regional or global company, we hire people who can speak the language and understand the cultures of the countries which we work in, as they understand the nuances of doing business there much better,” Mr Aggarwala emphasises.

Recalling several instances in his company’s internationalisation efforts, Mr Aggarwala notes how business arrangements and practices differed distinctly from those in Singapore.

For one, he recounts the need to prepare offer sheets for clients in Korea, a practice not commonly found in Singapore. He also brought attention



Mr Aggarwala: “We know this business keeps us growing up and up.”

to the more deal-based business management methods found in the West, in contrast to the more relationship-based methods found in Asia, even in Singapore.

Internationalisation has always been on the cards for Mr Aggarwala, who has set his sights on breaking into the burgeoning BRIC (Brazil, Russia, India, China) markets within the next five to 10 years. Having set up a regional office in Hong Kong in 2007, Mr Aggarwala is keen to use it as a springboard to access the China market, starting from Shenzhen.

The establishment of another office in Bangalore, India, is set to come to fruition in the later part of this year. Despite the continued existence of protracted bureaucratic procedures in the latter, Mr Aggarwala remains determined to tap on the Indian market.

“India is now steadily moving into hardware as a result of infrastructural developments and business climate

liberalisation. We predict that manufacturers will start moving to India once China becomes more expensive,” he says.

SCI’s pioneering efforts have not gone unrecognised – the company was awarded the Enterprise 50 award in 2011 and has recently been placed 428 in a list of the top 1,000 SMEs ranked by return on equity, earning a respectable 42.87 per cent in 2011.

Its stellar showing is a source of personal accomplishment for Mr Aggarwala, who had always wanted to operate his own company, but only started his entrepreneurial journey in 2005.

“When I was working in my previous firms, I always had the wish to do my own business,” Mr Aggarwala confides. “I was lucky enough to have the opportunity to build up my previous firms (Future Electronics, Alcatel Micro Electronics, and Nu Horizons) in Asia, possessing the freedom to hire, train, and teach my staff, as well as incorporating the companies in multiple countries in Asia. That’s how the passion came about.”

Still, as an entrepreneur now, he acknowledges the shift in the nature of the challenges he faces. Mr Aggarwala admits that he can no longer rely on ample financial remuneration rewards to attract talent, but has to take into consideration other factors like hiring cost, company growth, risk, and company culture compatibility when making hiring decisions.

Ultimately, though, some values never change. Mr Aggarwala stresses the perennial importance of determination and hard work in bringing the business forward, values he has come to expect from his employees as well.

“People have got to be target-oriented. They must set a goal which they must meet or exceed. I believe that in just doing it, making it happen.”

Foster a culture of continuous learning and innovation

Q: In today’s dynamic business environment, how can SMEs ensure continued growth? What can SME leaders do to improve their companies’ growth prospects through strategic learning?



THOMAS MENKHOFF

A: Business leaders who leverage new sources of learning – whether in the form of scientific advice to support product development efforts or IP-related know-how to create value through franchising – contribute to organisational effectiveness and growth.

While the positive effects of strategic learning on business performance are well documented, there are still a large number of owner-managers of local small and medium-sized enterprises (SMEs) who are unconvinced that learning pays. Small firms are faced with numerous challenges such as rising business costs or succession planning. While it is understandable that these problems can sometimes prevent SMEs from proactively pursuing learning opportunities, rapid change in the business environment in conjunction with the influx of new technologies suggest that there is an urgent need to change such mindsets.

What can SMEs do to enhance their learning capability to improve growth prospects, which is so crucial for sustaining success and survival?

Essential building blocks of a learning-oriented SME include clarity of mission/vision, supportive leadership, experimenting culture, ability to transfer knowledge, and teamwork. We call the first two purposeful knowledge leadership, which is essential to create new value-added knowledge outcomes – for example, by combining knowledge, ideas and concepts from various contexts into something new. This includes the ability to use knowledge management solutions such as knowledge portals to make knowledge available in a shared base, external experts or the formation of temporary network alliances in order to innovate.

A local example is tropical fish exporter Qian Hu under the leadership of Kenny Yap, who is successfully engaged in both open and networked innovation – for example, collaboration with reputable life sciences labs to scale up some of its main products in support of its internationalisation strategy.

The point is that the deployment of relevant learning tools – whether low-cost approaches such as mentoring schemes or the systematic mining of particular science & technology journals – has to be initiated by the SME owner-manager as a knowledge leader in order to facilitate knowledge conversion and creation processes. It’s the leader’s responsibility to build up and nurture the absorptive capacity of the organisation so that relevant external information can be acquired and adapted into a competitive advantage through routines and processes.

The learning orientation of any organisation is shaped by its culture. The attitude of the SME owner-manager towards lifelong learning and development is crucial in nurturing the firm’s experimenting culture with an emphasis on intense cooperation, willingness to share (not hoard) knowledge and power, innovation, relentless networking, and team learning.

Our own organisational research at SMU has shown that the spirit of knowledge creation and openness towards new possibilities is essential in achieving operational excellence and business success. Strategic knowledge combination, for example, enables the cross-fertilisation of ideas which often leads to product and/or service innovations as illustrated by the story of the sushi conveyor belt in local restaurants such as Sakae Sushi. Osim’s exercise gadget iGallop or the popularity of fish spa pedicure via the toothless Garra rufa fish from the river basins of Turkey, Syria, Iraq and Iran.

The key is to start with the humble attitude that one’s knowledge is not enough and the conviction that continuous learning embedded in a strategic human capital management framework pays.

Learning can be made easier by tapping the expertise of others via the set-up of so-called communities of practice (COPs). COPs are groups of people who share a passion for something they do and learn how to do it

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better as they interact regularly. In Germany, chambers of commerce & industry act as enablers of SME-COPs who actively support both the productivity growth and innovation potential of the country’s Mittelstand (SMEs in German-speaking countries). COPs flourish in collaborative organisational cultures characterised by care and trust.

As the US network scholar R Burt has stressed, organisations with management and collaboration networks that bridge structural holes in their markets learn faster and are more creative. This means that leaders of small businesses who, through networking and various network ties, combine expertise from two or more otherwise disconnected fields are able to create novel products and services.

While many Asian SMEs have traditionally acted as brokers (via knowledge arbitrage) between various regional communities, the rapid influx of new communication technologies in conjunction with Asean’s market integration suggests that business models are not sustainable. R&D as well as science & technology are the new frontiers SMEs cannot ignore.

SMEs can reap tangible benefits from proactive learning such as improved productivity and skills, enhanced customer relations or greater flexibility in production and innovation. Relevant to this are broad issues of strategy and how newly acquired know-how resources are used to reinforce core competencies.

Besides the need for a strong business case, a shared vision and so forth, personality traits such as openness (for example, to outside learning opportunities) and a participative, mindful leadership style are important. The fact that more and more SME owner-managers are tertiary-educated suggests that SMEs are continuing to move away from the traditional paternalistic towkay image. Employer brand-conscious SMEs which manage to nurture a climate of continuous team learning through regular dialogue sessions with “the boss” and consensus building will be more attractive for younger (Gen Y) talent who have ample employment opportunities in the MNC sector. Like talent elsewhere, they expect operational excellence, fairness and a convincing employee value proposition based on best-practice performance management structures and operating procedures.

If all this is in place, SME employees will be motivated to fully utilise externally acquired learning resources in a sustainable manner, which in turn will be good for the business and its growth prospects.

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