



Asia-Pacific
Economic Cooperation

Innovations in Entrepreneur Development

Indonesia | Japan | Malaysia | Philippines | Singapore | Thailand | U.S.A. | Viet Nam

Report prepared by:
Institute for International Studies and Training
#10 Mori Building 1-18-1 Toranomon
Minato-ku, Tokyo, Japan
Tel: (81) 3-3503-6621
Fax: (81) 3-3501-0550
Website: www.iist.or.jp

For:
APEC Secretariat
35 Heng Mui Keng Terrace
Singapore 119616
Tel: (65) 6775 6012
Fax: (65) 6775 6013
E-mail: info@apec.org
Website: www.apec.org

APEC Publication Number: APEC#204-HR-01.1
ISBN: 981-05-1185-X

Copyright © 2004 APEC Secretariat

INTRODUCTION

The Asia Pacific Economic Cooperation's Human Resources Development Working Group (APEC HRD-WG) has recognized that, in order to revitalize the economy in the APEC region, it would be important to increase the number and enhance the capabilities of entrepreneurs. Entrepreneurs are the ones who bring new products and services to the markets as well as new approaches to the way business is done. Entrepreneurs not only initiate the establishment of start-ups and small businesses but are likewise responsible for developing creative and innovative products, systems and approaches even within large corporations which have become stagnant because of their standard way of doing things.

The Capacity Building Network (CBN) under the HRD-WG has implemented various activities to further strengthen entrepreneur development institutions in the region through the following: a) sharing of best and innovative practices on entrepreneur development, b) development of case materials to identify key success factors on entrepreneur development, and c) development of new and innovative training materials for entrepreneur development.

The first symposium on venture business and innovations in entrepreneur development was held in 2000 and was attended by a number of entrepreneur development institutions in the APEC Region. Since then, a continuous exchange of ideas and information has taken place among the institutions representing the economies of Canada, Hong Kong, China, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Chinese Taipei, Thailand, USA, and Viet Nam. The forum-conferences that followed in 2001 to 2003 focused on the development of small and medium enterprises and the promotion of corporate innovations in the new global era – including a special forum that placed emphasis on women entrepreneurs as the prime movers in the twenty first century.¹

These forum-conferences were supported by the APEC HRD-WG and CBN under the initiative and management of the Institute for International Studies and Training (IIST), a Tokyo based institution, with institutional partners from the economies where these activities were held such as the Nihon University Business Incubation Center and Ministry of Economy, Industry and Trade (Tokyo, Japan), the Asian Institute of Management (Makati, Philippines), the Japan Academic Society for Venture and Entrepreneurs (Tokyo, Japan), the Viet Nam Chamber of Commerce and Industry (Hanoi, Viet Nam) and Thammasat University (Bangkok, Thailand). The guests, presenters, and general audience included individuals from the business

¹ The first conference was held in Tokyo, Japan in 2000 with the theme "Venture Business and Human Resources." The second was a symposium held in Manila, Philippines in 2001 with the theme "APEC Human Resource Development for Venture Business Project, and this was followed in 2002 by a symposium in Tokyo that focused on " Entrepreneurial Ventures and Corporate Innovation in the New Global Era." For 2003, another international forum was held for "Next Generation Women Entrepreneurs, again held in Tokyo City. Within the same year, an international seminar on SME Development was held in Hanoi, Viet Nam and involved a group of experts in the region who lectured for this project.

community, academe, government and non-government sectors that were involved in enterprise development.

As a culminating activity, the group of institutions actively participating in the forum embarked on developing case studies that illustrate entrepreneurs and their entrepreneurial characteristics within the context of the social and economic environment they were working with. The case studies were developed mainly for teaching-learning purposes and can be used to push further the causes of entrepreneur development in the APEC region. The project yielded 15 case studies of entrepreneurs from Indonesia (2), Japan (2), Malaysia (1), Philippines (2), Singapore (1), Thailand (2), U.S.A. (3) and Viet Nam (2). These cases highlighted the individual qualities of the entrepreneurs that emerged through a narration of their successes and failures in the business/es they themselves built and nurtured – making up for a combination of rich experiences that human resource development projects and programs can benefit from.

To the entrepreneurs who allowed us to document their stories and lessons from which others can learn, we sincerely appreciate their selfless contribution to the project. Their cases signify the need to promote new visions and perspectives for the development of entrepreneurs in the region. We are grateful to the following entrepreneurs and successful leaders in their own right:

| | |
|---|--|
| Iman Abadi | Owner and CEO of PT Nobi Putra Angkasa in Indonesia |
| Martha Tilaar | Founder and Chairperson of the Martha Tilaar Group of Companies in Indonesia |
| Keiko Sugimoto | President of Healthy Pit Co. Ltd. in Japan |
| Hiroshi Kaneda | Founder of Yokkaichi Switchgear Co. in Japan |
| Spencer Wing | Founder/Group Executive Director of Spencer Azizul Advertising Co. in Malaysia |
| Leo Ang | President of Metro Industries Inc. in the Philippines |
| Mei Hao | CEO of Masterknit Inc. in the Philippines |
| Winson Lan | Founder/President of A&P Coordinator Pte. Ltd. in Singapore |
| Prasert Pahupaisarn and Sunan Sangsuwan | Managing Directors of Korat Sangsuwan Pottery Co. in Thailand |
| Saowaluck Shimada | Founder/President of the Thai Tatami Products Co., Ltd in Thailand |
| Tao Miller | President and CEO of Body and Soul Cosmetics in Hawaii, U.S.A |
| Barbara A. Hastings and Barbra An Pleadwell | Founders of Hastings & Pleadwell LLC in Hawaii, U.S.A. |
| Maria Chan Plourde | Owner/Designer of Mommies Only Club in Hawaii, U.S.A. |
| Nguyen Van Kiem | Director of Anh Cao Co. Ltd in Viet Nam |
| Pham Thi Loan | President of Viet A Co. in Viet Nam |

We would like to acknowledge the case study authors who, despite their very busy schedules, managed to find time to pursue and interview the case subjects and complete the cases. It is equally important to acknowledge the institutions and organizations they represent and the support that was given to this particular project for APEC-HRD. They are as follows:

| | |
|--------------------------------|---|
| Ms. Chrysanti Hasibuan-Sedyono | PPM Institute of Management (Jakarta, Indonesia) |
| Dr. Vincentius Winarto | PPM Institute of Management (Jakarta, Indonesia) |
| Prof. Etsu Inaba | Institute for International Studies and Training (Tokyo, Japan) |
| Prof. Miles Dodd | Nihon University (Tokyo, Japan) |
| Ms. Ho Yean | Action International (Kuala Lumpur, Malaysia) |
| Mr. Luis T. Cruz | Asian Institute of Management (Manila, Philippines) |
| Prof. Derek Liew | Asian Institute of Management (Singapore) |
| Prof. Buarat Srinil | Thammasat University (Bangkok, Thailand) |
| Dr. Carol Anne Dickson | University of Hawaii (Honolulu, Hawaii, USA) |
| Dr. Pham Thi Thu Hang | Viet Nam Chamber of Commerce and Industry (Hanoi, Viet Nam) |

We also gratefully acknowledge the valuable comments and contributions of Dr. Charles Barrett of The Conference Board of Canada, Prof. Nigel Haworth of the University of Auckland in New Zealand, and Prof. Miles Dodd who tirelessly put the synopsis of these cases to complete the project. We express our special appreciation for the assistance of Prof. Alejandrino J. Ferreria and Ms. Luzviminda A. Villanueva of the Asian Institute of Management for their continued support and inputs throughout the implementation of this project. We especially thank the APEC Secretariat officers and staff in Singapore, particularly Mr. Joseph Draisamy, Ms. Belinda Chok and Ms. Jacqueline Tan for their support and cooperation, and the hardworking team of Ms. Etsu Inaba and Ms. Aki Kawanishi, and other staff of IIST, without whom this compilation and publication of cases would not have been completed.

In closing, we would like to thank the many individuals who participated and contributed valuable information to the symposiums, conferences and other activities throughout the project.

OJIMI Takato
Project Overseer
Vice President and Managing Director
Institute for International Studies and Training

Innovations in Entrepreneur Development

Table of Contents

| ECONOMY | TITLE | PAGE |
|-------------------------|---|---------------|
| | Introduction | i to iii |
| | APEC Cases on Entrepreneurship | I to XIV |
| A>Indonesia | A1: Iman Abadi: An Entrepreneur Who Went Back to School | A1-1 to A1-18 |
| | A2: Martha Tilaar The Business of Making Women Beautiful | A2-1 to A2-11 |
| B>Japan | B1: Healthy Pit | B1-1 to B1-14 |
| | B2: Yokkaichi Switchgear | B2-1 to B2-6 |
| C>Malaysia | C: The Accidental Entrepreneur – Spencer Wing | C-1 to C-10 |
| D>Philippines | D1: Mei Hao – Entrepreneur | D1-1 to D1-8 |
| | D2: Metro Industries: A Business Founded on Fair Play | D2-1 to D2-10 |
| E>Singapore | E: Winson Lan – Entrepreneur | E-1 to E-28 |
| F>Thailand | F1: Prasert and Sunan of Korat Sangsuwan Pottery | F1-1 to F1-11 |
| | F2: Saowaluck Shimada and Thai Tatami Products | F2-1 to F10 |
| G>U.S.A. | G1: Body and Soul | G1-1 to G1-10 |
| | G2: Hastings & Pleadwell, LLC | G2-1 to G2-6 |
| | G3: Mommies Only Club, LLC | G3-1 to G3-5 |
| H>Viet Nam | H1: Anh Cao Co. Ltd. The Winner in a Race “Against the Clock” | H1-1 to H1-9 |
| | H2: Pham Thi Loan The Desire of a Famous Vietnamese Trademark to a Future Viet A | H2-1 to H2-9 |



Asia-Pacific
Economic Cooperation

APEC CASES ON ENTREPRENEURSHIP

As an outcome of the APEC project "Innovations in Entrepreneur Development in APEC", a total of fourteen case studies were produced in 2003 describing entrepreneurial companies. There are two each from Indonesia, Japan, the Philippines, Thailand, the USA, and Viet Nam, and one each from Malaysia and Singapore. They cover a wide range of experience and enterprise. Emphasis was placed on the character of the individual entrepreneurs rather than on the development of the businesses *per se*.

This paper does not attempt a full analysis of the fourteen cases but focuses on a number of contextual factors; it is therefore a synopsis rather than a synthesis. A study of the complete cases is indispensable in order to appreciate their full value in the classroom for encouraging and furthering the development of entrepreneurship.

At the end of the paper is a list of significant attributes which characterise the entrepreneurs in these cases to a greater or lesser extent. Meaningful discussion of the cases by students could focus on the definition and discussion of these and other characteristics they may identify and their significance in contributing to the entrepreneurs' success.

The cases are available on the APEC website (www.apec.org) and may be freely downloaded for use. A very brief abstract of each case is offered here

The Businesses

"Small opportunities are often the beginning of great enterprises"

Demosthenes

Martha Tilaar: The business of making women beautiful (Indonesia)

Martha Tilaar is an early starter in business. Her case is an interesting mix of traditional ways and family values while displaying great entrepreneurial drive. Accompanying her husband to the US, she is not idle in the strange new environment

This synopsis was written by Prof. Miles Dodd of Nihon University as a contribution to the Project entitled "Innovation in Entrepreneur Development in APEC", conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). No part of this synopsis can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

but starts a business and succeeds in earning US\$ 2,000 per month. With the proceeds, she studies at a beauty academy earning a state licence and then sells Avon cosmetics door to door. On her return to Jakarta, she sets up her own beauty salon chain. During a visit to Holland to study Western beauty practices she is encouraged to look within her own country and culture for inspiration rather than to the West, and this leads to new successes. She has soon established a substantial business with her sister and brother as shareholders, but it is clear that Martha is the driving force. The company diversifies into manufacturing and a variety of products. Martha's beliefs and principles play an important part in the running of her business.

Iman Abadi: An Entrepreneur who went back to school (Indonesia)

Iman Abadi has established a business manufacturing and selling cable trays, panel boxes, and related products. In managing his company he relies on intuitive reactions but is not always successful. His daughter has a management degree and challenges a number of her father's business decisions. He decides to take a management course himself. The case poses interesting questions regarding family involvement.

Healthy Pit (Japan)

Keiko Sugimoto starts her working career in a department store in Tokyo after training as a dietician. Asked to come up with suggestions to develop the business of the store, she proposes a health centre offering advice to customers on their diet and general health. This proves a success and after two years she resigns from the store to set up her own company. She recognises the emerging demand in Japan for dietary and health related advice as lifestyle and eating habits change. Her company establishes a variety of services to meet various identified needs.

Yokkaichi Switchgear (Japan)

The entrepreneur in this case, Hiroshi Kaneda, is a capable engineer with considerable ability in his field of specialisation. Although he develops a unique technically sophisticated device, the challenge for him in marketing it is to break into the established network of sub-contractors which are an essential part of major manufacturers' supply chains in Japan, and he finally succeeds. He then moves successfully into international business. He is not an administrator and encounters a number of problems as he develops his business. He employs his brother-in-law and later, a Filipino engineer. The case culminates in a crisis resulting from a clash between these two individuals which Kaneda has to solve.

The Accidental Entrepreneur (Malaysia)

Spencer Wing starts micro business at a very early age before striking lucky. He learns fast in a number of advertising agencies accepting the advice and guidance of a series of mentors. He 'works crazy hours' in all the agencies he works for and thus 'doubled my experience against those who kept the 9 to 5 routine'. He makes the most of opportunities that come his way (one example is a free ticket to London which he parlays into a six month assignment at a London ad agency). He has a knack for choosing the right people to work with and the wisdom to proceed slowly

and steadily in growing his business. He diversifies by focusing on specific market segments, and then turns his entrepreneurial energies to other businesses such as Chinese herbal remedies, mangoes and oxygenated water, with great enthusiasm.

Mei Hao - Entrepreneur (Philippines)

Mei Hao starts doing business at a very early age, continuing through school and college. Immediately upon graduation from college, she is invited by a friend to become a partner in a small retail garment business. The case records Mei Hao's progress as she learns all about the garment business on the front line. She recognises that she cannot compete by offering 'me-too'¹ designs and is successful in creating unique products which sell well. She next realises that manufacturing will give her greater flexibility in controlling quality, enable her to achieve savings through cost reductions, and help maintain exclusivity, so she sets up her own manufacturing operation. Later she goes even further by manufacturing textiles. Moving into the retail markets, she establishes her own brand and finally, expanding out of her own accountancy department she sets up a professional consulting group.

Metro Industries: A business founded on fair play (Philippines)

Leo Ang works from an early age to support his family. He soon proves he has a keen nose for business, identifying demand for a particular type of bolt and then manufacturing and selling it. Recognising his own flair as a salesman, he abandons his college education before completing his degree and starts to work full time. His nut and bolt business is a success but he perceptively recognises a more promising future in the chemicals industry and takes a job selling in that business. His sales skills enable him to sell a warehouse full of printing ink, a task in which all other salesmen had failed, and he performs a number of similar sales feats. He finally feels that he has learned enough to set up his own business. There are many obstacles and setbacks but he overcomes them and finally branches out into other businesses. Leo's philosophy and Buddhist beliefs govern the way he manages his business and his staff.

Winson Lan - Entrepreneur (Singapore)

This is the account of Winson Lan's development of a substantial printing business in Singapore. He is a rebellious youth who, after a number of false starts, finds his niche in the printing business. He is a highly successful salesman, but turns down an offered partnership in the company in which he achieves his success. He instead becomes a partner in a joint venture but soon gives this up after one successful deal, and starts a food stall chain (a popular feature of Singapore dining culture). Again, he is successful, but finally succumbs to repeated calls from his former printing clients and after some further dabbling takes the plunge and returns to printing. His marriage to the capable Angeline is a significant step up for him, and she eventually gives up her high-flying job in a multinational to join his company. His activities expand to Japan and into a variety of other enterprises focusing on various software programs related to printing and publishing. Handing over the day to day running of the business to his wife and colleagues in 1997, he sets off around the

¹ Me-too denotes products or designs which merely copy previous items devoid of innovation

world 'travelling economy class and staying in inexpensive hotels' in search of new opportunities.

Saowaluck Shimada and Thai Tatami Products (Thailand)

Japan is the key to Saowaluck's business enterprise. She has been to the university in Japan and returns to work in a Japanese company in Thailand which soon fails. However, she marries the Japanese director and together they start a business in Chiang Mai, northern Thailand, opening the region to Japanese tourists. When that market suffers because of the Gulf war effect on air travel, they develop a business based on growing *tatami* rushes intending to export them to Japan for use in *tatami* mats², but this is not viable. Instead, they successfully develop a range of *tatami* based handicrafts using village households as workers.

Prasert and Sunan of Korat Sangsuwan Pottery (Thailand)

This case again features a couple working together. Sunan is a teacher and Prasert has a dump truck and a few cows. It is hard to make a living and they open a restaurant, but it is not a great success. They then recognise the value of the traditional Dan Kwian pottery of their hometown and succeed in reviving and upgrading the brand and developing an export business based on it. They establish close relationships with their workforce so that 'they do not have to closely supervise them, and could not afford to do so either'. Their refusal to cut corners demonstrates their commitment to absolute quality: 'Cracked products or production defects could be retouched and would not be noticed but Korat Sungsuwan never ships such products to customers'.

Hastings & Pleadwell, LLC (USA) and Mommies Only Club, LLC

Two women, Barbara A. Hastings and Barbara A. Pleadwell, start their own PR and communication business in Hawaii. One is a well-established journalist, the other was her student at Chaminade University and their business partnership develops from that encounter, the older woman initially acting as mentor to the younger. They attribute their success to their insistence on high standards, not only in their own company, but in their clients. They place great emphasis on constant learning and innovation. The woman in the second part of the case, Maria Chan Plourde, takes a wide variety of jobs in the textile industry in order to learn thoroughly all aspects of the business and achieve her goal in creating her own company. She succeeds in finding a niche in the maternity clothing sector.

Body and Soul (USA)

Tao Miller is an irrepressible entrepreneurial spirit. By the age of 33 he already has 20 years of business experience (despite being in the USA, he mentions that his youth is sometimes a handicap). He establishes many types of business, but also learns a great deal working in a number of companies as an employee. He trades successfully with Japan capitalising on a fashion there for used jeans. He then establishes his own retail clothing outlet in Honolulu under the name Body and Soul,

² *tatami* mats are rush covered straw mats which are traditional Japanese floor coverings.

and goes on to use the same name to launch a brand of cosmetics which expands globally and becomes his main business. His success seems to come from his gift for understanding fashion trends and identifying consumer desires.

Anh Cao Co. Ltd. - The winner in a case against the clock (Viet Nam)

The political acceptability of private business in Viet Nam has been uncertain in the past; in fact, in 1976 it was totally banned. The environment has therefore been very difficult for entrepreneurs historically, and although it has become progressively easier for individuals to start their own companies since the late 1990s, a number of obstacles remain. The career of Nguyen Kiem of Anh Cao reflects the progress of private enterprise development. His career from 1975 to 1991 was in the state owned freight forwarding company Vietfracht. As the case notes, the state ownership system militated against efficient management and Vietfracht was no exception. The success of his own forwarding company, Anh Cao, founded in 1993 stems from his understanding of the shortcomings of state owned companies. He emphasises quality of service and the importance of the customer. He recognises the processes which cause most delay and anxiety to shippers and receivers of goods and concentrates his efforts on improving them. He constantly goes beyond the narrow scope of his company's function to offer advice on marketing, currency sensitivities and other issues of which Vietnamese clients still had little experience.

Pham thi Loan - The desire to create a famous Vietnamese trademark (Viet Nam)

Pham thi Loan trains as a teacher but starts her career in a state owned company. Foreign companies were rapidly moving into Viet Nam at the time, and there was great demand for English speakers. Loan moved to Hyundai, the Korean *chaebol*³ and thence to ABB the electrical and industrial group. She was held in high regard and was sent on a number of training programmes overseas. Greatly impressed by what she sees in other countries, she determines to develop manufacturing and marketing skills in Viet Nam. She starts a trading business and then moves into manufacturing electrical equipment and transformers despite the counsel of her friends who warn her that it is far too hard for a woman to run a factory. The case describes her success.

Characteristics Of Successful Entrepreneurs

The cases suggest that successful entrepreneurs display some of a number of characteristics, and there are surely others.

| | |
|-------------------------|------------------|
| A sense of service | Integrity |
| Ability to assess risk | Market awareness |
| Ability to judge people | Passion |
| Acceptance of failure | Patience |
| An urge to innovate | Perseverance |

³ *chaebol* - Korean corporate group

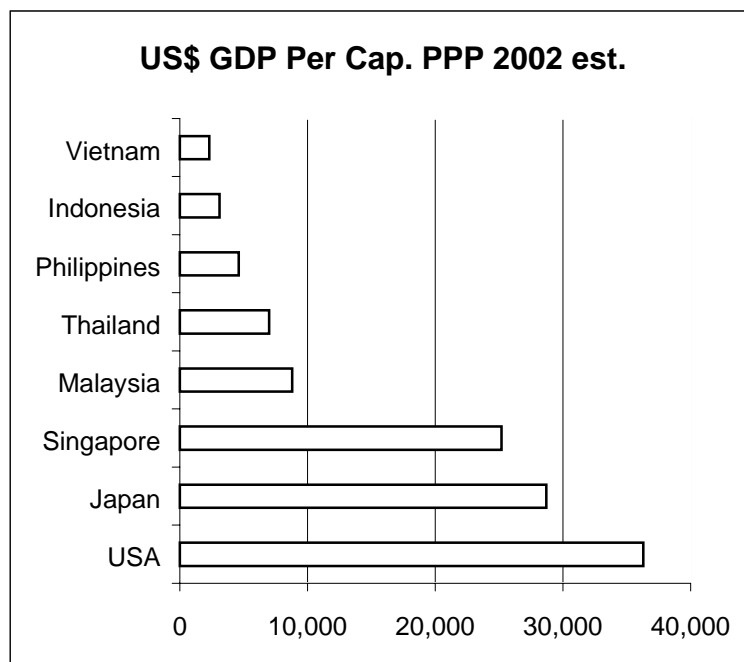
| | |
|---|--|
| Appreciation of a fair and beneficial working environment | Readiness to capitalise on good luck |
| Charisma | Recognising opportunity |
| Commitment | Self-belief |
| Confidence | Thinking 'out of the box' |
| Courage | Understanding the importance of the customer |
| Diligence | Willingness to accept risk |
| Drive | Willingness to learn |
| Enthusiasm | Willingness to trust |
| Hard work | |
| Humility | |

Many of these traits cannot be formally taught, but may be learned or acquired through experience.

Referring to these cases, students should be asked to identify the character traits which contribute to the entrepreneur's success in each instance. They may then be asked to consider which of these may be developed through formal learning or experience and which are more likely to be acquired at birth. The list is not intended to be complete or definitive; indeed, participants in class discussions should be encouraged to identify additional attributes or characteristics which might be added to the list.

Context

The members of APEC contributing to this project represent widely differing economic, political, and social backgrounds. The following chart vividly illustrates the economic disparities and income levels among the members which contributed cases.



Source: CIA World Fact book

In both Martha Tilaar of the eponymous group, and Iman Abadi of P.T. Nobi Putra Angkasa, the rich culture and religious significance of Indonesian society influence both entrepreneurs significantly in the way they run their companies. Martha comes from a Chinese/Javanese background and is a devout Christian; Iman is from a Muslim background. Both run their companies in accordance with the principles of their beliefs. They represent the middle to upper level of Indonesian society having educated parents although neither is especially wealthy. They develop their businesses to cater largely to the more prosperous levels of society - Martha through beauty salons and cosmetics, Iman by manufacturing for commercial and industrial enterprises.

The Japanese entrepreneurs face different but no less difficult challenges. In such a highly developed society, the entrepreneur must look for new or 'niche' areas in which to expand. At Healthy Pit, Keiko Sugimoto identifies a market in Japanese society for dietary and day to day health advice. As society ages, the population grows more affluent, and adopts less healthy western dietary habits. Hiroshi Kaneda of Yokkaichi Switchgear follows his technical instincts in developing new sophisticated electrical devices, but finds that large companies already have developed networks and relationships which are difficult to penetrate. He encounters problems when employing a capable foreign staff member touching on the topical issue of the role of an immigrant workforce in Japan.

Spencer Wing in Malaysia comes from a poor family and tries many small businesses before finally discovering his creative talent. This leads him into advertising which becomes his main trade. Benefiting from the growing affluence of Malaysian society, he spins out one idea after another and plunges into a variety of businesses.

Both Philippine cases illustrate comprehensively the drive of committed entrepreneurs in the hurly burly of the Philippine market economy. Mei Hao and her garment enterprise thrive in the combative front line of the retail trade catering to the middle and upper levels of society. Both entrepreneurs come from affluent backgrounds, but Leo Ang of Metro Industries is deprived of his inheritance after the premature death of his father and is well acquainted with hardship. His commercial chemical business develops as he displays his business acumen and talent for sales.

Winson Lan from the wealthy city-state of Singapore is a driven soul. His background was relatively poor but his sometimes rebellious energy and entrepreneurial talent open many possibilities for him and form the basis for his success. In the Singaporean environment, there are many opportunities and he makes much of them, and successfully seizes the opportunity to expand abroad into the difficult Japanese market. He does not hesitate to take advantage of various schemes offered by the Singaporean government for assisting growing businesses.

The cases from Thailand concern developments in the north of the country. Saowaluck's business in Chiang Mai develops around her connections with Japan where she attended university, and with the help of her husband, himself a Japanese. They first identify an opportunity to develop Japanese tourism in that part of Thailand and then develop a business making products from *tatami* rushes. Initially they intend to export *tatami* mats to Japan, but when that fails, they use the rushes to make a wide

range of handicrafts for tourists, employing many households in the process. After trying a number of ways to make a living, Prasert and Sunan succeed in reviving for export traditional pottery in the relatively poor north eastern town where they had been born. In both cases, Thai government advice and assistance play an important part in the entrepreneurial success although it does not involve direct financial assistance.

The Three Women featured in the US case all start from disadvantaged situations; two as immigrants and one as a single mother. They are typical examples of people who prove that with hard work and dedication there are rich opportunities in the United States. Tao Miller of *Body and Soul* grows into adulthood in relative poverty in rural Hawaii and achieves great things by identifying key factors in the burgeoning consumer society around him. Maria Chan benefits from a Hawaiian government loan programme and assistance from the Women's Business Center in Honolulu but is driven by her own ambitions to establish a successful garment company.

The two cases from Viet Nam symbolise the freedom gradually being given to private businesses in the country. After forty years of destructive war and a further twenty years of economic isolation under the trade embargo, Viet Nam had established an economy based upon state-owned enterprises and collectives. In 1986, the introduction of the *doi moi*⁴ policy signalled a loosening of state control, but private businesses remained at a considerable disadvantage in many respects. Nguyen Kiem sets up his freight forwarding business, Anh Cao, after recognising the poor performance of the state owned forwarder in which he had been employed. He develops his business to the point where he actually takes advantage of a number of state owned companies' inefficiencies and underutilised assets. Pham thi Loan, on the other hand, gains experience in foreign companies and then uses her knowledge and experience there to build her own business in the Viet A company. Both entrepreneurs have to overcome entrenched bureaucratic systems hostile to private companies in order to establish themselves.

Childhood

To the question; is the entrepreneur born or can you create one, the equivocal answer might be "both". The cases provide some useful insights into the question and provide abundant material for class discussion.

The case of Martha Tilaar in Indonesia is interesting. She had been sickly when born, to the extent that it was feared that her intellectual development would be slow, and her mother 'specifically trained Martha in various skills to make up for it'. Martha was however not spoiled and was told that if she wanted money she would have to work for it. She also enters the commercial world at a very young age by selling to her schoolmates.

Kaneda of Yokkaichi Switchgear also lost his father when he was very young and had to help support his family from a young age.

⁴ *Doi moi* is the term used to describe a series of economic steps introduced in December 1986 by the Sixth National Congress in Viet Nam to promote economic renewal.

In Malaysia, Spencer Wing has a very similar start in life devising and selling small items from an early age.

Both Mei Hao and Leo Ang of Metro were born in the Philippines into relatively well-to-do families in Manila, and although Leo's family fell on hard times when he was 11, the acumen he demonstrates in later life seems to have come from within him rather than as a result of hardship. Mei Hao starts her own business while still at school.

In Singapore, Winson Lan neglected school in order to develop small projects to earn pocket money. As a young employee, he was rebellious.

In the US cases, the two immigrants come from entrepreneurial families so one might argue that business is in their blood. Barbra An Pleadwell starts an early business selling to her classmates while still at school in Guam. Maria Chan starts her sewing business while still a student. Hastings lost her father at an early age and was herself a single mother. Tao Miller from Body and Soul did not come from a rich family and commented: 'if I wanted something like a new bike, I had to go out and earn the money'. He was brought up in Sweden until he was 15, he then moved with his parents from Sweden to rural Hawaii on the island of Maui.

Family and Friends as Partners or Employees

The significance of family is considerable in many of these cases, sometimes negative, and sometimes positive.

Martha Tilaar benefits from the support of her husband although he is not involved in the business. He nevertheless plays an important supportive role behind the scenes; on the other hand, her business relationship with a close friend breaks down. In the other Indonesian case, Iman Abadi is greatly influenced by one of his daughters who introduces him to a number of modern management principles, and inspires him to take a management degree himself. This daughter and her husband join the company, while another does not. Iman hopes that his 14 year old son will eventually join the company.

In Healthy Pit in Japan, Keiko Sugimoto and her husband meet in the early stages of her company's development. He takes early retirement from his employer to run the sales side at Healthy Pit which has been very successful. On the other hand, Keiko's six friends who joined her in the establishment of Healthy Pit decided to pull out when the company was required to increase its capital base. Hiroshi Kaneda at Yokkaichi Switchgear does not benefit from the support of his wife, and comes to regret the employment of his brother-in-law.

Spencer Wing in Malaysia also works closely with his wife. She gives up a long government career to open a retail business and together they make a success of it. Is it too far-fetched to suggest that giving birth to a company has a special significance for couples?

In Manila, Mei Hao gets her first break from a friend who offers a partnership, but seems thereafter to take charge of her own business, and does so with great success.

In Singapore, the energetic Winson Lan marries a high-flying professional against her family's wishes. Initially continuing her own career, Angeline is finally persuaded, when her third child is due, to join the company as vice-president to upgrade its computer systems and to obtain ISO certification. She delivers both objectives and adds a certain stability to the company. Winson credits her with 'keeping his employees happy and willing to work for him for a very long time'.

In both Thai cases, the couples cooperate closely together to make their enterprises work, each making an important contribution. Considering Tao Miller's warning in the next paragraph about family and friends, the main point seems to be that such people should only be involved in the business if they can make a real contribution, not simply because of family connections or friendships. In both the Thai cases, the couples seem well balanced, each partner playing an important part.

In *Body and Soul*, Tao Miller represents both sides of the family dilemma. His Japanese wife helps the business actively with design and with Japanese connections. On the other hand, his attempt to bring his father into the business fails, and he is forced to get rid of a good friend whom he tries to help out by giving him a job. His pragmatic comment raises a useful caveat: 'I take the responsibility for hiring persons who were not qualified. Having friends and family involved is very difficult. Business is business and family is family..... Sometimes it works and sometimes it doesn't.... I wouldn't recommend it'.

At Anh Cao in Hanoi, Nguyen Kiem's school classmates ask to join his company when he establishes it, but: 'it is not easy to manage a company with many co-founders; I would like to start my own business first'. So he turns them down and shares the company only with his wife, although she plays no active part in the management. On the other hand, he employs both his son, educated in the US, and his daughter, trained in tourist management, to run parts of the business, for which they are qualified. Pham thi Loan at Viet A learns the hard way that involving her brothers in the business does not work. However, she recognises her familial duty and supports them indirectly, while she employs her sister in her finance department.

Gender

There will be no surprise at the success of female entrepreneurs in the USA where the advancement of women has been the subject of attention for some time, both socially and politically, and has been given wide publicity.

However the cases of Keiko Sugimoto, Mei Hao, Martha Tilaar, Pham thi Loan, and, alongside their husbands, Saowaluck and Sunan, offer unequivocal confirmation that female entrepreneurs can be at least as successful in traditional Asian society as in the West. These cases will reward examination and analysis of the extent to which being female helped or hindered in practice the women's development of their businesses within their respective societies, and provide material for fruitful discussion. The gender issue, however, was not in itself specifically singled out for

coverage in these cases, although it was stipulated that, where possible, a case of one male and one female entrepreneur should be contributed by each member.

It is not simply a matter of looking at the gender issue in a broad Asia-Pacific context. The situation in each economy in the region is distinct. For example, in Japan, women still find it difficult to break into the networks which govern the country; in Viet Nam, women are active politically and professionally; in Singaporean business, women play an essential role, especially in the professional services.

It is an issue which requires much greater discussion than these cases were able to provide, and it is to be hoped that further research will take place to add to the existing literature.

Education of the Entrepreneurs - Formal and 'OJT'⁵

The role of education in the broad sense is critical to the success of many of the entrepreneurs. Several feel the need for formal education in order to channel and shape their entrepreneurial instincts after they have started their businesses and as they start to grow, others base their success on OJT and direct experience. In none of the cases does education to be an entrepreneur precede the entrepreneurial activity. It may be concluded that formal business education does not create the entrepreneur but may play a valuable role in channelling entrepreneurial drive and instinct, and also in inspiring would-be entrepreneurs by demonstrating what others have done, as in this case collection.

In these cases a number of the entrepreneurs see formal education for themselves as a means of refining and refreshing their developed enterprises. So Mei Hao was 'excited to get back to her business and implement strategies with new found vigor and excitement', and Angeline, Winson Lan's wife sees the master in entrepreneurship program as 'an opportunity (for Winson) to see whether your ideas and business development plans stand the test of a structured academic program'. Equally significant however is the clear understanding of several of the entrepreneurs of the great value of formal education for others and they provide it for their staff (Pham thi Loan, Prasert and Sunan, and Martha Tilaar in particular offer good examples of this).

The entrepreneur is able to grow and thrive independently but may need discipline to channel and bring order to the company he or she has created as it grows through success. Iman Abadi offers a good example of this. The task of managers and staff is not primarily to innovate and break new ground (although they should always be encouraged to do so as in-house entrepreneurs); rather, their task is to ensure the smooth and efficient running of the enterprise, to keep it healthy and up-to-date. For these people, formal management education can be of real benefit. Consider the dictum of Robert G. Ingersoll that, "Colleges are places where pebbles are polished and diamonds are dimmed"; perhaps managers and staff are 'pebbles' and entrepreneurs are 'diamonds'?

⁵ On the job training

In Japan, both Keiko Sugimoto at Healthy Pit and Hiroshi Kaneda at Yokkaichi Switchgear base their companies on the skills they acquired in their early formal education and learn thereafter 'on the job' as their companies develop.

Spencer Wing in Malaysia leaves school early and takes a variety of jobs having first 'witnessed at first hand how his mother's business could be transacted so simply yet so successfully'. A lucky break comes when his 'elaborate drawings' on song request forms catch the attention of an influential disc jockey who introduces him to a friend in the advertising business. Spencer clearly has natural artistic talent and quickly establishes himself. He benefits from a succession of practical rather than academic mentors, learning constantly from them through observation and this serves him very well. The simple comment at the end of the case "No experience is ever useless or wasted" may be a commonplace but deserves consideration by all would-be entrepreneurs.

In Singapore, the case opens with Winson Lan's wife Angeline suggesting that he sign up for a Master in Entrepreneurship program allowing him to 'test his ideas and to benefit from the mentorship of the instructor'. This takes place when Winson is 43 years old and has already created and expanded his business both in Singapore and internationally. Meanwhile, he enjoys passing on his knowledge and experience and acts as a mentor in an Economic Development program to help aspiring entrepreneurs in Singapore.

The cases from Thailand and the Philippines feature entrepreneurs who have college education but have basically learned their skills on the job as their businesses develop. Mei Hao enrolls in a master course for entrepreneurs similar to the one Winson Lan is being urged to take by his wife. The effect is to stimulate and inspire her to new efforts and directions in her business. Martha Tilaar from Indonesia takes the opportunity to study while in the USA but there is no suggestion that this is anything other than a specialised beauty course, the entrepreneurial drive comes from herself. Iman Abadi qualifies as a civil engineer, but only decides to study business formally long after he has established his business. He is in fact motivated to do so by his daughter after she has herself graduated from a management program and asks him penetrating questions about his equipment investments.

Barbara Hastings drops out of university but learns a great deal from a variety of jobs in journalism, winning a fellowship to Stanford. She later moves into public relations and starts to teach at Chaminade University where she meets her eventual business partner, Barbra An Pleadwell. Pleadwell works her way through college and registers her first business at the age of 20. She completes college degrees at both Chaminade and the University of Hawaii. Maria Chan graduates with honours from two institutions, but then undertakes an almost dizzying number of jobs. She needs to earn a living, but does so in a whole variety of fields which give her invaluable experience when she comes to develop her own business. Tao Miller at Body and Soul has had twenty years of business experience by the time he is 33, all of it in hands-on occupations of various kinds and has learned through both good and hard times. He actually disdains formal education and once walked out of a class on small business when he learned that the instructor had never been an entrepreneur himself.

In Viet Nam, Nguyen Kiem at Anh Cao seems to have followed his own instincts in building up his business while Pham thi Loan at Viet A participated in many management courses to build up both her management expertise and her technical skills. At one point she had considered doing an MBA overseas, but was unable to pursue the idea.

In several of the cases, Hastings and Pleadwell, Body and Soul, and Spencer Wing, mentoring plays a significant role. Thus Tao Miller 'tries to learn as much as possible from his older colleagues and draws many mentors from amongst them'.

Company Culture

Martha Tilaar in Jakarta 'always feels like a mother to her employees. She truly believes that the ideal relationship between employer and employee should be like that of mother and child', but insists that professionalism should always underpin relationships in the company. She puts her principles into practice and reaps a reward when 'her employees did not protest when their salaries were not increased during the economic crises. They were willing to understand that the company needed the money to pay its foreign exchange debts'. She has created an in-house "DJITU"⁶ philosophy based on her family traditions which she says, 'has really become a working program in our company, not just a symbol or document'.

Spencer Wing places great emphasis on the development of his team, and recognises that the 'key to success is to invest in the right people'. 'I was very mindful not to grow it too fast. We need to build in better resources and structures before we expand further.'

In the Philippines, like Martha Tilaar, Leo Ang practices his personal philosophy in his business: 'I try to be constantly fair with my employees and my customers as prescribed in the teachings of Buddhism. If I'm fair to them, they will be fair to me'. He reaps benefits in return. For extending goodwill gestures to the front line telephone operators, secretaries, warehouse keepers, while a salesman, 'he got tips for potential clients and pointers for selling'. As the CEO of his own business, he treats his employees with kindness and consideration. After a fire destroys the company office and adjoining warehouse, 'Employees huddled around Leo expressing words of encouragement and, more importantly, commitment to work harder and help rebuild the company'.

In Singapore, Winson Lan comes across as a somewhat volatile character. His long time secretary deplores his aggression, impatience, and bad language, but notes that he demonstrates a great deal of care for his employees. He has the wisdom to recognise the value of his wife's role in 'keeping his employees happy and willing to continue working for him for a very long time'; perhaps he is a 'rough diamond'.

In Thailand, Saowaluck also understands that good relationships with her village suppliers are essential to her business. She has to 'work with them to have better understanding'. But the corporate ethic reaches beyond business; she states

⁶ DJITU means 'sharp' or 'great' in English and is an acronym for *Disiplin* (discipline) *Jujur* (honesty, *Inovatif* (innovative), *Tekun* (persevering, focused), and *Ulet* (persistence, assertiveness).

simply: 'We strongly believe in fairness, with our employees, business partners, customers, and communities.....We at Thai Tatami Products are always active in social activities'. Prasert and Sunan adjusted their employment practices to suit their local environment, forming independent production and finishing teams rather than creating one big factory. Despite this, they 'have very close personal relations with their workers', and provide an impressive array of benefits, loans, scholarships and other welfare for their employees as well as participate in external social activities.

There is an interesting line in *Body and Soul* where Tao Miller says: 'I feel that I'm here to get something started, like I'm catching the fish and bringing it home to my team to prepare or nurture it, then I'll go after the next fish. I'm here to find new products, new opportunities, and they'll take care of it from there'. He sees his team as a vital part of the entrepreneurial process he himself has initiated. This neatly encapsulates the distinction between the 'diamonds' and the 'pebbles' and suggests the creative synergy they are able to generate together. For Miller 'staying successful means being loyal and seeking loyalty, and staying successful means having the right team of people'.

In Viet Nam, Nguyen Kiem's company culture revolves around providing excellent service to customers, and he recognizes that this is impossible without the full compliance of his staff with that principle. He gives his staff shares in the company as a bonus, and most remain with him and contribute to the company in return. However should some of his staff wish to start up on their own, he offers them advice, even taking shares in their company. Pham thi Loan at Viet A resembles Martha Tilaar, emphasising the importance of creating a family atmosphere in the company, looking after her workers well and providing them with education and training.

Conclusion

Despite the wide disparities between the APEC members from which these cases originate, many aspects of the entrepreneurial successes illustrated are of universal value and application, and are certainly not confined to the economies in which they are located. Would the entrepreneurs featured have created their own enterprises wherever they were based, or were there reasons which gave them some peculiar advantage? This question is in itself one of many which, it is hoped, will stimulate useful discussion in class.



Asia-Pacific
Economic Cooperation

IMAN ABADI: AN ENTREPRENEUR WHO WENT BACK TO SCHOOL?

“Is there a school for old people like me?” Pak Iman, owner and CEO of PT Nobi Putra Angkasa (NOBI), Indonesia’s leading manufacturer of cable trays and support system, asked his daughter, Dini Widiastuti. Dini, his eldest daughter, finished her master’s degree, major in management in March 2000. Once, she asked her father, “Why did you buy such an expensive machine? Have you calculated its pay-back period, or its Return-on-Investment? Have you conducted a feasibility study?”

‘Pay-back periods’, ‘Return-on-Investment’, and ‘feasibility study’ were common terms discussed in Management Program courses. Pak Iman, of course, did not have any answer to his daughter’s queries. The truth was it was his intuition which made him decide to buy the newest machine equipped with Computer Numerical Control (CNC). He thought the machine would make their operations more competitive. The machine was capable of turning out products with comparable quality to imported ones, which were 40 % more expensive.

PT Nobi Putra Angkasa was founded in 1984 by Pak Iman and his friend who used to work with a multinational company. In 1985, the company started manufacturing cable trays or cable support system and panel boxes (See Exhibit 1a and 1b). At that time, there were a few local competitors and they did not affect his business. The real competitors were imported products. Day by day, the competition was getting tighter as there were more local and foreign products.

As the owner and the CEO of the company, Pak Iman had to make both operational and strategic decisions. Not all his decisions were right. He had long wanted to learn a business concept or theory which could help him identify changes and solve problems in his company. He thought of going to school to make sure that he would arrive at the right decisions. He was not sure, however, if the gut

This case was written by Vincentius Winarto, PhD of the PPM Institute of Management (Indonesia) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Mr. Iman Abadi solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

feel he used in making decisions could be adequately replaced by management analysis that he would learn in school where most of the professors were probably much younger than him. Pak Iman noted that “By learning and understanding management, I would be able to validate and confirm what I had done in the company.”

In April 2000, Pak Iman was accepted in the magister management program in a reputable management school in Jakarta.

Background

Pak Iman’s ancestors were not entrepreneurs. His grandfather and father were government officials in the region. Pak Iman’s father wanted his son to be a government officer like him. After his father retired, however, Pak Iman experienced financial difficulties while he was still studying in a university. His family also suffered. Pak Iman did not want this to happen to his children. He believed that being an entrepreneur was the best solution to avoid this predicament.

While he was studying in the Bandung Institute of Technology (BIT) majoring in civil engineering, Pak Iman took on a part-time job. Since he did not receive any money from his father, he suspended his study for several years to get a job. In 1967, he applied for a job as a salesman at a distribution company, presenting only his High School Diploma. If his boss had known that Pak Iman was a BIT student, he would not have been taken in or accepted. He later on quit the job because he was accused of being corrupt due to a minor gap in his financial reports. Besides, his friends and teachers were against his decision to be a salesman.

In an effort to help him in his financial problems, one of his teachers offered him a job in a construction project of Bina Marga in Cirebon and Tegal, Central Java. He also worked as a student assistant to a professor in structural engineering while he continued his studies. His work included structural or construction design, drafting, project costing, and project supervision. One of the designs he worked on was that of a 25 meter bridge which was successfully built. This gave him a sense of accomplishment and confidence in his skills.

His knowledge of and interest in entrepreneurship developed when he got involved in his old friend’s real estate business. It was a mutual relationship. Pak Iman got a chance to learn the business while his friend obtained technical inputs from him.

After graduating from BIT in 1973, he worked for several companies dealing with design and development such as PT Econa and PT Handara Graha. He worked as chief supervisor at PT Econa and project manager at PT Handara Graha. When he joined PT Motorisia, he was given an opportunity to work in Saudi Arabia. PT Motorisia was awarded a project contract as a sub-contractor by a Korean company involved in a telephone project of Philip-Ericsson in Mecca and Medinah. As the deputy chief of the project, Pak Iman had access to the suppliers of cable trays or cable support system and panel boxes. He visited the manufacturing plants and thought that it would not be difficult to produce these products.

He worked with the project for two years, 1978-1979. He received his salary in US\$ which enabled him to save money. After he returned to Indonesia, he joined another company but was not happy about it because of his low monthly salary. In 1980, he decided to start his own business as a building contractor.

Starting A Business, The First Business: Building Contractor

Armed with his work experience and his savings, Pak Iman started his own business at the age of 34. He managed everything himself. Everything he needed, including manpower or labor were on a per project basis. Since his wife was a doctor and a government official, Iman did not have to worry about his family.

