

Client Interview

Thomas Chua Chairman & Managing Director, Teckwah Industrial Corporation Limited

Winner of the Singapore Quality Award for 2006



DPI's Strategic Thinking Process In Action

The only constant is change. In this interview, conducted in 2002, Thomas Chua tells how, with the assistance of Andrew Sng, DPI Asia's Senior Partner, his company used DPI's Strategic Thinking Process to not only weather radical shifts in their environment, but to actually leverage those changes to create new prosperity by consciously and deliberately changing its strategic DNA – not once, but twice!

Leveraging Change Into Strategic Advantage

The story starts this way: Two guys in a dormitory room write an ingenious software program. People like it and want to buy it. They start a company to market it and develop future enhancements. The company grows. Pretty soon, they're spending a lot of their resources on activities unrelated to software and customer support. Package development. CD production. Order fulfillment. Retail distribution. And on and on. Profits lag, and innovation loses momentum as the business gets bogged down in more and more complicated logistics.

Then along comes Teckwah, an entrepreneurial Singapore-based company that provides complete supply-chain services, from packaging design through shipping and distribution. The two guys heave a sigh of relief and get back to what they do best—creating software. Their company starts growing again.

Teckwah – From Cardboard Boxes To Supply Chain Management

The idea of becoming a "complete supply-chain management services provider" to the IT industry didn't come to Teckwah out of the blue. The concept developed in stages, with the help of DPI's Strategic Thinking Process.

Teckwah first opened its doors in 1968 as a printer of cardboard boxes. Under the guidance of Founder Chua Seng Tek, father of present managing director Thomas Chua, the company did well in Singapore's thriving manufacturing-based economy. After all, most manufactured goods wind up in cardboard boxes. It was a good niche, and the company gradually moved on to more sophisticated commercial printing and packaging products as their customers' needs changed.

The company eventually served a variety of markets such as food and beverage, toys, consumer electronics. Fast-forward to 1994, when the company went public.

For a while after the offering, Teckwah continued to prosper. But times were changing, and the company was in danger of being left behind. As one packaging printer among many, it found the competitive environment heating up while Singapore was gradually diminishing its emphasis on manufacturing and moving into the era of the "knowledge-based economy." With a hefty overhead in printing facilities, the company was feeling the pinch.



As Thomas Chua recalls: "In the early nineties we were working very hard to get listed on the Singapore Stock Exchange. We were at the peak of our performance in both top and bottom line at the time of the listing. But we really had not addressed what we would do next. Our planning for the future had all been done based on what we had done in the past—commercial printing and packaging materials. We expanded geographically into China and other regions. But after a while we felt we had lost our direction and that something had to be done. But what—and how? Coincidentally, a letter from Andrew Sng, a DPI partner in Singapore, hit the right note and we decided to call DPI in. We liked the idea of a process that would guide us to think logically and strategically. I was also looking for a platform where I could involve other levels of staff."

So in 1997, the top three tiers of Teckwah management went through DPI's Strategic Thinking Process.

"It was a session that involved all the right people," Chua recalls. "It was because of this team involvement that top management and the next two levels down could understand one another's opinions and thinking better. This enhanced the communication between the top management and the next levels since we were able to use a common language when talking about strategy. The interrelated questions led us to think through the implications of our past, present, and future internal and external environments and finally arrive at a consolidated picture that captured all of these."

The sessions resulted in a major shift in the focus of Teckwah's business, culminating in the agreement among the management that their Driving Force should change from *Capacity-driven* to *Market-Driven*. They would concentrate on one rapidly growing customer segment the IT industry—and provide those customers with new services that were logical extensions of printing and packaging.

"As we went through the DPI process, we finally realized that in the past we had just banked on our production capacity," Thomas Chua recalls. "But expansion in that kind of business is difficult and expensive because you have to buy more machinery and keep it running at top capacity, so to fill capacity, we would serve anybody we could offer our services to. It became so competitive, and all our competitors were doing the same thing. There's no point to trying to keep up the capacity if you don't have the business. So we decided to focus on one or two industries and expand our range of services to them. We studied among the industries we knew and decided that the emerging information technology industry, which we were already involved with, had the most potential. So we changed our Driving Force to *Market-Driven*. We concentrated on providing higher-value services to that niche market, and it worked."

At that time, the IT business was in a rapid expansion mode, with an explosion in product development and marketing. Teckwah saw a need for a growing list of services all related to printing—activities that are not core competencies of its customers. The opportunity was there for the taking—if they could effectively make the needed changes in their organization. So, as part of the process, they developed a list of Critical Issues—actions that would be essential to the successful implementation of the new strategy. Foremost among them were attracting top-notch people with knowledge of the industry and discovering and developing the services that would be most valued by this burgeoning segment.

The business concept that emerged was right on target, the Critical Issues were effectively accomplished over time and the company's range of services—and top and bottom lines—grew. Management today feels that the successful deployment of this strategy was greatly enhanced because of participation in the DPI process by several levels of Teckwah managers.

"We liked the idea of a process that would guide us to think logically and strategically."