Using his garage as the office, Pak Iman started his company and used other company's name to land a project or contract. For that he had to pay fees equivalent to 7.5% of the total project contract. He did almost every job in the office: looking for orders, drawing, calculating, and meeting with clients and partners. He started work at 8.00 am and finished at 8.00 pm. His hard work and efficiency enabled him to receive very good income equivalent to 30%-50% of the project value.

After five years, he felt that his business was uncertain in terms of revenues. The fluctuation in project amount or value caused a significant impact on his revenues. He thought that manufacturing could probably provide him a more stable income.

Second Business: Producing Cable Trays and Panel Boxes

As a businessperson, Pak Iman was challenged by the fact that Indonesia still imported two products: cable trays and panel boxes. In his opinion, producing them was not a complicated process. Pak Iman was encouraged by a former classmate who was working in a multinational company. He was sure that the products could be made in Indonesia and that Pak Iman could do it. When he worked in Saudi Arabia, he learned everything about the products: how to produce and sell them and who was the best manufacturer of the products in the world. Pak Iman felt he would contribute to the Indonesian economy by establishing a manufacturing plant. It would save the cost of importing goods which were needed by big-scale development projects. Indonesia imported some US\$50 million of the products annually from the United States and Europe.

Pak Iman understood the panel boxes business very well because he once worked as a representative of Rittal, a German company engaged in manufacturing panel boxes in Indonesia. One of his partners at NOBI also supported him in the production of cable trays and panel boxes. Years later, Pak Iman's partner resigned from NOBI and Pak Iman bought all his shares.

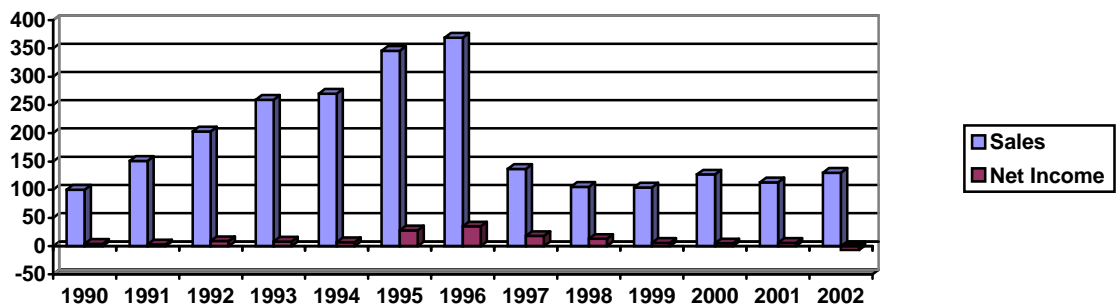
In Pulo Gadung, Pak Iman started small-scale manufacturing of the products, which were intended as substitutes for the imported ones. His business, legalized in 1984, started to operate in 1985. Pak Iman's efforts paid off and soon he was into medium-scale production. He developed his own manufacturing facility with 100 employees in the Industrial Plants in Pulo Gadung. He moved his manufacturing

plants to this area in 1987. Using the proceeds from a bank loan, he expanded his business in 1990.

NOBI's three manufacturing plants were located in the area. Another 25,000 square meters was planned for the next development.

NOBI's business was influenced by the ups and downs of the Indonesian economy and infrastructure development as well as the Indonesian currency value. This was reflected in the company's sales and net income (Figure 1).

Figure 1. Sales and Net Income (In US\$, Sales in 1990 in index of 100)



Source: NOBI

Business person's Life

One of Pak Iman's routines was attending machinery exhibits. His decision to buy a machine was usually based on three things: the very comprehensive and interesting explanation of the machine profile; his own intuition of the machine's capability to develop product quality; and his intuition of the machine's capability to provide his products a competitive edge over the imported products and thus enable him to beat his competitors. He was very confident with the investments he made on high technology machines in spite of their being highly expensive, even more expensive than his house. Nor was he even sure of when he could recoup his investments. "Sometimes it is better to use intuition to decide something unpredictable," he said. (See Exhibit 3).

He fulfilled his wish not to go through what he considered as his bad experience in life again. To a certain extent, he succeeded in keeping his family from financial difficulties after his father retired. He, however, did not yet feel fully secure inasmuch as he still faced competition and the threats to business still existed in the country such as the fluctuation of the value of rupiahs to US dollars; the investment climate which was not supporting his business; the employees' awareness of their rights; and the new regulations on labor and manpower.

Back To School at the Age of 55

Dini Widiastuti had been actively engaged in discussion about NOBI with his father even when she was still taking undergraduate studies in the university. Through his discussion with his daughter, Pak Iman was convinced that he could learn from school some theories and concepts that could answer questions regarding his business. He was impressed by the fact that Dini had studied the Kaizen method in school which he came to learn only from his Japanese partner who imported NOBI's products. The knowledge that one could actually learn Kaizen or organizational behavior further encouraged Pak Iman to go back to school and learn business management.

Pak Iman admitted that some of his decisions were not right. A machine which he purchased was not used productively. Pak Iman understood that the purpose of his daughter's questions related to business decisions, particularly investment, was to encourage and motivate him to understand the importance and use of clear management concept and techniques.

Realizing that he was not young, Pak Iman wondered whether or not he could take a Master in Business/Management course. He shared his doubt with one of his colleagues, one of whom was the director of a School of Management. The latter encouraged him to proceed with his plan. He was accepted in the School of Management under the Management Magister program for executives. This program was mainly for executives who were unable to leave their jobs for a long period of time. The program took 18 months to complete, with classes three times a week. It included class work and individual thesis.

As the top man in his company, Pak Iman was very busy. His studies consisting of 12-month classroom studies in addition to the time spent in thesis writing, took a lot of his attention. He had to finish 18 subjects and he learned most of the concept and theory outside the classroom activity (See Exhibit 5). Realizing his work overload, he commented, "NOBI's sales volume did not increase when I took this program."

He felt that not all the subjects were relevant to him. Operational management, for example, was not a new topic to him, probably because he had already dealt with it everyday. On the contrary, he found Marketing, Human Resources, Finance, and Strategic Management very helpful. "Joining the School of Management, I learned a lot of things. Had I hired a consultant, I would have paid more to obtain those types of information," Pak Iman said.

Pak Iman did well in school. He finished the program in fourteen months instead of eighteen. Thus, he was given a special award by the school. He enjoyed his classes and the company of his classmates and lecturers who shared with him some practical ideas on running a business. Besides, he was able to validate what he had done in his company based on the lessons discussed in class. He was quick to point out however that "There was no such experience in the textbook." He successfully finished writing his thesis focusing on NOBI's business strategies for the next four years.

In order to have someone who could help him in decision-making and as a gesture of appreciation for the key people in NOBI, Pak Iman gave his employees the opportunity to join a postgraduate program in management. The program was expensive and NOBI employees would not have been able to afford it, so the company offered to pay the course fees. Two managers were given the opportunity to study, one from the Finance Department and one from the production department. The production department manager, however, refused the offer and left NOBI to work for a multinational company. He, nonetheless, still kept in touch with NOBI, sharing with them information on the management of an established company. "I will keep offering my employees the chance to continue their study," Pak Iman said. "Probably junior managers will get the priority."

Bringing Concept /Theory From School to Company

Pak Iman noted that "My schooling allowed me to make better decisions on some cases and not so good decisions on some". He felt that some investment decisions were better decided by feeling rather than by management principles because of the uncertain conditions in the country.

With his newfound understanding of management concepts, Pak Iman made some changes in himself and the company. In running his company, he often adopted the leadership theory he learned from school. He gave his people the opportunity to take part in the process of decision-making. He did not rely on his intuition or feelings alone in making his decisions but also on a feasibility study. "I asked my daughter to analyze it before I made a decision," said Pak Iman.

Before, he would wake up and decide to buy a machine all by himself. But because the structure of the company had changed, Pak Iman had to discuss any decision he made with the shareholders. In this case, he had to discuss the investment decision with Dini who had joined the company. Because of her training, Dini made it a point to check the supporting data, pay-back period, and benefit cost ratio of a project.

Dini also admitted the dilemma in making decisions, whether or not it was by theory or feeling. Not all decisions could be arrived at through the management theory. Sometimes for the sake of innovation and competitiveness, a decision was made without doing any feasibility study.

In the last two years, since Dini joined NOBI, the company had acquired only two machines. One was a rolling machine which the company bought when it joined a project tender or bidding. Iman was grateful that he won the tender and so the investment on the machine was justified. The other machine was a "grindstone" machine used for polishing stainless panel surfaces. The machine improved the quality of the finishing of NOBI's panels and was in answer to the demand for such products. As it turned out, however, the company miscalculated the demand; hence, the machine capacity was not fully optimized.

Another change that Pak Iman instituted in the company was the establishment of systems and procedures in all departments, unlike before when only a few departments applied them. In the finance department, Pak Iman set up the budgeting

system. Pak Iman's master's thesis on NOBI's business strategies for the next four years, was used as the guideline for all the changes in the company. These strategies included the company's vision, mission, business strategies, marketing, sales, and production plans, and human resources strategies.

The implementation of the new management system and processes at NOBI had very good and productive results. However, it was not really that easy to change old habits within the company. Some employees perceived that Pak Iman still dominated the process of decision making. To them, the company was still a "One Man Show".

Excellent Quality: Machine and Human

From the beginning, Pak Iman had already chosen as his market segment those who put a premium on high quality products. To produce prime quality products, Pak Iman bought all German-made machines for a total of US\$2.0 million. There were no local producers who invested on machine as much as NOBI did. (See Exhibit 3)

Pak Iman tried to use the Rittal product as a model for the panel boxes that NOBI produced because Rittal, a German company, was the largest producer of panel boxes in the world. Before putting up NOBI, Pak Iman and the six engineers who joined his company used to be Rittal's sales representatives in Indonesia. NOBI became the main competitor of Rittal's products in Indonesia because the quality of its panel boxes was almost the same as that of Rittal's.

Most NOBI products served the requirements of multinational companies such as Siemens, Alcatel, Hitachi, Mitsubhisi and Chiyoda. Only 20% of the production were for the local market. To meet the quality requirement of these big companies which handled projects like infrastructure, oil and gas, multi level building, and industry, NOBI had to adopt ISO 9001 standards. The quality of panel boxes had to meet the protection index IP 55/66 that resisted dust particles and water spray with high pressure from every direction. The quality of the panel boxes was as good as that of the German Rittal's or American Hoffman's, while the cable trays were adjusted to NEMA standards.

Accordingly, the quality and competence of the company's human resource had to be improved. To ensure fast and accurate information flow, Pak Iman invested US\$40,000 for the ERP SCALA program. The new program was used by the finance and logistics department but had not been optimized because of human resource limitation.

Pak Iman was aware that he had to keep qualified employees in the company and had to address their needs for career advancement or higher remuneration which oftentimes took precedence over personal reasons.

In dealing with human resources concerns, Pak Iman adopted a strategy that was based on the concept that he learned from the magister management program. The strategy included recruitment, professional training and development, career plan, work assessment, incentives system, employers-company relation and company culture. The company culture was reinforced by disciplinary training and the

teaching of Islamic values to develop the employers, spiritual moorings. Discipline was maintained by conducting a daily assembly every morning for all employees. Those who came late for the assembly for four times were given a warning.

A two-hour religion session was conducted every Saturday. Pak Iman himself and other speakers delivered the sermons. Since PT Nobli ran this religion program, the rate of stealing in the manufacturing plant had been minimized. Team building sessions were also held every Friday afternoon (15.00 p.m.-16.30 p.m.) The employees were divided into groups of seven members each (one leader, vice leader and members). The position as leader was rotated among the members. The group was designed not only to discuss management problems but also to give solution to them. The groups also cleaned their work areas, using the Japanese 5S method.

At the beginning, only a few training activities were conducted at NOBI. Nowadays, the company runs a lot of training: monthly 10-hour religion activity, philosophy basic training, technology, general management, marketing management and production management. Some trainings had been held five years before Pak Iman joined the magister management program. The training was mainly for the field employees, such as machine operator, and engineers. All employees, however, were trained on 40-hour quality management. Well-trained human resource was the strength of the company.

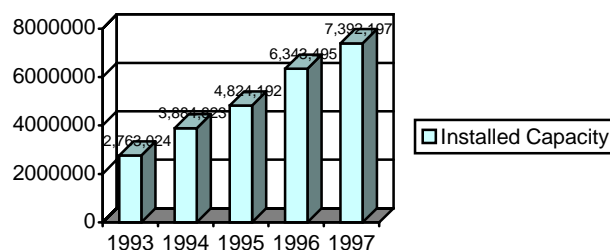
The company had not given any training as of yet to the lowest level, such as the group leaders yet because there were still vacant position for three strategic posts: Marketing, Operational and Asset Managers. All the posts were held by Pak Iman (See Exhibit 6 and Exhibit 7).

Market Served

NOBI served a number of industries, primarily telecommunication, oil and gas, with its cable trays and panel products.

The telecommunication sector has grown rapidly in the world including Indonesia. In the past five years, Indonesia's telephone installed capacity has increased steadily by 4,629,173 lines from 2,763,024 lines in 1993 to 7,392,197 lines in 1997 (Figure 2).

Figure 2. Development of Telephone Installed Capacity (1993-1997)



Source: NOBI

According to the Bureau of Statistics, the volume of panels imported to Indonesia in 2000 was US\$ 50 million. NOBI's sales that year was around US\$ 1 million, while the two major local competitors sold around US\$ 0.8 million each. A total of around US\$ 53 million was the estimated demand for high quality panels product in Indonesia. There were no data on the volume of medium and low quality panel consumed. The high quality panels were produced based on a quality standard that protected the panels from dust and water, but still provided sufficient ventilation. Only a few local companies could produce panels according to the international standard IP 66/65.

NOBI SET its price about 40% below the imported products, while its local competitor used NOBI's price and NOBI's product design as their benchmark. Their prices and quality were usually lower than NOBI's products.

Vision Of The Future

Pak Iman had been running the business, producing cable tray and panel boxes, for a long time. Pak Iman had to work hard to generate orders for his products. He felt that this was as difficult as his job as contractor before and generating a stable monthly revenues through manufacturing seemed out of the question. He thought that his move from being a contractor to being in manufacturing was not right, but it could not be changed. "I have made the wrong decision in moving from being a contractor to being a manufacturer," said Pak Iman.

Indonesian economics and politics proved to be not yet stable for business. In 2002, NOBI suffered significant financial losses. This was partly due to the fluctuation of the Indonesian rupiah to the US dollar and most while people expected the rupiah to be stronger compared to the US \$, but Pak Iman thought differently.

Realizing that some key positions were still vacant, Pak Iman noted that there was a communication gap between him and his children in terms of the decision-making process in the company. Pak Iman's children felt that they were not given the authority to decide on matters concerning the company and they demanded that they be given such authority. Pak Iman, however, had a different perspective. He wanted them to consult with him before they made a decision as he was their superior. "Old people like me know which area should be consulted with the boss," Pak Iman said. "Is it right to give them authority to make a decision? Should they have a chance to make a decision which might be wrong and learn from their mistakes? Or should they consult with me as their superior first before making a decision? For me the answer was not clear yet.

Realizing that in the future, the challenge would not be easy, Pak Iman was sure that it was high time that the company move from investing in machines to investing in human resources. With a highly skilled and competent human resource complement, NOBI could be more innovative and competitive and could very well attain Pak Iman's dream of making it a market leader in panel box and cable tray. Pak Iman did not want to be the only person who made decisions in the company. Ideally, the employees would have to take part in the decision-making process.

Pak Iman also anticipated the continuity of the company through its shareholders. Based on his consultant's advice, the shares of the company were divided among Pak Iman, his wife, and his children, with Pak Iman owning a 24 percent share. Dini's husband, Dendi, was actively involved in NOBI and was responsible for product design, especially of the panel boxes. Dendi and his team designed a product using expensive and sophisticated Vertex software which could show 3-dimensional pictures.

Dini was the only one of Pak Iman's children who was actively involved in NOBI. She dealt with asset management - controlling company asset (purchasing, stocks, and finance). Pak Iman's second daughter, Yanti Damayanti, a Physics Engineer did not want to work at NOBI. She was studying for a master's degree, majoring in international relations. She worked with the Australian Embassy's Commercial Attaché office and received a salary twice as much as what she would receive from NOBI. The youngest son, Iman Adrianto, 14 years old, was a third year Junior High School student.

There was no clear scenario as of yet of the future of NOBI. Pak Iman wanted NOBI to be managed by his family. The ideas, however, was not supported by some members of his family. Some of them believed that they should not be involved in the company. For them, the most important thing was that NOBI could provide benefits to the shareholders. NOBI may be managed by professionals. Pak Iman did not want to be authoritarian and impose on his children. He just expected that his son who often visited the manufacturing plant in his leisure time, would be interested in running NOBI. Pak Iman wanted him to make his dream come true, to continue what Pak Iman had started.

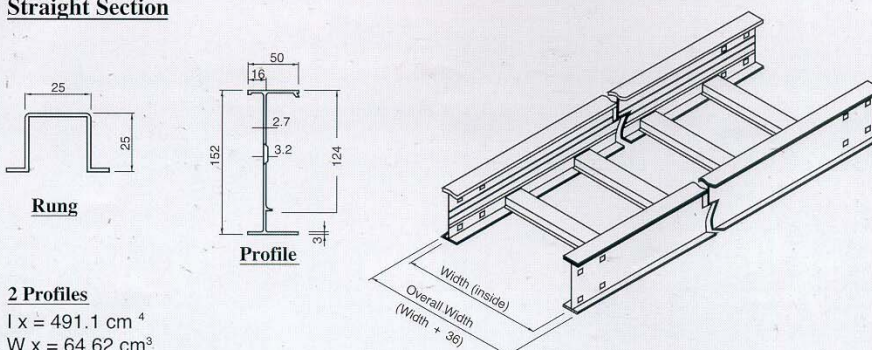
EXHIBIT 1A

Exhibit 1a

ALUMINUM CABLE TRAY

- Side rail Height = 152 mm
- Width (Inside) = 150, 300, 450, 600, 750, 900, 1050 mm
- Cable space depth = 124 mm
- Length = 3000, 6000 mm
- Ladder type rung spacing = 300 mm
- Safety factors = 1.5 (Nema Standard)
- Material = Side rails, rungs and Splice plate are Aluminum alloy 6063 - T6. Covers are aluminum alloy 5052 - H32

Straight Section



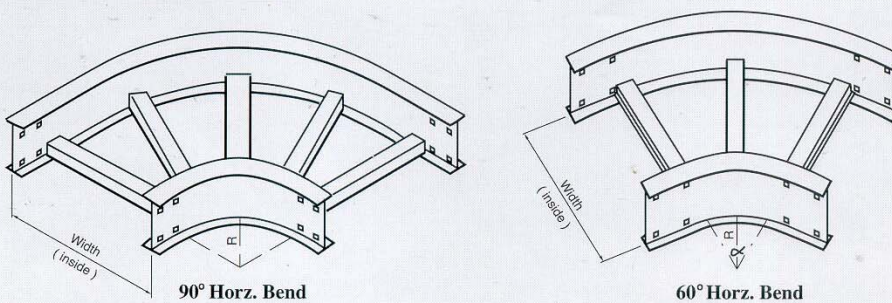
2 Profiles

- $I_x = 491.1 \text{ cm}^4$
- $W_x = 64.62 \text{ cm}^3$

Nema class Designations max = 20 C
 I_x = Moment of Inertia, W_x = Section Modulus

| Safety factor | Span (M) | 1.5 | 3.0 | 3.6 | 4.2 | 4.8 | 6 | 7.2 |
|---------------|-----------------|-------|-------|-------|-------|-------|-------|--------|
| 1.5 | Load Kg/m | 1993 | 635 | 441 | 324 | 248 | 152 | 110 |
| | Deflection (mm) | 12.66 | 19.76 | 28.46 | 38.74 | 50.59 | 78.68 | 113.59 |

Aluminum Horizontal Bends

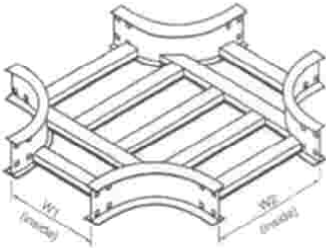


- Available bend Radius = 450, 600 mm
- Available bend angle $\alpha = 90^\circ, 60^\circ, 45^\circ, 30^\circ$

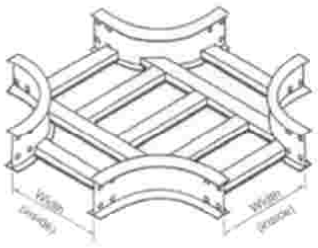
EXHIBIT 1B

Exhibit 1b

Aluminum Horizontal Equal / Unequal Cross



W1 (inside)
W2 (inside)

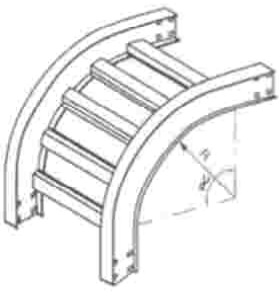


Width (inside)
Width (inside)

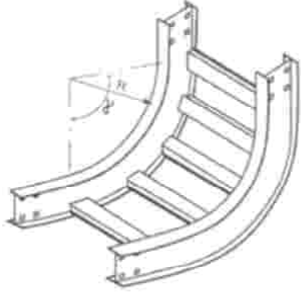
W1 ≠ W2
Available bend Radius = 450, 600 mm

Horizontal Cross

Aluminum Outside and Inside Vertical Bend



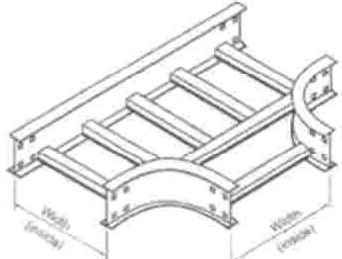
Outside Vertical Bend



Inside Vertical Bend

Radius available = 450, 600 mm
Angle available = 90°, 60°, 45°, 30°

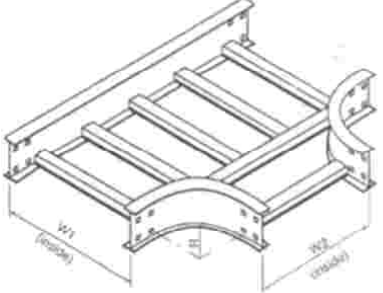
Aluminum Horizontal Equal Tee



Width (inside)
Width (inside)

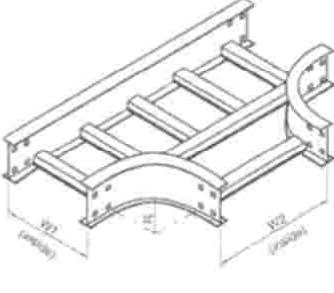
Horizontal Tee

Aluminum Horizontal Unequal Tee



W1 (inside)
W2 (inside)

Horizontal Unequal Tee
W1 > W2



W2 (inside)
W2 (inside)

Horizontal Unequal Tee
W1 < W2

Available bend Radius = 450, 600 mm

EXHIBIT 2

Exhibit 2

Personal Computer Enclosure (NPC)



Surface Finish :

Powder coating in textured RAL 7032

Protection Category :

IP 55 to EN 60529 complies with NEMA-12

Supply Include :

- Enclosure frame completed with eye bolt
- Rear door with zinc die trim line swing handle and double bit insert
- Three parts gland plates
- Component shelves for monitor
- Front side consist of three parts :
 - Top door : monitor field with side hinge
 - Center door : Folding door for keyboard include zinc die quarter turn key with double bit insert
 - Bottom door : open right or open left with zinc die trim line swing handle and double bit insert
- Plinth 100 mm high; removable on width side

Material List

| Part | Material |
|---|---|
| Frame | Extruded aluminum Special Profile Alloy 6061 T6 |
| Rear door, lower door, folding door, door for keyboard monitor door with single panel | Electro galvanized steel 2.0 mm |
| Side and top cover | Electro galvanized steel 1.5 mm |
| Plinth | Electro galvanized steel 1.5 mm |
| Single panel for 14" or 21" monitor | Safety glass 5 mm |

| MODEL No. | MONITOR | W | H | D |
|-----------|---------|-----|------|-----|
| NPC 3750 | 14" | 700 | 1500 | 800 |
| NPC 3751 | 21" | | | |

Available Accessories :

Heat Exchanger; installed on rear side for optimal function



Asia-Pacific
Economic Cooperation

MARTHA TILAAAR: The Business of Making Women Beautiful

”If I look back, counting my blessings, marveling at what had happened in my business, I see a pattern unfolding. I believe it started with my conviction that there is always something good out of every undertaking, every happening. Hence I refuse to see the crisis as a threat to our business. Rather, I have seen it as an opportunity. I've spent over two decades to develop my line of cosmetics which blends traditional Indonesian mixtures and treatments with modern science, and during the crisis I've felt even more challenged to create new innovations to enhance the beauty of women despite the situation.”

The above was a statement of *Ibu* Martha Tilaar, who was in her mid 60's in mid 2003 but certainly did not look her age. She was one of the major players in the cosmetics industry in Indonesia. Martha Tilaar Group, her company, positioned itself as a multi-segment cosmetics producer of over 1,500 products and many of her brands were market leaders in their respective segments. During the Asian economic crisis which had hit Indonesia so severely that many companies went bankrupt, a phenomenal thing happened in her company. In July 1999, the manufacturing arm of the company which was partially owned previously by Kalbe Group, a giant in pharmaceutical/cosmetics business in Indonesia, was able to buy back the whole shares of Kalbe Group in P.T Martina Berto.

Beyond her business success, Martha Tilaar was a very human person and very caring about the people working for her as well as those around her.

This case was written by Ms. Chrysanti Hasibuan-Sedyono of the PPM Institute of Management (Indonesia) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Dr. Martha Tilaar solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

Martha Tilaar, The Person

Martha Tilaar was the eldest of three children born to a common Javanese-Chinese family in Kebumen, a small town in Central Java. It was not an easy birth for her mother; she had been sickly during her pregnancy, so her baby, Martha, had been sickly too. As a matter of fact, her mother had developed guilt feelings because Martha's intellectual development was predicted to be slow as a consequence of her ill health. For that reason, she specifically trained Martha in various skills to make up for it.

It was from her mother that Martha Tilaar learned how to be entrepreneurial, self-reliant and independent. From her early school age, she was already told that if she wanted to have money of her own, she had to work hard for it. Hence, while their family was doing well and they lived with her grandfather, who was a local Chinese landlord, she made necklaces and bracelets from different-coloured beads from plants growing in her grandfather's backyard. She sold these to her friends in school. She also bought fried peanuts in bulk, repacked them into small packages and made a lot of money selling these in school. Sometimes she sold mangoes picked from her grandfather's garden. "It felt good to earn my own money. Looking back, I realize that the lessons learned during those times had indeed prepared me to be self-reliant, independent and brave in facing the world, and had been very meaningful later in my life."

Her father who was a teacher inspired her to be a teacher as well and helped her develop a sharing and social-philanthropic attitude. As a child, she observed her father distributing bread every afternoon to people who needed them. The bread were "rejects" from deliveries made by her grandfather who was a major supplier of bread to a military camp. Her father also organized a common kitchen during the revolution in Indonesia. In his old age, her father was still actively managing a home for the aged. The good examples set by his father had shaped Martha to be someone who always cared for the less privileged.

Martha grew up in the Javanese environment which had a very rich culture. Her parents often took her to places like Jogjakarta and Bali where art flourished. Her father exposed her to various traditional performing arts and Indonesian legends. All of these had made deep impressions on the young Martha Tilaar. She later decided to study in the State University and take up Teacher Training and Education, majoring in History.

As a child, Martha was actually tomboyish and never really cared much about beautifying herself. This got her mother worried, so she was sent to the best Beauty Culture Course in Jakarta headed by Ibu Titi Poerwosoeno, who was a famous beauty when she was a teenager. This exposure proved to have a very big impact on Martha. To make women beautiful had been a mission in her life ever since.

The Man In Her Life

Martha Tilaar met her “Prince Charming,” Dr. Alex Tilaar, who was her professor when she was still in college. They were married in 1963. Dr. Tilaar was a professor in the State University of Teacher Training and Education in Jakarta and a senior officer/ expert staff of the National Development Agency (*BAPPENAS*). Despite his senior position, he was a very honest civil servant with limited means. As a good wife, Martha followed her husband’s way of life. She moved around Jakarta using public transport though her parents owned cars. When it became unbearable, she tried to improve her young family's finances by buying and selling batik prints, embroidered clothes and other items.

Taking note of his wife’s entrepreneurial bent, Dr. Tilaar was quite supportive of her ventures and never had any feeling of competing with her. They vowed to respect each other's independence; develop the strong points each possessed and support each other, instead of each going his or her own way. This had worked beautifully indeed and their relationship had always been harmonious.

Martha Tilaar realized that as a professional businesswoman she would have less time for her family, but she tried very hard to make it up in terms of quality time spent with them. Hence, she always attempted to be home for family affairs like dinners or weekend programs. She made it a point to delegate business obligations whenever possible. Being religious minded, the Tilaars always tried to go to church to attend divine services together, and whenever Martha went on a business trip, the family would morally support her by praying for her. The "division of tasks" between the two of them also worked pretty well. While Martha was busy attending to her business, Dr. Tilaar willingly took over tasks normally done by mothers. When their children were young, he met with their teachers every semester for the distribution of report cards. He shared: "In the 70's, I was the only father doing that, in the 80's a number of men showed up, and in the 90's the ratio of men to women claiming their children’s report cards in school was already fifty/fifty!".

There was one condition, though. Alex Tilaar helped Martha a lot with business concepts, thus playing the role of an internal consultant to Martha who was the business practitioner in the family. But he refused to facilitate things for his wife in any manner by way of extra privileges which he could have easily obtained from his contacts as a senior *BAPPENAS* official – a practice which was very common in those days. While this could have made Martha’s business dealings a lot easier, Alex believed that his dignity was beyond any privilege due his position. Once, he returned a key to a house presented as a gift to him by a real estate developer!

With Alex Tilaar as the head of the family, family values had always been highly esteemed by the Tilaars and later by their children’s extended families. Martha said she believed that family welfare is the foundation of all success and they all looked forward to their upcoming 40th wedding anniversary.

Miracle In Her Life

Martha Tilaar also never ceased thanking God for a miracle in her life - the birth of her first child when she was already 42, some 15 years after they were married! In a way, it was a victory, because at the age of 40 she was already pronounced incapable of ever bearing a child by a gynecologist.

However, instead of giving up Martha reacted by inviting experts in *jamu* (traditional Javanese herbal medicines) including her own grandmother, to share their *jamu* with her and treat her as a "guinea pig". The traditional herbal medicines indeed literally worked wonders for her, because after her first baby, she had three more later.

For this reason, she had dedicated more time to do research on the *jamu* and produce them in her factory for other women to share.

Early Journey Into The World of Beauty

In her journey to learn more and more about the art of beauty, she had an opportunity to study in the Academy of Beauty Culture in Bloomington, Indiana, U.S.A. in 1967-1969. This took place when she was accompanying her husband who was studying in Indiana University on a scholarship grant. The USD 210 per month allowance provided to Dr. Alex Tilaar was barely enough to support the two of them because there was no allowance for the family. Martha refused to be deterred by this however. For Martha who had been used to working hard, it was no big problem. She became creative and innovative instead. She produced flyers with her own drawing of an Indonesian house and a coconut tree, and a handwritten message offering to baby sit for the mothers staying in the campus. She posted the flyers on the campus bulletin boards, laundry rooms, supermarkets, and other places. Within a short time, she had 13 children of various ages as her clients and she was earning as much as US\$ 2,000 a month!

With the money saved, she then managed to go to the Academy of Beauty Culture. After obtaining her certificate as a state licensed beautician, she offered her services as a beautician door to door. She acquired many clients consisting of students and wives like herself who were accompanying their husbands. She even had the wife of her very stern professor as her client.

Having learned more about life in the US, I introduced myself as follows: "I am an Indiana state licensed beautician and would like to serve you and your family (cutting and hairdo)" in my flyers. And as I predicted, the word "serve" really did wonders to people who normally did not have the luxury of being served like us in Asia. In a month, I was able to buy a BelAir car with what I earned!

Martha also experienced working as a saleslady for Avon, selling cosmetics door to door, which was a tough job. She regarded all these experiences as priceless lessons in life.

Further Journey Into The World of Beauty

Martha opened a modern, though small beauty salon when she returned to Jakarta. It was one of a kind then, and it was such a great success that in three months, the shop had to be extended and occupied almost the entire house, leaving the family with only one small room as their living area. Her clients were mostly the wives of government officials and foreign ambassadors. After two years, she opened another salon and others followed later.

With her two years' savings from her own income, Martha decided to go to the center of beauty culture in Europe to learn more of the trade, especially cosmetics technology. It turned out that in Europe people at that time were very excited with the "back to nature" trend. They were tired of anything modern and were yearning for mixtures coming from nature. It was indeed a change of orientation for beauty culture! In Holland, a medical expert, Dr. Van der Howe, gave Martha a most valuable advice: to research on the Indonesian herbal mixtures which all came from Mother Nature. Dr. Van der Howe said:

You are being ridiculous. If you want to learn the art of making Indonesian women beautiful, this is not the place to go. Look, you have brown skin, flat nose, and black hair, not blond. We also have different seasons. You can't beautify Indonesian women the Western way.

It was like a rude awakening to Martha, who had developed the perception that anything coming from the West must be the best.

But it was an eye opener, and changed my paradigm totally. What we have from the East is by no means inferior. From then on, I have developed a passion to explore and study from the Indonesian culture itself, the Indonesian art of beauty. I have searched endlessly. I have been fortunate to have had the opportunity to learn about traditional cosmetics from the royal family of Mangkunegaran, Solo as well as from the Jogjakarta royal palace of Sultan Hamengku Buwono IX. What I learned from them were priceless contributions to my business. In the olden times, such mixtures were meant as a part of the art of beauty for the royal family members only, and had to be kept a secret.

What she discovered was the beauty concept of *Rupasampat Wahyabyantara* (this is an ancient Javanese phrase), which was the harmonious mix of two elements, inner and outer beauty. This was in line with the Javanese culture whereby women and beauty were considered as two sides of the same coin, and beauty was manifested physically and spiritually in harmony. Outer beauty was shown in a beautiful face, hair and body, whereas inner beauty was manifested in caring for others.

Martha's research later extended to traditional ethnic dresses, hairdos and related subjects from all over Indonesia, and the results had been published in 18 books, dedicated to the Government of Indonesia. Based on these researches, Martha Tilaar had been awarded a *Doctor Honoris Causa* in Fashion Artistry by the World University, Tucson, Arizona, U.S.A.

Her Business

Martha Tilaar's business started with a very modest beauty salon in a small room of her mother's house in the 1960s, when she was newly wed, with clients coming from her circle of friends. She did the hair cutting, facial treatment and such services herself. She returned to Indonesia in 1970 after joining her husband who was on a scholarship in the US for three years, during which she also acquired a certificate as a beautician from the Academy of Beauty Culture in Bloomington. Upon her return, she again opened a small but modern beauty salon in Jakarta. The shop's interior design was traditionally Indonesian. It was one of a kind at that time. The shop turned out to be a great success and in a span of two years, Martha opened other beauty salons in various areas.

While operating her beauty salon, Martha traveled to various places in the world like Bangkok, Hongkong, Tokyo, London, Paris, Amsterdam, Rome and New York to polish her skills in the art of beauty. As preparation for her dream of becoming a cosmetics producer, she also visited the factories of Yves Rocher in France, Mary Quant in the UK and Hartleben in West Germany. One thing which really stuck in her mind as a result of her discussions with beauty experts from those countries was the "back to nature concept".

From her endless research into the Indonesian cultural heritage and tradition related to beauty and health, Martha gathered a great collection of traditional beauty ingredients, which are in abundance in Indonesia. She has also learned from Mother Nature which goes through its life cycle yet maintains its endless spring of beauty throughout the different stages.

She then invented the "Royal Secret Discovery" as the theme in her marketing campaign, offering hope and dream to the Indonesian women that they could be as beautiful as a royal princess by using her traditional cosmetics. However, Martha soon realized that she was just a common woman and not of the royal family. Thus, she asked a close friend who was an acknowledged beauty as well as a royal princess and another lady from the Solo royal court who was an expert on *jamu* to join forces with her. Together they produced the *Mustika Ratu* (meaning "Royal Heritage") brand of traditional cosmetics and *jamu*. The result was awesome; they simply could not meet the demand for their products since their production was still at the home industry level at that time.

Unfortunately, the alliance did not last long. In February 1979, her princess partner decided to leave her and set up her own business, bringing with her the *Mustika Ratu* brand, leaving Martha to practically start all over again. Martha was greatly affected by the separation, but at the same time she felt spiritually blessed because she

found herself pregnant for the first time, a priceless gift from God. The baby was born in the same year, and gave her the motivation and strength to move on, to respond positively to the new challenge.

Martha started experimenting again with the traditional natural ingredients, and later introduced her new brand of traditional cosmetics and *jamu*, the *Sari Ayu* ("Essence of Beauty") Martha Tilaar, also as a home industry. Later, she entered into a joint venture with the Kalbe Group, (formerly called PT Martina Berto). In 1981, the company built its first modern factory. This was followed by a second factory in 1986. They produced the three major brands: Sari Ayu (for the middle class), Belia (for teenagers) and Biokos (for the middle and upper class). All the brands covered five important categories, namely; decorative makeup, skin care, body care, hair care, and *jamu* health supplements. Other brands produced were: Roses Martha Tilaar (family care), Pesona Martha Tilaar (cosmetics for international market), Martina Martha Tilaar (Indonesian *jamu*), Berto Martha Tilaar (health food and drinks), Aromatic Martha Tilaar, PAC Martha Tilaar (Professional Artist Cosmetics), and Dermakos, medicated cosmetics for doctors which were sold at dispensaries.

Later on, related businesses have been further developed. Besides the beauty salons, Martha Tilaar Spas have also been added. A very special arm of the company was the Puspita Martha Education Centre which offered a non-formal beauty course. The course drew a big number of participants and was widely recognized in Indonesia. In latter years, many medical practitioners/doctors attended the course which had over 100,000 alumni coming from all over Indonesia and overseas.

It has been a long struggle nevertheless for the company to reach its current status. After buying back the Kalbe Group shares in 1999, the Martha Tilaar Group was established as a holding company composed of three companies in the manufacturing division, three companies in the marketing division, one national distribution and international trade division, and one company in the service division.

Martha's 1,500 items of cosmetics were produced in four different factories employing over 5,000 employees. These were sold mainly in Indonesia and also in a good number of other countries in Asia, Europe, Africa and North America. The company's turnover has reached around five hundred billion rupiahs in 2002.

Her Response To The Asian Crisis

To respond to the crisis, Martha believed that there was a need for her to implement more sharply the concept of segmentation-targeting-positioning in marketing.

She noticed that a segment of the Indonesian market, the upper class, was untouched by the crisis. For them, she created exclusive traditional products and treatments in exclusive setting in her House of Beauty, Puri Ayu Martha Tilaar, that they could pamper themselves with. For those who had less income and were badly hit by the crisis, she developed small packaging for the cosmetics such as refill eyeshadow to give better value for money. One of those products, the two-in-one lipstick increased sales by 400%, and won two awards as "Innovative Product" and "Best Product of the Year" in 1998.

She also reaped the rewards for having to sacrifice paying higher rental for counters in the best department stores or shopping malls just so their products could be displayed next to foreign brand products. Space rental was paid in US dollars.

That was due to my vision that the Indonesian brand of cosmetics should be proud of the Indonesian identity and should never feel inferior to foreign brands which have strong images. What happened during the economic crisis was that the women who used to patronize or favor foreign brands but were affected by the crisis were switching to my brands, which they could not miss because these had always been there, close to the counters they used to visit.

Thus, the business flourished. At a certain point in time, the sales of a counter which used to be only around Rp15 million could reach Rp115 million!

Martha had also seen the crisis as a good opportunity to develop better relationship with the commercial TV stations. The company had created goodwill by having the Martha Tilaar artistic team on stand-by all the time for the services that the TV stations might need for their programs. The caption "*Makeup by: Martha Tilaar*" in numerous programs had definitely increased awareness among the consumers or potential market.

How She Manages

Being a woman and a mother, Marta Tilaar always feel like a mother to her employees. She truly believes that the ideal relationship between employer-employee should be like that of a mother and child, but professionalism should always be the foundation of any relationship in the company. She believes in "sharing happiness" in the company, and this is manifested mainly by giving opportunities for her employees to develop themselves, if necessary to study overseas, under company sponsorship. Because of her "motherly" feeling toward her employees, she still maintains 600 workers in her lipstick plant instead of having the operations automated and employing only two workers.

She tried to treat her employees fairly, and she conceived "fair treatment" in this case as being open to them, and treating her employees as partners in the business. She did not like to refer to her employees as "assets" (which is a popular term and widely used) because it gives the impression that her employees were only goods and not human being. Due to this open management style, her employees did not protest when they did not receive salary increases during the economic crisis. They accepted the fact that the company needed the money very badly to pay their foreign exchange debts.

Martha Tilaar has also introduced and adopted in the company a philosophy she inherited from her parents and grandparents, which she has coined into an acronym *DJITU* (literally, it translates into "sharp" or "great" in English). In the Indonesian language, it stands for:

| | | | |
|---|-----------------|---|----------------------------|
| * | <i>Disiplin</i> | - | discipline |
| * | <i>Jujur</i> | - | honesty |
| * | <i>Inovatif</i> | - | innovative |
| * | <i>Tekun</i> | - | perseverance, focused |
| * | <i>Ulet</i> | - | persistence, assertiveness |

Since I was a little girl, I have always been trained to use those traits to check on my own behavior and performance. Because I am totally convinced of these values as a way of life, I have introduced them as our corporate culture, when I later managed to build my own company.

Hence the *DJITU* is now used by employees in Martina Berto as a yardstick to evaluate oneself. Commenting on Martha Tilaar's management style, her human resource development manager said:

The *DJITU* philosophy has really become a working program in our company, not just a symbol or document. Ibu Martha Tilaar's background as an "educator" (she has a masters degree in Education) also means a lot, because indirectly she always wants to educate her employees. Above all, we believe she has genuine concerns for her employees, and that must be a key factor in her business success.

Plan For Future Generation

The business is a family business, with Martha Tilaar, her sister Mrs. Ratna Pranata (for the whole Martha Tilaar Group) and her brother, Mr. Bambang Handana (only for PT Sari Ayu Indonesia and PT Martha Beauty Gallery) as shareholders. They plan to have the second generation onwards as their successors, and they have started involving Bryan Tilaar, the eldest son of Martha Tilaar, and Samuel Pranata, son of Mrs. Ratna Pranata, in company operations.

Bryan Tilaar who graduated from a university in South California, USA was truly concerned about the spirit of the business and would like to really understand and master it. So he had started at entry level as a management trainee, and moved up the managerial level from assistant to senior management. He was a member of the Advisory Board to the Shareholders and worked with the Office of the President as Deputy Chief. Samuel Pranata occupied the same position as Bryan Tilaar, after gaining experience in other companies outside the Martha Tilaar Group.

Martha Tilaar was delighted with Bryan's commitment and achievement. Bryan was a young man who knew what he wanted; he would like to be a good politician someday but only after he becomes rich, so that he would not have to sacrifice his integrity for any reason related to money. Bryan believed that working for the family-owned Martha Tilaar Group was a good way of doing it-earning money honestly while giving employment to others.

Other members of the second generation were not yet fully involved in the company. Some were still pursuing their education, others were working outside the Martha Tilaar Group according to their respective expertise, though one way or another they have contributed something for the company. In November 1998, Pingkan, one of the two daughters won a prize in a "Body Painting" competition in Athena, Greece, conducted by CIDESCO, an international organization of beauticians. Pingkan adopted "The Tattoo of the Dayak Princess" theme, using Martha Tilaar PAC (Professional Artist Cosmetics). Wulan, the other daughter who was a graphic designer did the concept of "*Jamu* Garden", a product of the company which was launched during the CIDESCO World Congress and Exhibition 2001 in HongKong. Martha Tilaar was convinced that her two daughters would also join the Martha Tilaar Group in due time.

While I want my children to succeed us in taking care of the business, I don't want to be directive in my approach. What I have done is to convince them that working for others is okay but they'll get much more satisfaction as well as money if they run their own business. In line with that, I always try to implant a real sense of belonging and sense of ownership among them.

Beyond Business

Martha felt that she had been blessed through other women. Hence she always tried to give back to them, particularly the less fortunate, in any way possible. During the monetary crisis in 1997/1998, some 67% of the factories in the industrial estate where her plants were situated had to close down and lay off their workers. Martha organized a course on haircutting, babysitting and aromatic massage for those laid off, so that they could find other jobs with their new skills.

She also trained the women vendors of *jamu* to be more sophisticated by providing them good recipes and teaching them to prepare these in a more hygienic way. She developed women in some villages to produce handicrafts, which later found their way to boutiques in Paris and other prestigious cities in the world.

Such activities have definitely not yielded any income for her; in fact, she oftentimes had to spend her own money on these activities, but she always found it to be very rewarding.

Martha Tilaar wanted to follow the footsteps of Estee Lauder, a company that has grown big by being in one core business, cosmetics. She believed that her company's success was due to her business focus. Thus, she has remained with her core business, natural cosmetics. Company expansion was into closely related businesses only.

Despite her business success, Martha Tilaar felt that her vision has not been fully achieved. While she realized that her company was a leading cosmetics company in Indonesia and in some ASEAN countries, she wanted her company to be a world class corporation and a leader in Eastern traditional and natural cosmetics. She was still working hard to attain this.



Asia-Pacific
Economic Cooperation

HEALTHY PIT

For Fully Enjoying Your Life Until The Last Minute!

“Every one wants to enjoy a healthy life. But almost everyone, young and old, has something to be concerned with about his/her health, which affects work and perspective towards one’s own life. With our expertise, we want to support people to be healthy.”

-Keiko Sugimoto, President of Healthy Pit Co. Ltd.

The Business

Healthy Pit Co. Ltd. was established in January 1991 to provide consulting and advisory services on improving dietary habits of people to enable them to enjoy a healthy life. Keiko Sugimoto and six of her friends, who were co-founders of Healthy Pit, were “frustrated” dieticians who did not have the career path to effectively utilize their knowledge and expertise. They saw an opportunity to provide advisory services on people’s diet, as people’s consciousness for health was growing. Healthy Pit’s first business was at a Sports Club, whose owner wanted to differentiate itself by employing dieticians who could advise its club members on the appropriate diet for a healthy body, in addition to providing the usual sports facilities. Since then, Healthy Pit had developed awareness raising programs on healthy diet and approached municipal governments and public schools to hold seminars and functions for school children. Healthy Pit’s simple but unique ways of organizing a supermarket simulation together with the 5-color diet were well accepted. Healthy Pit later expanded to penetrate the corporate market who were interested to maintain the health of employees on a retainer arrangement.

Ten years after its establishment, Healthy Pit’s sales had grown to 70 million

This case was written by Prof. Etsu Inaba of the Institute for International Studies and Training (Japan) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Mr. Keiko Sugimoto solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

yen per annum. It had a client base of over 30 major corporate accounts and a steady stream of new businesses. Many had pointed out to Keiko that the company had great potentials for higher growth and could even go for public offering of its shares. However, Keiko did not know whether it was what she wanted. Even if it were a good move, she was not sure how to go about the expansion.

Turning Points

The Father

The first turning point in Keiko's life came while she was studying for the university entrance examination. She was interested in history, so she was considering majoring in history at a university. Her father had a different idea for her. He pointed out the importance of food and diet in people's lives, as people would have to eat at any age. He suggested that she should become a dietician. Keiko followed his advice and chose to go to a college, which specialized in the development of dieticians. After graduation, however, Keiko did not seek a job directly related to her profession since she wanted to get to meet people, rather than to push numbers and prepare dietary papers. She joined Odakyu Department Store, one of the large department stores in Tokyo where she was assigned to the Personnel and Administration Department. Keiko thought the assignment was probably due to her specialization since the department was in charge of the welfare of employees. In retrospect, her father's advice had a long lasting effect on her career.

The Report

The second turning point presented itself when Keiko was 28 years old and had been working for seven years with Odakyu. She was asked to develop a "strategy" for the store's survival as part of the requirements for promotion. "I had not thought of a strategy for the department store. At first I was at a loss. If I were in sales or customer service, it would have been easier to think of a strategy. I did not know what to suggest," Keiko reminisced. Odakyu Department Store belonged to one of the major private railways, located in Shinjuku, a busy district in Tokyo. It was facing severe competition from the old, established department stores as well as from newer department stores with larger floor space, clearly targeting middle-income families. Keiko knew that it would be necessary to come up with something new to distinguish Odakyu from its competitors. Since she had access to employee information, she found out that approximately 30 of their employees had dietician's qualification. She wanted to use their potential in developing a customer base, which had not been tapped by the company. In her report, she suggested that Odakyu should distinguish itself as one "in which the entire store places priority on the customers' health". This could be realized, she suggested, by placing qualified health specialists, such as dieticians, in all floors. By wearing a badge to indicate their professional qualification, their health advice would be accepted and welcomed by customers. This would entice the customers to come to the store regularly. For example, a customer of the men's suits department who apparently gained weight from his previous visit to the store would be concerned about his weight and shape. The sales person not only could provide the necessary information about suits, but he or she could also provide advice on dieting to help customers from gaining weight, Keiko argued. If the advice were appropriate, the

customer would appreciate it.

The Challenge

Keiko's report caught the attention of the management and she was given the chance to study total human health further at a medical school for one year. In 1989, she was assigned as head of the health food section of the newly created "Health Plaza" at Odakyu's main store in Shinjuku. The Health Plaza was created, with instructions from the President of the company, as a one-stop shop for all items related to improving and maintaining people's health. That included sports equipment, diet foods, medicines, and others which were previously sold at different floors of the store. Keiko was determined to succeed, since the concept followed her original idea. The Health Plaza was manned by specialists, such as dieticians, sports trainers, pharmacists, etc., who had the technical knowledge. However, they lacked experience in sales. As a group, they trained themselves after working hours, mostly by role-playing. While they could provide advice to customers, this did not immediately translate into sales of the section for the first three months. "We were trying to gather data on what the customers were looking for and tried to address their needs by selecting the required merchandise." It was at this early stage of the Health Plaza's development that Keiko's future as an entrepreneur emerged. "The Health Plaza was a new concept. It needed time to be accepted by the customers. The pressure for immediate sales results was so great, however, that I had to swallow a great deal of cynicism from my superior." Her superiors issued a challenge to her, "Do you know how much this floor space costs? This is prime property in the middle of Tokyo. You have to earn at least the cost of space to keep this Plaza alive!" Keiko reacted to the challenge by deciding to herself, "My superior is only an ordinary middle-aged man, once he gets out of the door of the company. I do not want to be an ordinary woman! I want to be recognized as Keiko Sugimoto, even by people walking on the street." Four months after opening, the Health Plaza's sales started to pick up and continued to enjoy steady growth.

The Company

Starting-up

In 1991, the corporate law began to change. The minimum amount of equity capital requirement for incorporation was increased from 3 million yen to 10 million yen starting April 1991. Keiko and six of her dietician friends from college and Odakyu decided to incorporate a company by putting up their own money to meet the lower equity requirement before the deadline. Keiko provided 80% of the required capital, while her friends divided the remaining requirement between them equally. Healthy Pit was thus established. Keiko was still working for Odakyu at that time. Since the newly created company would be in the same line of business as Health Plaza of Odakyu, Keiko informed Odakyu about her move to establish this company. For the first year, however, there were no significant activities taking place for Healthy Pit and Keiko continued to work for Odakyu until 1994. It was just after the bursting of the bubble economy in Japan and the market dampened as a result.

During the second year of incorporation in 1992, Keiko started to prepare for a

membership-based health club. She prepared a business plan to obtain a loan for working capital and visited a publicly operated financial institution. The business plan indicated that Healthy Pit would charge a membership fee as well as sell the dietician's services to the club members. The person in charge of loans took interest in the business plan of Healthy Pit, but asked a number of "difficult" questions, such as the basis of the financial requirement and the assumptions of sales forecast. In the process of answering these questions, Keiko learned more about developing business plans. In the end, the bank granted Healthy Pit a loan of 2 million yen, out of the original requested loan amount of 3 million yen.

Riding on the Wave

Since the economy was depressed, creating new businesses, especially those initiated by women, attracted a lot of attention from the media as well as government policy makers. In particular, support mechanisms for women start-ups were given a good deal of media coverage. Keiko was invited to be a guest in an FM radio program, giving new healthy diet recipes. The program was a great hit and the name of Healthy Pit gradually spread as a health adviser. One company operating over 150 esthetic salon outlets nationwide wanted Healthy Pit to provide its services directly at their outlets. A major city bank also requested Healthy Pit to conduct face-to-face interviews and provide advice to its employees. The government institutions and corporations interested in lowering the medical cost by keeping their employees and young children healthier took interest in the services of Healthy Pit. Soon, the requests for their services exceeded the capacity that the original seven owner dieticians of Healthy Pit could handle.

Keiko decided to make use of the untapped resources of other "frustrated" dieticians. It was estimated that there were over 150,000 qualified dieticians in Japan. Only a handful of them had jobs related to their profession.

Keiko contacted qualified registered dieticians directly by mail and received immediate responses from over 60 dieticians registering to take part in Healthy Pit activities. The part time work requirement for Healthy Pit suited nicely to many of these dieticians, who were mostly housewives. Keiko noted that even though these dieticians had nationally recognized licenses and qualifications, their professional status was considered lower than those of physicians, nurses or pharmacists. Most of them were not able to fully utilize their knowledge in their work. Keiko always wondered why. "You know, dieticians seemed to be associated with a gloomy, backroom atmosphere. They were perceived to be always calculating calories and suggesting tasteless recipes for the sick and the school children. I wanted to change that image. I wanted to provide meaningful work for the dieticians and have their work appreciated," Keiko emphasized.

Unexpected Reactions

While Healthy Pit continued to grow, using the network of dieticians, Keiko faced a new challenge. In 1996, changes in corporate law required a company to increase its equity to 10 million yen. By this time, Healthy Pit had a total equity capital of 4 million yen and was thus short of the 6 million required to maintain its status as a

corporation. At first, Keiko did not place too much importance on this issue, because she thought it would not matter if her company became proprietary in nature that the ownership status would not make any difference, as long as the company provided good service. However, as the deadline approached, Keiko was repeatedly questioned by her corporate clients, “Make sure you keep your status as a corporation, otherwise you will not qualify as our business partner.” Keiko thus realized the importance of maintaining the company’s status as a corporation.

Keiko tried to raise funds, visiting a number of banks. But no bank was ready to come up with the necessary capital for Healthy Pit. To Keiko’s great surprise and disappointment, her dietician co-founders also decided to divest from Healthy Pit. Keiko surmised that taking out such a big loan and being responsible for it probably posed too big a challenge for her partners. “I thought we were all in it together. I never thought that they would decide to leave because we were like college kids, enjoying the group work.” Keiko had to raise the remaining 6 million yen all by herself.

Close Encounters

The Banker

After so many visits to different banking and financial institutions, she came across one rural bank which was at that time supporting start-up ventures. The President of the bank took interest in Healthy Pit and provided the necessary funds from their venture capital program. He stressed the importance of having confidence in work and presented Keiko a big framed calligraphy, “Only One in the World.” He explained, “You must believe that your company is so unique that there is only one in the entire world. And you have to keep this spirit in mind all the time.” (Keiko still hangs the frame in her office as one of her treasures.) It was unfortunate that due to the restructuring of the financial industry in Japan, the bank had to be closed a few years later.

The Yakuza

One day when Keiko was still working at the Health Plaza of the Department Store, she was invited to visit one of the known Yakuza (gangsters) operating in Kabukicho (one of the major red-light districts) in Shinjuku. It was impossible for her to refuse the invitation, but she was afraid and was wondering why she was invited. She told her office mates to report to the police just in case she did not return after five hours. The boss of the Yakuza, who was in his late 60s, asked her how much she was making at Odakyu and offered to give her three times her salary in exchange for a once-a-week dietary advice. “I do not want to die of diabetes or suffer paralysis from a stroke,” he said. “Would you rather die with a bullet or sword?” Keiko asked with curiosity. “I should die an honorable death,” was his reply. He said he had a number of followers and friends who shared the same sentiment. If each Yakuza family offered the same compensation, Keiko would have collected over 60 million yen per year. “I was not yet married at that time, so I did not want to jeopardize my career nor my personal life. I convinced him to come to Health Plaza and he obliged.” That visit gave her the insight that everyone wanted to live a healthy life, until the last minute of that person’s life.

Women Entrepreneurs

In Japan, women had to contend with “bamboo” ceilings, which restricted any opportunity to rise up the corporate ladder. Even though the discriminatory employment laws had been modified, there remained existing gaps in actual practice between employment and promotion for men and women. For women, starting a business was even more difficult due to barriers in accessing financial resources and acquiring technical or management experience. As a result, a handful of women entrepreneurs started a movement to help one another, sharing information and extending support and mentoring new entrepreneurs. Keiko joined the meetings organized by other women entrepreneurs, who had been well established in their businesses. When Keiko talked about her business in one of the meetings, others advised her that “It would at least take ten years for you to firmly establish your business, so work hard and be patient.” Keiko thought ten years was far too long. (Later on she realized that it was true for she had to be patient and work hard for ten years). Attending the meetings and listening to how other entrepreneurs dealt and communicated with people helped Keiko a great deal. “In one of the meetings towards the year-end, we were talking about plans for New Year holidays. Most of them were saying that they would spend time in Hawaii, or Europe, etc. I knew I had to work even during the New Year! I hoped that the time would come when I could say that I would spend my New Year in Hawaii!” The time was yet to come for Keiko.

The Market

The target and potential market of Healthy Pit had grown substantially, thanks to recent trends in health consciousness of people. The particular environment in which Healthy Pit operated was as follows:

The Elderly

The life expectancy of the Japanese hit a record high of over 80, one of the longest in the world. With the decline in the birth rate, the Japanese population pyramid comprised of a majority of middle to older age population. By the year 2020, it was estimated that the population of ages over 65 would constitute 30% of the total. In addition, the post-war baby boomers would be retiring from the workforce within the next few years. The concern for inadequate pension and pressure for medical insurance system in Japan had become a major social issue. Hence, the older population had started to take their health more seriously since they saw the possibility of not being able to depend on their children nor the social system for their old age care. This retiring generation had been the prime movers of the post war Japanese economic growth; most of them had worked hard to the extent of sacrificing their life with their families. Most of them, however, had adequate financial resources to support them the rest of their lives, if they were careful. They just wanted to enjoy life with good health.

Mothers

There were young women and mothers who preferred to continue working, if the situation permits. Society encouraged them to work by providing better child-care facilities compared to what were available in previous years. Young professionals had

become health conscious and made efforts to maintain slim figures. Working mothers usually had little time for cooking. There was abundant supply of take-out food, eating-out and instant food at reasonable costs. Department stores and supermarkets, as well as convenience stores, already offered a variety of ready-to-eat food, individually packed, making it possible for mothers not to worry about cooking at all. However, these prepared foods tended to contain too much salt or additives, and were high in cholesterol.

Children

In Japan, the average birth rate had been around 1.3 children per couple, indicating lower reproduction rate for the general population. This translated into a predominance of families with only a single child. This phenomenon implied a number of effects for children. Children lacked the chance of having siblings and as a result they were raised among adults. In addition, more affluent families provided their children with personal TV and room of their own. Recent studies showed that school children, even though they visited their friends, played more with an individual computer or a game machine. They hardly had a chance to play with other children out in the field. They were given enough pocket money to buy snacks and soft drinks at convenience stores, which had become ubiquitous in cities in Japan. These recent trends led to consequences unknown in the past. Living in “virtual reality” was one, in which the children believed everything could be “re-started,” including a human life. Cruel child crimes had started to appear, harming or killing other people. These children often took it as a game, thinking that all they needed to do to recover lives was to press a “Start” button. Also, many children started to suffer from the diseases only associated with middle aged adults in the past, such as diabetes and high blood pressure, probably due to bad diet and lack of exercise.

Corporate Samurais

Japanese salaried-men were often referred to as “workaholics” or “corporate men” during the growth stage of the Japanese economy. Long term employment and security of jobs were characteristics of the Japanese company practices. Due to a long sluggish economy, the corporate employment system had gone through adjustments, and many people in their 40s and 50s suddenly lost their jobs. In addition, the introduction of information technology brought new pressures to the skilled workforce or to middle management. Many industries had been going through consolidation and restructuring. New work pressures were brought into the workforce.

Similarly, globalization of the economy had brought big pressures for cost reduction. Many companies moved their production overseas, taking advantage of lower labor costs. As a result, more people needed to travel or work abroad, sometimes without family members. Taking care of their health, while working abroad, was one of the challenges for the Japanese company employees.

Yuppies

The Japanese cuisine generated a renewed attraction among the Japanese and non-Japanese alike. There had been a number of research findings to associate long life

with people's eating habits, which found wisdom in traditional food preparations. In the past, Japanese foods were considered "outdated" by the young Japanese and "peculiar" or "strange" by the non-Japanese. For the past decade, however, an increasing number of well-educated people around the world, particularly among the young professionals or Yuppies took Japanese food as "healthy" and "natural". The food preparation such as fermentation for making "*miso*" (bean paste), for example, was proven to be extremely good for digestion. Serving style of small portions artistically decorated with a large variety of materials was typical, traditional Japanese style and good for balanced diet. Some scientists argued that seaweed and mushrooms were the secrets for long life in Asia. Although there was an element of fad in ethnic cooking, Japanese food had gained popularity as a health food.

The Products

Healthy Pit over the years developed a variety of services to its clients. Its major lines of services and their systems can be categorized in the following manner:

5-Color Balanced Diet

Dieticians usually used technical terms, such as names of nutrients and number of calories intake, that were unfamiliar to ordinary people. In order to simplify what people should take each meal, Keiko came up with easy to remember categories of different food intake. She called it "5-Color Balanced Diet." (See Exhibit 1). People were encouraged to eat foods from all the 5 color categories during the day, or preferably for each meal. Keiko published a book to promote this idea.

For demonstration purposes, Keiko developed a supermarket simulation called 5-Color Superstore, where children would pick what they liked to eat from samples. They would then categorize everything they picked according to the five colors to see if all the colors were included in what they picked. If items from any color category were missing, they would be asked to add items from that category. While children played with 5-Color Superstore, they would become conscious of what they eat and would ask their mothers to ensure that they eat a balanced meal. Often, their mothers would be monitoring the process, and they in turn also got to learn the importance of balanced diet. The 5-color balanced diet became a common language among children and male and female adults. In most instances, these demonstrations and seminars were requested by municipal governments, public schools and private companies for a fee.

Package Deal

At the beginning, the co-founders of Healthy Pit used to hold seminars and demonstrations on healthy diet, using 5-color balanced diet concept. It was enough for them to survive as a business proposition, making about 500,000 yen per seminar. However, Keiko found out that the effect of the demonstration could not be monitored that way. One demonstration would not be adequate to actually change people's eating habits. Keiko, therefore, decided to offer additional follow-up services to corporate clients. Together with company physicians, Healthy Pit would provide advice to employees who needed to monitor or modify their dietary habits. Since companies were starting to outsource some aspects of welfare services, Healthy Pit was able to convince

the corporate clients to test the follow-up services for one month after the seminar for an additional fee of 300,000 yen. This turned out to be an effective way to actually influence employee's eating habits. Because of the nature of their work, employees faced "work-related" hazards such as drinking beer (at brewery), eating too much sweets (at confectionary), or suffering from eating at odd hours due to work shift schedules. The follow-up services actually provided specific advice for individual situations.

Regional Reach

Follow-up services opened a new avenue for Healthy Pit as corporate clients saw the merit of obtaining experts' advice on a regular basis and wanted the services extended to their operations in different regions in Japan. Initially, these services were provided by dietitians of Healthy Pit in Tokyo. They soon found out, however, that some food ingredients used in a certain province might not be available in Tokyo, thus making it difficult for the clients to carry out the advice properly. Keiko decided to tap the dietitians in that community to provide the necessary inputs- a move which greatly enhanced the quality of Healthy Pit's services.

Healthy Pit's reach had recently expanded beyond Japan. Many company employees were assigned abroad where they encountered difficulty in following a proper diet. Alcohol consumption might increase as a result of entertaining clients. Often their family might not be accompanying the employees overseas, prompting them to eat out more often. The advice that Healthy Pit provided was a welcome relief under such circumstances. For services like this, Healthy Pit charged the company retainers' fees while its dietitians were paid on a per hour basis.

Tea Pit

Keiko initially conceptualized a membership "tea club" called "Tea Pit" offering services and advice to maintain the health of club members. Keiko wanted to make healthy people even healthier, age beautifully and stay active until the last day of their lives. Tea Pit offered its services for an initial membership fee of 10,000 yen, and a monthly fee of 1,000 yen. The members received advice on their food, new information on medical and health through mail magazines, as well as personalized advice on their diet, physical exercise and other life style needs. "The intention was good. I still strongly believe in this service concept. However, I found out that healthy people did not want to spend money to keep healthy!" The number of membership sold so far was only 10.

Meal Clinic (registered trade mark)

In 2003, Healthy Pit started yet another type of service called Meal Clinic with its own kitchen and dining room in a high-end residential area in Tokyo. Diabetic patients often went to hospitals for a period of two weeks to learn to live with this illness, and to start new eating habits. They spent about 200,000 yen as hospitalization charges, very often without evident results. Meal Clinic promised to produce results, by first analyzing together with the patient, his or her eating habits, then carefully monitoring the patient for one week prior to the program. The actual program lasted for two weeks, during which the patient recorded and sent photographs of what they ate for

breakfast and lunch through e-mail. Dieticians would make comments to the patient, advising him or her about the mix, as well as the volume of food consumed. A cook at the Meal Clinic then prepared a dinner menu based on the suggestion of the dieticians, taking all the information about the day's intake into account. During this two-week period, the patient learned to manage his/her own meals and food intake in the normal work life. For the whole of the following month, the patient's diet would still be monitored by the Meal Clinic staff and his/her physical activities would be prescribed, including group work, such as going on a picnic together with others in the program. The program fees were about the same as that of a two-week hospitalization. Healthy Pit, however, boasted that the results of the program were entirely different from the hospitalization program.

“Restaurant Day”

Healthy Pit was also considering opening a “restaurant day” service for the elderly using the same facility as the Meal Clinic. During the day, the elderly would come and spend the day at Healthy Pit's dining facility with others in a similar situation. Lunches and sometimes take-home dinners would be provided for an additional fee. Healthy Pit had obtained a license from the local government to use the government insurance for support of the elderly, so that those eligible could charge the amount to the insurance. The amount provided by the insurance approximated 10,000 yen per day. Keiko estimated that up to ten people could be comfortably accommodated.

The System

5-Color Diet Card Control

Healthy Pit promoted the use of 5-color check-sheet to self-monitor the balance of food that every one took each meal and/or its aggregate for that day. The sheet was used for self-analysis as well as for monitoring the user's progress in observing a balanced diet. It made the user more conscious of the variety of food taken. If a client used the 5-color- balanced diet format, he or she have to sign a contract with Healthy Pit for a license.

Photo Assessment

For the Meal Clinic and corporate follow-up services, Healthy Pit used IT applications, digital camera and e-mail system to communicate with the client advisees. Recently, mobile telephones with digital camera had become available. This greatly enhanced the ease with which the client sent the information to the company. Prompt feedback from the dietician enabled the client to feel at ease anytime, anywhere.

Japan Creative Dieticians (NPO)

Keiko established a nation-wide network of dieticians. Current number of dieticians registered with Healthy Pit exceeded 120, from the original 60. Since good communication with the clients was extremely important in gaining their trust, Keiko started to provide training programs on this aspect for dieticians who had not been exposed to directly addressing clients' needs. They also found their network and

information sharing extremely valuable. In 2002, Keiko established a non-profit organization (NPO), called Japan Creative Dieticians. The primary objective of the NPO was to develop “winner” dieticians who would be able to help healthy people through their work.

I want students at College of Dieticians to have a big dream, which they can realize. They should also develop the capability to assess people’s needs and to be entrepreneurial in delivering services to address these needs. Many students wanted to join Healthy Pit. Of course, we cannot hire them all. Some would just come and work for their experience. Our company has a retirement age of 30. They have to learn how to manage and deal with people. I encourage them to start their own operations.

The Future

Chefs, Pick the Brain of Dieticians!!

Keiko was invited to team up with chefs at hotels. The chefs suggested to offer dinner events, featuring healthy food with Keiko at the center stage. Keiko protested, saying, “People do not want to pay a lot of money for having “healthy food”, they want to enjoy good food and nice atmosphere. Dieticians can help the chef make good food healthier by suggesting combination of materials to use. How to make the combination work is up to the chef. If chefs and dieticians team up, we would be unbeatable partners.”

The Team

In running the business, Keiko was fortunate to have the support of a number of people: Ms. Kitamura, a manager of finance and accounting, creative chefs, contractual workforce eager to learn business, and a number of dieticians. Keiko appreciated the support of her husband, Mr. Nihei, who joined the company six years ago and was in charge of sales. He was Keiko’s colleague at Odakyu, when they were both working at Health Plaza. He was a sport specialist, used to do triathlon and had great interest in health and sports. They were married after Keiko resigned from Odakyu. Mr. Nihei availed of early retirement benefits in 1997 and joined Healthy Pit. He provided the sales expertise particularly in dealing with the male clients, displaying a special acumen, which the women staff found hard to emulate. Since he joined Healthy Pit, the sales grew by 30%-40% per annum. “Perhaps, the dieticians were too proud to be good salespersons,” Keiko analyzed. Beyond doubt, however, everyone at Healthy Pit shared Keiko’s dream for the company.

Things to Come

The thrust of Healthy Pit was to be the “Only One in the World”. In fact, Keiko believed that Healthy Pit was the pioneer in this service. However, in recent years, a few companies have started providing health related services. A leading home security provider started to offer consultation on health or introduction to medical facilities to their clients, free of charge. One medical equipment maker offered advisory service on

life styles for the buyer of their measuring equipment costing 65,000 yen, for additional fees. Another company provided health check services in exchange for the purchase of a blood testing kit at the price of 5,600 yen. Customers accessed the test result through a computer located at convenience stores, after the blood test was sent to the company. New development has been taking place in the health related services sector.

Values?

“We cannot afford to hire more. As for financing the operation, I put a limit to what I will borrow from outside at the level at which I could repay the loan personally, even if the company goes down.” While the opportunity to grow her business existed for Keiko, she wanted to ensure that she would be able to manage the growth very carefully.

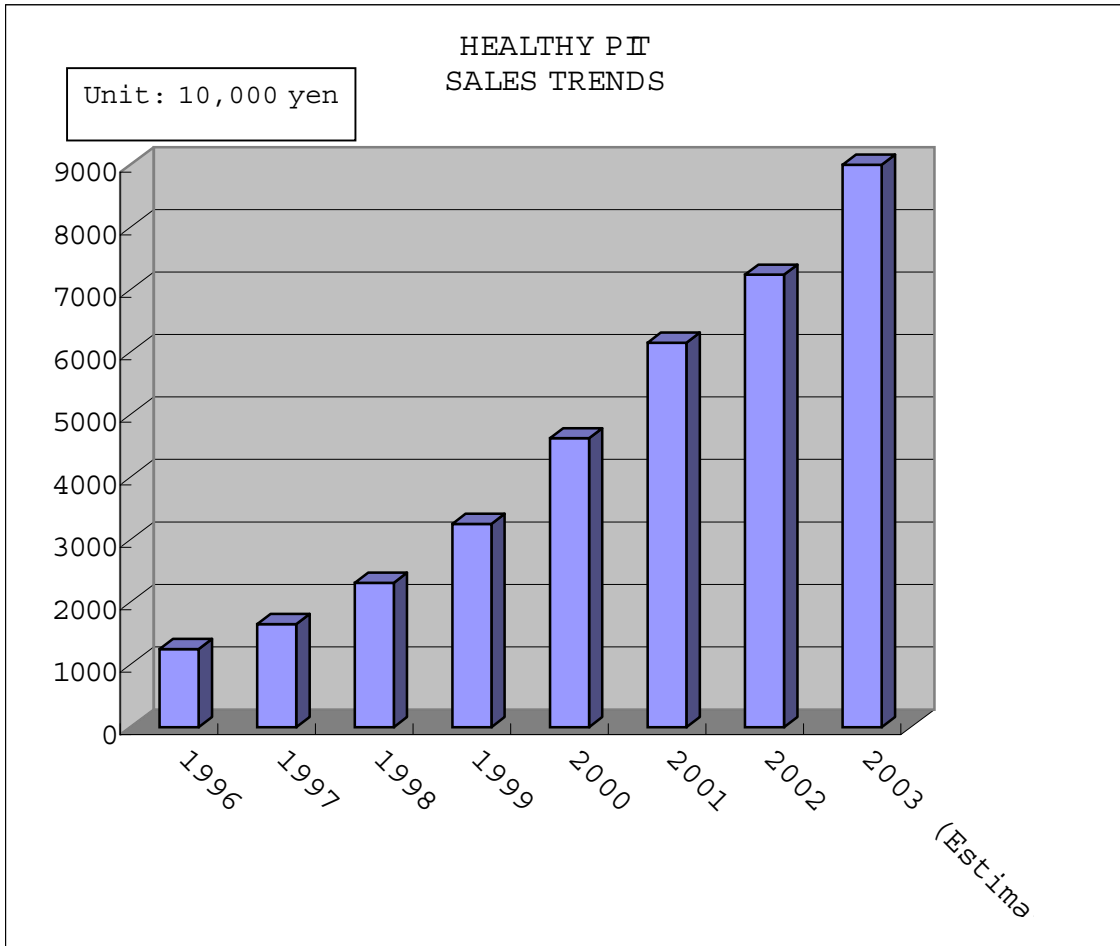
EXHIBIT 1
5-Colored Balanced Diet Chart

| COLORS | Food Items | REMARKS |
|---------------|---|--|
| RED | Meat & fish: Beef, Pork, Chicken, Tuna, Mackerel, Red-colored vegetables: Tomato, Carrot | Rich in high quality protein and fat. Red color vegetables contain beta carotene believed to be effective to prevent cancer |
| WHITE | Rice, Noodle, Bread, etc. Milk | Mostly produce sugar in human body High calories mainly used as staple food. Those who have to watch out for weight must reduce intake of this type of food. Milk contains calcium but high in fat and calories, so should not be taken in excess. |
| YELLOW | Natto and Yuba (Processed soybeans) are rich in nutrients. Lemon, grapefruit and orange are rich in vitamin C. . | Recommended for frequent use. Should be taken frequently. Caution must be taken for sweet fruits as sugar intake can be too excessive |
| GREEN | Spinach, broccoli, pod peas, parcery, Kiwi | Encouraged to take deep green vegetables, as they are rich in vitamin, minerals. Kiwi fruit is richest of fruits in vitamin C |
| BLACK | Seaweed, such as Wakame, Konbu, Nori and Hijiki, Mushrooms Black sesame seeds | Low calories but rich in fibers, vitamins and minerals. Need conscious efforts to take this category, as it is rather difficult to identify food within this category |

EXHIBIT 2
5-Colored Balanced Diet Check Sheet
Sample Entry

| What you have taken today | Red | White | Yellow | Green | Black |
|---------------------------|----------|----------|----------|----------|----------|
| Salmon | ☺ | | | | |
| Bread | | ☺ | | | |
| Boiled egg | | ☺ | ☺ | | |
| Potato | | ☺ | | | |
| Lemon | | | ☺ | | |
| Lettuce | | | | ☺ | |
| | | | | | |
| Totals | 1 | 3 | 2 | 1 | 0 |

EXHIBIT 3
Sales Trends: 1996 to 2003



Source: Health Pit



Asia-Pacific
Economic Cooperation

YOKKAICHI SWITCHGEAR

It was 10.30 at night, and Hiroshi Kaneda was feeling very tired. He had just completed the design of a new super-rapid switch mechanism which he was confident would ensure Yokkaichi Switchgear Company's continuing international dominance in this niche manufacturing field. He was keen to have it on the market early in 2004 when he would be 60 years old. It would be the year of the monkey, an especially significant year for him since he would be completing five cycles of the lunar calendar. He was preparing to collect his jacket and return home when the telephone rang, it was from a police station in Fushimi-dori in Nagoya, a popular entertainment area in that large Japanese city. The caller asked Kaneda to confirm that he was the employer of Fernando Salinas. Kaneda confirmed that Mr. Salinas was indeed his employee, and asked what the trouble was.

Hiroshi Kaneda was born in 1944 in a poor suburb of Nagoya. His father had been killed in Okinawa, and his mother had struggled to bring up her three sons. Hiroshi was the eldest, and had taken many small jobs to eke out the family income while studying engineering late into the night and helping his mother at home. In 1967, he graduated with a degree in electrical engineering from a technical university in Nagoya. He joined Yamamoto Electrics in nearby Suzuka, a small specialised electrical engineering company where he had done some summer internships. He soon became an effective one-man R&D unit and developed a number of innovative engine components that had sold well. However, at the end of 1987 a larger firm producing parts for the nearby Honda Motor factory purchased Yamamoto. Kaneda was offered a job in the research department of the firm at a considerably higher salary than before.

Kaneda had two teenage daughters in high school, and his wife urged him to take the offered job and the higher salary. However, Kaneda had always been driven by his own ambition to create innovative devices. He knew that he worked best as an individual and enjoyed the freedom the small firm had given him to follow his own technical instincts. In the large firm he would become part of an existing team and he was not sure how he would be received as a middle-aged newcomer. The position he had been offered was not senior and he feared that he would be forced to suppress his own interests to comply with his superiors' instructions.

This case was written by Prof. Miles Dodd of Nihon University (Japan) as a contribution to the Project entitled "Innovation in Entrepreneur Development in APEC", conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Mr. Hiroshi Kaneda solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

To help think over his options Kaneda called his old boss, Mr Yamamoto, who was retiring now that his firm had been sold. They agreed to meet at their favourite eel restaurant and the old man reminisced how he himself had created his company from nothing amidst the devastation of the immediate post war period. Kaneda pointed out that things were very different, many Japanese companies had developed successfully, and had acquired global reputations, and it would be difficult for him to penetrate the market. However Yamamoto swept this aside: "I know your ability," he said, "why don't you go ahead and set up your own company like I did, you can do it!" The stars glittered in the sharp cold of the December night as they left the warmth of the restaurant after several rounds of hot *sake*. The old man paused as the taxi drew up to take him home: "Look here Kaneda-kun," he said (using the familiar form used to address subordinates), "you have always done a great job for me. I have made a lot from the sale of my company. If you set up on your own, sell me Yen 50 million worth of shares in your company". Thus encouraged, Kaneda declined the offered job and in 1988 founded the Yokkaichi Switchgear Company (YSC).

For the first few years it had been very difficult, and more than once Kaneda had despaired of ever being able to continue. His wife frequently complained of his failure to join the larger company as money was scarce.

His technical skills had given Kaneda confidence in Yamamoto, and he had himself developed a number of electrical components which had formed the basis of Yamamoto's business. However he did not own the patent rights, and had therefore not benefited from them, although they had been the main reason why Yamamoto had been purchased.

Kaneda was therefore obliged to start again. At first YSC turned out simple domestic switches but it was a very competitive business, and the YSC products had very little to distinguish them from a wide range of other products on the market. As a newcomer in the already crowded field, YSC's only strategy was to offer very low prices which meant that the monthly figures often showed losses.

But Kaneda had always had good technical ideas. After some months, he had perfected the design for a switching mechanism with a niche application in a certain type of advanced electrical coupling in the power generation industry and with many other potential applications. As an engineer with a particular interest in research, he had little experience in selling, and found it very difficult even to make an appointment with potential buyers. By 1988, the Japanese market had become dominated by networks of manufacturers, assemblers and suppliers. As a new company, YSC had no name, no reputation, and no performance record. He would make visit after visit to potential customers only to return home disappointed.

One evening in the late summer of 1992, a strong typhoon swept into the Ise Bay south of Nagoya and Kaneda was trapped in Nagoya City as a landslide blocked the Kintetsu line he would take home. He found a hotel near the station and fought through the wind to a nearby restaurant. The place was crowded and he was directed to share a table with another guest. As they got talking, waiting for the storm to ease, Kaneda discovered that his neighbour worked for Nihon Gaiden, a large company in

Nagoya specialising in electrical machines, and one which Kaneda considered an important potential customer. The Nihon Gaiden man was also an engineer, and as Kaneda described his ideas, the former became very interested. However he explained that he himself was not involved in procurement. Moreover, the company had a long established relationship with a supplier of similar products. He thought that it would be difficult to make any change. Nevertheless, he gave Kaneda the name of the responsible person at Nihon Gaiden and wished him luck.

At first, the manager at Nihon Gaiden was very unfriendly. He would make appointments with Kaneda but then refuse to see him. Kaneda persisted and one day in early March, the manager not only kept the appointment, but, for the first time, was actually friendly. Kaneda later discovered that his new-found friend at the time of the typhoon had come up with a new design in which the YSC switch fitted much more efficiently than the existing supplier's product. He had therefore recommended YSC to the purchasing manager. In early May, Kaneda delivered the first YSC devices to Nihon Gaiden. This transaction had finally provided the company with a steady and reliable income.

Looking through technical journals, Kaneda realised that there was an international demand for his products. In 1994, he took part in a trade fair in Düsseldorf where his devices attracted great attention. He made some significant sales to a large German manufacturer. He spoke no English, and his participation in the Düsseldorf fair was arranged for him through the Nagoya office of Shinozuka Boeki, one of Japan's large *sogo shosha* (trading companies) which was appointed overseas agent for YSC products.

The international market had developed quite well, but Kaneda did not feel that Shinozuka really understood his products. He had thought a lot about setting up his own international department. In 1998, YSC still employed only 23 people and most of them were engineers. His wife's brother, Susumu Kato, was 61 years old, 7 years older than Kaneda. He had been the general affairs manager for several years in the Tokyo head office of one of Japan's largest steel and engineering companies. He had also spent some years at his company's shipyard in Tsu, near Nagoya, and had frequently worked with foreign representatives of ship owners building ships there. Kaneda had always respected his brother-in-law's command of English and broad business knowledge. Early in 1998, Kato retired from the subsidiary of the parent company where he had been a director. Kaneda's wife urged her husband to employ her brother. Kaneda, who had never enjoyed doing administrative tasks, invited Kato to join YSC as general business director. The arrangement with Shinozuka Boeki was terminated. Kato became responsible for the international business at YSC, buying a 10% share in the company with some of his retirement benefit.

Kato had always worked in the large organization of his previous employer, and found it difficult to adjust to the informality at YSC. He criticized some of the YSC engineers for not following the proper procedures for ordering materials, and introduced a number of small regulations. In addition, Kaneda noticed that Kato seemed to have difficulty dealing with foreign visitors, and on one occasion YSC lost a good deal with an American company because of a misunderstanding in the contract. Kato had blamed the Americans for the mistake, but Kaneda, who had dealt

with the US company in the past, suspected that Kato was in fact responsible for the error. Observing him in a meeting with some foreigners, Kaneda also suspected that Kato's English was not as good as he had first thought it was.

In April 1999, Kaneda was invited to address students at the Nanzan University in Nagoya. After his talk, he was approached by a Filipino participant, Fernando Salinas, who was an alumnus of Nanzan's advanced Japanese course. Salinas also had a degree in electrical engineering from Purdue University in the US, and had developed his studies at Tohoku University, in Sendai, northern Japan, which was well known for its outstanding electrical engineering department. Salinas saw few opportunities for work in the Philippines, and was looking for a job in Japan. He spoke both English and Japanese fluently. Salinas knew of YSC's specialization, and he and Kaneda chatted for some time about the product and its potential in the market. Kaneda invited Salinas to visit YSC and take a look at its activities.

Salinas visited the factory a week later. Kato was away visiting a client in Chinese Taipei, but Salinas impressed the YSC workers whom he met with his quiet manner and obvious familiarity with their products. Following this visit, Kaneda decided to offer Salinas a job at YSC which the latter accepted. He was given a salary which was in line with the other Japanese staff, but far higher than what Salinas could have earned in the Philippines.

Salinas fitted well into most of the YSC organisation; he had identified a small problem with the insulation for one of Kaneda's designs, and they had worked well together to find a good solution. Most of the other engineers also found Salinas helpful; they respected his expertise and liked his modest manner. He offended some others however by finding problems in their technical analysis. Some resented the fact that he had such a close relationship with Kaneda. Salinas only caused a problem on two occasions after he had been drinking beer and whisky, his manner had changed, and he had spoken bitterly about the hard time he sometimes had in Japan as a Filipino.

Salinas had become especially friendly with Toru Yamamoto, a 28 year old engineer whose uncle had owned the Suzuka company where Kaneda had first worked. Despite his engineering background, Yamamoto was interested in the commercial side of the business. He worked in Kato's department and was responsible for buying in parts and materials. Salinas and Yamamoto quite often went out together in the evenings and played soccer at a local club.

Things did not go quite so well with Kato. Initially, he had taken Salinas aside and told him how he should behave in a Japanese office. He criticised him for not applying for official permission when he had returned to Cebu for a few days following the sudden death of his mother. He also often corrected his Japanese in front of other staff and had once even tried to correct his English in a meeting with some Canadians.

Salinas soon became an important member of YSC but his relationship with Kato remained difficult. They visited Europe together and signed a good contract with a Dutch manufacturer. Salinas was upset to discover that Kato had told Kaneda

that it was he, Kato, who was responsible for this success. In fact, Kato had almost lost the business in an argument over a technical point that he did not properly understand, and Salinas had smoothed over the crisis.

Kaneda himself enjoyed discussing technical design with Salinas, and they went out together from time to time after work. Occasionally, Kaneda invited Salinas to his home but this did not continue since Kaneda's wife disliked Salinas; her brother had influenced her against him, frequently criticising Salinas' failure to behave in a Japanese way and claiming that Salinas did not respect Kato's position sufficiently.

Kaneda sensed that Kato was making things difficult for Salinas, but he himself was not interested in paperwork, and needed Kato's skills in handling the financial and commercial aspects of the business. On the other hand, he had also come to realize how valuable Salinas was to the company which now earned over 60% of its income from overseas. He was very glad to have Salinas to cover this side of the business, and appreciated Salinas' excellent technical contribution.

Salinas had originally come to Japan on a student visa, and had failed to obtain a working permit. Securing a working visa for Salinas was in fact Kato's task, but he had never got around to doing anything about it and when Salinas reminded him, Kato always complained of being too busy.

The policeman told Kaneda that Salinas had been drinking in a bar and had had a brief fight with the bar owner after an argument over the bill. He said that no damage had been caused, and the policeman further mentioned that this particular bar owner had been involved in similar incidents before. Salinas had even apologised to both the owner and the policeman, and the matter had been settled amicably at the police station. However, the policeman discovered that Salinas did not have the proper papers to work in Japan, and warned Kaneda that he would be obliged to report this to the immigration authorities if proper papers were not arranged immediately. Meanwhile, he said he would allow Salinas to go back to his apartment in Yokkaichi.

Kaneda returned home and told his wife what had happened. She said that she had always suspected that Salinas would cause trouble and suggested to her husband that he should be reported to the authorities and sent back to the Philippines.

Next morning, Kaneda called Kato to his office. Kato had already heard about the incident from his sister who told Kaneda that YSC should get rid of Salinas. Kaneda pointed out to Kato that the company would suffer considerably if Salinas should leave and that YSC would risk being fined by the authorities if the matter were not quickly resolved. He pointed out that YSC's international business had grown substantially since Salinas joined the company and that he was also a very capable engineer. Kato then became angry: "Do you mean you trust that Filipino more than me?" he asked, and walked out of Kaneda's office.

That evening, Kaneda stayed up late thinking things over. He knew that his brother-in-law was in a strong position, and that his wife was also against Salinas but he knew that YSC really needed Salinas. A *Yakii-imo* (roasted sweet potato) seller

called out in the street outside and Kaneda listened with some nostalgia to the old cry of Japan wondering what his next step should be.



Asia-Pacific
Economic Cooperation

THE ACCIDENTAL ENTREPRENEUR Over and over again....

Having started out his career in advertising, Spencer Wing is still very much into advertising today as well as his other businesses.

Spencer Wing

In 1998, Spencer Wing decided that he was rich and “old” enough to deserve going into semiretirement. After all, he was comfortable enough. In fact, he was more than comfortable! However, being the person that he was, Spencer was back on the saddle within six months with yet another new venture! And he repeatedly added new businesses to his list. His latest was network marketing, since he found leveraging on people simply irresistible.

The old thoughts of “This is not for me, this is not my sort of business” gave way to the excitement of “new possibilities” to work the very workable business model behind this new venture. How exhilarating, how stimulating, and most of all, how wonderful! A new opportunity to spin some money and to get another totally new set of friends.

For Spencer Wing, this was just his latest business that was brewing. He already had a name for his new venture, “Deep Roots, Green Leaves” – Building Wealth through Relationship Marketing. Spencer marketed his new venture with a booklet explaining why anyone should seriously consider this as a business as he has done.

Could his going into network marketing be accidental? Spencer’s string of businesses normally started from scratch and evolved until a CEO (a new jockey) took over the reins and managed the business for him, freeing him to move on to another venture.

This case was written by Ms. Ho Yean of ACTION International, West Malaysia as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Mr. Spencer Wing solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

An Early Start...

Spencer Wing recalled how his mother started the family's Chee Cheong Fun (Noodles) hawker stall, when his carpenter father could not bring home enough money to feed his small family of three. At the tender age of 11, young Spencer had to get the additional supply of noodles for his mother, if the supply ran short on a good business day. Unfortunately, the business had to come to an abrupt end when his mother became a victim of gangsterism in their area.

After witnessing first-hand how his mother's business could be transacted so simply and yet so successfully, while still a teenager, Spencer started his very own "home-grown" business with just 30 cans of young bean shoots grown from green mung beans in empty milk cans. He decorated each can with cut-out patterned red paper pasted onto the sides of the cans (his natural born artistry at work). He sold each of them for RM1.50 at a particular Chinese festival at the market square. From just this little venture, he made a handsome profit with virtually no capital outlay and was touched by the generosity of a lady who actually gave him RM3.00 instead.

Inspired by his milk can project, Spencer designed red *Ang Pow* envelopes and greeting cards for Chinese New Year. He printed 5,000 pieces of each kind but sold only 50! "Yes, based purely on my technician instinct with some fresh ideas, like many others...I failed miserably. I had no clue whatsoever on the need for a business plan to start with!" This did not deter Spencer, however. "Even in-between employment in later years, I started several ventures wherever the opportunity arose and simply did it!"

Streetwise Intuition...

It is hard to imagine, but I got into advertising by accident. I could not have planned my career any better or made a better choice, even if I tried.

Spencer left school after completing his Secondary Five education in 1967 and took to the streets looking for a job. He started out as a school librarian for RM50.00 a month, and very quickly moved on to be a clerk with the Police Cooperative for another few months.

The 1960s was the era when teenagers worldwide started getting into the Hippie Movement with their "flower power", "groovy baby", "make love not war" signs and messages. Spencer was no exception and he soon became preoccupied with the hippie culture. Queuing up to request for songs played over the air with Radio TV Malaysia was his favorite pastime.

To get noticed, he would often send in his song request slips with elaborate drawings on them. His drawings soon caught the eyes of a very special lady, Vicky Skelchy, a top and notable disc jockey at that time. She took the trouble to call him and suggested that Spencer show some of his drawings to a friend of hers who was in the advertising industry.