—Thomas Chua

Says Chua: "Our middle management level understood our strategic profile better because they were involved, and so there was *ownership* in the action plans, and they cascaded the action plans down to their subordinates. Now we have a set of documents, a strategic filter, for us to refer to. Whenever we want to invest or make some major decision, we check whether it is in line with our business concept and strategic profile. A good example in that we decided to divest a subsidiary which, although it is profitable, did not fit our strategic profile anymore."

Thomas Chua describes the new strategic direction that emerged from the Strategic Thinking sessions: "To a certain extent we changed the rules in our sandbox. As a packaging printer, usually you produce your packaging box in your factory and deliver it to your customer, and they do the final packing. Now, as one example of how we have changed that system, our customers could send their finished products to our factory and we would do the final packaging and fulfillment for them. So this is not a standard practice. We even do the sourcing for the customer in some of the accessory items. So we made a transition from printing to what we now call the supply-chain business."

As the new concept took hold, profitability improved dramatically, as expansion was now far less capital-intensive than growing the printing business had been.

"First of all," Thomas Chua says, "the supply-chain business is more service oriented compared to printing and packaging, which is more production oriented. And when the supply-chain business expands, we don't have to invest heavily in equipment. Investment is more in people and computer systems. So when the business grows, expansion is much less costly."



Staying Agile In A Radically Shifting Environment

Yet, despite all of this success, two unforeseen shifts in Teckwah's external environment—the Asian financial crisis and a sudden slowdown in IT industry growth—prompted a strategic review in 1999.

Again, Andrew Sng led the Teckwah managers through the DPI process with a very unusual result—a second change of Driving Force! Recognizing that growth in IT and the economy in general had diminished, and that Teckwah had developed a sophisticated supply chain management expertise, they decided to change their Driving Force to *Capability*. The capability, of course, is supply-chain management. The main difference would be the development of an even deeper set of service offerings and the ability to eventually expand the range of customers to include new markets.

Says Chua: "We did our second review in '99. We had been doing okay when we changed from Capacity-driven to Market driven. We saw the strength in our results. But when we saw these major, unexpected changes happening, we started asking ourselves if we should still focus on the same model, or should we change? We supposed to have a review in 2002, but because of the Asian financial crisis, a lot of things had changed. It was time for us to look into all the fundamental assumptions. Our competitors were also beginning to imitate us because they saw how well we performed. As a result of going through the process a second time, we decided that if this new supply-chain capability proved to be well received by the IT Industry, one day we could have the same capability to serve other industries such as pharmaceuticals."

The strategic refocusing has enabled Teckwah to once again forge a new direction and new growth without having to abandon its existing skill base. They are simply building onto it to find profitable opportunities.

"So now we are a total solution provider. We offer complete solutions to customers. We take over the customers' responsibility in the area of supply-chain management. It's high value and they pay us for that. Now that's *totally* different from an ordinary, traditional printing and packaging company. But there is still a genetic connection between where we started and where we are now. We are still very much linked to printing and packaging. These are core competencies. But this new strategy gets us out of our old sandbox," Thomas Chua states.

"The business performance, the growth and the bottom line are all positive," he says. "In 1997, almost 100 percent of our business was printing and packaging. In 1998, the supply chain business was 6 percent of the total business. In 1999, it was 19 percent; in 2000 it was 49 percent. Today [in 2002], it is almost half and half. Last year [2001] our turnover, compared to 1999, almost doubled. The top line doubled from 70 million Singapore dollars (41 million U.S.) to 130 million (76 million U.S.). The bottom line doubled from 7 million to 14 million Singapore dollars."

Looking back, he says: "We could have engaged a consultant from our industry, but we chose not to. DPI's tool is applicable to all industries. The DPI process emphasizes changing the rules and controlling your sandbox. This intrigued us very much, and we have done that."

"Also," he concludes, "I think that this process is very complete. It is not difficult to apply or understand. It is a process that *TEACHES YOU TO FISH*; it doesn't give you a fish! It's our own input. At the end of the day, we feel it is *our work* and not that of a consultant. This makes implementation much easier. Through the DPI process, we changed our mindset. In the past, our slogan was '*Good Printing For a Good Image.*' Now our slogan is '*Best People, Best Solution.*'" from the 'pre-DPI' time to the end of 2000, Teckwah's revenue has grown 250 percent. Along with an overall recovery in the Asian economy, and the absolute commitment and hard work of our people, DPI is a key catalyst of that growth."

DPI Asia is the Asian operations of Decision Processes International, a global management consulting and human capital development firm specializing in critical thinking processes that help organizations transform the way they conduct their business.

For more information on our Strategic Thinking Process, read **The Strategic ThinkerSM** an insightful series articles produced by DPI Asia that take a PURE & SIMPLESM look at the topic of Strategic Thinking and, in particular, how our renowned Strategic Thinking Process helps guide clients on the path to strategic supremacy.

The **Strategic ThinkerSM** articles are available to subscribers of our blog. Register at www.dpi-asia.com or dpi-asia.blogspot.com.

Partial List Of DPI Asia's Clients:



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