The doors of advertising were thus opened for Spencer. No formal art school, no examinations and what a stroke of luck! Or was it really luck? If so, could he have sustained being in the business for long?

The Hands-on Mentoring Lessons began...

I was really blessed to have two great mentors at the very beginning of my advertising career: one who taught me how to do things, and learning by observation, and the other who taught me how to develop the arty stuff, and most of all, the importance of being a wide reader. Reading was a source of inspiration that gave me invaluable insights into many, new and creative ideas that had profound impact on me for life. In my later years, I met my third mentor who taught me to push myself to the limits.

His first mentor was Hans Lindberg, the Creative Director of Grant Advertising (now Bozell Advertising), a man with a soft heart and fiery temper. As a new apprentice, Spencer learned to quietly observe all that was happening around him and enjoyed “the far out” experiences when Hans, who led the regional pitch for International Accounts, used to produce and commission the most astounding photography and advertising themes of that time. The experiences left very lasting impressions on the young Spencer, and taught him to always search and explore borderless creativity in his advertising career.

Spencer’s second mentor, Prakash, taught him practical hands-on skills: how to be a great technician, acquiring photography skills, designing logos, typography and even handling cameras. All these skills gave him the confidence to ultimately achieve his career goal as a Creative Director.

One of Spencer’s earliest achievements was when at the age of 22, his logo designs were accepted and used by a local bank, Pacific Bank Bhd.

In 1982, Bruce Bendry, also a Creative Director, became Spencer’s third mentor from whom he learned that “If one were to fall off a cliff, one might then learn to fly.” Until he met Bruce, Spencer was afraid to make presentations to clients. He would do anything to avoid being the presenter at meetings. One day, Bruce arranged for Spencer to try out a mock presentation, assuring him that he, Bruce, would do the actual presentation himself. However, on the day itself, Bruce called up excusing himself from the occasion and requested that Spencer take over the show. That was indeed a memorable day for Spencer, the day he learned to fly, not just overcoming the fear, but confronting any fears head on.

An Eye-Opening Experience... a trip to London

In June 1970, a most unusual thing happened. A friend gave Spencer a free return ticket to London. Without much thought, Spencer immediately requested Hans, his superior, for a 6-month posting at their London office. Hans granted his request and Spencer was given the rare opportunity to experience work as a freelancer at Top Drawers, a London Agency.

I not only earned my Malaysian salary, I also got paid in British pounds (£) for all the work that I did in Top Drawers - really cool! And to top it all, I managed to get a part-time job with a travel agency... that took me all over the city of London with an additional £120 a month. By the end of the stay, I had saved enough money to take a holiday in Paris and buy myself a fine suit from London. No one could be any wiser!

His time abroad was an experience that Spencer not only enjoyed and treasured, but also taught him to be open, to be adventurous, and try out new things. The philosophy that he had embraced until today is: “*Never try, never uncover...*”

The People One Crosses Path with...

After five years at Grant Advertising, Spencer Wing moved to Clover Advertising, a local agency, for a brief stint of six months, where he had to apply all that he had learned. His stint there was an invaluable experience that prepared him well for the bigger steps in later years. He learned how to have foresight and what outcomes to expect.

Thereafter, he moved on to Ted Bates. “Just the right agency to develop and grow up. Good clients and great people to work with – easy going and fun loving. It was at Ted Bates, that I got to know two men, one of whom later became my partner. The other was Michael Tang, who was then the Account Director and later took over the helm as the CEO of my company, SpencerAzizul Advertising Sdn Bhd. Azizul Kallahan and I had exchanged brief hellos as I was leaving Ted Bates since he was the new incoming account service man. Little did I know that we would be spending many years together in the same boat in the future.”

At Last, Getting into Business...

Advertising is one of the rare businesses where you can make your mark by just being aware of the world we live in. If you can understand the fear and aspirations of the marketplace, half the battle is already won.

I have also learned that there was no substitute for hard work.. I put in crazy hours in all the agencies that I worked for and doubled my experience against those who kept the 9 to 5 routine. All these cultivated habits came to be of good use when I had to put up my own money.

In 1985, Spencer decided it was time to have a go at his very own business. It started out as a fun, one-year project after taking up a challenge from Peter Campbell, his Managing Director at McCann, to venture out on his own. The challenge was to strike out on his own for a year, with a promise of doubling his salary upon his eventual return (with the very first four hours of his time bought by McCann), as an incentive to get him started. It was indeed an irresistible dream package. Spencer was just the right candidate to take on the challenge, as he was ready to be out on his own.

My very own 400 square feet office was located at the ground floor of Wisma Central, Jalan Ampang, Kuala Lumpur. I had it painted black and set it off with maroon colored blinds. I had the office lit to create an intimate home ambience effect. Without any fanfare I hung up my signboard, “Spencer Wing Advertising,” and I was in business.

Spencer quickly learned that the glamour of a business owner was to be a generalist, to do all things - meeting clients, dealing with suppliers, typing up quotes and not forgetting to take out the garbage at the end of the day.

The mid-80s was a time of recession, bad for some but good for Spencer. Rental was low and human resource was affordable. His very first client, Mr. Tang of Primal Time, the sole agent for Orient watches in Malaysia was a perfect client – he agreed to everything that was proposed and paid promptly. Spencer noted that, “I was fortunate enough to have many friends who extended helping hands. From small jobs, the accounts soon blossomed into half million dollar accounts.”

From a one-man operation, Spencer Wing Advertising grew quickly to become a 10 man outfit within the first year, and the thought of returning to McCann was soon forgotten. He quickly learned to manage and leverage on people’s time wisely. “Not sure how I did it, but I certainly had the ability to inspire myself and the full team to work 15 hours a day, 7 days a week. Perhaps it was the nagging fear of the ‘either swim or sink situation’ that got us to work our butts off.”

Next, entering into Partnership that lasts...

On April Fool’s Day 1987, SpencerAzizul Advertising was born out of Spencer’s innocent lunch with Azizul, which led to their partnership. Strangely enough, they had the wisdom to start their partnership with an “Agreement to Agree” policy, and that magic formula has worked for them all these years. It means that when Azizul made a decision without consulting Spencer, Spencer would stand by him, no matter what and vice-versa. “Sometimes he wins, sometimes I win.” That understanding has bonded their strong partnership for the past 18 years.

Azizul is the direct opposite of me in many ways. He is well-educated, has poise, is articulate, charming and knowledgeable about the ways of the world.

As a matter of fact, we complement each other rather well. He is the outside man, the one pitching for new accounts and presenting to a prospect or client. As for me, I’m the inside man, who takes care of operations, making sure we can deliver. Over the years, our lives have intertwined together. Apart from being partners and friends, we have great mutual admiration and respect for each other.

Both Spencer and Azizul have firm beliefs that their company should strive to grow and nurture a whole industry of brilliant Malaysian creative teams and commercial art directors.

SpencerAzizul Advertising had to work really hard to prove itself. It was to be based on a merit system, to be in a position to deliver not just advertising, but GOOD advertising, with faster turnaround, while being attentive and responsive to clients' needs.

We've been fortunate because the clients we've had, have been good to us, understanding as well as supportive. Names like Orient, Bonia and Sapura have been with us for many years. I think the pleasure comes from being able to work with most of our clients to formulate goals and objectives, and help them develop good and strong brands.

The Way Spencer Azizul grew...

After spending four years, working in the business and burying himself in work as the technician, Spencer realized that he should get out and vacate his Creative Director position for someone else. He moved on to focus his time on developing good clients, winning their trust and growing along with them.

In advertising, there are certain basic principles like:

Why are you advertising?

To tell people about something they would like to have.

And, most of all, how do we get that message to the targeted audience in a fashion they would understand.

In 1988, SpencerAzizul Advertising moved to larger premises since the company had grown to 22 people. That year, it became one of the first agencies to embrace McIntosh for digital artwork. This resulted in clinching the Apple account and subsequently, the Sapura account. A year later, they were invited to become an associate agency of a fairly large international agency to assist in the servicing of their Procter & Gamble account.

There was a great lesson to be learned. Taking time off from the business to think was absolutely crucial. We could have celebrated, thinking that our company had at last arrived to be now associated with an international agency, servicing P&G accounts.....well done! Many would have envied us. However, it dawned on us that before long, that singular account could also break the company, being overly dependent and indebted to our associate.

Quietly, I informed Azizul that our strategic plan for the next 12 months was to utilize this strength to desperately canvass for new accounts, working profusely as if the company's survival was at stake. And sure enough, the day came when our associate asked for a majority stake in SpencerAzizul Advertising and was caught totally off guard when we smugly informed them that the P&G accounts constituted only twenty percent (20%), not over fifty percent (50%) of our total revenue. So, after a short sweet 18 months association, we parted ways. Later, we learned that they had indeed bought into

another Malaysian agency since this was something they had always intended to do.

In 1990, SpencerAzizul Advertising moved into their very own premises at Damai Complex, off Jalan Ipoh, Kuala Lumpur. Unlike the big international advertising agencies situated downtown with their glitzy, snazzy interiors, SpencerAzizul Advertising's office was simply a working office with nothing fanciful.

In 1995, Azizul took on the role of Executive Chairman and later, Michael Tang was appointed as CEO. After surviving the tremendous shocks of the Asian economic crisis, the company emerged on an even better footing than before. Billings had dropped to RM18 million in 1998 but recovered and soared to RM30 million in 1999 with new clients like Telekom Malaysia and Tourism Malaysia.

Spencer realized that in order for the company to grow, he needed better qualified team members. However, to be able to attract such talents, there had to be a "better clients" portfolio. For any advertising business, the key to success is to invest in the right people. He worked at it and attained the objective of getting the right mixture of "better clients" portfolio and "better team".

I am proud that SpencerAzizul Advertising is today, the largest wholly Malaysian owned advertising agency in the country.

I was very mindful not to grow it too fast. We need to build in better resources and structures before we expand further. That's why it's only after 12 years in the business that we get into the RM5 million accounts. We maintained the magical figure of 25 people for a whole year until we were very convinced that we were ready to scale the next bar. We climbed it, and today we have 55 staff and are looking at a potential income of RM40 million *for this year 2003*.

Moving on to New Ventures, ... other Multiple Businesses

"As we grew our business, new businesses grew around us. Apart from four other related advertising companies, I started an Art Gallery, a Herbal Based Medicine business, became a stockist in a Network Marketing company and there are other ventures brewing in the pipe line..." From his original advertising agency, Spencer first took a horizontal approach to spin off four other companies, also in the advertising industry. Two of such companies' business was to duplicate Spencer's existing and proven system for a different target market such as the mandarin speaking sector in the country. "It was like a premature birth as I later found out that the market was not ready or sophisticated enough for us."

The third company was a niche recruitment agency for the advertising industry, built on a poor business model that simply could not sustain operations after a while.

The fourth company, SA One was an advertising design house managed by a multi-talented lady who had been with Spencer for the past seven years. SA One provided the full spectrum of advertising services and has proven to be a very profitable business.

In 1992, Art Salon, a gallery that promoted and specialized in the artworks of Malaysian born artists was started as the brainchild of Celia, Spencer's wife. Celia resigned from her long years of service in the government sector to venture out and realize her dream to own a retail business, whether it was a shoe shop, a gift shop or whatever would be suitable for her with her hard-earned savings.

It was timely that a Singaporean friend called and showed Celia her new, profitable art studio selling replicas of famous paintings in Singapore, and suggested that she set up another branch in Kuala Lumpur.

We did exactly that, but in just under six months, we realized that we would not be able to pull through unless something changed. Pondering what to do, I walked into a bookshop and got a book entitled "Second Chance" that attracted me. That book cited the story of Coca Cola and of Kotex. Excitedly, I discussed with my wife that all we needed was to look for the second chance for our business to work. We did and our business took off. We found out that the prospective buyers who walked into our shop had repeatedly asked for Malaysian artworks, and we started to provide that!

Next, Spencer got into a ground breaking herbal product from China which had effective remedial effects for people who suffered from epilepsy – "potentially a goldmine and has yet to be fully exploited in the marketplace."

On a trip to India, Spencer accidentally ventured into the mango trading business that lasted only one season. He recalled that he "learned many rewarding lessons - from laborious work, to logistics and planning; met many new friends along the way, such as coffee shop owners, hawkers and so forth; and had heaps of fun, transacting 60 tons of mango within a period of two months!"

Spencer's latest venture was Network Marketing oxygenated water. It was a totally new ball game altogether. This business was about providing a second income for those still in employment and an option for them to take on full-time employment in the future. In the meantime, they could acquire a new set of skills while working part-time on the product. Despite his success in the advertising industry and comfortable lifestyle, Spencer was excited about the oxygenated water product and having a big impact on Network Marketing. Isn't this superb – to be in a position to offer new opportunities to almost all sorts of people, from professionals to hawkers as well as sales persons, at an affordable capital investment!"

And, What's next?

As of April 2004, Spencer has been appointed as the Malaysian Country Stockist for Nature's Sunshine Products Synergy, one of the world's leading MLM company. Nature's Sunshine Products is based in Salt Lake City, Utah and is the world's largest encapsulator of herbs. He has also set up SpencerWing Publishing and has published the company's first book, THOU SHALT PROSPER, by evangelist Dr. Samuel Mohanraj, of Showers of Blessing, India.

It has not always been a bed of roses, but every venture had certainly been interesting and worthwhile. "No experience is ever useless or wasted."

Will the tireless Spencer Wing ever try to retire? Or will he stumble upon yet another venture that would be too irresistible for him not to have a go of it?

ANNEX 1

The Reluctant MLM'er

This latest venture of Spencer, as a stockist for SITO, a company involved in the manufacturing and marketing of oxygenated water, has inspired him to pen down his thoughts in a booklet.

Hi, I'm Spencer Wing. For years I have avoided MLM. I would always manage some outrageous replies when confronted with yet another MLM recruiter...", "I'm busy" or "This kind of work is not for me" I once told a hopeful man that I don't need the money!

The booklet titled: **Deep Roots, Green Leaves**

(7 Quick Lessons on business, an extract version by *Spencer Wing*)

First Lesson: Be Enthusiastic

Be fully knowledgeable about the product and about the benefits in order to take on all the objections that others will hurl at you.

Second Lesson: Be swift in your actions

Do your follow up immediately, don't wait or procrastinate.

Third Lesson: Be smart to see the potential

There's so much to learn from this smart business model, one that's not just building for ourselves, but building it for those after us.

Fourth Lesson: Be teachable and change for the better

Great opportunity to learn and unlearn as well as teach and train others later. Be prepared to leave your comfort zone and venture forth... continue to acquire and share new skills to fast track your personal development.

Fifth Lesson: Be persevering and committed

In a war, all those who perish, no matter how capable, will not be in a position to come to power. The idea is to survive.

Sixth Lesson:

No man is an island. There are no bosses in this business, and no subordinates, and yet everyone is a partner. So leverage well on people; both up-line and down-line.

Seventh Lesson: Be patient , get organized and do it!

Nobody ever won a war by chance. Nobody ever became wealthy by chance. It is possible, but rare. Planning allows you to idealize your world, visualize the way you want to live and verbalize your desires. An Action Plan will certainly help you to succeed better...and Do it!



Asia-Pacific
Economic Cooperation

MEI HAO – ENTREPRENEUR

Stephanie “Mei” Hao fidgeted in her seat as she waited for her name to be called. It had been almost twenty years since she last did this. After 18 months of studying, Mei was about to graduate from the Master in Entrepreneurship program of the Asian Institute of Management. A successful entrepreneur in the field of garments trading and manufacturing, Mei’s graduation from the ME program was but another feather on her cap. But more importantly, her learnings from the program had given her new directions and new opportunities for growth.

A young entrepreneur in the making

Mei’s fascination for entrepreneurship and business started at a very early age. “While most of the kids my age were playing with dolls and dollhouses, I was interested in playing with a toy cash register that my mom gave me,” Mei recalled. “When we played, I usually played the role of the store owner and I collected paper money for toy merchandise,” she added.

As the years passed, she became less and less interested in playing with toys and more and more fascinated with making real money. At the age of seven, Mei and her sister Mylene decided to sell candies and sweets to the neighborhood children to earn money during the summer months. Because it was summer, they did not receive the usual allowances from their parents. They pooled their savings to create an initial fund for buying their merchandise. They scoured the Divisoria¹ market for the cheapest possible source of candies and sweets and sold these at a profit to the neighborhood kids. At this stage of the business, Mei realized that the kids were not buying enough candies. “I had to devise a way to make my customers stay and buy

¹ Divisoria is considered the largest wholesale market located in the heart of Manila, Philippines where major wholesalers and traders converge to sell various goods ranging from agricultural produce, textiles and garments, plasticware, office ware, small appliances, toys and almost anything else. Divisoria is a haven for bargain hunters, small traders and retailers since it is one of the cheapest sources of supply of products to sell or raw materials to process or manufacture into other finished goods.

This case was written by Mr. Luis T. Cruz, Jr. of the Asian Institute of Management (Philippines) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Ms. Mei Hao solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

more of our goods,” Mei thought. Creativity delivered the answer. Getting more money from their savings, Mei bought some comic books from the local bookstore and rented them out to the neighborhood kids on the condition that they should be read in their “store.” With this scheme, Mei and her sister obtained an additional source of income as well as sold more of their goods as the children stayed longer in the store. Old comic books were sold as second hand after they were read. For this seven-year old, business was booming. This business went on for several summers.

By the time she reached college, Mei was set on putting up her own business. “Becoming an employee was no longer an option for me,” she recalled. Mei attended St. Scholastica’s College, one of the more popular exclusive girl schools in Manila. During her college days, Mei started out a small trading business selling trinkets, stationeries and various collectibles. She was able to source these items at a very low cost from various suppliers in Divisoria and Binondo. Even at a hefty profit margin, her products were still 20% to 30% cheaper than those being sold in the malls. Her customers were her classmates, most of whom came from affluent families of Manila. Mei realized the potential of her products but she, by herself, was not selling enough to generate reasonable profits. She started tapping some of her classmates to sell her products for her. She invited the most popular girls to become her sales agents on commission basis. By her fourth year in high school, what started out as a small trading outfit became an elaborate and complicated multi-level marketing system, complete with rewards and bonuses for outstanding sales agents. What was once a one-woman show had expanded to a sales organization of more than 10 sales agents. From simple products such as trinkets and stationeries, Mei expanded her product line to include T-shirts, fashion accessories and even tickets to concerts and shows. But of all the goods and merchandises that she handled, it was garments that really tickled her fancy. During the Christmas season of her fourth year in college, she leased a stall in a bazaar. The money she made during the event further fueled her passion for garments trading. Gaining experience from her college enterprise and her success in the bazaars, Mei was ready to go into business after graduation.

Entrepreneurship Beyond College: Starting Small

Fresh out of college, Mei immediately found the perfect opportunity to start her own business. A friend asked her to become a partner in a small retail garments trading business in the heart of the country’s premiere center for trading – Divisoria. Mei was enthusiastic about the prospects of the business. However, while she wanted to start a business on her own, she did not have enough capital at that point.

At the onset, Mei had to do pretty much everything. She sold the garments and mingled with customers. She oversaw the management of stocks and the acquisition and movement of inventory. She negotiated with suppliers and haggled for the best price and the best payment terms possible. Most importantly, she oversaw the books and managed the finances of the firm.

Competition was intense and cut-throat in the area and Mei realized that she needed to eke out a balance between being competitively priced and having reasonable margins to ensure the viability of the business. Despite this, through her charisma in dealing and negotiating with both customers and suppliers and her keen business acumen, Mei was able to generate healthy profits for the business.

The Philippine Garments Industry

The Philippine garments industry was the country's second largest exports, second only to electronics. As of 1999, the country had a 1.36% share of the global market for garments, amounting to roughly US\$2.8 billion. The country's garments industry experienced its golden years during the 70s and 80s when, facing practically no competition from other countries in the region, it experienced a growth of 30% annually. However, since the start of the 90s, the industry stagnated, experiencing hardly any growth at all. In 1999, garments exports rose by a mere 0.63% from the previous year's level.

Table 1. Percent Share of Garments to Total Philippine Exports: 1996-2000

| Year | Total Exports (Php) | Garments (Php) | % Share | % Growth |
|------|---------------------|----------------|---------|----------|
| 1996 | 20.543 | 2.754 | 13.4 | (1.47) |
| 1997 | 25.228 | 2.899 | 11.4 | 4.9 |
| 1998 | 29.496 | 2.770 | 9.2 | (4.12) |
| 1999 | 35.033 | 2.767 | 7.9 | (0.13) |
| 2000 | 38.078 | 3.084 | 8.1 | 11.45 |

Source: Department of Trade and Industry, Garment and Textiles Export Board (GTEB)

According to the GTEB, there were 1,326 active manufacturers, 237 traders and some 1,240 subcontractors in the garments industry in 2002. However, it was dominated by a few large companies, primarily undertaking manufacturing for exports.

Table 2. Leading Philippine Garment Manufacturing Firms: 2002

| Company | 2002 Revenues (in million Php) |
|-----------------------------------|--------------------------------|
| Crismina Garments, Inc. | 1,812 |
| Leader Garments | 1,691 |
| Tristate Industrial Corp | 1,299 |
| Capital Garments Corp | 1,096 |
| Novelty Philippines Inc. | 1,078 |
| Triumph International Phils., Inc | 1,048 |
| Jenny's Garments, Inc | 1,048 |
| A-Grade Garments Mfg. Corp | 972 |

Source: Philippine Top 5,000 Corporations, Securities and Exchange Commission

Market Segment

The Philippine garments industry could be segmented into the branded or unbranded (generic) ready-to-wear apparel.

Branded

The branded ready-to-wear segment was composed mainly of products catering to the middle-to-high end consumer markets. This included the imported brands (Ralph Lauren, Mark's and Spencer, Giordano, Levi's, etc.) and the local brands (Bench, Penshoppe, Kamiseta, etc.). They encompassed traditional (basic jeans, t-shirts, and blouses) to trendy and faddish designs. They were typically

available in stand-alone boutiques and designated sections in department stores. From the manufacturer's warehouse facility, these goods were delivered directly to the outlets. Branded RTWs were typically more expensive and were usually supported by an extensive marketing campaign. Most branded RTW manufacturers resorted to using celebrity endorsers or professional models for their marketing campaign. Branded RTW were anywhere from twice to ten times more expensive than unbranded RTW.

Unbranded RTW

Unbranded RTW also encompassed the spectrum of basic to trendy designs, with more emphasis on basics. They catered to the middle to low-income brackets and were typically available in department stores, rural groceries and market places. These products employed practically no marketing campaign and relied purely on price and volume. Depending on the volume, these goods were delivered straight to department stores or sold at wholesale shops where these were bought by retailers for distribution to the consumers. The most popular area in the country for wholesale of garments was Juan Luna St. in downtown Manila and Divisoria. Many retailers, even those from out-of-town (provincial areas of the Philippines) congregated periodically in these locations to purchase their goods.

Key Success Factors in the Philippine Garments Industry

To succeed in the Philippine garments industry, it was imperative to penetrate the export market. The garments markets in the United States and Europe were on an uptrend and opportunities for increased exports to these countries were present. Moreover, exporting to these countries would allow the possibility for higher prices. Unfortunately, stiff competition from other low-cost garments producers such as China was to be expected.

Whether selling in the local or export market, and whether playing in the branded or unbranded segments, it was also important for manufacturers to keep their costs low, while keeping quality acceptable. The major cost items in the garments industry were mainly textile and labor. The cost for quality textiles had to be kept low by seeking the textile supplier with the lowest possible prices in the world. Similarly, labor costs had to be kept low, thus relocating to other countries with lower labor costs had to be done, if necessary, to maintain competitiveness.

Maintaining the best distribution system suitable to the market segment was also a key factor to be successful in the industry. Those playing the branded game had to be able to sell their product where their market was. On the other hand, for those in the unbranded game, maintaining a good distribution system, particularly by locating in places where the retailers typically converge, was key to survival.

It was also important to maintain a good product mix, to serve as diverse a market as possible. Traditionally, basic items such as socks, underwear, and t-shirts had very low margins as most distributors were selling these items. Trendy items, on the other hand, had higher room for margin as they were not being sold everywhere. However, the key was identifying a design that the consumers would like.

A woman in a man's game

Soon, Mei decided to move up and move out. Seeing an opportunity to set up a wholesale shop in another part of Divisoria, she immediately grabbed it and established Penpen Shirts, Inc. a wholesale division dealing primarily with basic ready-to-wear items. Her store was located right in the middle of busy Juan Luna St., which was then fast becoming the wholesale mecca for ready-to-wear apparel in the country.

The immediate reaction of her neighbors was that of surprise and smug arrogance. Having been in the garments trading business for over twenty years, the other older entrepreneurs did not give much chance for survival in the man's game, garments wholesaling, to this upstart business, with a young, fresh out-of-college entrepreneur at its helm.

Initially, the competitors attempted to cut her out of the business. Prices were lowered and margins shrank to unprofitable levels. The primary items being sold at that time were undershirts, underwear and socks. Margins on these items went to as low as Php 0.25 per dozen as stores strived to gain market share in the highly competitive environment. "I will not survive if this continues," Mei mused. "I have to find a way to change the game," she added.

Changing the Game Through Feminine Touch

As competitors reduced prices, Penpen Marketing sought other means of surviving in the business. It was during this period that she saw the opportunity to change the game. Trusting her instincts, she gambled on a design of women's blouses that she felt would appeal to her market. She noted that most buyers who visited her store in Divisoria were women who were also looking for new designs that they could re-sell in their respective retail outlets. The blouses she displayed at her store were designed and manufactured by a local manufacturer of garments. Sensing an opportunity at hand, Mei offered a hefty volume order in exchange for exclusivity of selected designs for her store.

As soon as the product was made available to her customers at the store, she knew that her strategy had paid off. The blouse was immediately sold out and its design became sought after by retailers from all over the country. Having obtained exclusivity, Penpen was the only store in the whole Divisoria selling the design and it capitalized on this by placing generous margins on the product. Soon, other manufacturers copied the design and it eventually became a basic item for most of the stores in the Divisoria. By then, Penpen and Mei were on their way to finding new designs. This was Mei's first taste of the premium-priced trendy apparel game.

Taking off from the success of her initial sojourn into the trendy apparel game, Mei continued to scout for new designs and styles that she could sell. From a purely cost and volume game, Penpen entered a whole new ballgame involving the identification of trends and the production of acceptable designs. However, it became more difficult to secure exclusivity of designs as manufacturers demanded higher volume commitments in exchange for exclusivity. Moreover, the new ballgame she

entered required a stricter quality control, unlike in the mass production game where quality was not too much of an issue.

Penpen continued its operations of selling wholesale basic items. Understanding that their products have been commoditized, the company looked for ways of reducing production costs. As a trading company, Penpen bought its goods in bulk from a manufacturer then sold these to their customers on wholesale volume.

Mei's constant negotiations with her manufacturers gave her the opportunity to learn the manufacturing game. She realized that her company could maintain exclusivity of the design, control the quality of her trendy apparel and reduce costs of her basic items if she did the manufacturing herself. Having her own manufacturing arm could solve these problems. Thus, Universal Landmark Manufacturing, Inc. was born.

Backward Integration to Maintain Competitiveness

Universal Landmark Manufacturing, Inc. was established in 1985 as Penpen's manufacturing arm primarily for its trendy designs; a manufacturing of basic designs was secondary. The initial factory was located in San Juan St., Pasay City with a total complement of 30 sewing machines operating in one shift. In a matter of five years, Universal Landmark expanded to a total of four factories located in various parts of Metro Manila with a gross production capacity of 5,000 pieces of various clothing articles per day.

The creation of the manufacturing arm solved the two major concerns of exclusivity of design and quality control. Moreover, it provided the opportunity to manufacture basic designs at a lower cost, thus enabling Penpen to sell them at a lower price. This made the company more competitive in the wholesale business.

Raw materials remained a critical factor just like labor. These two accounted for a combined 70 percent of the cost of production of a typical t-shirt. Mei continuously searched for cheap sources of raw materials with the quality that was suitable for her requirements. As she negotiated with more and more suppliers of textiles, she began to understand the textile business.

By the late 90's, the textile industry experienced a decline due to a depressed global economy. Margins shrunk and competition in the industry intensified. Moreover, outsourcing to other cheaper production bases became imperative. Mei had to shut down three out of her four manufacturing bases and relocated these to other countries. Currently, through various forms of alliances and strategic partnerships, Mei has established six manufacturing bases in China, five more in Thailand and two in Korea. Cutting costs became imperative to survival and Mei's creativity for searching avenues for cost cutting were again challenged.

By this time she has gotten herself familiar with the textile market. She calculated that by producing her own textile, she could further increase her margins and make her more competitive in the industry. Thus began the planning stages for further backward integration into textile manufacturing. Soon Mei's third company, the third component in controlling the garments industry value chain, was established.

Without her knowing it, her conglomerate was slowly growing.

Masterknit Inc. was officially incorporated on May 19, 1992. It was primarily engaged in the manufacture and wholesale of knitted fabrics. It mainly catered to the textile requirements of Universal Landmark although it also supplied other garments manufacturers. However, as a matter of strategy, Mei wanted each and every company to become self-sustaining and not reliant on its affiliate companies. Masterknit increased its manufacturing capacity and started aggressively selling textiles to other garments manufacturers. Soon, it was serving some of the major local brands in the Philippines.

However, in 1997, the Asian financial crisis occurred and sales of the major garments manufacturers plummeted. Exports and domestic sales of garments declined. Demand for textile was inadvertently affected. Masterknit experienced an overstock of textile inventory and faced tremendous warehousing and storage expense.

Forward Integration into the Branded Game: Quadro

In early 1994, Mei experimented with her own brand of casual wear. It was supposed to be a showcase for the quality, durability and affordability of Masterknit's textile products. She was, however, hesitant to pursue the development of her branded wear, understanding that it required tremendous effort and resources.

Having dealt with the major local brands as a supplier of textiles, Mei started to understand the game. Her trading arm had also expanded and penetrated the major department stores, thus providing her enough contacts should she want to establish her own boutique. Faced with an overstock of various kinds of textile, Mei had to find ways and means to make her inventory move. It was during this time that she decided to take the plunge and make a strong move into the branded game.

Quadro became not only a showcase for Masterknit's textiles, it also became a showcase for the design capability of Mei's conglomerate. Designs of Quadro ranged from basic casual wear to trendy designs. It was made available in all popular department stores in Metro Manila and other key cities nationwide through concessionaires or outright sales outlets. Today, Quadro has become a major competitor in the tee-shirt and casual wear segment catering to the middle-income market segment. Quadro has consistently been listed as one of the top ten brands in terms of saleability in such department stores as Shoe Mart, Robinsons, Ever, and The Landmark. Quadro opened its first stand-alone boutique in the Metropolis Mall in Alabang, a bustling residential and commercial area south of Manila. More stand-alone boutiques were being planned.

With the success in developing the Quadro brand, Masterknit started to expand the product line of Quadro. From ready-to-wear goods, Quadro eventually started to sell hand towels, bags and various toiletries such as colognes and hand sanitizers.

Controlling the Growing Business

With the establishment of Masterknit and Quadro, Mei has established a foothold into all major parts of the value-chain of the garments industry. Each company in each segment of the value-chain was self-sustaining aside from providing key inputs into its affiliates. As her business grew, the need to establish control became more apparent. In all segments of the value-chain, cost and quality were critical.

The need for checking and monitoring each business took its toll on Mei's schedule. She decided to establish a company that would monitor and audit each of her businesses. It was during this time that she formed Business Integrated Consultants Inc (BICI).

Initially established as an internal accounting department for her various businesses, BICI eventually became a profit-center on its own. BICI has become a professional consulting group providing bookkeeping, auditing, tax and corporate planning and related consultancy services. Specifically, the services provided by the company included: business process outsourcing for accounting and payroll, financial advisory for budgeting and the preparation of financial forecasts and projections, enterprise risk services for operations and systems review as well as internal audit, due diligence review, and tax and corporate services including tax audit and tax compliance review, tax advisory and planning, and other tax-related services. BICI's list of clients for its various professional services was noted to be growing continuously.

New Challenges, New Opportunities

Her learning experiences from the ME program inspired Mei to get back to her business and implement strategies with new-found vigor and excitement. Among her plans was a possible repositioning of Quadro, some ideas for streamlining and cost-cutting her processes and new business opportunities to expand her business portfolio. Her excitement to graduate from this program was only exceeded by her eagerness to get back to her business.



Asia-Pacific
Economic Cooperation

METRO INDUSTRIES: A BUSINESS FOUNDED ON FAIR PLAY

“Whatever I sow, I shall reap. That’s why I try to be constantly fair with my employees and my customers as prescribed in the teachings of Buddhism. If I’m fair to them, they will be fair to me.” Thus Leo Ang, President of Metro Industries, Inc. summarized his core guiding principle in running his business. A devout practicing Buddhist for more than six years, Leo Ang espoused the teachings of Buddhism in running the day-to-day affairs of his business. Even during times of crises, he turned to Buddhism to seek solace and understanding of the challenges that his company faced.

But this had not always been the case. Before, Leo firmly believed in the theory of survival of the fittest – those who are strong will survive and those who are weak will become extinct. “In those days, I didn’t care if I stepped on people, as long as I made business,” Leo explained. With this strong commitment to success, combined with the gift of intuition, creativity, persistence, and natural charm with people, Leo worked up the ladder from a jack-of-all-trades salesman to the owner of a thriving enterprise trading in industrial chemicals – one of the largest in the country today.

THE PHILIPPINE CHEMICAL INDUSTRY AND THE CHEMICAL TRADING SECTOR

The entire chemical trading industry in the Philippines consisted of over 300 companies involved in various sub-sectors of the industry including pharmaceutical, basic chemical, sugar and oil, paint/surface coating, oxy-acetylene, rubber, electrical, oleo-chemicals, agri-chemicals and others. Services in the industry included importation, wholesale and retail, trading and manufacturing.

This case was written by Mr. Luis T. Cruz, Jr. of the Asian Institute of Management (Philippines) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Mr. Leo Ang solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

Among the many sub-sectors of the industry, the trading of industrial chemicals was considered as one of the most competitive. Chemical traders were independent companies supplying local chemical manufacturers or end-users with imported raw materials from all over the world. These companies were mainly in the wholesale and retail trading of chemicals, buying in bulk from suppliers and selling these in smaller quantities. Typically, these companies maintained a bulk storage facility as well as warehousing facilities for repackaging into smaller containers. These companies also invested in a good logistics system to ensure timely delivery of goods to their suppliers, including bulk carriers and holding facilities for major customers.

There were about ten major players that imported and distributed bulk liquid chemicals. All of these players had their headquarters in Luzon with two having branch facilities in Southern Philippines in the provinces of Cebu, Iligan, Davao and Zamboanga. All in all, these companies had an estimated storage capacity of 100,000 metric tons.

Table 1. Major Industry Players in the Chemical Trading Sector

| Company | Gross Revenues (in million P) (2001) |
|------------------------------|---|
| Legaspi Import & Export Corp | 1,218.34 |
| Shell Chemicals | 1,113.04 |
| Himmel Industries, Inc | 769.26 |
| Asian Chemicals | 528.28 |
| Metro Industries | 253.14 |

Source: Philippines Top 5,000 Corporations 2002 edition

Critical Success Factors

In order to survive in the industry, it was imperative that the trading company established the best supply of raw materials from abroad. Industrial chemicals such as those being traded by Metro Industries had very volatile prices, as they were related products of crude oil. Moreover, since these products were usually dollar-denominated, the local importers were taking huge foreign currency risks. The ability to anticipate external changes in the environment that would lead to price fluctuations was thus critical in the industry. This, coupled with good relations with foreign suppliers, more or less assured a steady flow of supply.

Being a commodity, the trading of industrial chemicals was mainly driven by price and volume. Thus, being able to import in large amounts was critical in order to achieve economies of scale and consequently improve margins. Value-adding through creative services such as credit terms and on-site storage was also important to improve margins.

Efficient storage and logistics was also critical to ensure that holding and distribution costs remained low. While the drive for efficiency was a primary consideration, specialized knowledge regarding handling and storage of the potentially toxic and flammable product was necessary to ensure safety.

Metro Industries, Inc.

Metro Industries, Inc. was established in 1984 as an importer and distributor of industrial chemicals, catering to industries such as paint, ink, rubber, tire, adhesives, plastic, flexible packaging, printing, thread and others. The man at the helm of the company was Leo Ang, who had been in the chemical business since 1974. With over 20 years of experience in selling industrial chemicals, he was able to steer the company to become one of the biggest importers of bulk industrial chemicals in the country, directly competing with such multinational companies as Shell Chemicals Inc., Mobil Phil. Inc., Exxon Chemicals, Union Carbide Phil. Inc.

The company was mainly involved in wholesale and retail trading of various kinds of industrial chemicals. These chemicals were imported into the Philippines, stored in large tanks, repacked into smaller drums and distributed to various partner-clients. The company sourced its chemicals from various countries around the world including Japan, Singapore, Korea, Thailand, the United Kingdom and the United States. Its market reach in the Philippines covered as far north as Pampanga and as far south as the province of Cebu.

The main products of Metro Industries were categorized as industrial petrochemicals. They were by-products from the processing of crude oil into refined fuel. These industrial petrochemicals had specific applications ranging from paint thinner to adhesives. The company had a total of 60 product items. However, five items made up 90% of Metro's total sales volume. These five main products were: Toluene, SMT 3040, Xylene, Ethyl Acetate and SBP 1425.

Technical description of key products

Toluene - (also called methyl benzene or toluol) is a colorless flammable liquid classified under the aromatics (solvent) category. It occurs naturally in petroleum crude oil. It evaporates rapidly when exposed to air and dissolves only slightly when mixed with water. Toluene is produced during the process of making gasoline and other fuels from crude oil, in making coke from coal and as a by-product of styrene. Toluene is used in the production of nylon, plastic soda bottles and other organic chemicals. It is also used in making paints, paint thinners, fingernail polish, lacquers, adhesives, and rubber in some printing and leather tanning processes.

Xylene - Xylene is a colorless, sweet-smelling gas. It is mostly a synthetic chemical that is produced from petroleum. It also occurs naturally in petroleum and coal tar and is formed during forest fires. Xylene is used as a solvent in the printing, rubber, and leather industries. It is also used as a cleaning agent, a thinner for paint, and in paints and varnishes. It is found in small amounts in airplane fuel and gasoline and small amounts are found in cigarette smoke.

Ethyl Acetate – is a chemical compound resulting from the reaction of ethyl alcohol and acetic acid. It is generally referred to as “Ester.” Esters have important applications in the formulation of some petroleum additives and synthetic lubricants.

These industrial petrochemicals were critical raw materials in the manufacture of paints, surface coatings, inks, adhesive products, electrical transformers, alcohol compounds and flexible packaging materials, among others. Metro Industries imported these raw materials from the United States, Europe, Japan, Korea, Taiwan, Singapore and Thailand. These chemicals were then repacked into smaller quantities and sold locally.

Metro Industries leased a tank farm facility and bulk storage facility with a total capacity of 4,000 metric tons in Pinamucan, Batangas, approximately four hours away from Metro Manila. From the port, the chemicals were transported to two repackaging and warehousing facilities in Valenzuela and Malabon, Metro Manila. Among the major clients of Metro Industries were large companies belonging to the Top 1,000 Corporations of the Philippines. It also catered to small and medium sized enterprises, including paint manufacturers BASF Philippines, Dutch Boy, Nippon Paints and packaging manufacturer Right Pack, to name a few.

Humble Beginnings of a Successful Salesman

Leo Ang and Metro Industries Inc, started from humble beginnings. Anchored on perseverance and hard work of its owner-founder, Metro Industries has grown to be a thriving, growing business in a very competitive industry. But Leo recalls that the road to success was never easy.

Leo Ang was born to a relatively well-to-do family based in the heart of Binondo, Manila. The family patriarch had several business ventures - a bakery, a construction supply store, a restaurant and a construction company, among others. Unfortunately, when Leo was 11, the family patriarch passed away. The other businesses were taken over by his father's siblings, leaving nothing to his family. Leo's mother, a simple housewife without business acumen did not get anything except for the occasional allowance given by his uncle from profits from the restaurant and bakery business.

Because of the state of his family's finances, Leo was forced to work early to augment the family's meager earnings. College education, while deemed important by his mother, took a back seat in favor of earning a living to make ends meet. Leo was able to obtain a 50% scholarship from the Mapua Institute of Technology. He strived to earn his college degree while working as a salesman to supplement his education.

"Initially, I was selling anything under the sun," recalled Leo, "but my major sales items were nuts and bolts." Even during his brief stint as a salesman, Leo sought opportunities beyond the ordinary. At one time, a major local automobile manufacturer was in drastic need of a very specific kind of bolt which became unavailable from their Japanese suppliers. Other salesmen did not bother to bid for the item since there were no local manufacturers available. Leo's enterprising spirit came to the fore. Obtaining a sample of the bolt, he had a prototype fabricated in a small machine shop and presented the finished product to the company. The company approved of the quality of the sample product and made an initial order of 1,000 pieces. The following order was for 100,000 pieces. This proved to be Leo's first taste of success in entrepreneurship. By the age of 20, Leo decided to pursue his selling career instead of finishing his college education.

From Entrepreneur to Employee...

Up until he was 20, Leo had successfully established a growing micro-enterprise trading in nuts and bolts and various other products. However, it was at this point that Leo decided to give up his growing trading business to become an employee for a chemical trading firm. "I saw the potential of industrial chemicals at that time because basic chemicals was used in all major industries," Leo recalled. "Its potential was far greater than that of the nuts and bolts that I was trading. However, I didn't know anything about industrial chemicals so I had to learn," he added. Even at that time, it was clear to Leo that he was joining this company as an employee only as a strategy to learn about this product with vast potential. Without any second thoughts, he abandoned entrepreneurship and joined a chemical trading company as one of eight salesmen. He was paid Php 120 per month plus commission for every sale made.

His employer hired him for a very specific purpose: to dispose of a warehouse-full of imported ink which had been unsold for over four years. Most of the existing salesmen proved unsuccessful in trying to sell the ink but Leo was determined. Using all of his creativity and persistence in selling, he was able to sellout the ink in a record-time of one and a half years.

His employer was so impressed that he was immediately given his next objective: to dispose of a warehouse-full of glycer acetic acid, a chemical primarily used for textiles and bleaching. While the textile manufacturers were major buyers of this chemical, they typically took a long time to pay. Moreover, competition among chemical suppliers was intense and it was difficult to penetrate the major textile manufacturers. Hence, Leo decided to look for other opportunities for this chemical. Upon intensive research, Leo discovered another use - as an additive for the production of vinegar. Despite lower margins, payment terms were generally better. So off Leo went to nearby Bulacan to sell to local vinegar makers. Soon, the entire glycer acetic acid in the warehouse was sold-out.

After disposing of these products, Leo's employer had no more goods for him to sell. Faced with the possibility of losing employment, Leo asked his employer to transfer him to the chemical trading company selling primarily solvents. "I can sell whatever you want me to sell," Leo pleaded. "Try me out for three months and see," he added. The boss finally agreed to a three-month probationary period to see how Leo would perform.

It was sink-or-swim from day one of his employment with the chemical trading company. Leo was given a price list of all of their products. However, he was not given any formal training on the uses of each of the products. Eventually, he found out that these were used primarily in the paint industry and the company's major clients were paint companies. Unfortunately, all major accounts, except for one, were already taken. The available account was a particularly difficult one with a history of being an infrequent buyer and a deficient payer. Despite this, Leo took the task to heart. On his very first day, he decided to pay the company a visit. He befriended the chemist of the company who agreed to teach him the technical aspect of trading solvents. She also gave Leo a very important tip: paint manufacturers were

not the only users of solvents. Ink manufacturers, who were steadily growing in number, were also major users of solvents.

Acting on this tip, Leo scoured Metro Manila and sold to small-and-medium-sized manufacturers of ink. These companies bought in small quantities of one to two drums each, but they were very good payers. Leo persevered and served these few small accounts. Within a couple of years, Leo's sales volume was even bigger than that of all existing sales agents plus the house accounts, combined.

By the time he was 25, Leo was earning a decent income and his sales prowess did not go unnoticed. Leo was ultimately offered the position of Sales Manager in the company. While this would have a significant impact on his income since he would no longer be entitled to commissions, he still looked forward to the promotion as an avenue for further growth and training. "As a sales manager, I would know the intricacies of the trading game: from cost computation to sources of imports," Leo thought. "This would make me more well-rounded in the business." Months went by and the promised promotion failed to materialize. At this point, Leo decided that he knew the industry well enough to set up his own. He decided to seek partners to back up his venture. Leo was on his way back to entrepreneurship.

And Back to Entrepreneurship

Leo's venture back into entrepreneurship was not all easy sailing. An initial partnership with several investors proved difficult and was eventually terminated. It was through serendipity that Leo decided to pursue his goal of setting up his own chemical trading company. Right after the economic crisis in the country in 1983, Leo was considering migrating to the States to join his mother. However, as fate would have it a visit to a fortune-teller changed his mind. "Whatever you touch will turn to gold." These were the first words pronounced by the fortune-teller. "I didn't know if the guy was just pulling my leg," Leo recalled, "But I didn't care. What was important was that these words gave me the resolve to stay and try my hand at business again."

Without finishing the divination session, Leo left and decided to stay in the Philippines and make his fortune. Despite these initial difficulties, Leo moved on and established Metro Industries, Inc on his own.

Armed with ample product knowledge and a modest network of potential customers, Leo started a small chemical trading business, buying in bulk from a local importer and repackaging and reselling to smaller end-users. He initially bought solvent from Union Carbide, one of the biggest importers of solvent at that time. His initial order of 10,000 to 20,000 liters per month was considered very small and did not merit any additional discount. He bought at around Php10 per liter and sold the product at Php11 per liter, making a modest 20% margin per sale. The profitability was decent but not enough for Leo. Increasing price was not an option as the product was a commodity and competition for sales was intense. "It didn't hurt to ask so I decided to inquire about possible ways of improving my profitability," Leo recollected.

It was the sales manager at Union Carbide who gave Leo the opportunity to improve his margins. “The sales manager explained to me that I would need to get a volume of 100,000 liters per month to be worthy of an additional 10% discount. At that point 100,000 liters was a lot. That was five times the usual volume that I traded,” Leo recalled. Instantly, Leo did a few basic mathematics in his head. If he could get an additional discount of 10%, he could get the goods at Php9.00 per liter instead of P10.00. He could then settle for a lower margin of 50 centavos per liter, but at the same time move more volume and have a better bottom line. Without batting an eyelash, Leo went for the proposal. “I told him right then and there to prepare an invoice for 100,000 liters in my name. The sales manager looked at me as if I were crazy,” Leo laughed. It was a huge calculated risk that would potentially yield huge paybacks or destroy his credibility with his major supplier.

Years of experience in selling came into play as he called on his past customers to buy the products from him. No account was too small. Even if he didn’t make any margins from some of the sale, he continued nonetheless, if only to maintain his credibility with his suppliers and show them that he could move 100,000 liters per month. This went on for several months. Leo’s volumes grew and his bottom line improved significantly. More importantly, his bargaining power over his supplier improved significantly.

No Risk, No Growth

While business started to pick up, Leo was still not satisfied with the growth of his enterprise. “I was still not satisfied with how my business was growing. I knew the potential of the product and I knew there was room for growth,” Leo explained. At this point in time, restrictions set by the government regarding foreign exchange currencies made importation difficult. “At that time, hoarding dollars was decreed a crime. The mere possession of dollars was punishable by law,” Leo recalled. “Thus, importation became a very difficult game. Even large companies were hesitant to import goods.” It was at this point in time that Leo risked everything for growth. He agreed to import in behalf of a large company through Metro Industries, Inc. He understood fully well the risks involved: “Dollar salting was a crime punishable by imprisonment. But this didn’t bother me. I didn’t have anything at that time. And people who don’t have anything are willing to risk everything. No risk, no growth,” explained Leo

Leo agreed to import for his supplier on two conditions: that the supplier should be the one to raise the entire amount needed for the importations; and that half of the total volume would belong to Metro Industries and would be paid for by Leo upon arrival in Manila. The supplier, in desperation for goods to sell at a time when demand was high and supply was low, agreed. The initial importation volume was set at 500 tons. With the dearth in supply of solvents at that time, the market was willing to pay any price to obtain the product. Even before the shipment arrived in Manila, Leo was able to dispose of his share of the importation even before it arrived in Metro Manila. Leo had enough cash from his pre-selling activities to pay his share of goods. This arrangement went on for several months to the benefit of Metro Industries.

By the time importation of oil and its by-products was deregulated, Metro Industries had established itself as one of the leading traders of solvents in the industry. Metro Industries was able to lease a large bulk storage facility in Batangas, two smaller properties in Metro Manila, and a fleet of bulk delivery vehicles. From a few products, Metro Industries product line expanded to over 60.

Despite the entry of new independent players, Leo's knowledge of the product, close relations with international suppliers and solid logistics infrastructure in the Philippines made Metro Industries resilient to the challenges of competition.

Seeing Quality Through the Customer's Eyes

While understanding that he is dealing with commodities, Leo knew well enough that his customers had certain minimum quality expectations about the product such as chemical composition and purity levels. But more than these quality expectations, Leo understood that customers were looking for value-added services from their traders. And these value-added services did not necessarily translate to additional cost to the traders.

To ensure minimum acceptable quality of the product, Metro Industries, Inc. was one of the first chemical trading company to establish a laboratory to ensure the quality of chemicals imported from abroad, as well as assure customers of the quality of their solvents.

But more than assuring quality, Metro Industries implemented unique arrangements with their customers that give added value to their product and gave extra convenience to their customers. For example, Metro Industries provided customers with on-site bulk storage facilities in their warehouses, at no extra cost to the customer. Moreover, the customers were billed only for the amount of solvents consumed for certain periods, thus helping customers with their cash flow, while assuring the availability of supply when necessary. While Metro Industries absorbed the initial cost of the construction of the storage tank, the assurance that the customer would continuously order from Metro more than compensated for this.

Applying Buddhist Principles

In 1996, Leo Ang turned to Buddhism and decided to be a devout practicing Buddhist. Even in business, he started to apply basic Buddhist principles, which, according to him, made his business even more prosperous. Core to his beliefs was fairness to his customers and employees.

“You treat them fairly and they will treat you fairly in return,” Leo explained. This was his guiding principle in treating people. Even as a salesman, he was generous to those around him. The telephone operator, the secretaries, the warehouse keepers, all received small tokens from Leo. On Christmas day, he would take time to visit their families and bring some presents for them. For all of these goodwill gestures, he got tips for potential clients, pointers for selling and even received preferential treatment for delivery.

As the chief executive for Metro Industries, his fundamental belief for dealing with people remained. His generosity to his employees was highly regarded. Benefits, such as hospitalization, which were traditionally reserved for employees, were extended to immediate relatives. Even during the annual Christmas office party, employees would bring their whole family and everyone usually brought home a present, courtesy of Leo. Such treatment led to an incredibly low staff turnover rate at Metro Industries. Petty crimes and misdemeanors were also non-existent. "If an employee were planning to do something bad to the company, he would be discouraged by his family since everyone was a recipient of company benefits," Leo explained. Such camaraderie led to a very close, most familial relationships among the 50 employees of Metro Industries.

Tests of Character

Two significant tests of Leo's character occurred almost simultaneously. In 1997, Metro Industries was hit by the Asian financial crisis. Metro Industries which, at that time had significant dollar-denominated debt, suffered tremendously. The company which had been operating profitably since it started, suffered its first net loss. Leo was devastated, but he worked harder than ever to recover his losses. By the following year, he was back in the black.

The next test came in 1999 when tragedy broke out. A fire gutted the company office and the adjoining warehouse, destroying a significant amount of inventory. Employees huddled around Leo expressing words of encouragement, and more importantly, commitment to work harder and help rebuild the company. Instead of giving up, Leo did exactly the opposite. By the next day, it was business as usual for Metro Industries, Inc.

In those times of great misfortune, Leo sought solace from the teachings of Buddhism. "The teachings of Buddhism helped me pacify the emotions that I was feeling at that time," Leo explained. "A core teaching of Buddhism is that all things have a beginning and an ending. This is the natural course of existence. So at certain points in our life, some things will begin and some things will end. As sure as my warehouse had a beginning, it also had an end when it was gutted by the fire. This end signaled the beginning of a better warehouse and better business for Metro Industries," Leo elucidated. "There's no use crying over spilled milk," Leo concluded. Recalling these lessons from Buddhism gave Leo the strength and the will to start over and try even harder.

Rising From the Ashes

"I knew that if I showed any signs of weakness, my creditors would swoop down on me and demand payment. If they did that, I would be in big trouble. So I had to exude confidence and an image of being able to take the tragedy in stride. My belief in the teachings of Buddhism helped me tremendously during that time," Leo reminisced. Fortunately, most of the significant documents regarding billings of customers were stored in fire-proof safety boxes (serendipitously, another side business of Leo's). As soon as the embers died down, Leo and his staff retrieved the accounting documents. Twenty four hours after the fire, the accounting department was up and running. Collection of receivables went as scheduled.

Payment of suppliers also went ahead as scheduled. “We didn’t even ask our suppliers to write off any portion of the lost inventory. It would have been easy to go to our suppliers and negotiate for a discount and a write-off. We paid the entire amount up to the last centavo,” Leo added. This was done not only in line with his belief in being a fair player; it also strengthened people’s perception of the company’s strength and determination to re-establish its position in the industry.

On the operations side, Leo knew that if they did not get back on their feet soon, other suppliers would come and take away their customers. “We had to get back on our feet as soon as possible,” Leo recounted. “We imported two critical equipment by air from Germany. We paid millions of peso for freight alone, but that did not matter. Within one month, thanks to the commitment of my people, we were back in operation.” Within three months after the tragedy, the company’s operations went back to normal. By 2001, Metro Industries inaugurated a new four-storey office building as a testament to the company’s strength and determination to rise above the ashes.

Reaping the Benefits of Hard Work and Fair Play

In 2003, twenty-three years after deciding to become an employee for a chemical firm, Leo Ang was back to being a jack-of-all-trade salesman. Aside from Metro Industries, Leo owned and managed several companies with product lines ranging from food to office furniture to industrial equipment. His expansion plans for Metro Industries were immense.

Leo attributed the tremendous success of his businesses to the same core principles of hard work and fair treatment of customers and employees which he applied at Metro Industries.

Leo summed up his belief in fair play, “If you do not play fair, there will be a lot of ups and downs in your business. Deals that sometimes seem to be within your grasp will elude you. If you have bad Karma your path will seem to be filled with a lot of obstacles. But if you are fair and you only have good intentions in your mind, in your words and your action, you can easily attain your goals.”



Asia-Pacific
Economic Cooperation

WINSON LAN – ENTREPRENEUR

“Why don’t you sign up for the program?” asked Angeline as she and her husband Winson left the preview session of the Asian Institute of Management’s Master in Entrepreneurship program sometime in February 2002. “It may give you the opportunity to see whether your ideas and business development plans stand the test of a structured academic program. The mentorship of the professor will also give you a platform to test your ideas at the same time.”

Winson Lan, 43 years old, successful entrepreneur, wondered whether going through a rigorous 18-month program would make him a better manager of the enterprises that he now ran. A&P Coordinator Pte Ltd (APCPL) had just gone through a few tough years as the economy slowed down. Spending on print media products in which the company specialized fell. Meanwhile, his initiatives in new products and services appeared to have hit a wall in terms of below projected levels of market demand.

Winson Lan was generally recognised in Singapore as an entrepreneur, that comparatively rare breed of individuals who had taken the plunge to start their own businesses. Initially without any experience in the industry, he worked for two years with a small print operation and then established and developed APCPL as a major player in that industry.

Nominated as one of the ten finalists for the Netpreneur of the Year 2000, Winson had also been a finalist for the Phoenix Award, given annually to businessmen who had successfully weathered the storm of failure only to return more successful than before. In addition, he was also recognised as the only Singaporean to have made investments in two Japanese small medium enterprises (SMEs) that were subsequently listed on stock exchanges in Japan.

This case was written by Prof. Derek K. Liew of the Asian Institute of Management (Philippines) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Mr. Winson Lan solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

The Young Winson Lan

Born in 1959, the year in which Singapore received self-government status from its former British colonial masters, Winson speaks nostalgically of a wonderful childhood. His family was relatively poor compared to the families of some of the classmates he met when he started primary school in 1965. Although there was no money to spare, this *kampung*¹ boy enjoyed his childhood, mixing with children from a variety of backgrounds and cultures. School, however, was never his inclination, preferring to spend what time he could in generating some extra pocket money through money making activities like running a *rojak*² stall, and selling ice-cream in the neighbourhood.

At age 15, having failed a number of subjects in his final exams, he dropped out of school feeling that he had nothing to learn from regular school. He then went into his first job, working in a pawnshop owned by his uncle. His duties as a “gofer” (ranging from preparing pawn tokens to cleaning the floor) were not onerous but he found time to annoy his uncle and employer so much that before the year was out, he was told to leave.

He then joined a nightclub as a bar boy but again it was not long before he was told to leave.

At 17, Winson was called up to do national service in the Singapore Army and there, he began to show some of the other signs that made him different from his contemporaries. Well built and tall, Winson was selected to join the elite Guards unit of the Army. With pride, he recounts that he was awarded the Best Young Shooter Award. He did not, however, rise above the rank of private as he usually managed to find time to engage in the sport of boxing on an inter-company level (soldiers who were active sportsmen were usually exempted from the more mundane duties of an army not at war).

At the age of 20, having completed his army service, Winson found a job with the Shangri-la Hotel as a bar boy. Faced with the challenge of working under strict rules and regulations in this premier 5-star Singapore hotel, Winson did not take long to annoy and upset his supervisors resulting in his dismissal within a very short time.

He then got involved with various restaurants, finally becoming Assistant Manager for the Prawn World Restaurant, but was again fired when he chose to tell off another employee who turned out to be the brother of the lady boss. He tried again, selling wines, but although he was the only salesman who performed well, he managed to upset his boss again and was told to leave. He spent a short time selling insurance policies, and even acted as a property broker, without any conspicuous success. More conscious of his lack of formal education, he spent time during this period taking classes in various aspects of business including English, marketing, accounting, and computing.

¹ *Kampung* is the Bahasa Melayu word for a rural village. In the Singapore context, it refers to the enclave where one lived, usually in the period before the 1970s when such villages still existed.

² *Rojak* is a local salad using fruit, vegetables, soya bean products, in a paste made from fermented prawn paste, tamarind juice, sugar, and crushed peanuts

It was at this point that he entered the print industry. He joined Denko Press Pte Ltd, a small family-run printing operation, as a salesman. Appointed print salesman, he received a salary including transport allowance of SGD700. He quickly proved his ability to sell print services, principally the printing of name cards and letterheads. He was promoted within three months, and at the end of 12 months had become Senior Sales Manager with a basic monthly compensation package of around SGD2,000 with a 2% commission on sales. He was to stay with this company for two years, eventually generating annual sales of SGD1,400,000 representing 70% of company turnover. By then, the company was operating at three times the level from the time he joined. In other words, all the increased turnover was generated by him.

While reporting to a Managing Director who was himself a traditional local printer who had risen from production ranks, and running old printing presses, Winson took the opportunity to understand all aspects of the print production process. In 1985, he resigned, and was told to leave immediately when he turned down an invitation to join the firm as a partner. He recounts that the machines were old, and he had generated all the additional sales, and would be paying a premium for goodwill that he himself had generated.

With a payoff of around SGD20,000 representing unpaid salaries and commissions, he set up a joint venture with a lady partner to engage in printing activities. With only one printing press, it was never going to be a highly profitable venture. But the opportunity arose for the venture to pursue a contract to supply PE bags to Japan that would earn substantial profits because of the size of the order, despite the relatively low margin. With this one time contract, however, it became clear to Winson that this operation was not the right vehicle for him. The partners decided to break up, sharing around SGD240,000 (after investing SGD20,000 to set up the venture).

The Young Family Man

It was at this point that Winson and Angeline, a former schoolmate, married. Winson had maintained contact with Angeline, who had stayed in school and had continued with her education. Having graduated with a degree in engineering, Angeline was working with a multinational, travelling throughout the region as a trouble shooter. Despite the objections of her family, Winson prevailed with his courtship. Even now, he sometimes talks about the small wedding party that was all he could afford at the time.

Now married, with Angeline continuing to work at her job, Winson's next venture was into *clay-pot* rice, a one-dish meal cooked in a traditional clay-pot over charcoal fire that was quite popular locally. Setting up stalls in Orchard Road and *Lau Pasat* (Old Market – a location in the Central Business District), he was successful but was often distracted by old customers who continued to come to him to place their print order requirements.

An attempt to franchise his clay-pot rice business did not take off. Winson also spent time dealing in food supplies. Whenever he was distracted with other ideas, the basic business suffered. He admitted that in some ways, Angeline's continued employment brought home more than sufficient money to take care of their

simple needs. Comforted by the fact that he would not go hungry while trying other ventures, Winson finally took the plunge into setting up his own business.

In 1987, shortly after his marriage, Winson set up A&P Coordinator Enterprise as a sole proprietorship. His first machine, a second hand Heidelberg offset press, cost SGD50,000 but was financed 70% on hire purchase terms by Hong Leong Finance. Within a year he had purchased two other second hand offset printing presses, locating all of these in an 800 sq. ft. shop house in the Geylang district of Singapore. He had a staff of only six, one of whom, Stephanie Koh, still works for Winson as Senior Vice President for HR and Administration at APCPL (see below). But his company reported profits of around SGD200,000 at the end of its first year of operations.

The Growth of A&P Coordinator Pte. Ltd. (APCPL)

APCPL was incorporated on September 22, 1989 as the successor to A&P Coordinator Enterprise. Its primary purpose was the provision of offset printing services. His days with Denko and his first joint venture had shown Winson that there was little margin and opportunity to become successful in running a general print business. From the very start, he positioned A&P to service the high end of the print business. He figured that if he wished to be different, he should choose to be different by targeting the customers with the biggest budget. He even named the company A&P to draw attention to “advertising and promotion”, and pushed for sales with the advertising agencies. From the very start, whenever he had to buy a new machine, Winson chose to spend a little more for top of the line multi-colour presses. Recognising that he had to provide other services to complement the printing services, he started a graphic design service department in 1990.

By 1992, the company had outgrown its small shop-house facility in Geylang and moved to the nearby Aljunied area where the lease of a much larger area enabled the purchase of new pre-press and finishing equipment. In pursuit of the quality image, APCPL needed to acquire ISO certification, and Winson also saw the need to eventually have a much higher computer linkage for the print business.

It was then that Winson decided to persuade Angeline, now pregnant with their third child, to join APCPL as Vice President who would take care of these twin objectives. He succeeded in persuading her because the 200,000 to 300,000 air-miles of travel she was accumulating each year meant that she did not spend enough time with their first two children. With Angeline taking the lead, APCPL received ISO 9002 certification in 1993, and ISO 9001 certification by 1995. The first relates to quality assurance in production, installation and servicing, while the latter certification relates to quality assurance in design, development, production, installation and servicing.

Winson also gave Angeline much of the credit for keeping his employees happy and willing to continue working for him for a very long time. From a peak payroll of 120 persons in 2000 (not including 50 in Tokyo), APCPL as a group of companies had shrunk to 95 people in 2003. But the bulk of the 95 employees, particularly those from the print production units, had worked with APCPL for more than eight years.

By the end of 1997, the group had a turnover of SGD24.5 million (by then equivalent to about USD17 million) trading off assets of around SGD8.0 million. Its major customers were Saatchi & Saatchi, Ogilvy & Mather, Ad-Grand Advertising, Wavemaker Designs, Carlson, and Batey Ads, among others. Through these agencies, APCPL became well known for its printing and promotional and display materials used by VISA, American Express, Singapore Airlines, British Airways, Hewlett Packard, Sony, Motorola, Nokia, Ericsson and the largest Singapore based real estate agents, ERA.

To manage his expanded group, Winson brought in Jepakash Rai (Jaya), a *Hokien*-speaking ethnic Indian, in 1992 by enticing him from another printing company where he was Sales Manager. By 1994, Jaya had been promoted to General Manager; in 1997 he became Vice-President for operations; and in 1998 he was appointed President of APCPL. It should be noted that Jaya was one of the very few ethnic Indians in an industry where the players were dominated by ethnic Chinese Singaporeans – certainly he was the only senior manager in a Chinese owned print related company. Like other senior and long serving employees, Jaya owned equity in the Group.

Diversifying out of Print

With Jaya running the printing operations – principally leading the sales team – and with other long time employees running the production – and with Angeline keeping an eye on things in the office and at home with the children, Winson started to feel restless again. He spent four years starting in 1997 exploring business prospects in the international arena. Typically, he flew economy class and stayed at inexpensive hotels, while he explored the establishment of international tie-ups and looked at business opportunities.

Entry into Japan

In 1991, he acquired the rights for APCPL to produce a colour chart from Focoltone International Limited, a British company based in Cardiff, Wales. In 1993, he purchased the company. Focoltone had the rights and patents over a colour processing system using the four basic colours used in four-colour printing (CMYK, i.e. Cyan, Magenta, Yellow, and Black). It competed mainly with Pantone, an ink mix system that permitted the replication of the shade of the desired colour, but often required the use of a printing press that could handle more than the four basic colours.

Prior to the purchase of Focoltone, APCPL had engaged a subsidiary of Yaohan International to conduct a survey in Japan regarding the market prospects for its products. Costing SGD20,000, the study was to be followed by the taking up of the agency rights by another Yaohan associate, but this did not take place. Takayuki Fujii, who was then Marketing Manager for Yaohan Singapore, had been the contact person who entered into this arrangement with Winson. Shocked by the behaviour of his employers, Fujii requested a transfer back to Japan where he resigned and offered to set up a joint venture with Winson to develop the Focoltone product idea for Japan.

A&P Coordinator Japan Limited (later re-named Design Exchange Ltd, or DEX) was established for SGD220,000 (Yen15 million) in 1993 with APCPL taking 70%, and three Japanese individuals (including Fujii) taking 10% each. Within five (5) months, DEX required the injection of an additional SGD220,000, and in 1995 the issued share capital doubled again to Yen60 million. By this time, APCPL had invested about SGD600,000 for a 70% share of equity. Prior to the listing of DEX, APCPL subscribed another SGD2.4 million.

Selling Focoltone products proved to be very difficult especially because it was difficult to persuade the principal customers, the advertising agencies, of the products' superiority for their specific usage. A competitor provided a similar product free to the market. The outlook changed once it was discovered that DEX could develop and sell clip-art that had a major market demand. On the back of increased sales, DEX had two rounds of fund-raising. The first, in 1996, saw a Yen 60 million investment by JAFCO, a leading Japanese venture capital group, for a 20% interest. In the second round of fund raising, JAFCO subscribed again, together with Fuji Bank and Daiwa.

In October 2000, DEX received a listing on the Mothers Board of the Tokyo Stock Exchange, the board for technology firms. Oversubscribed by 18 times, the issue price of Yen900,000 per share translated to a total market capitalisation of about SGD74 million at the time of listing. APCPL was looking at a value of around SGD27 million for its SGD3 million investment. DEX's share price halved on the first day of trading, and by March 2003, it had fallen to Yen78,000 or a market capitalization of around SGD7 million. Winson believed that the timing of the listing of DEX was opportune in respect of raising funds for the company, but was unfortunately timed just before the collapse of the dot.com companies on NASDAQ. DEX was not a very profitable operation and this listing demonstrated Winson's willingness to make decisions that were opportunistic and timely. Little of the SGD20 million raised in the IPO has been spent as the business outlook eased. Since the listing date, APCPL has sold about two-thirds of its original equity interest and currently retains about 20% interest.

In 1998, DEX had a small interior design operation that took care of renovation work, specializing in sushi bars and similar food establishments. Another Japanese friend Kouta Matsuda, who had acquired the Tully's Coffee franchise for Japan from the Seattle based principal, engaged this DEX operation to take care of the renovation of his first shop in Ginza, a prime shopping district in Tokyo. When completed, Matsuda gave DEX the alternative of waiting for payment, or acquiring a 25% interest in the operation for the value of the renovation contract (about SGD300,000). Winson Lan, majority shareholder of DEX, did not flinch and immediately opted to take up this interest for DEX. Daiwa Investment put in 25%. Matsuda retained a 25% interest, while Tully's Coffee subscribed 15% .

With Winson's decision to proceed with this exchange, Tully's moved quickly to establish its second branch, this time in busy Roponggi district. The branch quickly grew. Three rounds of venture capital were raised before Tully's Coffee was quoted on the second board of the Osaka Stock Exchange in July 2001. Listed with a market capitalization of JPY3.779 billion, the price doubled on its first day of trading, and doubled again by the end of its first week on the Exchange. At its very peak, this

investment rose to five (5) times the listing price of Yen160,000. In the quieter markets that have prevailed since then, Tully has fallen back to the same value as when it was listed. An original investment of SGD300,000 had risen to more than SGD12 million at its peak. DEX did dispose of some, but not all of its interest in Tully Japan.

It is interesting to note that Winson was able to raise about SGD1.5 million in venture capital funds from N M Rothschild's Singapore based operations in 1993. The proceeds of this fund raising was used for its investment in DEX and repaid in 1997 out of operating profits earned in its Singapore operations. In 1999, Standard Chartered Group provided SGD3 million, SGD2.4 million of which was used for the pre-IPO subscription in DEX by APCPL.

By 1999, the Group had invested in both Europe and in Japan, and had substantially increased total group turnover which was now represented by the following products and geographical spread:

| | | |
|-------------------------------------|-----|--------------|
| By Activity | | |
| Printing | SGD | 11.7 million |
| Digital Visual content and software | | 16.1 million |
| Design, planning and others | | 3.8 million |
| By Geographical Location | | |
| Singapore | SGD | 11.7 million |
| Japan | | 19.9 million |

Using Government Support Systems

Winson made it clear that he was never averse to using the support systems that the Singapore Government provided. He has used the LEFS scheme since 1992. LEFS, or Local Enterprise Financing Scheme, offers subsidised interest rates for equipment upgrading. He has, in the past, and is currently, using LETAS or the Local Enterprise Technical Assistance Scheme. LETAS provides the company with grants to cover up to 50% of the cost of engaging consultants to upgrade business capability. On April 1, 2003, Winson had three new employees under the TEC-UP scheme, a Singapore Government scheme for technical upgrading whereby up to 70% of the compensation package of the technical experts (assigned full time to the participating company in research & development) is provided by the government agency concerned.

The Way Ahead

Winson Lan remains adamant that the future of the print industry in Asia Pacific is dependent on the ability of the players to upgrade not only their equipment but also the method by which customers access their printers. The case writer discussed with him a recent situation where a customer, with operations in more than 40 Asia-Pacific locations had to print new business cards for their employees following an acquisition. While the base templates were the same, there were different employees in different locations using different script and language. Only a

digital press with the right computer programs has the capability of converting the information into SGD200,000 worth of printed name cards. The ordinary printer around the corner is not able to handle this type of assignment.

At the principal end of his business, with regard to the printing of material for the advertising and promotion needs of major end users in Singapore and the region, APCPL has few peers. One of the difficulties with the industry has been the willingness of competition to bid lower than APCPL, yet it has most of the business of the customers that it has chosen. But few, if any, of its competitors can deliver the quality, on time, that APCPL can. In the difficult trading conditions prevailing in the first few years of the 21st century, APCPL has seen its turnover reduced, but after a couple of years it appears that some of the customers are returning, recognising that APCPL is delivering products with quality that its competitors are unable to match.

Between 1999 and 2001, APCPL spent more than SGD3,000,000 on the development of an Application Service Provider (ASP) software services targeted at Sales Promotion and Print Management applications. The retail industry, however, has been slow to adopt the ASP/outsourcing business model. Despite APCPL's close relationship with the advertising and promotion industry and with the design agencies, convincing them to use the Print Manager has proved to be difficult.

Attached in Appendix I is a draft report written on the A&P Group that was prepared by an international print magazine. The report gives a good description of where the group is at in early 2003.

But Winson continues to explore. He made a SGD500,000 investment in NexusEdge Technologies Pte Ltd in 2001, a company that is at the leading edge of JAVA based technology with some of the best engineers in that field in Asia. Despite making sales, it still has a high burn rate, and he cannot see it providing financial returns in the next two years of operations.

In 2002, Winson conceptualised CMM or Channel Marketing Management as a specific product to be offered to MNCs. Typical of his personality, he was happy to disclose full details of this product to his competitors during his presentation to the Forum of Asian Graphic Arts Technology Conference held in Singapore in November 2002. This speech is attached as Appendix II of this case. Recognising that multinationals, especially American MNCs, have difficulty managing print requirements for its Asia Pacific operations, having to contend with the region's six major languages, Winson believed that he had the software capability of enabling consistent quality control even without APCPL printing the end product. He was confident that this system, which has received warm preliminary response from some major MNCs headquartered in Singapore, could be a big seller. More importantly, this operation would not require further hardware investment by APCPL as it would move the company more into the intermediary function rather than continue to function as a printer.

Winson Lan – The Man

The case-writer had interviewed Stephanie Koh, currently Senior Vice President for HR and Administration for the Group, and the longest serving employee in the Group. He asked whether she has found any change in the person that she has worked for in the past 14 years. Stephanie reflects that Winson has become more aggressive and impatient over the years, but is now much more aware of the different functional areas of management. Where he previously did not care too much about how the accounts or budgets were drawn up, he is now fully aware of how these statements assist him with the management of the company and group. But he remains committed to his business, never believing in spending on himself or conserving the profits, preferring to plough them back into expanding the business. She comments favorably about his excellent and very long memory, but rather less favourably about Winson's penchant for sometimes bad and vulgar language that permeates so many of the management meetings in this group. He demonstrates a great deal of care for his employees, and has wrestled with his conscience over imposing salary cut-backs since the economic downturn had hit the company hard since 2001.

Winson also gives generously of his time. He used to participate in the CEO Round-table, and is a regular contact for the various government agencies regarding entrepreneurship, and printing, to raise market awareness and to improve the competitiveness of the industry. He was called by the Economic Development Board to become a Phoenix Mentor under its scheme to assist new start ups by linking each of them to an experienced entrepreneur who could "hold the hands" of these new start ups through their growing pains.

**EXHIBIT 1
FINANCIAL HIGHLIGHTS
A&P COORDINATOR PTE LTD GROUP**

| Financial Year ended Dec 31 <u>1999^b</u> (Figures in SGD 000's) | <u>1991</u> | <u>1995^a</u> |
|--|--------------|-------------------------|
| Group Turnover | 3,725 | 24,389 |
| 31,518 | | |
| Net Profit before income tax and Exceptional items | 223 | 414 |
| 4,441 | | |
| Net Profit attributable to group | <u>156</u> | <u>529</u> |
| <u>2,259</u> | | |
| Balance Sheet | | |
| Fixed Assets | 1,194 | 3,869 |
| 8,965 | | |
| Intangible Assets | 30 | 969 |
| 64 | | |
| Unquoted Investments | - | 13 |
| 247 | | |
| Current Assets | 1,336 | 6,736 |
| 19,243 | | |
| Current Liabilities | <u>1,342</u> | <u>5,278</u> |
| <u>12,648</u> | | |
| Net current Assets | (5) | 1,459 |
| 6,595 | | |
| Long Term Liabilities | <u>577</u> | <u>1,455</u> |
| <u>4,728</u> | | |
| Net Assets | <u>642</u> | <u>4,855</u> |
| <u>11,143</u> | | |
| Represented by | | |
| Shareholders' Interests | 631 | 3,147 |
| 6,851 | | |
| Debenture | - | 1,500 |
| Minority Interests | <u>11</u> | <u>208</u> |
| <u>4,292</u> | | |
| | <u>642</u> | <u>4,855</u> |
| <u>11,143</u> | | |

Notes:

- (a) Although DEX was already incorporated and operating as a subsidiary, its financial figures are not consolidated in the 1995 accounts.
- (b) This is a pro-forma consolidation of all of the companies within the A&P Group, by then renamed Kikuze Holdings Pte Limited.

APPENDIX I

Draft Magazine Article on A&P Coordinator Pte. Ltd.

Printing On Demand – And Many More Visions

When the 5th TOP Symposium of PrintCom Asia in March 2003 was held in Singapore, we met the Honorary Treasurer of the Print & Media Association of Singapore, Winson Lan. When we asked him about his business, we discovered that Kikuze Holdings were engaged in different activities. But after having a closer look, what was essentially a printing company, had branched into software applications as a vertical integration strategy and uses this to fill his offset and digital presses. Focusing on marketing, developed software to be an Application Service Provider.

When we went to the A&P Coordinator Pte. Ltd. printing plant in Singapore we came to a four level industrial building with a full printing operations, with prepress, offset printing, digital printing and binding division. Winson Lan took us in his presentation room and gave us a long overview about the many activities of his Kikuze Holdings. The holdings is split up in three major companies: A & P Co-ordinator, Kikuze Solutions and Design EXchange.

DesignEXchange Co. Ltd.

DesignEXchange publish & distributes CD-Rom in Tokyo, Japan. Developing design contents such as clip-art, photographic images, fonts & design templates. It is very beneficial for many businesses usage because graphic arts design is very expensive in Japan. The templates offer many varieties for retail & general business applications. Winson Lan considers this as a successful business. Enjoying a 34% market share in the graphic arts and visual content industry in Japan. DesignEXchange was successfully listed on the Tokyo Stock Exchange in Oct 2000.

A & P Co-ordinator Pte. Ltd.

Equipped with true entrepreneurial grit, Winson started his printing business in 1989. And now counts U.S. multinationals and the "big boys" in the advertising industry as its clients, such as Saatchi & Saatchi, Leo Burnett and the WWP Group, including Ogilvy & Mather.

A & P stands for Advertising and Promotion, and this explains the two major business areas of the printing company. More than 75% of the company's production is done for large and highly demanding local and global advertising agencies representing the most prestigious clients. A & P Coordinator helps their clients to fulfill the entire range of promotional materials usually required for advertising & marketing campaigns such as posters, flyers, brochures, corporate identity kits and display products like pop-up prints.

Lee Chee Siong, Senior VP of A & P gave us a tour of the printing plant with 75 employees separated into two offset and digital printing divisions.

The prepress department has a Screen 8060 drum scanner and a Cézanne flatbed scanner for image input. With six Mac and PC workstations the digital pages are produced and output is imposed onto an 8-up image-setter from Screen.

The pressroom has four Heidelberg offset presses, a 4-color SM 74, a 6-color SM 74 for UV printing, a 4-color and a 5-color SM 102 CD.

The binding department has cutters, folders, an automated saddle-stitcher and a perfect binder to allow the complete binding of the printed products.

Success in digital printing

Two years ago, A & P had already invested in a Xeikon press, and had built up a base of clients who are keen to get fast and oversized digital prints for their promotion needs. Unfortunately laser toner printing is not very consistent under the weather conditions in Singapore: due to high humidity and high temperature in the tropical country.

Winson Lan has therefore decided after careful evaluations to invest in HP Indigo presses, because they use liquid ink which is much more reliable in this climate. We saw the HP Indigo 1000, a 4-color A3-sheet fed press which prints 1000 A3 per hour in full color or 4000 A3 in b/w, in best printing quality. While this press was installed in January this year, the installation for a second digital press, the HP Indigo 3000 was in the final stage during our visit. It is also an A3 press, but with six colors and the doubled production of 2000 full color A3 or 8000 b/w prints per hour.

Lee Chee Siong introduces us to Bernard Cheong, the Manager of Cyber Pte. Limited, which is the distributor of HP Indigo Presses in Singapore & Malaysia. Cyber has just received orders for two more presses from A&P, one hp Indigo s2000, previously called Omnius Multistream, which is an A3 sheet press which prints in six colors on material like PVC, polyester and polycarbonate. The second press is a ws2000, a similar press but for web printing. These presses are added to the four presses that Indigo had sold in Singapore before Cyber Limited became their distributor.

Kikuze Solutions Pte Ltd - Print Manager

It is the software and retail arm that develops IT solutions for print and also manage the retail print on demand shops to bring printing closer to its customers.

During the past three years Kikuze Solutions has developed “Print Manager,” an innovative web-based application that enables companies to efficiently manage their print procurement, standardizing and streamlining their entire print procurement operation.

The Print Manager resides on a SUN Solaris Web Server with an Oracle Database, protected by a firewall, but accessible to all licensed users over the internet, independent of their respective location. Print Manager is Asia-Pacific first print management Application Service Provider (ASP), allowing regional or multinational enterprises to facilitate their print buying process without investment and without compromising on their freedom of choice concerning design and printing partners.

Print Manager allows a company to archive all digital files centrally for all print promotion jobs at their secured part of the server. All members of a company can have password protected access to their files, edit those files, and order prints from one of several selected print partners.

Print Manager allows the print buyers of a company to order print jobs over the web by selecting the appropriate print file, sending it to a printing company with a purchase order determining the amount of prints, delivery time, price and shipping instructions.

The production of the print files, the selection of the printers and the price for a specific print job are evaluated the traditional way, by personal contact face to face, or by phone. Whether it may be business cards, flyers, posters, banners, brochures or price cards, every print product may have a printer which has been pre-selected to commit to this web-based printing service and to the pre-negotiated pricing. Once a company has entered these products, partners and prices into their database, the print buying process becomes much easier, faster and error free.

A company can collaborate with their advertising agencies, graphic designers and print vendors in real time, view and confirm job specifications and changes. Kikuze makes it easy to own and use the Print Manager. After signing up with Kikuze, a company gets going in a matter of days, without needing IT resources, other than an internet access with internet browser. All it will cost is a predictable monthly subscription, based on the number of users and jobs.

Behind Print Manager

Print Manager is developed entirely on Java and XML technology “Facado,” a transactional engine and platform that deliver personalized and interactive service over the Internet and Intranet. Print Manager is unlimited and scalable and can be sold to multinational enterprises to serve their internal and external sales and purchasing business on a global level. Winson Lan claims that Print Manager is the only management and procurement system designed to function in all countries of the Asia Pacific region. It is programmed in Unicode and therefore can handle up to 10 languages in non-latin type, in up to 15 countries and up to 15 currencies.

Retail Print On Demand

During the past years Kikuze has become well known to many retailers or retail chains in Singapore, because they offer a wide choice of printed retail promotion material in two locations in Singapore. Retailers can easily purchase point-of-purchase (POP) accessories like pre-printed POP cards, hanging mobiles, wobblers holders, banner stands, card holders, easel stands, poster holders picture frames and many more. They also can select from a graphics and template library that contains thousands of pictures, and ready-made design templates to create their own promotional materials. And they can simply output their designs with the printing service provided by Kikuze for large-format posters, banners, light box displays, hanging mobiles, POP cards etc. Of course the printed products would match the above mentioned POP accessories such as banner stands, card holders and light boxes.

Kikuze has also an excellent reputation with young couples for their “Wedding in Style” service, because Kikuze offers a series of pre-designed wedding invitation sets. Each set consists of an invitation card, the RSVP card, the place card and the Thank You card, every card personalized for every invited guest. This personalized printing service is highly appreciated by the young couples and their guests – and highly automated in Winson Lan’s A & P printing company.

Sales Promotion Manager

As another Print application Kikuze offers the “Sales Promotion Manager.” This online application allows retailers to order theme designs, pre-designed price cards or any other self-designed price cards over the internet and to receive it in a short time printed from Kikuze. Corporate subscribers with many retail stores can manage with a headquarter administrator whom is responsible for the promotions, and gives access to all branches of their company. With up to 5000 outlets or branches the sales promotion manager is literally unlimited & scalable. Not necessary to say that all print orders are printed at A&P.

Focoltone Digital – Intelligent Color Calibration System (ICCS)

Some years ago Winson Lan had purchased the color patents and company, “Focoltone International Limited” in U.K. He had further developed Focoltone Digital ICCS to calibrate digital color equipment to print colors that can be matched to offset process colors. This system is based on an offset printed color chart containing carefully selected color patches in one, two, three and four colors combinations. A digital file that he delivers to his licensees to be printed on a color laser printer and can be visually compared to the standard offset printed chart. Kikuze’s color specialists then calibrate the color laser printer to visually match the offset printed chart, which then has become a calibrated digital proof printer. A monthly re-calibration service assures the customer that his laser printer has not drifted away, maintaining the highly accurate digital proofing standard instead of the conventional color separation proof. Further ensuring confident and color accuracy in digital or offset printing on his presses.

On the right track

Winson Lan’s achievements in the print industry in only 14 years are quite remarkable. When we left the building some hours later, we understood that this plant was only the fulfillment of Winson’s various marketing activities. His enormous investment in software solutions and product development related to print has fulfilled what industry experts recommended since some years ago: to marry the benefits of the internet with the capability of variable data printing.

Riding on this window of opportunity, he is now expanding the user base of his products and services to multinational companies operating in the Asia Pacific region which are most likely to benefit from his comprehensive print solutions. But while he is doing his sales job on that, he is already benefiting with the Sales Promotion Manager linked to his Print on Demand service to Singapore’s retailers.

While the printing presses produced the income of A&P Coordinator Pte. Ltd., it is his marketing that makes the presses running. Winson Lan has heavily invested in the future of printing, and we have no doubt that he will harvest the results very soon.

Kurt K. Wolf

Editor

Deutscher Drucker Verlag (German Printing Magazine)

APPENDIX II

The Future of the Print and Graphic Communications Industry

SPEECH DELIVERED BY WINSON LAN
AT THE FORUM OF ASIAN GRAPHIC ARTS TECHNOLOGY CONFERENCE
IN SINGAPORE on November 19, 2002

At this same conference last year, my colleague, Mr. Toon Santen, Managing Director of Intergrafica Print & Pack (Singapore) Pte Ltd presented his views on the future of the printing and graphic communications industry.

Well, my job is to continue from where he left off last year on the future of the industry. However, for the benefit of those who did not attend last year's conference and also as a recap, I will just do a short summary on his presentation to refresh all our memories. Also, this will help to ease us more easily into today's subject.

My apologies to Mr. Santen if I am not able to capture all his salient points accurately.

1A. The Growth Of Digital Printing

- Digital printing, which includes variable data digital printing is the fastest growing segment in the worldwide print industry.
- Within digital printing, customisation and personalisation on print materials presents the most attractive proposition to print buyers. Variable data digital printing fulfils the demand for the objective of marketing to the audience of one. This technology is extremely relevant to marketers who are increasing their focus on Customer Relationship Management (CRM). CRM recognises unique individual preferences and the need of customised solutions to meet those preferences.
- There is no question that the future of the printed page lies in variable data digital printing which produces highly customised print materials specially tailored for every individual.
- As improvements are made to digital printing presses, such as those from Xeikon, Xerox, Canon, Heidelberg and Indigo, the quality and costs of digital printing may eventually approach those of conventional lithography, even for medium and long runs.

1B. The Advances Of Print Technology

- The adoption of digital workflow in the entire print production process will lead to printers who are more technology savvy, thus leading to greater productivity in the entire print industry.

- The adoption of computer to plate technology has brought about greater efficiency and productivity and of course, savings in labour and materials. With advances in new technology, we can reduce the steps and processes in the entire print process for better productivity and returns.
- The use of colour management and calibration tools will ensure consistent colour output in the print production process, whether it is for offset or digital printing. A more sophisticated and user-friendly tool that controls colour calibration for both offset and digital printing is needed.

1C. The Advances Of Information Technology

- The proliferation of the internet will change the way we printers do business forever. It allows us to get closer to our clients.
- The internet and electronic mail enable us printers to receive orders and quotations electronically, communicate with clients 24 hours a day for job monitoring and allow clients to retrieve their digital assets and manage their data anywhere in the world via the worldwide web.

Mr. Toon Santen had warned of the ongoing reduction in the number of printing establishments and more mergers, alliances and joint ventures among printers and suppliers. In this digital age, there is no moving back to the analog way of printing. As printers, we HAVE to embrace new digital and information technologies in our business. To paraphrase Mr. Toon Santen, we do not want to go the way of the extinct dinosaur! But I want to point out a major difference. Dinosaurs are extinct because of a natural world phenomenon beyond their control. If you become extinct as a printer, it is your fault, because you have not adapted to the changing times.

Now, let me share with you where the future of print is moving towards. And you can decide if you want to be part of the future or a dying dinosaur.

Only a few years ago, we printers keep and update files for clients. Because only we in the industry can handle Post Script. Desktop publishing was a professional role. And today? My secretary can work with PageMaker and Photoshop on her personal computer!

The introduction of PDF serves as a great standard for communication between designers, printers and clients. But it is also a threat to us as PDF files can be sent directly to print without the use of Post Script.

ID. What do print buyers want now?

Print buyers are smarter than us printers and they want better solutions from us.

- They want to request for quotations and award jobs online.
- They want to be able to access their digital assets at will and assign any print job to any vendor they want without too much hassle.
- They want quick and accurate digital proofing.
- They want to know who prints what, when, where and how much.
- They want speed, reliability and up-to-date tracking of all their print jobs.
- They want print on demand. Not more. Not less. Just enough when they need it.
- They do not want the traditional method of distributing print materials, which is to print from a central facility and then incur expensive freight and courier costs to send these printed stuff all over the world.
- Most of all, they want convenience, centralised control, accountability, self-service automation with the least possible miscommunication and errors for their print jobs.

Sounds like a tall order?

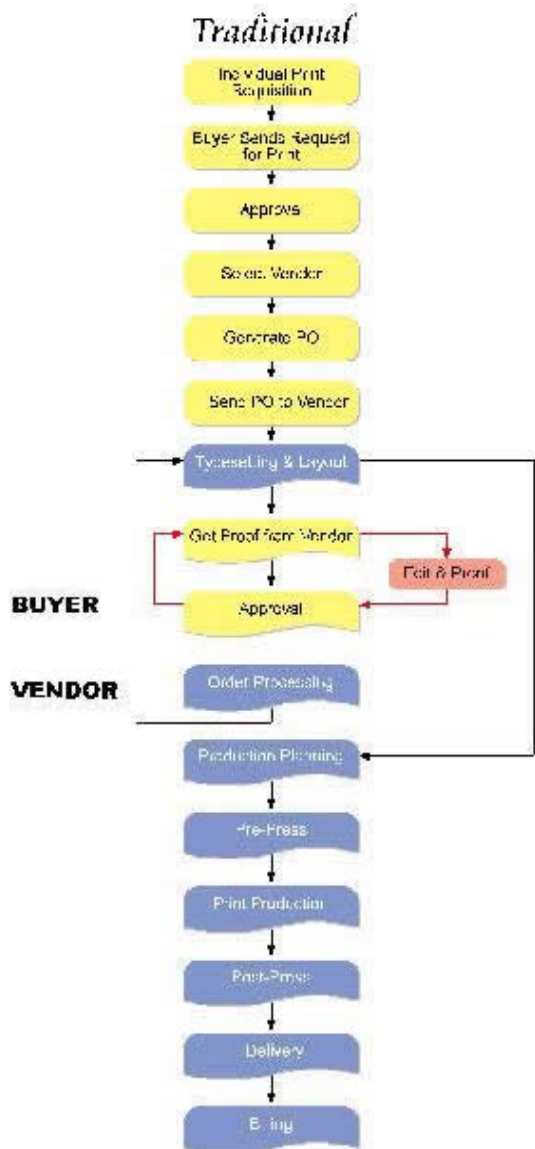
Revising the entire print procurement process

2A. Current print procurement process

This is the traditional method of buying print which is mostly paper-based.

Current Pain

- * Process lacks transparency - no central collection of data on who prints what
- * Miscommunication and errors accepted as the norm
- * Turnaround time often compromised
- * Unstructured filing of digital assets
- * No proper control and tracking system



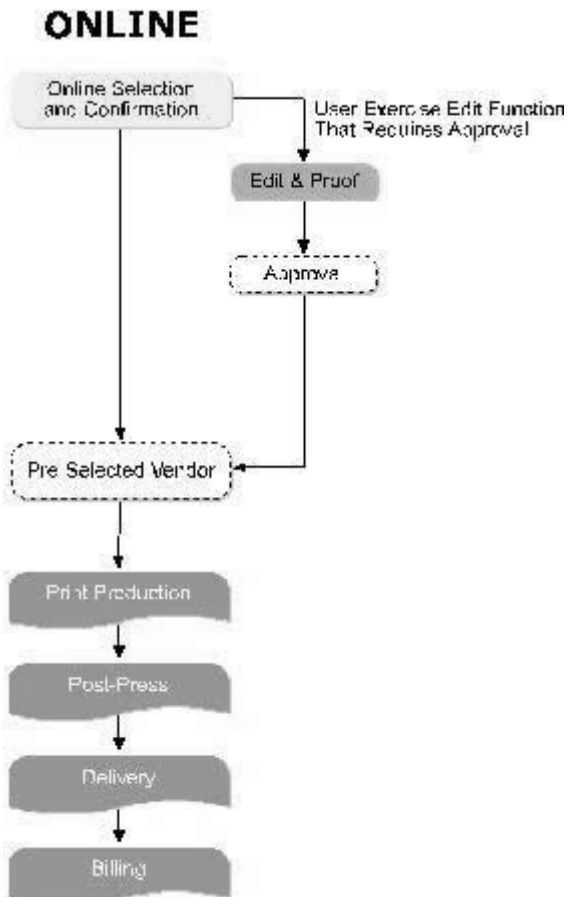
- a) The print buyer requisites for a print order from management.
- b) Approval is given by management.
- c) The print buyer requisites for a print order from management.
- d) Approval is given by management.
- e) Print buyer request for quotes from several vendors and select based on pricing, quality, speed and other considerations.
- f) A purchase order is generated and sent to the vendor.
- g) The print buyer engages in typesetting and layout.
- h) The final artwork is passed to the vendor for submission of proofs.
- i) Further editing and proofing may be required prior to approval for printing.
- j) The print vendor processes the order and plans for production.
- k) The next steps are pre-press, actual printing, post-press and finally delivery.
- l) Then billing to the customer.

Now, let me show you how an online platform can greatly simplify this whole procurement process.

2B. Online e-procurement solution

Value Proposition

- * Streamlining of entire print procurement operation
- * Cost savings and greater efficiency
- * Minimize miscommunication and errors



- *Faster turnaround time with online automated buying process
- *Centralised archiving and retrieval of digital assets
- *Total control - decentralized purchasing, centralized control
- *Total control -centralized purchasing, centralized control
- *Closing the loop between buyers and vendors
- *Ease of integration into current system

- a) The print buyer can simply request for standardised quotations from several possible vendors online.
- b) Select and confirm the most suitable vendor conveniently.
- c) Edit and proof the materials online by interacting with several parties in real-time.
- d) Obtain approval and send materials cum job order to the pre-selected vendor immediately.
- e) The print buyer engages in typesetting and layout.
- f) The final artwork is passed to the vendor for submission of proofs.
- g) Further editing and proofing may be required prior to approval for printing.
- h) The print vendor processes the order and plans for production.
- i) The next steps are pre-press, actual printing, post-press and finally delivery.
- j) Then billing to the customer.

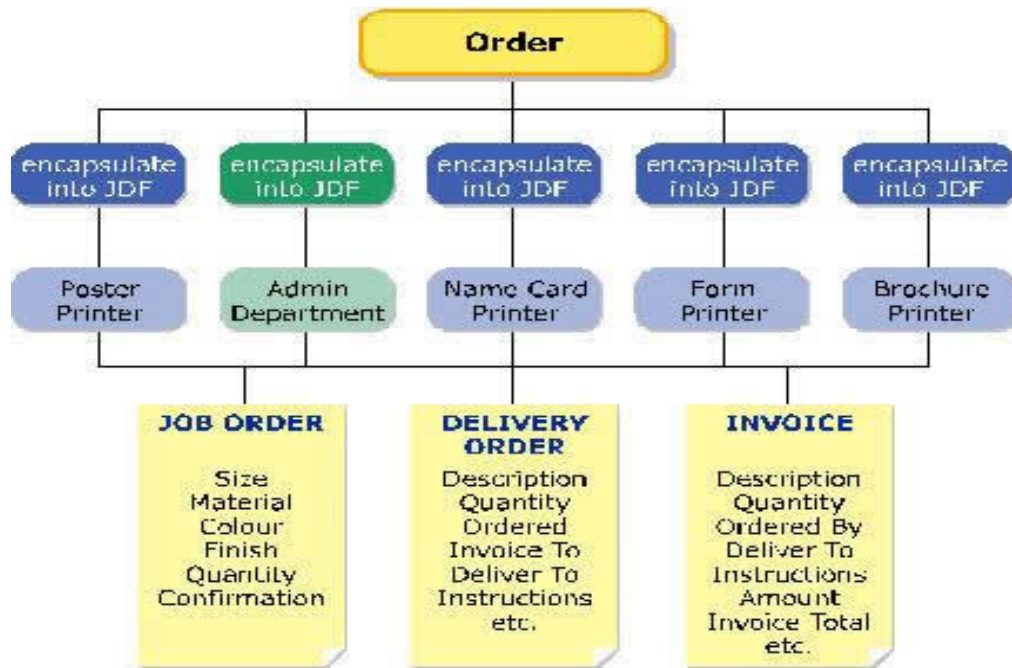
Now, let me show you how an online platform can greatly simplify this whole process.

...Average cost associated with generating a purchase order is US\$150. Assuming that this cost can be reduced to US\$30 using a comprehensive automated purchasing solution, a company that generates 10,000 purchase orders per year can expect to save US\$1.2 million in processing costs alone.

The National Association of Purchasing Management (USA)

2C. Why do we need to move this entire print procurement process online?

- i. Cost savings and greater efficiency is the No. 1 benefit not just to the customer, but also to you, the vendor.



A ready-to-print job order is sent in a JDF file to the vendor. This eliminates numerous process procedures between buyers and print vendors and results in a speedier turnaround time.

It automates the entire back-end processes from requisitions, purchase order, approval, delivery to transaction reporting, eliminating the need for inefficient and error-prone paper-based process.

ii. Minimize miscommunication and errors

- The online process allows for corporate stationery, e.g., business cards and letterheads, and promotional collateral, e.g., brochures and flyers, to be digitised.

A database link feature allows employee data and customer data to be stored in the system. Linking the data from the database to the digitised stationery seamlessly eliminates errors. Print data is encapsulated into PDF and sent to the vendor to minimize communication errors.

- The PDF files is sent together with a detailed print purchase order to the vendor. This print order contains all specifications in a standardised JDF format. JDF is an international document printing standard that embeds printing information. This format eliminates routine communication on paper type, number of pages, number of colours, finishing, lamination, etc. in the print coordination process.

iii. Centralized archiving and retrieval of clients digital assets

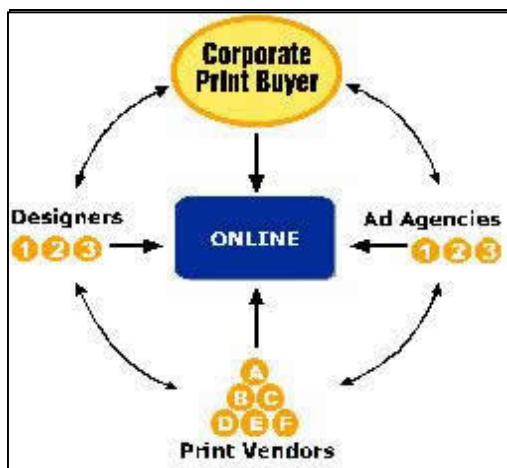
- The client only needs to create the template once in the software and can use it repeatedly. This eliminates repetitive effort, reproduction costs and loss of quality.
- Digital files are archived for easy access and job reprints. Digital assets are ensured and kept within the organization.

iv. 24/7 access and sharing of information

As the online workflow is hosted on the internet, the client gets instant, remote access to their personalised account and can order print items, view artwork, update profiles and database, revise print requirements and share files with the print vendor and agency anytime, anywhere!

v. Total control

- Each company's unique procurement business policies are applied and enforced.
- Decentralised purchasing while retaining centralised control.
- The system is database driven with individual ID and password access.
- Seamless backend integration and personalised user interfaces that give employees convenient access to the exact functionality they require.
- Enables the generation of audit trail reports for analysis and tracking of usage patterns, detailing who buys what, when, where and how.



vi. Closing the loop

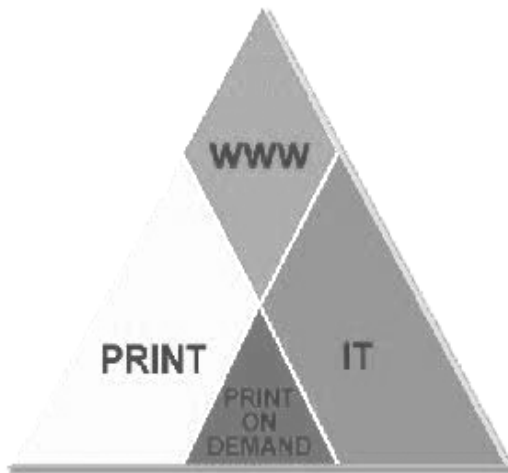
- This process provides a common interactive platform for the client with their advertising agencies, graphic designers and print vendors.
- All parties can communicate in real time to confirm on the design and job specifications.

vii. Ease of integration

The system is platform independent and can be easily integrated with practically any system, whether it is

2D. Opportunities and threats

Now, does the online process offer you opportunities or do you view it as a threat?



The adoption of this new approach to an old process requires an entire change in mindset by both clients and print vendors like you.

Be afraid. Be very afraid.

The online workflow is threatening your business interests.

Now I am going to show you how this integrated process will work for a multinational corporation in the following case study.

Why is it called distribute-and-print technology?

- Because it empowers the client to distribute print files using the internet and then print at multiple locations, whichever is most accessible to the user.

Let us look at the client's objective.

"To build up a structure to organise, perform, monitor and control the local advertising and direct marketing support for resellers of the MNC's products in the Asia Pacific sales region."

3A. Background Information

- Challenges - 15 countries, 15 currencies and 10 languages.
- Operating out of Singapore, the MNC manages thousands of resellers of their products in the Asia Pacific region.
- The resellers are managed by an Area Manager in charge of a designated territory.
- The MNC has a Marketing Support Fund (MSF) for resellers to assist in producing their co-branded promotional materials such as brochures and advertisements.
- The MSF subsidises a percentage of the resellers cost in producing these promotional materials which must follow corporate guidelines.
- The Area Manager will approve the use of the MSF for the resellers marketing efforts.

- Currently, the local reseller seeks approval for subsidy from the Area Manager for MSF support in his marketing program.
- After approval, the reseller then proceeds with customisation of his logos and promotional message on the artwork.
- The materials are printed after approval of artwork by both the reseller and the Area Manager.
- The printed promotional materials are then distributed regionally and locally.
- The print vendor then bills the reseller the total cost.
- The reseller then submits a claim for the MSF subsidy.
- The current paper-based process of seeking approval from the Marketing Support Fund to the processing of the claim takes at least 4 weeks.

Problems with current process

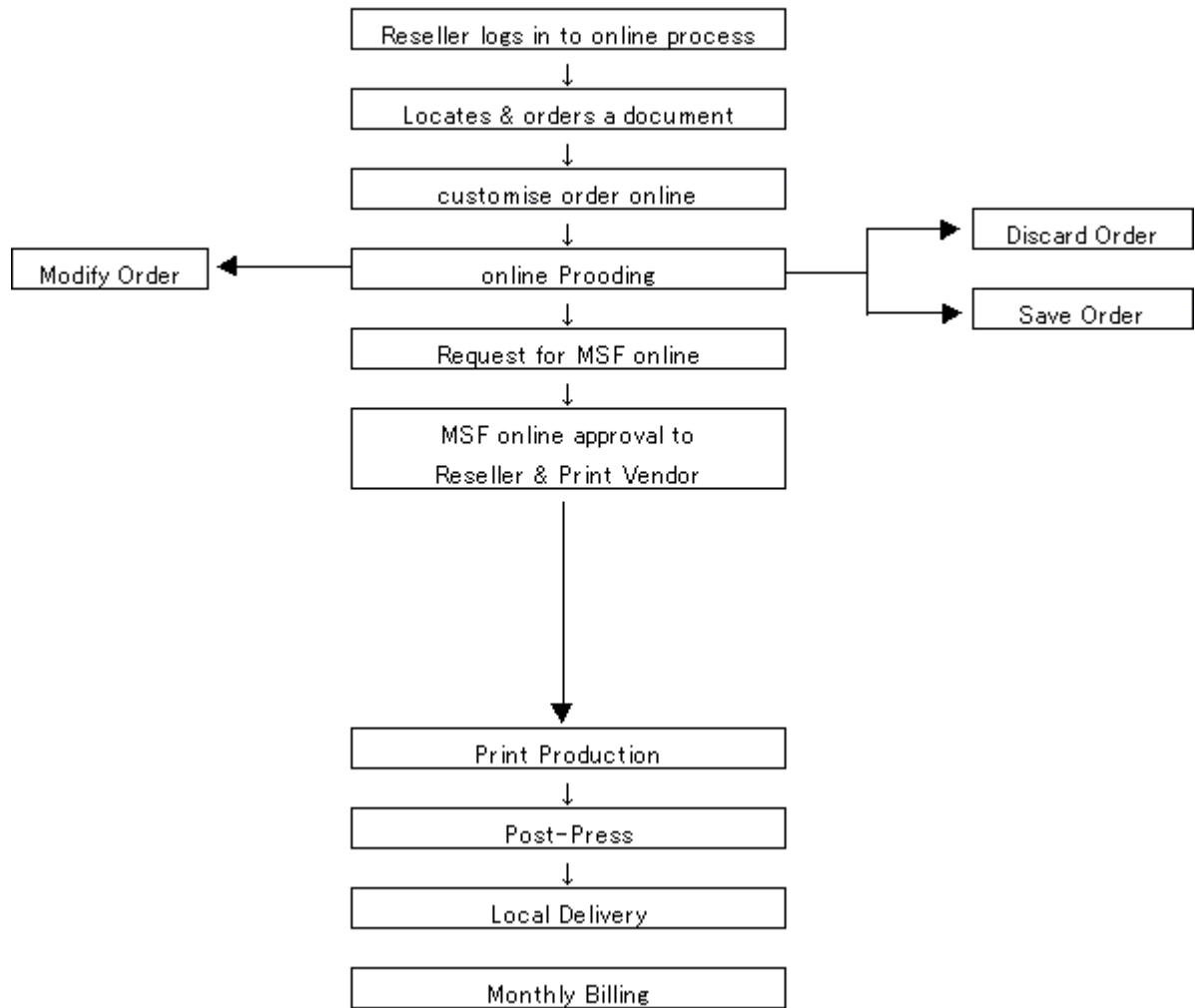
- Co-branded materials may not follow corporate guidelines.
- Area Managers deal with thousands of such claims every month.
- Lack of systematic tracking of budget, usage and claims.
- Large amount of administrative time and resources spent managing this process manually
- Current process open to abuse.

3B. An online solution for the MNC

Features

- The online server will host digitised templates of all approved co-branded designs by the MNC.
- Reseller data and logos and language of usage will be incorporated into their user profiles.
- Management profiles for the approval process will also be mapped.
- Budget allocation as per Area Manager is designated.

New online process



An online workflow

- Reseller logs onto the network with the appropriate language platform.
- Reseller customises a pre-loaded design template with his logo and a suitable promotional message.
- Reseller requests for quote from pre-selected vendor.
- Reseller submits quote and promotional material online to the Area Manager for approval of a MSF subsidy.
- Area Manager gives online approval to both reseller and print vendor to proceed with job.
- Data is automatically entered into the budget that has been pre-set into the online solution.
- MNC is able to monitor budget and usage patterns of the Marketing Support Fund.
- Print vendor submits monthly billing to the reseller and the Area Manager, thereby greatly reducing the number of claims to process.
- This new online workflow cuts down the entire process to only one week!

3C. How will the new online solution benefit the MNC client?

- Access and storage of digital assets online
- Database management online
- Digital proofing online
- Request for quotations and award jobs online
- Distribute corporate material from central control but print at remote locations
- Print on demand with an international network of print partners all over the region
- Speed, reliability and up-to-date tracking
- Budget accountability and expense control
- Convenience with self-service automation
- Centralised control with decentralised usage

This is only the tip of the iceberg. I believe there are many organisations which will recognise and adopt this new online process to increase their efficiency and competitive advantage.

Conclusion

It is no longer sufficient to be a printer concentrating purely on putting ink on paper. You have to move up the value chain by investing in methods and technologies that make it much easier for customers to get hold of the end product.

Because the future lies in providing comprehensive print solutions for customers to manage the entire print procurement process from sourcing to final delivery. Therefore, you have to be a total print solutions provider and not just a printer.

However, this is easier said than done. The development cost is prohibitive for any one company or country to develop such a technology on its own.

Due to our good transport and communications infrastructure, Singapore is privileged to play host to the regional headquarters of hundreds of MNCs, especially for the Asia Pacific region. There is strong governmental support, especially financially, for research and development in industrial competency. As a regional hub, Singapore used to print a lot of materials and distribute to the Asia Pacific countries where the MNCs also operate in.

However, with the advent of the internet, they are moving away from the 'print-and-distribute' methodology by employing 'distribute-and-print' technology. Our comfort zone as printers is no longer so comfortable. Since we can't beat the technology, we have to join it!

Printers in Asia Pacific need to build up an alliance. We can create a pan-Asia printing network comprising of printers from every country. Linked by the internet and the growing use of English as a business language, communication barriers will cease to exist.

There are many multinationals operating in Asia Pacific, with regional headquarters in Singapore, Korea, Japan, China, Malaysia etc. These MNCs will eventually migrate their procurement system to an online platform. Now is the time for us printers to decide how we want to be a part of their future online solutions.

FAGAT is a great event for you to network. Build some friendships during your stay in Singapore. Or even form an alliance. And let's see if we can have a regional network by the next FAGAT.

I hope that you have the vision, creativity and courage to grab hold of these new opportunities presented in this electronic age and turn them into growth and profitability for you.



Asia-Pacific
Economic Cooperation

PRASERT AND SUNAN OF KORAT SANGSUWAN POTTERY

“Nobody can lie to other people, neither employees nor customers, more than once. Honesty is thus an essential means for long-term relationship as well as business success.” - Prasert Pahupaisarn, Managing Director, Korat Sangsuwan Pottery.

A young couple, Prasert Pahupaisan and Sunan Sangsuwan, were working hard to make a living in their hometown, **Korat Province**. Pahupaisan raised ten milk-cows and provided land-filling service with his truck. His wife was a kindergarten teacher. The couple had a baby boy. They were however struggling to earn enough for their family. The couple thus decided to start a new career by running a restaurant together. Unfortunately, it did not seem to lead them to their goal. They had to figure out what they should do next.

After considering the environment in their hometown, they realized that “Dan Kwian” pottery in the **Dan Kwian District** was unique and popular. The pottery made use of a special type of clay that was available only at Dan Kwian. It made use of designs and production process that were indigenous to the Dan Kwian community. There were, however, many small plants and retail outlets with a lot of low price, “me-too¹” products in Korat.

Sunan was interested in producing Dan Kwian pottery since she was quite good at artwork. The problem was how to compete with those plants and shops. They decided to close the restaurant and tried to set up a pottery factory.

¹Me-too denotes products or designs which merely copy previous items devoid of innovation.

This case was written by Buarat Srinil of Thammasat University, Thailand as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Prasert Pahupaisan and Sunan Sangsuwan solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

Background of Prasert and Sunan

Prasert's father came from Mainland China and settled in Korat Province. Korat is a major city in the northeast of Thailand, about 300 kilometers from Bangkok, the capital of the country. His father who ran a small retail store in downtown Korat passed away when Prasert was young. Prasert helped in his family business when he was free from school. He started to experience doing business, working with people and serving customers at an early age. His family could not afford to support him for further study in a university. He thus went to a technical college in his hometown. After getting a diploma in Industrial Engineering, Prasert began to work full time for his family business.

Sunan's family also lived in Korat. After attending high school in her hometown, Sunan went to a government open university in Bangkok, and received a degree in Humanities. Upon graduation, she joined a company in Bangkok.

Prasert and Sunan got married in 1976 and started their family in Korat. In accordance with tradition, Prasert left his parents' family and started raising his own family. Sunan resigned from the company to be a teacher in Korat. For six years, the couple struggled to make a living and eventually decided to set up a pottery business.

Business Start – Up

Once they have decided to engage in the pottery business, Prasert and Sunan closed their restaurant and went on to observe the pottery business in Korat, collect relevant information and talk to old, experienced people in the community.

We had to exert effort to make this business a success for our family. To be able to get into business, we needed to produce different pottery products with a new look for new markets.

Prasert and Sunan admitted that to start up a successful business, it is crucial for an entrepreneur to have the determination and vision to differentiate its product and target market.

In 1992, with their own savings of 30,000 baht (US\$ 1 =25 baht), they set up Korat Sangsuwan Pottery and started to produce Dan Kwian Pottery using their new designs. Without knowing anyone, Sunan went to Bangkok with their product samples to look for distributors; only a few of them agreed to carry Korat Sangsuwan's Pottery in their showrooms.

The first order started with 5,000 baht then moved up to 8,000, 12,000, 15,000, 50,000, 60,000 baht, and more. When a distributor asked for additional three to four pieces of pottery, Sunan and Prasert would bring them from Korat to Bangkok as a way of serving their customers.

We believed that the only way to develop our own business was to best satisfy our customers. Their satisfaction would lead to repeat purchase, positive word-of-mouth promotions, and long-term relationship. The extra costs of providing good services should be a worthwhile investment, if we intend to keep our customers for a long time.

Sunan and Prasert did not see the domestic market as the ultimate destination for their products. They believed that their specially designed, high quality pottery could be sold at premium prices overseas. Hence, the huge export market should be their best target market. Sunan looked very hard for export agents in Bangkok and finally found some intermediaries who could export their products.

Management System

With the increase in sales of their pottery products, Prasert and Sunan had to get other people to work for them. At the beginning, all of the workers were local people.

We tried to set up procedures and systems, then trained and supervised them closely, but it did not work out well. We started with paying the workers on a daily basis, but they could not get the job done efficiently. We were thinking and evaluating all the time and trying to understand the real problems and how to solve them, or improve our work. We thus changed the payment scheme to a per piece basis. The situation improved, but it was not good enough. We had to find out the most appropriate way of doing it.

Prasert and Sunan believed in the value of good systems and the critical role of human resource in the success and growth of a business. The two of them alone would not be able to expand their business. Moreover, continuous improvement was essential for entrepreneurs to achieve business success.

When you are in business, nothing can be forever best. Your customers are changing. Your competitors are also changing. So is your other environment. Entrepreneurs have to keep on thinking, evaluating, adjusting and improving. If you have not achieved your objectives, what should you do next? Entrepreneurs have to be persistent and never give up.

As of 2003, Korat Sangsuwan Pottery had 600 workers, around 80 percent of whom were from local communities. Some 400 workers were at the production site in Dan Kwian while 200 worked at the head office in Korat to do finishing and packing for export. The third office in Bangkok, headed by Sunan's brother, had only a few people taking care of marketing and sales tasks.

Prasert was very happy with their existing production system, both in terms of the present productivity and its capacity for future expansion. All of his 600 workers had been formed into several independent groups according to their family ties or friendship. A production group had 10-20 members, while a finishing group had 6-7

members. Each group had its own basic equipment, clay, management and internal quality control system. Prasert provided them with a production area and accommodations, as well as other additional resources the workers would need. Prasert had his own quality control team to check every piece of pottery before buying these from the groups. Prasert and Sunan took care of the design and production plan, secured and received orders and exported the products. The worker groups served as sub-contractors of Korat Sangsuwan Pottery. Each group had its own self-regulation and motivation. Most of the working groups had already been working together for almost ten years. Prasert and Sunan did not have to closely supervise them; neither did the couple have the time to do so. Hence, both parties were happy with the arrangement. Should Korat Sangsuwan Pottery expand further, there would be more people willing to form a group and join the production team.

Prasert and Sunan had very close personal relationship with their workers. They looked after the workers when the latter had personal problems, or when they were sick. In addition to fair compensation, Prasert and Sunan provided them social security benefits and fringe benefits, such as non-interest loan of a maximum of 50,000 baht, low-interest loan of 100,000 baht, scholarships for workers' children, and free shuttle bus from home to work. A good cook, Sunan prepared special dishes and shared meals with the workers whenever she was at the Korat office. Prasert and Sunan also made contributions to the community close by. They supported schools, government offices, temples, social activities such as anti-drug, and health promotion campaigns. They served as resource persons for new entrepreneurs training programs and received both students and business trainees to visit their plants and learn from their experiences.

Prasert learned the core production technique of Dan Kwian Pottery from the older people in the community since it was local wisdom from the old days. He then tried to bring in his knowledge of modern science and new technology which he learned in college to improve on the traditional production methods. This had given Korat Sangsuwan Pottery a unique production strength.

The pottery business was affected by seasonal changes. The production process requiring natural drying before kiln baking took a much longer time during the rainy season. During kiln baking, some pieces of pottery could crack. Prasert therefore had to carefully prepare a production plan throughout the year. For each order, he had to produce an additional 10 percent of the actual volume ordered as an allowance for breakage and cracking. This way, he ensured that the required volume was delivered to the customers.

Cracked or defective products could actually be retouched without anybody noticing it. Nonetheless, Korat Sangsuwan Pottery never shipped retouched products to its foreign customers. They disposed of retouched products and production overruns through special sale in the domestic market.

The internal management of Korat Sangsuwan Pottery was taken care of by Prasert and Sunan who were not only life partners but also a business management team. Prasert took care of overall management, production and human resource development while Sunan looked after marketing. They worked together closely and

strongly supported each other. They felt fortunate that they were able to grow their family as well as their business together.

Expansion Strategy

During its first three years of operation, Prasert and Sunan observed a steady growth in sales together with an increase in savings from net profit. They felt that Korat Sangsuwan Pottery must be the family business that they had been looking for. They therefore decided to focus solely on this pottery business and to invest more and more in the business as required by the market.

We were very cautious about expansion. We looked at the market first through incoming orders, then looked at our own savings. We moved step by step and spent only for the most necessary equipment first. We were *careful* about spending money and believed that “greed” could lead us to serious trouble. We had to grow at our own pace.

Business expansion did not only need money and appropriate management. Both information and business connection were also important. Prasert and Sunan thus kept track of news and information. They came across a news item that the Thai government, through the Department of Export Promotion (DEP), had a program to support and promote Thai exporters, particularly through seminar, training and trade exhibits – both domestic and overseas. They joined the DEP’s program and had since become active permanent member.

Joining DEP’s program, especially the subsidized overseas trade exhibitions, has played a significant role in the success and progress of Korat Sangsuwan Pottery. With a small budget, we had the opportunity to see the markets, competitors, and to meet customers. Some of the customers who used to order through our agents, such as IKEA, recognized our products at the trade exhibits. They came to talk to us, then decided to do business with us directly.

We met most of our present customers through these local and overseas trade exhibits. We joined every trade exhibit possible. At present, we do our own export 100 percent.

Prasert and Sunan tried to obtain more support and develop more business connection. They also joined the programs of JETRO and the ASEAN Center.

A Path To Success

Korat Sangsuwan Pottery had experienced continuous growth ever since its establishment, in spite of the economic crisis in Thailand and Asia which started in 1997. The company’s total export sales in 2002 was 62 million bath, about US\$ 1.6 million. Prasert and Sunan looked back to how they had reached this stage.

We believe that knowledge, information and network are essential ingredients for business development. We often read, attend seminars and trainings, talk to people, and join overseas business trips. We do things gradually, but persistently, with affordable and minimal budget. Whatever we hear or see, we have to study closely so we can adopt it in Korat Sangsuwan Pottery. This is particularly true for product design which we now have to change every month.

Customer satisfaction is the core ingredient of our success. We have to know our customers and keep up with their ever-changing needs and wants. We therefore participate in every trade exhibit, to the extent possible, as well as visit overseas customers every year. To best fulfill our customers' needs, we come up with creative designs all the time. Before any trade exhibit, we have to finish a whole set of product samples for the next production season. Our customers place orders according to the product samples, including the product design, size and color. We therefore never have any problem meeting our customers specifications. Moreover, we always make sure that we can deliver quality products in the right volume and at the right place and time. Our customers often provide us information and suggestions on the trends in design and color. They sometimes introduce to us new customers. The long-term relationship with our customers is thus very valuable for our business.

Having been entrepreneurs for more than ten years, Prasert and Sunan would like to share their experiences and the way they lived and worked with the new generation entrepreneurs.

As business owners, we had to work all the time, first to get started, then to survive, to grow and to sustain the business. We needed to learn how to handle problems and difficulties, and we never gave up. We believed that every problem had a solution; we had to find it. After we had gone through these problems, we felt very good. It was really worthwhile. Henceforth, obstacles would be our new challenges.

Aside from hard work, endurance and persistence, Prasert and Sunan highly valued cautiousness in everyday spending, both business and personal, and also in expansion investment. They believed that all the money spent must be thought-out and worthwhile. They appeared to be contented with a simple life, similar to what they were used to before, though they had become millionaires. They kept their profits for business sustainability and future expansion rather than spend these on luxuries for themselves or their children. They emphasized long-term security, maintaining good relationships with all the stakeholders, both inside and outside of the company, and continuous improvement practices.

Challenges

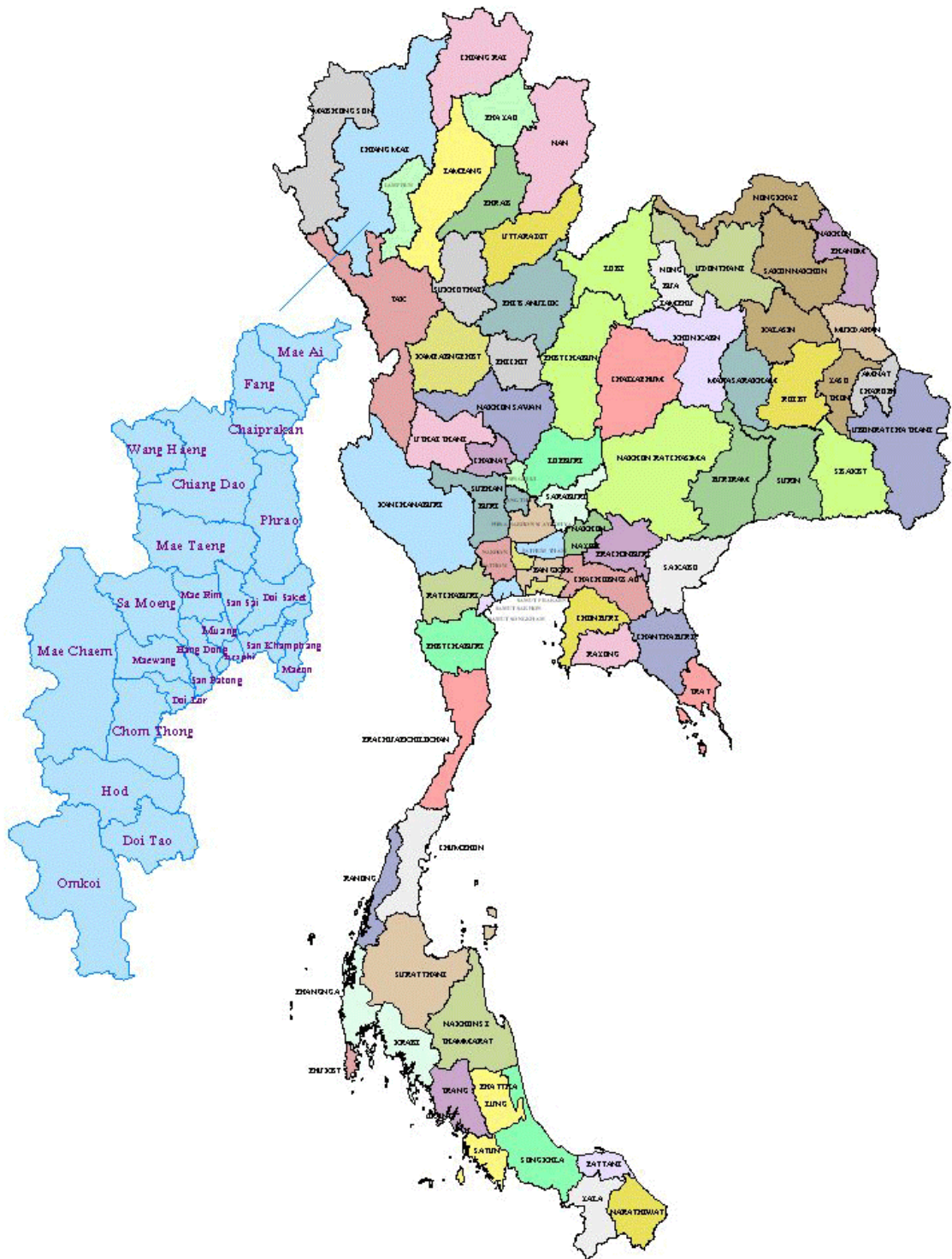
Inasmuch as all of Korat Sangsuwan Pottery's main products were exported, mostly to the U.S., global competition has greatly affected the company very much. Their customers had been offered similar products at lower prices, particularly by the competitors from China and Viet Nam. Prasert and Sunan never thought of competing in terms of price. They had highly skilled and highly paid workers turning out quality products. They focused not only on new and unique designs, but also on product quality and efficient customer service. Thus, their cost could not be competitive. Sunan had been negotiating with the customers on the strength of the quality of Korat Sangsuwan Pottery's products together with additional services needed. Sunan had been successful so far in keeping her customers' loyalty. However, she was wondering how long this would last, and how she would be able to keep her customers forever.

APPENDIX I.

A. Brief Information on Thailand and Korat*

| | | |
|-----------------------------------|---------------------------------------|----|
| Total area of kingdom of Thailand | : 513,115 sq.kms. (198,114 sq. miles) | |
| Population (2002) | : 62.8 million | |
| Currency unit | : baht | |
| Exchange rate (2002) | : Average of period | |
| • Baht / U.S. \$ (buying) | : 42.8 baht / US\$ | |
| • Baht / U.S. \$ (selling) | : 43.1 baht / US\$ | |
| Gross Domestic Product (2002) | : 5,430,466 million baht | |
| GDP per capita (2002) | : 86,473 baht | |
| Regional structure | : 8 regions, | 76 |
| provinces | | |
| | Bangkok | 1 |
| province | | |
| | Vicinity of Bangkok | 5 |
| provinces | | |
| | Central | 6 |
| provinces | | |
| | Eastern | 8 |
| provinces | | |
| | Western | 6 |
| provinces | | |
| | Northeastern | 19 |
| provinces | | |
| | Northern | 17 |
| provinces | | |
| | Southern | 14 |
| provinces | | |

* Source : Alpha Research Co., Ltd., *Pocket Thailand in Figures, 6th ed.*, Bangkok, Thailand, 2003.



B. Map Of Thailand and Chiang Mai Province

C. Land Area by Region

| Region | Area (sq.kms.) | % of total |
|---------------------|----------------|------------|
| Bangkok | 1,565 | 0.3 |
| Vicinity of Bangkok | 6,193 | 1.2 |
| Central | 16,594 | 3.2 |
| Eastern | 36,503 | 7.1 |
| Western | 43,047 | 8.4 |
| Northeastern | 168,854 | 32.9 |
| Northern | 169,644 | 33.1 |
| Southern | 70,715 | 13.8 |
| Whole kingdom | 513,115 | 100.0 |

D. Population by Region (Dec. 31,2002)

| Region | Population (million) | % of total |
|---------------------|----------------------|------------|
| Bangkok | 5.8 | 9.2 |
| Vicinity of Bangkok | 3.9 | 6.2 |
| Central | 3.0 | 4.8 |
| Eastern | 4.3 | 6.8 |
| Western | 3.6 | 5.8 |
| Northeastern | 21.6 | 34.4 |
| Northern | 12.2 | 19.4 |
| Southern | 8.4 | 13.4 |
| Whole kingdom | 62.8 | 100.0 |

E. Five Largest Provinces

Unit: sq.kms.

| Rank | Region | Area | % of total |
|------|---------------------------|---------|------------|
| 1 | Nakhon Ratchasima (Korat) | 20,502 | 4.0 |
| 2 | Chiang Mai | 20,011 | 3.9 |
| 3 | Kanchanaburi | 19,498 | 3.8 |
| 4 | Tak | 16,420 | 3.2 |
| 5 | Ubon Ratchathani | 15,907 | 3.1 |
| | Others | 420,754 | 82.0 |
| | Whole kingdom | 513,115 | 100.0 |

F. Five Most Populous p=Provinces, 2002

| Rank | Region | Population (million) | % of total |
|------|--------------------------|----------------------|------------|
| 1 | Bangkok | 5.78 | 9.2 |
| 2 | Nakhon Ratchsima (Korat) | 2.58 | 4.1 |
| 3 | Ubon Ratchathani | 1.79 | 2.9 |
| 4 | Khon Kaen | 1.77 | 2.8 |
| 5 | Chiang Mai | 1.60 | 2.5 |
| | Others | 49.28 | 78.5 |
| | Whole kingdom | 62.80 | 100.0 |

G. Minimum wage per day By Province, 2002 - 2003

Unit: baht / day

| Province | BOI investment zone | Effective date | |
|--------------------------|---------------------|----------------|--------------|
| | | Jan. 1, 2002 | Jan. 1, 2003 |
| Bangkok | 1 | 165 | 169 |
| Chiang Mai | 3 | 143 | 143 |
| Nakhon Ratchsima (Korat) | 3 | 143 | 145 |
| Other provinces | 2 or 3 | 133 | 133 |

H. Average Wages of Employees in Private Sector: By Type of Wage and Province, 2001

| Region / Province | Average daily wage (baht / day) | Average monthly wage (baht / month) |
|--------------------------|---------------------------------|-------------------------------------|
| Whole kingdom | 146.1 | 8,804.5 |
| Bangkok | 192.0 | 12,218.0 |
| Vicinity of Bangkok | 176.7 | 9,985.2 |
| Northeastern | 122.4 | 4,744.5 |
| Nakhon Ratchsima (Korat) | 130.6 | 5,967.3 |
| Northern | 125.6 | 5,147.8 |
| Chiang Mai | 127.8 | 5,516.1 |



Asia-Pacific
Economic Cooperation

SAOWALUCK SHIMADA AND THAI TATAMI PRODUCTS

One afternoon, Saowaluck, a Thai businesswoman with a Japanese family name, was sitting alone in her spacious and comfortable office in Chiang Mai Province, the major city of northern Thailand, located about 696 kilometers from Bangkok, the capital of the country. She was looking at all the plaques she had been awarded on different occasions for her social contributions and business successes, including the Prime Minister's Award on business initiative given in March 2003. She had come a long way and had weathered the ups and downs, struggling and enjoying since she started her own business in 1986. Saowaluck herself did not think that she had attained high business success. She still faced some problems and challenges everyday. However, she was willing to share her experiences with those who were interested to learn.

Saowaluck was born in 1953 to one of the successful business families in Bangkok. Her family gave very high value to education; they thus supported her to get the best education a diploma in Business Administration in Bangkok and a Bachelors degree in Hotel and Tourism Management from Okayama Daikakku University in Japan. After coming back from Japan, she got a job as the secretary to the managing director of a Thai-Japanese joint venture running a mining business at Mae Chaem District in Chiang Mai. The managing director, a Japanese, would later play a very important role in Saowaluck's life.

The Thai-Japanese joint venture exported all of its products to Japan in 1980 – 1985. After that, the Japanese market started to have problems. The Japanese customers found the imports from China cheaper and in more abundant supply. The joint venture was consequently dissolved.

While the joint venture was going through a hard time, Saowaluck worked closely with the company's managing director, Mr. Mazaharu Shimada. The two had the opportunity to know each other much better and found out that they had common

This case was written by Buarat Srinil of Thammasat University, Thailand as a contribution to the Project entitled "Innovation in Entrepreneur Development in APEC", conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Ms. Saowaluck and Mr. Shimada solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

beliefs and interests. The two got married, and both became unemployed after the liquidation of the joint venture.

New Career, New Business

After being an employee for many years, Mazaharu and Saowaluck had to decide on new careers. Considering their age and working experience, they believed that it was not a good idea to work for other people anymore. However, what business should they set up? They scanned the environment and came up with a new business idea. Saowaluck shared that:

At that time we saw that Chiang Mai and the northern part of Thailand could be very attractive to tourists. The tourism business would have promising opportunity. Nonetheless, the existing travel agents did not provide services with international standards. With my educational background in hotel and tourism management together with Mazaharu's good understanding of the Japanese people, we would be able to provide good services to the Japanese tourists who visited Chiang Mai and northern Thailand.

Saowaluck and Mazaharu did not only bring out their strengths to develop a new business; they also had a vision of doing things with clear focus – only Japanese tourists, and only the northern part of Thailand. “No one is good at everything, and everywhere. We had to think it out, then chose only what we could do best, or do better than others,” said Saowaluck.

Mazaharu and Saowaluck set up Sarika Tour Co., Ltd. in 1986. Both of them were running the company together. Saowaluck considered herself very lucky as Mazaharu had adjusted his traditional Japanese belief and agreed to have his wife work at the same time. She appreciated his support and tried to balance her tasks as a housewife and managing the business. Along with the growth of the tourism industry, Sarika Tour continued to grow and contributed to the development of the northern Thailand economy.

Mazaharu and Saowaluck were enjoying the success and expansion of Sarika Tour until the Gulf War broke out in 1992. Not even one customer came to Chiang Mai during that time while the company had 80 people on full-time payroll.

We had to look after our employees although we did not have any income. They had been devotedly working for us during good times. When hard times came, it was our responsibility to keep them and their families well. We were paying our employees every month for six months during the crisis. At the same time, we were looking for a new business that would not easily be affected by the fluctuation of the external environment, in order to save the company and the employees.

Even though the war had seriously affected their business, Mazaharu and Saowaluck still had high morale to search for another new business.

Thai Handicraft from Japanese Rush

If you don't give up, you will get some support one day and find your way to success. Nobody will be willing to give help to those who don't help themselves first.

After looking for new business opportunities for a few months, Saowaluck was fortunate to meet one Japanese tourist who was the president of one Japanese *tatami* mat¹ manufacturer. The Japanese businessman told Saowaluck of his interest in expanding *tatami* rush plantation overseas because the planting areas in Japan were very limited and entailed high labor cost. At the same time, demand for *tatami* mats was growing. In accordance with Japanese culture, every Japanese house must have *tatami* mats.

Saowaluck found it very interesting to try to grow *tatami* rush in Chiang Mai. She therefore went to Japan to bring *tatami* strains, *Ikusa*, to grow in Thailand. The first five trays of strains could be planted for about ten rais (1 acre = 2.5 rais). The climate and soil condition in the suburb of Chiang Mai helped produce much finer stems with more strength than in Japan. Saowaluck and Mazaharu felt that they were on the right track. They were not however very confident about what they were doing. "Whatever we do, especially new things, we have to really learn and have good understanding of it, in order to be able to see how to do it well and succeed."

Mazaharu decided to go to Furashiki town in Japan to seriously learn about *tatami* plantation. He discovered that sandy soil was most appropriate for growing *tatami*. When he returned to Thailand, he set up a research team, comprising of Japanese and Thai experts, to do experiments on *tatami* planting in the Fang District in Chiang Mai. Both Mazaharu and Saowaluck grew *tatami* sprouts and transplanted these themselves. They ended up with a stock of *tatami* stems valued at about one million baht.

Having the raw materials to produce *tatami* products in Chiang Mai, Saowaluck went to Japan again, this time, to negotiate the purchase of equipment for *tatami* mat production from one of the four leading Japanese *tatami* mat producers. Saowaluck and Mazaharu then started to grow *tatami* rush on a commercial scale at Mae Hia Community, Hang Dong District, in Chiang Mai. A training center for *tatami* plantation was later set up in this area.

In 1993, Mazaharu and Saowaluck established the Thai Tatami Products, Co., Ltd. with a registered capital of 4 million baht to take care of the plantation, production, and marketing of the products. Mazaharu and Saowaluck agreed to have clear division of responsibilities between them. Mazaharu mainly ran Sarika Tour Co., Ltd. with support from Saowaluck, if necessary. Similarly, Saowaluck gave her priority to Thai Tatami Products while getting help from Mazaharu when needed.

¹ *Tatami* mats are rush covered straw mats which are traditional Japanese floor coverings.

Another Hard Lesson

During the first year of operations, Thai Tatami Products planted 20 rais of *tatami* rush. Saowaluck exported all of her first batch of products to Japan. All of these products were unfortunately shipped back as the Japanese partner claimed that the products did not meet the required standards. In addition, they were more expensive than those from China.

We thought that we had learned enough about *tatami* products as well as the agreements with business partners. We learned the hard way and lost a lot of money. However, we did not give up hope. Firm family support and support from the employees helped us have enough strength to work harder to find out how to improve our work and head towards our goals.

Handicraft production is not as simple as someone might think. It requires high investment and goes through many steps and details. The management becomes even more complicated when villagers participate in the production. Saowaluck considered the Department of Industry Promotion (DIP), Ministry of Industry as a good source of assistance to help her solve the problems. She went to DIP in Bangkok to ask for a team of experts and support to train village housewives to produce quality products. DIP saw the potential contributions of Thai Tatami Products to the farmer communities in terms of additional income generation as well as to the Thai home-product industry. Therefore, DIP agreed to support Saowaluck with experts and budget for training in Chiang Mai.

Saowaluck also went to the Department of Skills Development, Ministry of Labor and Social Welfare, to get support for more training for the village housewives.

There are a lot of government agencies supporting new entrepreneurs and SMEs in many aspects. Business people need to know them and tap them in order to best utilize government facilities to help and develop the business. They are there, waiting for you. You have to work with them.

Consequently, Thai Tatami Products significantly improved its products and its export sales. Nevertheless, Saowaluck tried even harder. She visited leading department stores in Bangkok, both Thai and Japanese, to ask them to carry her unique and quality products in their stores to serve Japanese tourists. Finally, she succeeded. Moreover, to reach more customers and to build product awareness, Saowaluck participated in trade exhibitions organized by DIP as well as by the Department of Export Promotion (DEP), both domestically and internationally.

Keep on Learning and Improving

Saowaluck knew that developing the skills of village housewives was very important, not only for her own business but also for community and social development. She thus gave high priority to visiting and observing groups or associations of village housewives throughout Thailand, especially in the northeastern region where there was a big number of active groups. She then brought back the

experience she had and improved the groups in Chiang Mai through continuous training. Nevertheless, she was faced with the problem of dealing with the village culture and attitude. People in farming villages still did not understand the business culture well enough. They stopped working when they had to work in their farms or to attend social functions although they had deadlines to finish the work. Saowaluck had to work with them more, to help them have better understanding and later have willingness to adjust to the requirements of the job.

Even though Thai Tatami Products had increasing sales, there were always some inventories. Saowaluck saw the Chiang Mai Annual Winter Fair as the best outlet for her products. She herself did all the work to sell the *tatami* products at the Fair, and it proved to be the best way to get people to know the products and the brand, as well as to dispose of stock.

Key Successes

Thai Tatami Products has proved to be a very good contributor to add high value to Thai raw materials and community workforce. Its operations covered the whole range of production cycle: rush plantation, tatami mat production, extended *tatami* products production, and marketing as well as export. As of 2003, she has grown over 100 rais of rush and produced more than 600 designs of tatami products - ranging from mat and mattress to cushion, bag, purse, slipper, and so on. Saowaluck summed up the key to their success:

To be good at anything, we have to thoroughly learn about it. Then we practice, evaluate and improve until we reach satisfactory solutions. At Thai Tatami Products, we emphasize high product quality. We have to develop modern, unique product designs which are practical, for both the main products and packaging. We are now adding health-care aspects to our products to keep up with the trend of people being more health conscious.

Presently, we have 179 people, mostly working in marketing and export to distribute our products in Thailand and overseas. Forty percent of our products are channeled to Bangkok through consignment with leading department stores, such as Central, Isetan, Tokyo. The other 60 percent are exported to Asia, Europe and the U.S.

We strongly believe in fairness towards our employees, business partners, customers and communities. It is not possible for anyone to live happily forever among suffering people and a degraded environment. We need to live together, caring and sharing with each other. We, at Thai Tatami Products, are always active in social activities – women skills development, new business development, education and support for the elderly.

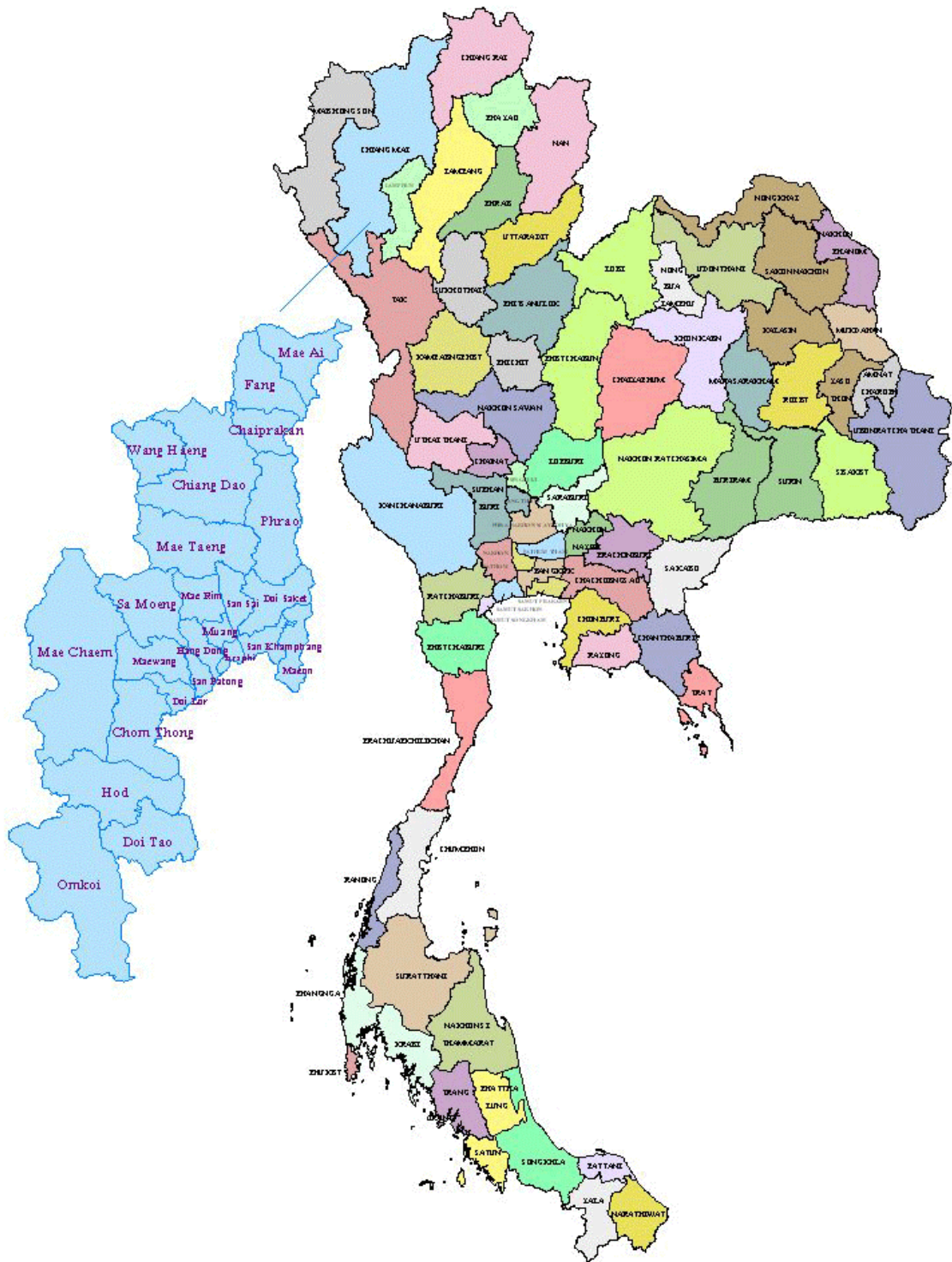
Now in her early 50s, Saowaluck still has a strong mind and a lot of energy to do her various jobs as CEO of Thai Tatami Products, Sarika Tour, and Phumpathai and as the Vice President of Tourism and Home Industrial for the Chiang Mai Chamber of Commerce, among others. She is ready for either more awards or challenges.

APPENDIX I

A. Brief Information on Thailand and Chiang Mai*

| | | | |
|-----------------------------------|---|-------------------------------------|----|
| Total area of kingdom of Thailand | : | 513,115 sq.kms. (198,114 sq. miles) | |
| Population (2002) | : | 62.8 million | |
| Currency unit | : | baht | |
| Exchange rate (2002) | : | Average value for the year | |
| • Baht / U.S. \$ (buying) | : | 42.8 baht / US\$ | |
| • Baht / U.S. \$ (selling) | : | 43.1 baht / US\$ | |
| Gross Domestic Product (2002) | : | 5,430,466 million baht | |
| GDP per capita (2002) | : | 86,473 baht | |
| Regional structure | : | 8 regions, | 76 |
| provinces | | | |
| | | Bangkok | 1 |
| province | | | |
| | | Vicinity of Bangkok | 5 |
| provinces | | | |
| | | Central | 6 |
| provinces | | | |
| | | Eastern | 8 |
| provinces | | | |
| | | Western | 6 |
| provinces | | | |
| | | Northeastern | 19 |
| provinces | | | |
| | | Northern | 17 |
| provinces | | | |
| | | Southern | 14 |
| provinces | | | |

* Source : Alpha Research Co., Ltd., *Pocket Thailand in Figures, 6th ed.*, Bangkok, Thailand, 2003.



B. Map Of Thailand and Chiang Mai Province

C. Land Area by Region

| Region | Area (sq.kms.) | % of total |
|---------------------|----------------|------------|
| Bangkok | 1,565 | 0.3 |
| Vicinity of Bangkok | 6,193 | 1.2 |
| Central | 16,594 | 3.2 |
| Eastern | 36,503 | 7.1 |
| Western | 43,047 | 8.4 |
| Northeastern | 168,854 | 32.9 |
| Northern | 169,644 | 33.1 |
| Southern | 70,715 | 13.8 |
| Whole kingdom | 513,115 | 100.0 |

D. Population by Region: As of Dec. 31,2002

| Region | Population (million) | % of total |
|---------------------|----------------------|------------|
| Bangkok | 5.8 | 9.2 |
| Vicinity of Bangkok | 3.9 | 6.2 |
| Central | 3.0 | 4.8 |
| Eastern | 4.3 | 6.8 |
| Western | 3.6 | 5.8 |
| Northeastern | 21.6 | 34.4 |
| Northern | 12.2 | 19.4 |
| Southern | 8.4 | 13.4 |
| Whole kingdom | 62.8 | 100.0 |

E. Five largest provinces:

Unit: sq.kms.

| Rank | Region | Area | % of total |
|------|--------------------------|---------|------------|
| 1 | Nakhon Ratchsima (Korat) | 20,502 | 4.0 |
| 2 | Chiang Mai | 20,011 | 3.9 |
| 3 | Kanchanaburi | 19,498 | 3.8 |
| 4 | Tak | 16,420 | 3.2 |
| 5 | Ubon Ratchathani | 15,907 | 3.1 |
| | Others | 420,754 | 82.0 |
| | Whole kingdom | 513,115 | 100.0 |

F. Five most populous provinces, 2002

| Rank | Region | Population (million) | % of total |
|------|--------------------------|----------------------|--------------|
| 1 | Bangkok | 5.78 | 9.2 |
| 2 | Nakhon Ratchsima (Korat) | 2.58 | 4.1 |
| 3 | Ubon Ratchathani | 1.79 | 2.9 |
| 4 | Khon Kaen | 1.77 | 2.8 |
| 5 | Chiang Mai | 1.60 | 2.5 |
| | Others | 49.28 | 78.5 |
| | Whole kingdom | 62.80 | 100.0 |

G. Minimum wage per day By Province, 2002 – 2003

Unit: baht / day

| Province | BOI investment zone | Effective date | |
|--------------------------|---------------------|----------------|--------------|
| | | Jan. 1, 2002 | Jan. 1, 2003 |
| Bangkok | 1 | 165 | 169 |
| Chiang Mai | 3 | 143 | 143 |
| Nakhon Ratchsima (Korat) | 3 | 143 | 145 |
| Other provinces | 2 or 3 | 133 | 133 |

H. Average wages of employees in private sector By type of wage, By Province, 2001

| Region / Province | Average daily wage (baht / day) | Average monthly wage (baht / month) |
|--------------------------|---------------------------------|-------------------------------------|
| Whole kingdom | 146.1 | 8,804.5 |
| Bangkok | 192.0 | 12,218.0 |
| Vicinity of Bangkok | 176.7 | 9,985.2 |
| Northeastern | 122.4 | 4,744.5 |
| Nakhon Ratchsima (Korat) | 130.6 | 5,967.3 |
| Northern | 125.6 | 5,147.8 |
| Chiang Mai | 127.8 | 5,516.1 |



Asia-Pacific
Economic Cooperation

Body & Soul

"What I've learned is to be quiet and confident, whether talking to a company that's trying to acquire my company, or negotiating a spot in a store. Be quiet and absorb. Then come home and scramble."

-Tao Miller, President and CEO, Body & Soul

And scramble he has. Tao Miller is a force to be reckoned with and Body & Soul cosmetics is likely, in the next four to five years, to rival such companies as Estee Lauder with its upscale lines of cosmetics for men and women and its worldwide distribution. With over 200 cosmetic products being distributed in locations in Japan, Korea, Hong Kong, China, Singapore, Malaysia, Mexico Canada, Australia, Hawaii and the US mainland, and in Sephora stores throughout Europe, Body & Soul is having a seismic impact on the cosmetic industry. Tao Miller's fashion clothing collections in Honolulu include lots of denim and upscale, trendy styles that have worldwide appeal. Body & Soul cosmetics counts hundreds of celebrities including Britany Spears, Lisa Kudrow, Jennifer Lopez and Denise Richards among his many high profile clients.

At age 33, it would appear that Tao Miller is an overnight success. While Miller never finished college, his entrepreneurial experience and business acumen has been more than 20 years in the making in the School of Hard Knocks, located in The World. One walks away from a conversation with Miller thinking, "What a nice guy...and so quiet." Miller acknowledges that his youth doesn't always favor his side. "Sometimes we have to work extra hard to prove that we're for real, especially with banks or real estate situations," he says. "Being young can be a disadvantage; people automatically assume you don't have experience. That can be challenging in major business negotiations."

This case was written by Carol Anne Dickson, PhD of the University of Hawaii as a contribution to the Project entitled "Innovation in Entrepreneur Development in APEC", conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Mr. Tao Miller solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

Having said that at age 33 Miller has had 20 years of experience, it serves us well to look back with him at what it takes to steadily give shape to, forge and temper the “body and soul” of an entrepreneur.

Is it “in the genes?”

Miller’s parents were representative of the “flower children” of the 1960s and 1970s. Miller’s mother was Danish/Icelandic and his father was the son of Russian immigrants. Both parents were artists. Miller’s mother was a textile artist and his father was a glass blower. The two met while backpacking in Afghanistan. His mother and father were aged 17 and 27, respectively, when they married in a Tibetan temple. Tao was born in 1969, in Moscow, Russia. Tao was the name of a man that Miller’s parents had met in a Tibetan temple in one of their many backpacking treks.

The Millers settled in Sweden until Tao was 15 years old. "My parents didn't have that much money. So if I wanted something, like a new bike, I had to go out and earn the money," says Miller. Hungry for a new bicycle, young Tao started to “scramble” at about age 10, picking strawberries during the long summer days and selling just enough baskets to pay for the bike he wanted. Later, he also sold flower seeds and magazine subscriptions door to door for his other childhood needs His home was what he called a “non-traditional, free-flow household.” Tao says he often felt under-privileged but he always got what he wanted.

Making ends meet

At age 15, Tao and his parents moved to Pahoia, Maui where Tao finished high school. Hungry for an automobile, he continued to work, as many as three jobs at once, busing tables, washing dishes, making pizza - whatever it took, so that he could purchase the car he wanted and other teenager necessities. Soon after high school, Miller went to college in the island of Hawaii. He was a discriminating consumer of academic or college knowledge. He chose to enroll in a small business start-up class but upon finding out that the instructor had never owned a business, he walked out and never went back to that class.

While in college Tao had a job in the athletic department. On the side, he started a business called Island Shapes. Through that company Tao purchased at wholesale and sold supplements to the athletes such as muscle gaining powders and health drinks. A family crisis left him unable to continue his studies and at age 20, he found himself "...concentrating on survival. I came to Oahu with US\$200 and ended up staying on the couches of friends of friends. The first two years on this island [Oahu] were really hard for me. If I passed on dinner - I had too much pride to ask people - I went hungry. I experienced poor times, so that's part of what drives me now."

By age 20 though, Tao knew how to make a living. One of his first ventures into retail was with High Performance Kites in 1989. A move to a motivational seminars company in 1990, as an operations person, offered him the benefit of attending seminars. He wanted to attend a motivational seminar in San Francisco, but did not have the airfare. He created his own fund-raiser, hooking up with a baker in Hilo to pre-sell their artisan bread. In one week he earned enough for his airfare. He

turned over the business venture to a friend and moved on. "My lesson was figuring out how to get there," Miller mused.

Between 1990 and 1992, with the goal of getting into management within a couple of years, Miller went to work for two high-end retailers who were popular with Japanese visitors: Louis Vuitton and then Raku Leather. He studied the Japanese language and the Japanese work ethics but was not able to join the management ranks. It was time to move on again. "If there is little or no return on resources, you have to move on." Miller thinks that flexibility is one of the hallmarks of his generation of entrepreneurs.

Making ends overlap

At the same time that he was working for Raku Leather and learning Japanese and Japanese fashion tastes, Miller started another company which he named Tri-Star Trading Co., an at-home operation. Tristar was a brokerage company. It was an almost overnight success. It was also a 24-7 business and Miller was able to be all things to all people. He learned to be wide awake when a call came into his home at 2:00a.m. If someone wanted to speak to the head of the accounting department, or the purchasing department, Tao immediately "transferred" them. He adjusted his voice a bit and became the head of the purchasing department. No job was too large, or too small. "I always represented myself as bigger than life. I did that to level the playing field for myself."

Miller says he has always felt a tug toward Asia. "For some reason I have a bond with the Japanese people. Maybe it happened in that Tibetan temple, but there is definitely something there," Miller said.

A US -Japanese trader

For those who complain that it is difficult to sell to the Japanese, Miller states, "...it's easy. You just have to sell them what they want." Miller noted, as he worked in other businesses, that Levi's jeans were popular with young style-conscious Japanese travelers. They not only wanted jeans but they wanted used and worn jeans and they would pay well to have them. Ever resourceful at figuring out how to find the help he needed, Miller began searching for used jeans. He found a rag dealer in St. Louis, Missouri in 1991 who sold him used (call that "vintage") jeans for US\$6 a pound. Through Tristar, Miller brokered sales between the US mainland and Japan.

Miller continued to do business with the Japanese. He found out that he could broker deals that allowed him to make a profit without having to front the money. He found sources for whatever retailers and wholesalers from Japan were looking for. "I brokered about US\$1.0 million of merchandise that first year," Miller said. "I didn't have to front the money. I just made the deal and coordinated delivery." Not only was Miller in business, he was also the owner of an international exporting business. Between 1992 and 1993, Tristar revenues reached US\$11,000, 000. Orders were coming in so fast and furious that demand outstripped supply, with a Japanese company opening a US\$2,000,000 letter of credit for Tristar to ship whatever volume of jeans Miller could, whenever he could.

Meanwhile, back in Waikiki, in Honolulu, Hawaii, and just 23 years old, Miller, using his entire life savings of about \$20,000, set up his first retail boutique on Kapahulu Avenue, naming it Body & Soul. The 460-square-foot boutique specialized in men's and women's street-wear. The store featured the blue jeans that international travelers loved, as well as other trendy, high-fashion items, including surf wear. During the Waikiki store's first year, more than 90 percent of its brand names and designs could not be found at any other retail store in Hawaii. Soon after founding Body & Soul, large retailers caught on to the popularity of New York's young designers and sent employees to Body & Soul to investigate its product lines. "We had to kick buyers out," he said. "It was flattering, but it was irritating at the same time." Also, representatives of East Coast designers migrated to Hawaii to drum up business. Miller was fully in the fashion business.

Miller decided to add cosmetics to his retail mix so he contacted a well-known cosmetics giant. The company that particularly interested Miller was looking into Hawaii as its next location for launching its highly popular cosmetic products. The company refused to sell to him. Miller was determined. He bought the products he wanted from a retailer on the US mainland, paying full retail price, doubled the price at his Body & Soul store in Waikiki, and made a tidy profit.

During a buying trip to New York, he discovered Francois Nars, the world-famous make-up artist whose client list included celebrities, models and fashion designers. Miller instinctively knew NARS cosmetics, sold exclusively at Barney's in New York, had great potential at Body & Soul. NARS, however, did not share that view. Miller's telephone calls, letters and faxes went unanswered. "They refused to speak to me," he remembers.

Miller accommodated and invested in Nars' business. He was as determined as usual. He appointed himself NARS cosmetics' publicist, sending NARS products he had purchased to acquaintances working with two large magazine publications. He touted NARS cosmetics as the hottest new make-up line to hit America and both magazines ran articles on the product. He used his contacts at trendy *JJ* magazine in Japan to get them to write a story about NARS. They did. Miller sent NARS officials the stories and an explanation of what he had done, along with an all-expenses-paid invitation to meet with him in Hawaii. In September 1995, Body & Soul was named the exclusive Hawaii retailer for NARS cosmetics. "Persistence pays," Miller said. For two years, from 1995 to 1996, Body & Soul sold NARS. When the exclusivity contract expired, NARS signed on with DFS Galleria. Miller was disappointed "It was very disappointing, but the economies of scale made it impossible for me to compete."

"... We had to do something with the money," Miller said, referring to the money coming in from the highly successful first store on Kapahulu. In 1995, Miller opened his second Body & Soul boutique at a 1,800-square-foot site in the heart of Waikiki in the popular tourist shopping area known as King's Village. The store immediately gained a reputation for carrying trendy, upscale brands. Miller was the first to bring edgy lines such as Anna Sui, Chaiken & Capone and Tocca to Hawai'i.

Miller and his wife, Tomoko, a Japanese national whom Miller had met while working at Raku leather through a friend and later married in 1996, were bringing on their own line of fashion clothing. At first, Tomoko, was the primary designer working with manufacturers in Hong Kong, China. She teamed up with English designer Tony Crosby (a classmate of John Galliano, who was behind the new look at Christian Dior) to create a line of clothing, under the Body & Soul label, that included everything from cutesy '80s-inspired T-shirts to preppy shirtwaist dresses, wool coats and knit motorcycle jackets.

The new Waikiki store generated US\$2.3 million in revenues in its first year, prompting Miller to open another location at Ward Warehouse in February 1996. Both stores were complemented by a mail-order catalog business, which reached nearly 30,000 Japanese homes each quarter. Miller's company, T.M. Pacific Co. Ltd., parent of the retail and trading companies, by then employed 28 people and pulled in US\$3 million in revenues per year. Miller still did not see himself as a success despite the fact that he had skyrocketed to the top of Hawaii's retail fashion industry stating, "The real success is maintaining success."

Success smelled sweet. A third boutique was opened in Honolulu at Ward Warehouse in 1997. Tomoko brought good luck and additional stores followed: two in Guam and one more in Hawaii.

Miller, with assistance from his wife, Tomoko, built a relationship with the Japan fashion media. Miller had lines of Japanese fashionistas flocking to his boutiques in Waikiki, Ward Warehouse, and Guam. Body & Soul had become synonymous with hip, edgy fashion and beauty.

Look! See! LEARN!

As always, Miller was learning, constantly adding, consciously and unconsciously, to his pool of knowledge. He learned that cosmetics had very high profit margins. He also learned that cosmetics did not suffer the roller coaster volatility that apparel often experienced. He learned that this could probably be a very profitable niche for Body & Soul. He applied himself to learning a lot more about cosmetics and how they were made and how and where to produce them himself. He learned from his experiences that one had to develop sources, and then, to develop international customers who would provide both the push and the pull to develop both US and international markets for his products.

Tao Miller knew it was about learning. He takes pride in admitting that he learned from "the streets" and that he has, and has had, many mentors. As the challenges got bigger and more complex, he had to learn not to let the challenges overwhelm him. He had to learn to take the challenges in stride and look for appropriate solutions. Describing himself Miller says, "I'm really aggressive, not afraid to take risks." Then, thinking carefully, he amended his description a bit: "But more and more, as my business grows, taking risks becomes more scary. You have more to lose."

Being an entrepreneur was no longer a means to the end of having a new bicycle, an automobile or the airfare to get to a conference... or making a minimalist living as his parents had. It was now about the challenge. It was about new ideas. It was about developing those ideas and making them real. It was about the challenge of developing ideas that would be profitable for himself and others, locally and internationally. It was about creating success. It was about creating jobs for people, nationally and internationally. It was about being 30-something and knowing you could take the risks and still come out whole. It was about work that was downright fun. It was about living a totally full and fulfilling life. It was about due diligence and being careful. And it was about taking risks and being aggressive in a boundaryless market. For Tao Miller and Body & Soul, it is about seeing the entire world as one whole big market and not necessarily seeing the world divided into separate domestic and international markets.

Body & Soul cosmetics

After two years of research and development, including testing by film-industry makeup artists, Miller launched Body & Soul cosmetics at Barney's New York in 1998. The retro look of the graphics on the packaging, created by illustrator Ann Field (who also did work for Levi's and Starbucks), captured the romance and glamour of the 1920s to 1940s. Miller called it "modern vintage."

The line caught the attention of American beauty editors immediately, and Body & Soul's cosmetics popularity soared. Body & Soul cosmetic products have been launched in Japan, Korea, Hong Kong, China, Singapore, Malaysia, Mexico, Canada, Australia, Hawaii and the US mainland, and in Sephora stores throughout Europe with China as one of the next targets. Some might call it guerilla development and guerilla marketing. Miller calls it aggressiveness and being willing to take risks.

Miller has learned not to launch more than a very few new products at once. He likes to create a "hungry" atmosphere within the ranks of his clientele who wait eagerly for the new product to be launched. Body & Soul often creates a frenzy for the next item to be launched by giving clients a ticket to pick up a new product gift at the Body & Soul counter. Media and the public are invited to major product launches, sometimes with two different "buzzes" about the product or the launch and what it will be.

New lessons, challenging lessons

Internet lessons. Just five years after establishing Body & Soul, and armed with the success of having established several successful stores in Hawaii and Guam, Body & Soul, Tao Miller sought to establish an internet presence for the company. His attempts to purchase, for a reasonable price, the Body & Soul name from a Canadian internet publisher failed. The President of the Canadian company had, in the mid-1990s, registered hundreds of domain names. Web addresses have sold for over US\$8 million. But, in the US, there is a law against "cybersquatting," the practice of registering a Web address with no plans to develop a site, but with plans to sell the site or domain name to someone who wants to use it. Miller immediately trademarked his business. In 1999, Miller's attorney demanded that the Canadian internet publisher cease and desist using the trademarked name. In 2000, with

trademark documents in hand, Miller won a ruling through the National Arbitration Forum that stated that the Canadian firm had to give the registration to Miller. The judge declared that the Canadian firm was not able to demonstrate that it had invested US\$30,000 in the site as was alleged and had, therefore, acted in bad faith.

Status lessons. Inc. magazine has reported that research indicated that “status matters” and that “companies held in high esteem are able to maintain a significant lead over the rivals.” Tao Miller, like many entrepreneurs, knew that status among consumers matters, that success breeds success. When Miller was able to get an exclusive contract with the chic New York department store known as Barney’s, he was exhilarated. Then reality set in. Miller paid a very high price for the store displays demanded by Barney’s. Staffing relative to Barney’s rules was expensive, the potential customer base was small ... and the return on investment was even smaller. Two and a half years after landing the Barney’s contract, Miller ended it.

Buy out lessons. Several well-known international companies with interests in the fashion or cosmetics industries have approached Tao Miller about buying Body & Soul. In 2001, a well-known international conglomerate contacted Miller regarding a buyout. He met with them, analyzed what they could offer, and rejected it...but not until he had poured US\$15,000 into attorneys’ fees alone. There were also the additional costs of travel and time away from the pursuit of the interests of Body & Soul. Miller reminisces briefly, recalling the many parties given for and by him, the many back and forth trips and offers... situations which now seem to Miller like events that were meant to divert his attention. Now, Miller usually gives potential buyers the bottom line number to purchase Body & Soul, take it or leave it. Again, Tao Miller learned: Negotiating now requires at least a US\$100,000 non-refundable deposit from the potential buyer, just to set up a merger or acquisition team.

Small lessons learned have sometimes been the most difficult to handle, especially where people you care about are involved. At one time, Miller’s father headed up his mail order division and Miller says, "No matter what, a parent is always going to treat you like a son, even when you're the boss." Another time, he was forced to lay off a best friend, when he had hired him with the best intention.

That was the hardest thing to do. It wasn't because he was a bad person, but he had no prior experience. I saw it as an opportunity for him, and I took responsibility for hiring a person who wasn't qualified. It got to a point where he couldn't do the job and it was harmful to my business, and he wasn't happy either. Having friends and family involved is very difficult. Business is business, family is family, and friendship is friendship and you have to be clear cut on that. Sometimes it works out. Sometimes it doesn't and there's no in-between. I wouldn't recommend it.

Current Challenges

Tao has special concerns about his family relative to his business. He says that his personal life is too close to his business life. He is concerned that every “bump” in the business affects his personal/ family life and he wants to change that. Miller states that he has a keen awareness of the fact that men are more selfish than

women, that men are the hunter-gatherers and that women are more loyal and desirous of meeting the needs of family and friends. In his family he wants to achieve a balance for himself that includes more time for family. He does not want to be on edge when he is trying to spend time with family. He wants to remain healthy, not putting his family and his life on the line for his business. At the same time he wants to provide his family with a nice home and the luxuries he did not have. And he wants to maintain the energy and creative edge that his business requires. He is trying to achieve a happy balance between the two.

He says he will never be happy retiring to that mansion on a private island. "Of course I want to have my mansion, but I'm a real hands-on person. I don't think I could handle not working," says Miller. Even if one has the vision, there will be down moments. "So many times I've had to ask, 'Why am I doing this to myself.' I've been in tears some days," he admits. But he tells other would-be entrepreneurs, "Stay positive, stay focused and don't give up."

As a member of Generation X, Miller says that he almost always finds himself surrounded by older, more experienced men who have already dealt with some of the problems that he now faces. That situation, he says, is common for GenX business owners. He tries to learn as much as possible from his older colleagues and draws many mentors from amongst them.

Future plans

Miller sees Body & Soul as a lifestyle company. Staying successful means staying fresh, staying just ahead of the fashion curve, or setting the curve, for cosmetics. "I really believe in gut feeling," Miller says. Staying successful means being creative and creating the buzz that draws media and clientele. Staying successful means being loyal and seeking loyalty. And staying successful means having the right team of people working with him.

"Our buying process is creative and strategic, and it has become increasingly the case since 9-11" Miller said. "We know our customers' likes and dislikes." Weekly staff meetings to seek feedback on new lines, coupled with an open-door policy throughout the company, has made Body & Soul a firm that encourages ideas and empowers its employees. Miller is consciously trying to take more "down time" to strategize.

Miller said he is consciously and conscientiously preparing the company for long-term success by building a quality core-management team. "I don't want to be one of those companies that quickly shoots way up, then back down," he said. "I feel that I'm here to get something started, like I'm catching the fish and bringing it to my team to prepare or nurture it, then I'll go after the next fish. I'm here to find new products, new opportunities and they'll take care of it from there." Miller has plans to expand Body & Soul products to include fragrances and a skin care line. Eventually there may be a line for men. Both the cosmetics and fashion line, including wholesale, are expected to bring in revenues of between US\$3 and US\$3.5 million this year in 2003.

Like almost everyone else in the world, the events of what has come to be known simply as "9-11" have had a sobering impact on Miller and his business. Travel for pleasure, particularly in Asia and Southeast Asia, fell most sharply, fell the farthest and has been the slowest to make a comeback. After 9-11 Body & Soul closed all but one of its stores that were primarily clothing oriented. They had already learned that cosmetics were the most profitable and the most promising for Body & Soul and the least subject to the sharp up and down roller coaster ride of most fashion products. Just six months before 9-11, in March 2000, futurist Dr. Jim Dator of Hawaii stated of GenXers that "They haven't ever known adversity as a group; having lived in both peace and prosperity, they expect that to continue,"

For Tao Miller and Body& Soul it was time for self examination and for "...taking five steps back so that we could take fifteen steps forward." Though Miller has a great team working for him, he realizes that everyone is replaceable. If everyone quit, Tao would rebuild the team.

Miller recommends to new entrepreneurs that they make sure that they not only have a business plan but that they also have a cash flow plan. Stability and strategy are the keys for the future. He is encouraged because Body & Soul is on the rise again, having re-grouped and survived down-sizing.

Finding the right people is important to any business, and perhaps his most monumental business decisions have involved business and personal relationships. Choosing the right partner to represent one's business abroad may be one of the most important elements of expansion, he says. Finding the right distributor can be a challenge.

In Japan, Miller credits his success to working with a good distributor who is able to aggressively market and maximize the potential of his products to retailers. Aggressive marketing efforts led to features in 50 different magazines in Japan alone within six months, adding up to nearly US\$500,000 worth of free publicity. "With our cosmetic distributor, we took time to negotiate the deal and spent a lot of time together planning the strategic launch and every aspect of the distribution," he says.

Miller has experienced trouble with another partnership. "On our fashion side, it was done without planning and we're having problems with that situation now," he says. "I was quiet disappointed with the situation because the results were not what I wanted them to be and that's mainly because we rushed things. Building a good relationship and communication with a partner is key to successful expansion," he said. "Ultimately it's based on trust and friendships. Contracts are very important, but it's that handshake that really counts in the heart," he says. "I try as much as possible to really get to know the distributor. I spend a lot of time with them and show my support and have a real open door to them -- it's a mutual thing."

When choosing a partner in another country, Miller carefully analyzes which brands are successful in a specific market and then looks at the distributor behind it. He also takes the time to learn about the company's background. Miller discusses how keeping a brand name consistent in each country is another challenge of overseas marketing because each store tends to have its own rules and twist on how your product is represented. "The core marketing strategy of your brand is sort of the

religion of your company," he says. "You always have to stick to that and represent the same thing you're trying to convey."

In addition, understanding the culture of the countries you are dealing with is an important part of the communication element. "In order to do business internationally, we have to adapt to cultures and traditions of specific countries," he says. Body & Soul has been negotiating distribution contracts for a location in the Middle East, where beliefs about women and their role in society are a part of the culture and sharply different from those found in the US. "If we want to sell our products in a country, we have to cope with the restrictions of their beliefs or their cultures," he says. "As a business entering those kinds of areas you have to adapt as much as possible and at the same time maintain the integrity of your brand."

Miller's take on entrepreneurs is in general, "You either have it or you don't." He admits, however, that if you have the entrepreneurial spirit it can be expanded and honed. "Luck is always a part of it. The way I do business is I'm real honest, up-front, loyal. I do things pure and clean and as long as I do it that way, I think luck will come," says Miller.



Asia-Pacific
Economic Cooperation

HASTINGS & PLEADWELL, LLC

Mentor -> Student -> Mentor

“You know you have success as a mentor when your protege or student is successful and becomes, herself or himself, a mentor for others.”

-c.a. dickson, 2002.

Mentoring was bottom line for Barbara A. Hastings, mentor for partner Barbara A. Pleadwell. The two women are known as “Bah,” Barbara A. Hastings, and “Bap,” Barbara An Pleadwell, by friends and clients trying to distinguish between the two Barb(a)ras. They have continued to mentor students and aspiring business women in the Hawaii community through the years. The firm of Hastings & Pleadwell LLC [hastingsandpleadwell.com] thrives in the collaborative partnership of the two women.

Barbara A. Hastings

Hastings was the youngest of eight children. She came from a hardworking family. Her father died when Hastings was about three years old and her mother supported the family. A native of Philadelphia, Hastings moved to Hawaii in her early 30s. By then she was a single mother with a young daughter. She had attended college, seeking a degree in theology, but she never finished her degree. She had been a reporter for the *Trenton* (New Jersey) *Times*. It seemed that she was always a woman in male dominated fields.

Hastings was a former reporter for *The Honolulu Advertiser* and communication director for the Hawaii Department of Health. She was known in both places for developing and delivering new programs and products to advance the communication needs for the two organizations and for building new award-winning editorial features for the media.

This case was written by Carol Anne Dickson, PhD of the University of Hawaii (USA) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Barbara A. Hastings and Barbara An Pleadwell solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

Hastings has often lived a life on the edge of controversy. She has received local and national recognition for her writing, campaign strategy and crisis management. Working for mainland papers for 11 years and *The Honolulu Advertiser* for 12 years, she concentrated on writing on science, health, energy and the environment. Despite never having finished a baccalaureate degree, she won a fellowship to Stanford University for professional writers on energy and the environment. She entered public relations in 1990 and was the highest paid government agency public information officer in the state of Hawaii.

As director of communication for the state Department of Health, Hastings oversaw the public outreach of more than 80 programs, including environmental protection divisions, hospitals, behavioral health programs and health education. She developed both crisis and public awareness communication plans, including statewide community meetings. She was instrumental in garnering public support for many pieces of health-related legislation.

Hastings led disaster communication efforts during Hurricane Iniki and handled public relations during the visit of then First Lady Hillary Clinton who was in Hawaii to research on health care reform. Hastings set up the Honolulu "Health Care Reform" forum, one of a handful of forums that the First Lady Hillary Clinton conducted nationally. Setting up the forum included orchestrating and handling all national media traveling for the President and First Lady.

From 1992 to 1994 Hastings served on the board of directors of the National Public Health Information Coalition developing strategies and procedures for national and local outreach. Just before H&P was founded, Hastings was asked to evaluate and recommend changes for the communication strategy of the California Medical Association.

Taking on issues of one of the most controversial groups in the Hawaii community, Hastings successfully overhauled the communication strategy of the Office of Hawaiian Affairs (OHA). She assisted and successfully supported OHA through challenges ranging from trustee elections to attacks on OHA's ceded land revenues. Hastings rebuilt OHA's public information staff and products.

Through it all, Hastings taught journalism and communications courses at Chaminade University where Pleadwell was an outstanding student. At that time, in the mid-1990s, Hastings owned a small communications company named Hastings House.

Barbra An Pleadwell

Pleadwell was nurtured by a hardworking island family of astute entrepreneurs who operated a bar and restaurant on the Ipan Beach in Guam. Her father was, by turns, a concert promoter, bringing such performers as The Commodores to Guam. He worked with well known promoter Tom Moffat in Hawaii. He distributed merchandise to the military commissaries and post exchanges in Guam and eventually opened a retail gift shop in his Ipan Beach bar.

Throughout her childhood, Pleadwell exhibited entrepreneurial tendencies. At about age ten, Pleadwell led her Girl Scout troop in cookie sales, employing friends and family to help sell the cookies. Soon, from about age twelve and through her teen years she partnered with her mother in a year-round micro-business - making and selling baked goods, and then buying baked goods from others, repackaging them and selling them to businesses, door-to-door and at Christmas crafts fairs on Guam. She also “sold” her housekeeping and errand-running abilities to neighbors after school. When times were slow in the cookie business, Pleadwell continued to be involved in the family bar and restaurant business on the beach in Guam. After graduation from high school Pleadwell worked as a journalist for the *Guam Business News* and the *Pacific Daily News*.

Pleadwell went to Honolulu to attend college. At Chaminade University, as an 18-year old freshman taking a senior level communications class, Pleadwell encountered Hastings in her role as teacher. Hastings remembers Pleadwell as the youngest student in the class, who, Hastings claims, scowled at her from the center of the first row of students. Pleadwell claims she was not scowling but instead was just “intent” on getting all she could from Hastings as a teacher who was clearly very knowledgeable and competent in her field. Hastings does admit that she was a know-it-all kid who, as the young editor of the monthly Chaminade campus newspaper, fired the entire staff for incompetence. She produced the newspaper entirely by herself for a few months.

While a student at Chaminade, Pleadwell was entirely self-supporting and worked several jobs. She sold T-shirts and shorts in Waikiki. She was a tutor at a small school known as Phonics Plus and she was a restaurant and bar waitress. Pleadwell registered her first “grown-up” business at the age of 20. Hastings suggested that if Pleadwell started her own business, Hastings could hire her as an independent contractor to write and produce newsletters for the health department.

Hastings had never completed a Bachelor’s degree herself and she urged the hardworking Pleadwell to continue her education. When Pleadwell graduated from Chaminade University she enrolled in a Master’s degree program in American Studies at the University of Hawaii.

Pleadwell has translated award-winning academic excellence into professional excellence. She graduated with honors from Chaminade University with a Communications degree, and received an MA in American Studies from the University of Hawaii. After graduation from Chaminade, she was hired to teach publication management courses at Chaminade and did so for five years.

Barbra Pleadwell has earned a reputation for building strategic alliances that last. She engages key audiences; connects people, business and organizations to serve H&P clients and the community. Her multi-media savvy spans all vehicles for communication: print, radio, television, online, word of mouth, direct mail, environment promotion and more. In addition to producing outstanding communication tools, she is an experienced negotiator of media partnerships and advertising budgets. She has maneuvered a major state agency through media crises, designed or revamped a number of publications, and launched major media

campaigns. In 1995, Pleadwell carried the Hawaii Director of Health through his controversial confirmation hearing when anti-abortion activists and pro-gun advocates launched protests against him.

A short time after Hastings & Pleadwell was launched, Pleadwell was among the youngest to be honored by *Pacific Business News*, in their first Forty Under 40 Awards in 2000. The following year, she received Small Business Hawaii's 2001 Young Entrepreneur of the Year award. H&P has implemented a successful internship program through Chaminade and other universities with H&P student learning the communication business from the ground up.

Pleadwell is active with the Junior League of Honolulu, and won its Active Award in 2001. She is program chair for the JLH's high profile *HerStory* women's conference in its fourth year. She is responsible for securing the participation of Dr. Sally Ride, the first American woman in space, for the 2004 conference.

Emergence: The Firm of Hastings and Pleadwell

In 1996, Hastings and Pleadwell merged their freelance businesses, House of Hastings and Pleadwell Inc, and started a full-service communication firm with two offices in Hawaii, one in Honolulu and one in Hilo. The relationship between the two women had grown from student and professor to friends to collaborative professionals and partners. The two merged their personal and professional ideals, their concerns for client services and their business acumen.

A Good Fit

The two-woman communication firm was founded with clear ideals: provide excellent, thoughtful and customized public relations for select clients. The key to sustaining healthy accounts for the pair had been attention to compatibility between Hastings & Pleadwell and the potential client-business. Before submitting proposals, the Hastings & Pleadwell firm spent a considerable amount of time interviewing the principals on philosophy and doing a fair amount of due diligence.

I called a business reporter about a story she had written which focused on a potential H&P client. I wanted to know what her impressions of this person were," said Pleadwell. She asked me in disbelief, 'You mean you are deciding whether or not you want their business?'

Past experiences educate today's performance. The H&P team learned early on that the time spent examining a potential client- business was critical to the long-term success of the firm. The partners have resigned critical accounts when they determined that the relationship was not a good "fit" and had the potential to falter. They have taken hits since the beginning of their business in the interest of maintaining the overall health of the firm and serving all clients with an even, honest and fair communication strategy. Their relationships and communications with business clients and for business clients is honest, forthright and transparent.

Pleadwell, a former freelance writer and spokeswoman, and Hastings, spent a lot of time as “clients” of public relations firms before starting H&P. “We know first hand what the perception of PR firms can be—good and bad,” said Hastings. “We base our success on very clear goals and truly partner with our clients to meet them. We don’t ‘do’ PR for our clients,” adds Pleadwell. “We train the company’s employees, educate their leadership, and build the organization’s capacity so that we can warrant their belief, experience and investment in Hastings & Pleadwell.”

Both Hastings and Pleadwell relate that they are restless without a steady stream of change and innovation. They credit the team’s entrepreneurial spirit to this constant pursuit of excellence. This spirit can be traced to the time they spent working for others as well as for themselves. The H&P team is hard driving. They say they learn from each other, their employees and clients every single day, constantly refining their approach to diverse issues with clients and in service to the community.

Hard work and lessons learned pays off. H&P’s hard work has paid off with substantial recognition in the professional community, including: an Ilima Award of Excellence from the International Association of Business Communicators for internal communication developed in 2001 for the *Honolulu Star-Bulletin*; Pele Awards of Merit in 2002 for the cover of *Potluck: Stories that Taste Like Hawai‘i*, and in 2001 for the *Waikiki Improvement Association’s 2000 Annual Report*, and in 1999 for a campaign for Laser Eye Institute; Koa Hammer Award from the Public Relations Society of America for *Waikiki Improvement Association’s 2000 Annual Report*. H&P also edited and designed *Shaping Hawai‘i: The Voices of Women*—which was published by Goodale Publishing, winning an honorable mention in the 2000 Ka Palapala Po‘okele Awards.

Both individually and as a team, the two women are resourceful, bright and feed on each others ideas...even when they fiercely disagree with each other. They have built an energetic, creative, hardworking support team of about five employees.

Hastings & Pleadwell has been hired for projects by three local media outlets and one national media group to oversee their public communications. The *Honolulu Star-Bulletin* retained the partners to launch the revised daily paper after Canadian newspaper mogul David Black purchased the daily newspaper. They have also advised a nascent national publication on style and promotion. Both partners, Barbara A. Hastings and Barbra An Pleadwell, work directly on all accounts.

In 2002, the federal agency National Oceanic and Atmospheric Administration (NOAA) retained H&P for an extensive statewide public relations, community outreach and event coordination effort. This year, the firm has been contracted by the City & County’s Department of Environmental Services to improve its public image while managing projects such as the state’s curbside recycling program, and issues surrounding illegal dumping and wastewater treatment.

The partners have worked on staff with two of the most controversial government agencies in the state: the Office of Hawaiian Affairs (OHA) and the Health Department. They have done contract work for the state’s Health Department, the Department of Human Services, and for the Department of Agriculture, where

Hastings served as a consultant during 2000-02 for the task force trying to resolve the controversial alien species issues for Hawaii airports. Hastings & Pleadwell boasts a client list that is representative of the diversity in Hawaii's business community. Because every industry has its swells and dips, a company dependent on just a few major clients can be at significant risk. H&P's client list is impressive: Hawaii's fifth largest law practice, Hawaii's leading laser eye surgeons, Hawaii's top modular building company, the city's environmental services department, a nonprofit dedicated to early childhood issues, among others. Hastings & Pleadwell as a unique, boutique firm with a holistic approach to developing image and articulating issues, strives to maintain a steady group of select clients as diverse as this list. The firm has a sound reputation for serving clients through comprehensive and sophisticated strategies, from crisis communication to building a brand.

Giving back to the community. Being big fans of the Girl Scouts, Hastings and Pleadwell credit the organization with providing them with critical profit-loss savvy and business skills at a young age. Today, the partners volunteer "talk story" time with the Girl Scouts to acknowledge their continuing development of young girls. Both women also serve on various boards and in various community organizations.



Asia-Pacific
Economic Cooperation

MOMMIES ONLY CLUB, LLC

Mentor -> Student -> Mentor

“You know you have success as a mentor when your protege or student is successful and becomes, herself or himself, a mentor for others”.

-c.a. dickson, 2002.

“Maria Chan Plourde, Owner and Designer,” is how her business cards read. She tells a class of design and merchandising students, “ My company was established in 1997 to capitalize on the increasing demand for affordable maternity and nursing clothing, by offering consumers an assortment of uniquely designed, high quality and moderately priced maternity and nursing accessories made in Hawaii from Hawaii prints.” Maria is back at the University of Hawaii, not as a student this time, but as a mentor and teacher. Maria immigrated to the US with her family in 1964. She and her family settled in Hawaii immediately. Maria’s parents and other members of the family immediately started various types of businesses. She graduated from the University of Hawaii’s Apparel Design and Merchandising Program in 1986, after spending a year in New York at the Fashion Institute of Technology. She tells students, “I always knew I wanted to own my own business.”

From student to business owner. As she begins to tell students about her business, it is clear that the road has been long and has had numerous twists and turns. The issues she emphasizes throughout her presentation are: every single job, no matter how far from owning her own business it seemed at the time, taught her invaluable lessons that prepared her for the business she has now owned for six years; the role and value of mentors, from teachers to employers to co-workers, has meant additional learning and support; she never gave up her determination and dream of owning her own business, ever.

The Maria I see today is substantially, appreciably, positively and irrefutably different from the young woman who graduated in 1986. As a student, Maria was shy and exceptionally quiet, working hard to be an “A” student. She is now openly passionate, assertive and self-assured in a electropositive way. She has achieved her

This case was written by Carol Anne Dickson, PhD of the University of Hawaii (USA) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Ms. Maria Chan Plourde solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

goal of owning her own business and is on her way to building her business far beyond the moderate success she has at the present.

As Maria addressed my Entrepreneurship class, she stands up and confidently walks to the chalkboard to illustrate her points and moves about the room as if she owns it... which she does for the moment. Students lean forward to catch what she says and to take notes. After delivering a brief educational background of himself, she begins to tell students about how each job she has had has added to her knowledge base for her own business. She admits that as she began each job to earn enough money to support herself and to save enough money to start her business, she did not know how that particular job would help her.

While a student at the University of Hawaii and in New York, Maria supplemented her income from other jobs with custom designing and sewing for a fee. Many of the jobs that she took to support herself, she admits, looked like dead-end jobs to her as far as her business was concerned. She worked long into the night every night designing and sewing for individual customers, in addition to her daytime job. As a self-employed night worker, she designed and sewed prom dresses, bridal gowns, evening gowns, and plus-size garments.

All job paths lead to the same dream. Maria told the class that she did have several jobs in the garment industry. She worked as a designer and seamstress for two different bathing suit companies where she learned about workroom and factory production. She learned what it takes to keep a factory and its employees operating. As she watched thousands of yards of fabric moving into the factory and swimsuits and accessories moving out, she noted the importance of “just-in-time” delivery and the importance of on-time delivery of orders for retail customers. She noted that delivery of fabrics and notions must be continuous enough to keep workers busy. She noted that down-time for machinery of all sorts meant substantial loss of revenues relative to idle workers, compounded by subsequent overtime pay and late deliveries of finished goods. Maria was learning and continuing to operate her own very small custom design and finishing business on the side.

Maria worked as a fabric buyer and personal secretary for a garment manufacturer, learning what it takes to manage a large garment manufacturing operation. Maria learned first hand about bank loans and servicing debt; she learned about the importance of factory operations and how that impacted the bottom line of a manufacturing operation. She learned about balancing the cost of goods and other expenses in the factory against sales. She learned about assessing potential customer financial stability and about debt collection. Maria stated, “As I worked every night and on weekends trying to grow my own little business, I thought constantly about all the things I had learned and was learning and how I could use them for my own business.”

As Maria’s business grew, she agreed to design and make uniforms for a large community organization, learning through hard experience about the uniform business ... from working with a large group, all with differing ideas, to designing the fabric,

ordering the fabric, taking delivery and finishing for delivery. “It’s all about timing. Everything has to be carefully timed to come in and go out as needed. I never realized how important timing was to the financial side of a business,” Maria said. She needed to employ friends and family to help her meet her deadlines. But her business was growing, and she was determined to grow it enough to make it a full time business for her.

From a job Maria held as a shipping and sales administrative assistant for an airfreight company, she learned about the costs of transporting goods and insurance. She learned how to handle US Customs regulations and the appropriate use of ground transportation as well as airfreight. “When I took that job with the air freight company, I just needed a job. I never dreamed how much I would learn and that I would use there in my business every day now,” she said, looking back.

As an architectural draft person for an architectural firm, Maria learned about the precision of space planning and how to make space work for her. She learned how to apply architectural precision to her garment designing.

Working for the Hawaii State Legislature as a word processor, she discovered that simple word processing could help her better understand how laws could work for or against a business owner. For instance, Maria found that the state legislature passed bills to support the right of women to nurse their babies in public places. Word processing was strictly a 9 to 5 type of job, leaving Maria free to increase the output of her own business. With ambition and the dreams of an entrepreneur, she continued to grow her business.

The Breakthrough

By 1998, Maria had been learning and yearning (for her own business) for almost 20 years. It had been over 10 years since her graduation from the University of Hawaii. Maria’s two sisters were pregnant, looking for maternity clothes and finding little to satisfy their needs. They asked Maria to make some maternity clothes for them which she began to do. Then her sisters’ friends began to ask for similar maternity clothing, and they were willing to pay well for what they needed. Maria looked critically at the maternity market. There were no companies in Hawaii producing maternity wear. Retailers that sold maternity wear complained that they had difficulty buying suitable maternity wear for Hawaii’s women, especially in the winter. There was certainly no maternity wear that used fabrics with Hawaii themes, despite the fact that Hawaii fabric designs were popular on the US mainland for men and non-pregnant women.

Customers, sisters, friends and a growing number of others defined their clothing needs for Maria: suitable for Hawaii’s climate, garments that would “grow” as their bodies changed during pregnancy, pretty without being cutesy, fabrics with Hawaii themes where possible, acceptable for office wear and for going to dinner, casual wear for casual activities, washable and easy care.

Nature assisted Maria's business endeavors as well. Maria's pregnant customers became mothers and most became nursing mothers. Their needs for clothing changed, and now they needed other accessories as well.

Maria worked with family and friends for several months to come up with just the right name and logo for her business in 1997. She continues to use the "Mommies Only Club" (MOC) name and logo in the garments and accessories she manufactures and on various other business-related items. She registered her business. The University of Hawaii did not offer an entrepreneur course when Maria was a student but she found her way to the Women's Business Center (WBC) in Honolulu, which is supported by the US Small Business Administration (SBA). The Women's Business Center helped Maria write her first business plan in 2000. Maria says, "It is a living guide/map to direct me to make best the use of resources that are or may be available to me. The writing and implementation of the business plan assisted me in seeing what was feasible and realistic versus what is not feasible and realistic. I am constantly referring to my business plan to help me focus and refocus."

Maria's dream was coming true. She began selling to retailers who loved her products.

In 1997, Maria participated in the first annual Baby Expo trade show in Honolulu, which itself has grown substantially, demonstrating the need for service in this area of the economy. At the first Expo, the Mommies Only Club projected sales of \$1,500 as a part time operation. By the third annual Baby Expo, sales had increased to almost \$10,000. It was clearly time to hire someone to help with the sewing and Maria began to outsource locally.

Outsourcing. Maria had already learned a bit about outsourcing when she worked for various apparel companies in Hawaii. She now learned even more about the advantages and disadvantages of using outside contractors. In contracting to large companies, the advantages and disadvantages were quite different from those of contracting to small home-based businesses. Her personal knowledge of how goods move, from concept to consumer, especially sewn products, which are, almost by definition, hand sewn, helped her keep her sales in line with her production capability.

While she recognized that some day she might need to outsource in foreign countries, she wanted to keep sourcing materials and labor from Hawaii as long as possible to give back to the community that gave to her. An immigrant herself, Maria wanted to give as much to the Hawaii immigrant community as possible.

MOC applies for a loan. In 2000, Maria applied for and received a Red Manini Micro Loan Program. Her loan proposal won high marks for its market research depth and analysis. The biggest factor holding back the growth of MOC was the land capital for fabrics, notions, craft fair entry fees, advertising and other smaller expenses. Maria knew for certain that if she got a small infusion of capital, she could handle her own salary and meet her payroll for contractors. "I just needed that little

extra push. My retail customers were in place, but without some capital I couldn't stretch far enough. My receivables were always just short of my capital needs." In return for the loan, Maria pledged her sewing machines, the value of two very small mutual funds, and her garment inventory. The Red Manini (manini means "stingy" in Hawaiian) micro loan period was one year.

Within the year, Maria repaid the loan. In the process, she had established her reliability and stability, and that of her company, which would help her get additional loans. Sales were such that she was able to develop new products that were exceptionally successful. She subsequently has obtained several bank loans to further expand her business. She now sells her products to retailers on the US mainland and is looking forward to additional expansions. Her market research, analysis and subsequent strategic planning have positioned MOC for substantial growth over the next few years.

Maria is aware that she is less of a risk-taker than other business owners might be. While encouraging and mentoring others who have the entrepreneurial spirit, she is actively seeking professional coaching that encourages her take more planned risks, fully understanding both the upside and downside risks. She has read the extant literature and realizes that risk aversion in business is more common with women than with men. She is learning. She told the class:

I know that my company is small and that, therefore, what I have at risk is less. I just don't want to disappoint anyone. I know though, that if everything fell apart, I would start over. But I know MOC will succeed. It has to. There are so many pregnant and nursing mothers who want and need my products. No one else is making what we make. We have customers who are entering their third pregnancy with products we made for their first pregnancy... and they are buying more... updated fabrics and styles." "And, of course, we've learned a lot, my team and I. We talk to our retailers, customers at trade shows, retail customers, and we are constantly learning more about what they want...what works for them, and what does not.

Maria showed pieces from her lines to the class. She also had pictures of a few of her customers wearing the nursing garments her company has manufactured. The pieces were impressive. For example: for nursing, one dress with a jacket had very cleverly hidden zippers on each side of the chest area to give infants access to the breast, and the matching jacket had a very large soft collar that was to be used to cover the breast and the baby while nursing; T-shirts allowed for discreet nursing in public; a diaper bag converts to a changing blanket and also to a small quilt. Maria showed the class pictures of gift baskets with various items for expectant mothers. The students were quite impressed by the ingenuity of the designs.

Maria travels often now, selling to retailers on the US mainland. She uses her time on airplanes to design and plan for the future of MOC. She says, "This is my business. I am doing what I always wanted to do...designing and owning my own business. Everything I've learned has led to this [business]. It will not fail. It will grow. There are no limits. I can do it. This is my destiny."



Asia-Pacific
Economic Cooperation

ANH CAO CO. LTD. THE WINNER IN A RACE “AGAINST THE CLOCK”

“No effort is too great and no detail too small when it comes to serving our customers. I do not advertise my business. Clients come to us because of the service we provide them”.

Nguyen Kiem, Founder, Anh Cao Co. Ltd.

After ten years in business the Anh Cao company had fully lived up to this statement by its founder, Mr. Nguyen Kiem.

The door opens

At the end of the 1980s, the Vietnamese Government introduced new policies designed to facilitate the development of various business sectors. The Foreign Investment Law promulgated in 1987 opened the way for substantial investments in Viet Nam. Thousands of foreign enterprises came to Viet Nam to exploit the emerging market. Viet Nam was not only considered promising because of its 80 million population but also because of the cheap and diligent labor force that was attractive to manufacturing companies wishing to export. For many foreign invested companies, the best way to facilitate export and import procedures was to take advantage of the export-processing zones established in strategic areas. Some set up their own service companies; others, working as assemblers, established their own component suppliers. They understood the inefficiencies of doing everything in-house, but were compelled to do so because of the absence of reliable component and service providers in Viet Nam. They searched unsuccessfully for freight forwarders who could handle importing procedures for components and parts that were much more complicated than for export or import of finished products. When Viet Nam opened its market, globalization had already resulted in different stages of the production process being located in different countries. For example, Ford cars were assembled in Viet Nam, but engines were supplied from Singapore and wheels from Indonesia. It was in this environment that, led by its tall and intelligent founder, Mr.

This case was written by Pham Thi Thu Hang PhD of the Viet Nam Chamber of Commerce and Industry (Viet Nam) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Mr. Nguyen Kiem solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

© Asia Pacific Economic Cooperation, 2003

For information, please contact APEC Secretariat Office at 35 Heng Mui King Terrace, Singapore 119616 or its email address at info@apec.org

Nguyen Kiem, Anh Cao Co. Ltd. came to earn a reputation for excellence in freight forwarding procedures as ‘word of mouth’ spread.

At first sight, Mr. Kiem might have been taken for a typical Vietnamese which was perhaps not surprising. The Foreign Trade College in Hanoi had been established at the beginning of the 1960s, and was the first College in Viet Nam to teach international business. Mr. Kiem was a member of the inaugural class. As a particularly able student, he was selected to teach English in college immediately upon graduation. The training program on "Advanced English" gave him great confidence as a lecturer and this led later to the choice by Mr. Kiem and his classmates of “Anh Cao” as the company name; translated into English it means "Advanced English".

The centralized nature of the Vietnamese economy in the 60s and 70s only recognized the state and cooperative sectors, so Mr. Kiem and his business ideas were confined to the lecture room. Dissatisfied with “chalk and talk”, Mr. Kiem nevertheless wanted to put his ideas into practice. In 1972, he started working with TOCONTAP, a state owned company. Three years after, he went on to work with VIETFRACHT, the largest state owned forwarding company, as an expert on market research.

His time at VIETFRACHT provided Mr. Kiem many valuable lessons and many opportunities to test his business intuition. At that time, Mr. Kiem was responsible for producing a weekly market report to his manager which became the basis for the action plans. Unlike most of the other reports submitted, Mr. Kiem’s reports were not only carefully analyzed in detail but also benefited from his intuitive sense. He did not rely on traditional methods of collecting information but used a variety of sources such as his network of former students, many of whom were working in information centers, or by tracking the number of incoming and outgoing ships. He remembered that “I was right in most of my proposals and suggestions. Once, I advised a Chinese businessman on the market trend, he did not believe me and suffered a big loss. He nevertheless rewarded me for my advice!”

Like many other state-owned companies in the planned economy of the 1980s, VIETFRACHT suffered from a cumbersome management system and had little decision-making autonomy. The system of subsidies and frequent government interference provided no incentive for the company to function efficiently and many business opportunities were missed. In 1991, encouraged by the introduction of a law allowing the establishment of private enterprises and permitting Vietnamese individuals to set up their own businesses, Mr. Kiem left VIETFRACHT.

Mr. Kiem understood that the time was now right for him to take the initiative, but he took care to formulate a suitable business idea. His thorough knowledge of import-export techniques and excellent English prompted him to set himself up as a consultant in import and export procedures, a complex area for many Vietnamese people in the early 1990s. This activity enabled Mr. Kiem to save sufficient funds to set up the Anh Cao Company.

In the years before the opening of the economy, Viet Nam had mainly traded with the Comecon bloc. Meanwhile, the US trade and financial embargo (which

remained in place until 1994) limited Viet Nam's international trading opportunities. While trade gradually expanded, only large companies having a registered capital of USD 200,000 were licensed to engage directly in import-export activities. Other companies were obliged to conduct import-export activities through such licensed companies. This regulation remained in force until 1997.

The early 1990s offered many opportunities for Vietnamese export-import companies. While small companies lacked experience in dealing with international business, large companies faced other difficulties. They had little sense of market forces, and were quite unable to satisfy the demands of customers in the developed economies. Mr. Kiem advised such companies on their operations, helping them to contrive a product mix that could bring high margins. "I discovered that I also had an intuitive sense for predicting exchange rate fluctuations. In most cases I could forecast the appreciation or devaluation of foreign currencies."

Mr. Kiem observed the fluctuating USD/Viet Nam Dong (VND) exchange rate and realized that many financial resources were being wasted. Foreign currency funds played a very important role in import-export trading. Importers frequently acquired foreign currency, but failed to take advantage of the falling value of the VND. Even in the very short opportunity between signing the contract and opening the letter of credit, Mr. Kiem taught them that "Time is money".

Thus armed with his business ideas, his expertise and the funds he had earned, Mr. Kiem started Anh Cao Co. Ltd. in 1993 with an initial capital of VND 150,000,000 (equivalent to USD11, 000). His classmates in the Advanced English course encouraged him, and several wanted to invest, but Mr. Kiem decided to take only his wife as a partner. In fact, he managed all activities of the company himself.

The company law had been newly promulgated and the management of a private company was new to me; it would not have been easy to manage a company with many co-founders. I preferred to start first on my own.

In starting his business, Mr. Kiem wanted his company to create a difference by offering the best services at reasonable prices while earning progressive profit. At that time, for many companies providing international transport and logistic services, what he wanted seemed impossible to achieve. But Mr. Kiem believed that it was the only way he would go into business. "If I could not create a difference I would not enter this field of business", said Mr. Kiem.

Mr. Kiem formulated some measures which he had to take in order to accomplish what he had set out to do in his business. First, he summed up what he considered as mistakes in serving their customers which Vietnamese and foreign freight forwarders committed in recent years. Second, he saw the need to simplify the process of doing business which would facilitate business operations and thus save time for the clients. Mr. Kiem thus concluded that "outsourcing was more cost effective than doing everything myself". (Even today, this concept is not widely recognized in Viet Nam).

Anh Cao had no warehousing facility to support its freight forwarding activity. However, Mr. Kiem saw that the large state-owned companies who were his competitors had transport and warehousing facilities in which millions of US dollars had been invested, but which were mostly not fully utilized. Mr. Kiem collaborated with these companies and trained their staff on how to work with Anh Cao. Both partners were happy since they could tap each other's resources and strengths to meet the various demands of their customers.

If the company did everything in-house, the cost and risk would have been very high. Everyone was looking for a 'win-win' situation. Many companies were convinced that it was better to have good business cooperation that brought mutual benefits.

To build up the company's reputation in a short period of time, Mr. Kiem decided to deal with the big customers first. He succeeded in doing business with the likes of Daewoo- Hanel Joint Venture Company and the 19-5 Textile Group.

Confident of his success, Mr. Kiem thus established Anh Cao as a private international air and sea freight forwarder. While it may not be considered an exceptional feat in other countries for someone of his age to be successful, in Viet Nam where there were only 4,000 private enterprises at the beginning of 1993, Mr. Kiem's foray into business could be really considered a big achievement.

Committed to the customer

Anh Cao had its own group of customers, joint venture or fully foreign invested companies, which needed to import all kinds of materials and parts from overseas to be assembled in Viet Nam and then exported. Obviously, "Price, Delivery and Quality" were key factors in industrial markets, while "just in-time" systems were essential to reduce goods and funds in transit for both suppliers and main contractors. Many transport agencies failed to understand this principle.

Mr. Kiem's main priority was to resolve problems in close cooperation with clients. Vinacrownimex, a producer of soft drink cans, for example, terminated contracts with three transportation companies within four months since none was able to provide "just in time" delivery service. Anh Cao was the fourth company providing this service and Mr. Kiem persuaded his clients to accept his methods. "I had to cut out as many steps as possible to save time for my clients. They now recognize the benefits my methods have provided".

Indeed, Mr. Kiem invested considerable time analyzing the supply chain and making himself fully aware of actual import and export procedures. Goods passed through a series of steps: transportation, freight forwarding, customs clearance, payment of duty, insurance and control and checking. Mr. Kiem, however, was able to reduce the total time required by the whole process by analyzing each step in detail.

It is unthinkable that giant assembly factories such as Ford Viet Nam or Orion-Hanel Electronics might be forced to halt assembly lines because one box of components had not been delivered on time.

That is gross waste, and quite unforgivable because it can be controlled.

Dong khoi is a Vietnamese expression meaning “to start up simultaneously”. I apply this idea to my business. It is not necessary to manage the import/export procedures in a series of sequential steps as part of a long process. Apart from actual physical transportation, all other steps, especially the paper work, can be carried out at the same time.

Customs formalities caused problems for most export-import companies in Viet Nam. Customs handling capacity was limited resulting in lengthy delays. Mr. Kiem therefore decided to enter the field of customs brokerage. Anh Cao clients such as Ford Viet Nam and Orion-Hanel exported their products and thus needed to import thousands of different spare parts for assembly. Preparing the customs declaration for 1,500 items could take as much as three days. Confident in the loyalty of his existing clients, Mr. Kiem invested in a modern custom brokerage system, setting up a computerized custom code system for each client in order to reduce clearance time. Anh Cao completed the declaration of 1,500 items in one hour and had become a virtual library for its client companies.

My business philosophy is total commitment to clients as their long-term forwarding agent. I do not only offer competitive forwarding services. My clients receive many other things free of charge: advice, market survey information, human resource management assistance, risk control, and others. Sometimes I help them in ways that they could not imagine.

When Mr. Kiem was asked about the greatest problem he met most often in his business, he replied, “I cannot think of any, because I constantly analyze my business very carefully and am thus prepared for almost all risks”.

Nevertheless an unexpected problem occurred some years ago. A competitor “lobbied” with one of his loyal clients who then decided to stop working with Anh Cao. Almost immediately, the client ran into problems with its new partner. Mr. Kiem worked to resolve the problem without imposing any conditions. There was no money in it, but the customer returned to Anh Cao.

Looking to the future

In the beginning, Anh Cao had only four staff. By 1998, however, the company had more than 50 employees. In the same year, Mr. Kiem leased four trucks from the Viet Nam Leasing Company (VLC); after 15 months, he purchased all four.

I do not think that we need much capital to run our business. We can use the facilities and capital equipment of our partners and clients. If I have an actual demand for ten trucks, I would only need to own five of them.

The company's assets were not large; as a whole, it accumulated a total of 20 trucks. But the annual turnover of Anh Cao had reached about 50 billion VND, equivalent to USD 3,300,000 in 2003. The company then employed 80 permanent staff. They were well educated and were encouraged to work loyally for the company. In many other Vietnamese companies, well-qualified staff often resigned after some time to open their own businesses. It was noteworthy that this did not happen often at Anh Cao. Mr. Kiem noted that "My staff bonus was paid in company shares, so employees actually worked for themselves. Once they decided to set up their own business, they often sought my advice and asked me to take some share, and I was pleased to do that."

Although its office was in Hanoi, Anh Cao expanded its business to cover the whole country, with branches in the major cities of Viet Nam: Haiphong, Noi Bai Airport, and Ho Chi Minh City. Recently, an Inland Clearance Depot (ICD) had been established in Hai Duong between the capital city of Hanoi and Haiphong, the major port in northern Viet Nam. Mr. Kiem predicted an industrial boom in this focal point of the Red River Delta and believed that the Hai Duong ICD would play an important role in Anh Cao's development strategy. Many foreign invested companies operated in the industrial zones on the Hanoi/Hai Duong/Haiphong road Hanoi. His eldest son, Nguyen Dich Dzung was managing the Hai Duong ICD, which was organized in the form of a joint-stock company, with Anh Cao holding 70%. "My son understands the stock market, thanks to his study in the USA. I believe that he can manage the Hai Duong IDC well, too."

All family members of Mr. Kiem were involved in Anh Cao. His daughter, Nguyen Kim Long, graduated from Tourism College and was in charge of the tourism division of the company. Mr. Kiem intended this section to become a specialized tourism company. He did not like the large corporation model, "Small is beautiful. I want to set up separate companies within one integrated system."

Mr. Kiem was fortunate to have family members qualified to run related Anh Cao businesses. At the same time, the team of managers in the company continued to provide him the support he needed. Each was encouraged to take an active part in management; to rely on teamwork; to add value to his or her ideas; and to help other managers to foresee possible risks and find solutions

The Vietnamese economy was transforming rapidly, but could not do so while ignoring globalization. Viet Nam, a "transition tiger", was an attractive place for foreign investors. Mr. Kiem observed that the operation of every foreign organization involved individuals and their families so he initiated new services to clear and transport personal goods for foreigners based in Viet Nam.

We are moving the precious belongings of families and international organizations. We know how excellent the quality of service must be, it must be second to none. It is not easy to apply the ISO standard in a service company and I do not think that ISO is appropriate for Anh Cao. Rather, I have designed our own quality management system

Mr. Kiem received large orders, thanks to his excellent service in attending to even small orders. He insisted on the value of “word of mouth” but even more important to him was his need to have close relationship with every client to gain their confidence. After ten years of operation, Anh Cao Ltd services had expanded into diversified fields: international and domestic removals, packing, office relocation and fitting, multimodal transportation, tourism, and insurance services, and others (See Appendix I)

Mr. Kiem had just turned 62 years old. Many of his business ideas had been put into practice. He was now considering investment in production. “ My future manufacturing companies would have factories for assembling, a joint venture in China perhaps”. Anh Cao's transportation services would thus face reduced risk, as it would be serving its own manufacturing companies. While this move would appear to contradict his initial thinking that "outsourcing is more cost effective ", he did not however want to run the risk of being unable to find “just in time” service for his manufacturing companies from other less efficient forwarding companies.

APPENDIX I

Main Activities of Anh Cao Co. Ltd

Ocean Freight Forwarding

- Project cargo management
- Door-to-door service
- Chartering service
- Warehousing, assembly, packing and crating service
- Comprehensive documentation and banking services
- Dedicated intermodal operations
- Sea-Air combined traffic
- Service contracts with worldwide carriers

Air Freight Forwarding

- Real-time information.
- Worldwide door-to-door consolidation shipments
- Space commitment with major airlines.
- Warehousing, assembly, packing and crating.
- Comprehensive document and banking service.
- Shipments moved on first available flight.
- Emergency shipment service.
- Handling fragile, perishable or dangerous goods

Removals, Warehousing and Distribution

- Comprehensive deconsolidation and distribution service.
- Pre-distribution management, Inspection service
- “Pick and pack” services, High quality packing materials.
- Consultation on documentary requirement and advice on customs procedures
- Office relocation and fitting
- “Just-in-time” free door to door delivery.

Logistic Project management

- Turn-key project service
- Rapid response capability
- Risk/opportunity assessment
- Job-site survey and traffic survey for project
- Cargoes

Customs Brokerage

- National service standard
- Client specific reports
- Comprehensive drawback services
- Tariff classification services
- Government licensed brokers
- Expedited inland shipments
- Landed cost analysis reports

Insurance brokerage

- Claims on loss control service.
- Customized cargo insurance protection
- Specialized transportation insurance
- Prompt response on claim and coverage
- Comprehensive underwriting authority
- Broadest coverage at best available rate.



Asia-Pacific
Economic Cooperation

PHAM THI LOAN AND HER AMBITION TO CREATE A FAMOUS VIETNAMESE TRADEMARK FOR VIET A

I do not doubt for one minute that the reputation for excellence of Vietnamese products will come to be recognized worldwide... said Pham thi Loan. Eight years later, Pham thi Loan fulfilled her dream by establishing a company of her own, Viet A, which had established its reputation as a leading manufacturer of electrical equipment.

The company was established in the middle of the 1990s when Viet Nam launched a new period of renovation. The Asian economies faced a financial crisis, and competition increased everywhere. Viet A decided to emphasize “Quality and Reputation” as its foundation for the future. Bringing all her drive and enthusiasm to the company, Pham thi Loan was determined that her company, Viet A, would become a big corporation with a universally recognized name.

Loan had begun her career as an English teacher in the Security Service College in Hanoi in 1985. Becoming bored with her teaching, she moved to Packexim, a state-owned packaging company in 1989. Three years in that company had provided her the experience of working in the state owned sector; it had also given her the opportunity to attend a training course in India that exposed her for the first time to the outside world. In the early 1990s, foreign companies were rushing to Viet Nam and as the market opened up, there was huge demand for English speakers. In late 1991, Loan left Packexim to work with the large Korean conglomerate, Hyundai.

Hyundai was one of the most successful Korean corporations and Loan was immediately impressed by its management system and working style. Working in a foreign company for the first time, Loan relished the open and stimulating atmosphere and enjoyed her work. “People were encouraged to develop their intelligence, and I liked that!” Hyundai’s experience in human resource development had resulted in a

This case was written by Ms. Vu Thuy Huong of the Viet Nam Chamber of Commerce and Industry (Viet Nam) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Vu Thuy Huong solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

system that encouraged the staff to work efficiently and contribute their talents to the company. Loan's dream was to become the "chief representative" or manager of the office. Her hope was that Viet Nam would soon develop a similar open and efficient system for staff development. Loan was very straightforward and very frank. Being a woman, she did not want to rely on after hours socializing to establish relationships, which was often the way of her male counterparts.

In Hyundai, Loan had her first experience in general trading, specially of electrical equipment. Was it suitable for a woman? She liked the job and worked very hard, sometimes returning home at 1 a.m. or 2 a.m. She was fortunate that her family never complained. Hyundai sent her to Korea for technical training, and this provided the seed from which she was to develop her own company later. In Korea, Loan observed that many products on the market were made in Korea; cars produced by Hyundai, Daewoo, KIA, and SsangYong far outnumbered imported vehicles. The Korean Government had protected domestic production very well. She hoped that one day, Viet Nam would do the same-manufacturing excellent products domestically and introducing efficient working systems. .

Hyundai was a well-managed Asian corporation but changes at head office led to some problems in personnel policy. In 1995, at the age of 33, Loan moved to the Hanoi office of ABB, the European electrical equipment giant.

Viet A was established in the same year, managed initially by one of Loan's brothers. The initial capital of 200,000,000 VND, (US\$ 17,000) was shared by Loan (65%) and a friend (35%). Being the eldest in a family of five brothers and sisters, she had simply intended to set up a small trading company to help her brother and family. "I have been a very good daughter, and I will be more than happy if in the future, my children do as I did", she insisted. They rented an office in Lang Ha Street and started the business by trading a number of electrical devices and components. Loan's job at ABB kept her busy all the time so she did not run the company but she supported her brother and acted as a consultant.

ABB's management style reflected European courtesy and politeness and that pleased the employees. Industrial relations in European companies were somewhat smoother and more stable than in Asian companies. ABB treated the staff with real consideration. Again, Loan was able to observe the diverse types of management and to compare the character of various global corporations. ABB had been established in 1883 and had acquired a worldwide reputation with more than 120 years of technological leadership. Loan's two years with ABB were particularly beneficial enabling her to gain a great deal of skill and knowledge of the electrical industry, especially automation and power technology in which ABB was very active.

In 1997, ABB sent Loan to Germany for training on electrical technology. Going to other countries, seeing famous brand names and trademarks, she wondered "why does Viet Nam not have its own trademarks and brand names? If only Viet Nam could manufacture something to publicize the name of Vietnamese products throughout the world!" That was Loan's innocent wish, because at that time she had no experience in technology or manufacturing. It was just a very strong desire of a Vietnamese woman, having a deep love for her country. " I love the Vietnamese

people and I have a healthy sense of nationalism. I want to make Vietnamese product known everywhere!”

Loan’s first idea was to go into the manufacture of switchboxes that were similar to the simple ones she had seen in Germany. She contacted a young Vietnamese friend in Germany and asked her friend to “study the technology in making such a switchbox, bring it back to Viet Nam, and let us produce it in the future!” Actually, at that point in time, the prospect of manufacturing was a prospect too distant and too complicated for Loan to contemplate, and it was very difficult to imagine the process through which it might actually take place.

Loan knew that advising her brother on Viet A was not easy, because she did not have enough training in the field of electrical industry so she decided to study management and production. “I participated in many training courses and gained a lot of new knowledge and technical skill. It had been invaluable in enabling me to manage Viet A now.”

One lesson she learned at ABB was that large corporations risked developing a cumbersome management system. In ABB, everything had its own process; a new employee had to follow company policy, and of course it was impossible to change the company’s work style and culture. The work culture at ABB was appropriate for big companies but would not work efficiently in the smaller companies that predominated in Viet Nam. Loan therefore decided to leave ABB in 1998. Reflecting on her situation at that time Loan commented, “I was very fortunate, I had been given the opportunity to observe how some large Asian and European companies manage their businesses. I learned a lot from them.”

She had decided to give up work for a while and had intended to go abroad to take an MBA, still with the same ambition to be the chief representative for a foreign firm or the manager of a Vietnamese office. Unfortunately, a motorbike accident kept her bed ridden for more than six months; she was to remain constantly afflicted with headaches thereafter.

Turning Point

The year 1998 was a very unlucky year for Pham thi Loan. She was 37 years old, the age of bad luck according to Asian tradition. She had given up working, suffered from the motorbike accident, and worst of all, faced a bitter divorce from her first husband. To escape from all these, she started to go to Viet A more often, helping her brother with the day to day work. It was at this point that Loan took the brave decision to enter the manufacturing world, and to set up her first factory.

While advising her brother from 1995 to 1997, she only wanted to stay in the background, reluctant to become trapped in the economic system of Viet Nam. It was so difficult to predict the future of a private company. Likewise, Loan also hesitated because to be “a woman entrepreneur, is so hard in Asian society.”

Fortunately, Viet A had a very good start. Loan understood that a sound power sector was essential for economic development so the company focused on trading in electrical components, appliances and devices. Viet A ordered and imported

various electrical components, spare parts, cables, testing equipment, switchboards, and then from foreign firms. From the outset, the company had identified a good market segment and found reliable clients. Starting in a small way, it had focused on quality of production and reputation. Foreign suppliers and domestic clients had gradually come to trust the name of Viet A and considered it a reliable trader. The business had developed quite well.

The Viet A Electrical Equipment factory, VAELEC, was officially set up in 1998, as an affiliate of Viet A trading. Loan described her feelings when she had gone abroad for training

I saw nearly all Korean cars only in Korea, and German products dominated the German market, why could we not make something ourselves in Viet Nam? Why are foreign people so talented? When will the Vietnamese people be able to emulate them? We should make the name of Viet Nam a symbol of excellence, and show it to the world! .

Loan's parents did not know what she was doing, and her friends tried to dissuade her "Loan, why don't you just stick to trading? That should be enough for you! Do you really think a woman can manage a factory? No way, it is so hard!" But Loan just smiled, "Don't worry", she said, "just wait and see."

Loan and her brother rented a place in Pho Noi, Hung Yen province where they started their factory operations. At the beginning, they recruited only a few dozen workers. The factory imported high quality spare parts from other countries for assembly in Viet Nam. Her first products were simple electrical boxes, cable accessories, switchboards, conductors, wires, joint boxes, and disconnectors.

The experience at Hyundai and ABB and the relationships Loan had developed through them proved to be of great value to her. She had good connections with outstanding Vietnamese technicians in the power sector whom she could hire as associate designers for VAELEC. These people were working with government institutions such as research institutes, and state owned power companies but found time to attend to her requirements outside of their regular jobs. They were very talented and many had been trained abroad. They were experienced and had excellent technical skills. Loan invested considerable sums in paying the technicians for their designs "It was very expensive, but it was knowledge, so I accepted that I had to pay for it."

The first year was really difficult for the factory. In order to carry out assembly, the workers and engineers were obliged to rely on the technicians Loan had introduced. As it turned out, the technicians did not always follow the exact process described in the design; no one wanted to give away their "technical secrets". However, some of her engineers and workers were very skilled and learned quickly from the designers. Gradually, the workers and engineers in Viet A progressed to the point where they could produce sophisticated electrical equipment and cable accessories themselves.

Loan was always faithful to her initial aim to build up the name of Viet A as a first class production base. She created a first-class image for the company and won the trust of the market. Having a very broad vision of the future, she spent substantial sums of money in training her staff, hiring technical experts, and buying highly priced software. Her workers made use of the materials to study and improve their technical skills.

In the initial stages of development, the various management responsibilities had exhausted her. It was very difficult to control the working style in a private factory where discipline was hard to enforce. Likewise, it was not easy for her to give orders or make requests to the men who comprised the majority in the workshops. In 1999, Loan decided to introduce the ISO management system in the factory, a process which lasted for about 10 months, with almost all the relevant ISO documents and papers written by her. By the end of 1999, both ISO and 5S had been applied in every production line and workshop, and the company had been issued an ISO certificate by BVQI. This greatly enhanced the quality control in the factory, which had since then been very well maintained. Loan was pleased to observe a very significant improvement in the working practices. Moving beyond ISO, Viet A will apply the Total Quality Management system (TQM) in the near future

“Being successful with my first factory made me feel great. It was a huge challenge for me and I overcame it”, she said with a very bright smile. Loan continued to pay for the development of the technical skills of her workers and to source electrical component designs from foreign countries. She said: “ I would not spend money to buy a beautiful car, but I have not hesitated to spend a lot of money to train my people, perhaps nearly a hundred thousand US\$.” It was not cheap to buy foreign technology, even an outdated foreign design was expensive, but her workers were good at learning and adapting. They improved production processes very quickly.

Viet A had already earned a strong reputation for quality production. Loan was very happy to see the company grow. A number of foreign partners had requested Viet A to use their brand names, or to enter into a joint venture, but Loan was not interested. She had great confidence in herself and her staff in Viet A. She was determined to maintain a purely Vietnamese name for her products, which were indeed really Vietnamese.

The year 1999 was a good year for private enterprises in Viet Nam. A new Enterprise Law was introduced, creating a more favorable environment for private sector development. By then, the name of Viet A had become known to the banks, and representatives of several banks visited Viet A, offering to provide substantial loans. It was a very encouraging sign. After four years of operation, Viet A had earned a good reputation and received support from several state-owned import-export companies that purchased Viet A products on favorable terms.

In 2002, a second Viet A factory was established and in the same year, a third composite factory was set up. Always insisting on her policy of reliable production, Pham Thi Loan had steadily built up high-quality facilities making excellent, safe, and reliable products, at reasonable prices.

Viet A could produce complete substations with computerized controls, protection and control panels with 110–220–500 kV capacity that few competitors could make. The company had a good team of engineers capable of making the most advanced designs. Materials and main component were imported from well-known reliable global manufacturers such as the G7 countries, Australia, USA, and Scandinavia. Production was in the hands of qualified and professional staff, working on high-tech manufacturing lines imported from Japan and USA.

Loan's Ambition: "A large Corporation"

"Viet A is not a large company, but I am quite ambitious." Pham thi Loan was not content to stand still and intended to expand the company into a big corporation. "When I was a teacher, I never thought of being an entrepreneur but Viet A will become a big corporation someday!"

Together with her colleagues Loan had drawn up an expansion plan. She planned to have five factories and representative offices in Da Nang, Hung Yen and Hochiminh City by 2005. Two more new factories would be completed, Viet A Electrical Construction and Viet A Cable. She intended to equitize the company, with Viet A Trading as the holding company, with 50% of the capital; five affiliated factories would hold the other 50%. Shares would be sold to company employees initially, and to the public when Viet A would have become stronger. Loan was quite ready to float Viet A on the stock market when the time was ripe.

"Viet A is not a family enterprise, my three brothers have gone their own way and now have their own companies, only my sister is in Viet A is helping me in the financial department." That was how Loan and her brothers preferred it. They had found it difficult to work with the complication of sibling relationships. It was unpleasant to have to quarrel with a close relation, and impossible to criticize each other at work. Loan therefore decided to support her brothers by setting them up in their own companies, and allowing them to use the Viet A name to give them credibility in the market.

Viet A had achieved a total turnover of more than 265 billion VND in the first half of 2003, and had established a reliable and efficient management system. The company focused on human resource development and created a pleasant working environment. The chief of personnel had received thorough training on labor issues and industrial relations. Viet A aimed to recruit talented people with good potential and with willingness to work for the company in the long term. Viet A staff were made fully aware that "The company is a family and colleagues are brothers and sisters"

Viet A activities ranged from trading to manufacturing, construction, design, consulting and engineering. The company offered clients a full range of cables, specially sophisticated alloy cables that called for highly demanding production technology. Its electrical accessories, cubicles, control equipment and devices, compact and complete substations, composite boxes and testing equipment were all expertly designed specifically for the Vietnamese market and able to meet the demands of the most difficult customers. The company had also designed, supplied,

installed and commissioned electrical turnkey projects and substations up to 500kV capacity

Pham thi Loan was the lead person at Viet A handling big projects such as: eight substations of 110 kV valued at US\$3.5 million; a substation of 220 kV at US\$5 million; and the project to supply and install the Ho Chan hydroelectric plant

“The most difficult thing I have encountered in my career was convincing others outside the company, to prove and defend my opinions to them” said Loan. Fortunately, there was a good understanding between Loan and her staff, and a flexible management system. She was able to convey her enthusiasm and inspire her workers so that they supported and believed in her ideas. Perhaps this was easier for her as a woman?

“I think having been a teacher was an advantage for me, I clearly allocate tasks to workers and engineers”, Loan explained. She had carefully observed the way of working at Hyundai and ABB, and identified their strengths and weaknesses. She recognized the importance of encouraging her staff and respected their individual role and ability. The staff were urged to cooperate wholeheartedly with their teams, but individuals were also trained to accept their own responsibility. Viet A maintained a “customer oriented policy”, continuously examining customers’ needs and meeting their demands to ensure their complete satisfaction. The company also carried out continuous research, trying to anticipate the customers’ future demands.

The company staff were satisfied with the working environment because they were themselves respected. Loan trusted her workers and let them make decisions through brainstorming and teamwork. If they could not solve a problem, the head of the section would meet Loan for discussion and advice. Viet A was running well. Sometimes, Pham thi Loan was away on business for a whole month, but the company continued to operate smoothly.

“The difficult thing for me now is the turnover of staff; people have come and gone, I have trained them, and they quit after a while. Besides my three brothers, two other experts have left Viet A to set up their private companies.” Throughout the world, retention of capable staff was one of the most difficult challenges for employers. This was especially true in Viet Nam. The country was changing so fast and many people aspired to be entrepreneurs.

Every new member of the company received on the job training and had to understand one principle: that a person should be brave enough to accept a loss rather than risk the company’s credibility or reputation. That was precisely what Loan had worked for in Viet A, maintaining mutual respect with her workers and protecting the company’s reputation and good image in the marketplace. Her first priority was to establish Viet A in the domestic market; once that had been done, she would be ready to export. Foreign suppliers in the field of electric components found it difficult to compete with Viet A since its prices were cheaper while the quality of its products was equivalent to their own.

“I don’t want to rush into exporting. I will ensure high-class production first, then go abroad to study what quality they expect.” Loan wanted to focus on building a sound company first; she had confidence in her own ability and had a clear vision of the future. However, Viet A was already selling products to foreign invested projects in the domestic market.

Pham thi Loan had always believed that she would be able to create a good market image and develop a sound client portfolio. Power generation was the essential foundation of the country’s economic development. If Viet A could establish itself as a reliable supplier, the company could look forward to a bright future. From the initial capital of 200 million VND, Viet A had acquired assets of 35 billion VND and was adjudged creditworthy by seven big banks in Viet Nam. Loan now wanted to expand Viet A activities to Bangladesh and Cambodia.

The Magnetic Lady?

As a woman, Pham thi Loan faced many obstacles in the electrical industry. Apart from her work at Viet A, Loan had to be a diligent mother. In 2001, she got married again to a construction engineer who was very supportive of her career and helped her overcome the effects of her motorbike accident. He made sure that she did not work long hours. She could not spend too long a time reading, and she rarely used a computer. She wrote her own notes leaving the typing to others.

Loan was lucky to have the full support of her parents, her husband and her two sons. The eldest son, Ho Tuan Anh, who was 17, liked to study heavy industry and wanted to become the successor of his mother in Viet A. “That makes me very happy, but my sons must study a lot before entering Viet A.” Loan intended to send her son to study in England since she felt that a good English training was essential for him.

Loan could not explain why the electrical industry had become the basis for her life work; perhaps it was her destiny as an entrepreneur. In Asia, people believed that if entrepreneurs found a business in which they felt at home, they would be successful, and that was true for Loan. Her career had demonstrated that a woman could do very well in the field of heavy industry. She really enjoyed her job and had acquired excellent technical skills. She felt very fulfilled after overcoming the difficulties. The most difficult and unforgettable story for Loan and Viet A was the Asia Development Bank (ADB) electrical bidding in 1998. The project which was worth US\$3.5 million involved the supply of switchboards, cables, substations, and other electrical devices. Although Viet A ranked, 4th initially, Loan strongly believed that her company would succeed in the bid, because she knew very well the advantage of Viet A and the weak points of the three other competitors. “That was a fierce battle, the strongest competitor was PNI Thailand, a Thai company, established by a Frenchman who understood Asia very well.” Both were competing strongly and PNI sent a new proposal to the ADB office in Manila. Loan had to do the same thing; she produced a full set of technical documents to prove the feasibility of the Viet A bid for the project. After two years, ADB Manila awarded the contract to Viet A.

The company had no foreign competitors for small substation projects since Viet A prices were reasonable and the products were well adapted to domestic market conditions. Many Vietnamese organizations had come to trust Viet A as a completely reliable supplier. The Viet A workforce was kept busy with the construction and installation of power projects up to 110 kV capacity for both civil and industrial purposes.

Viet A had created work for more than 500 people and is expected to increase its workforce in the future. Loan was very happy to be able to provide jobs enabling people to have a better life. She was born in Hanoi but her family came originally from Nghe An province in central Viet Nam. She had gone to the countryside with her mother when she was just over 10 years old. She felt sorry for the farmers because their life was so hard, and wanted to do something to make their work easier. She wanted to develop automatic machines for rice harvesting, alongside the next Viet A project-building a mould casting factory.

It was not easy for Loan's family and friends to accept that aside from being an English teacher in the Security Service College, Loan had become a successful entrepreneur in the power sector. Her biggest motivation was the unwavering ambition to prove the ability and spirit of the Vietnamese people. Born in 1950, the year of the Tiger, Pham thi Loan was still young enough to devote her many talents to Viet A. Over the last eight years, she had proved to be the heart and soul of the company. She pictured Viet A to herself as a "Roaring Tiger" dominating the most difficult industry in Viet Nam. The entire staff were striving together to achieve their goal, a bright and long-lived future for their company, Viet A.