

PENANG FORUM (21-22 NOVEMBER)

‘DIRECTIONS & CHALLENGES for LOCAL INDUSTRIES’ *by Mr. Lee Siong You*

A) 1st PHASE – LEARNING + ESTABLISH BUSINESS ENTREPRENEURSHIP (Fr: 1992 – 1997)

1. SET-UP THE BENCHMARK FOR THE INTERNATIONAL QUALITY STANDARD

- ISO 9000 / Year 2000 Version
- QS 9000 – TS 16949 for Automotive Industry
- MDD / FDA ISO / 13485 – Medical Standard
- ISO 14000 – Environment Standard
- IPC Standard for Workmanship
- TQM = A Long Term Plan

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2. ESTABLISH WORLD CLASS MANUFACTURING CAPABILITY

Coupled with SPC (Statistical Process Control) System

- 6 Sigma, Green / Black / Master Black Belt
- CPK > 1.33 for Key Parameters
- Continuous Improvement Process
- TPM
- 5S
- ERP System with MRP and Shop Floor Control

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3. ESTABLISH FAILURE ANALYSIS CAPABILITY

- Root cause problem solving
- Ability to use advance tools / equipment

(such EDX / SEM, X-Ray, C-Sam, AES, XRF etc and Analysis of Data)

4. PENETRATE LOCAL MNC AS KEY CUSTOMERS / BUSINESS PARTNERS

- ATM

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B) 2nd PHASE - GROWTH INTO GLOBAL BUSINESS CHALLENGES (1998 – 2003)

GLOBAL MARKET COMPETITION

1) KEY COMPETITORS

- China, India, Vietnam
- GDP≈ (USD 1K) vs. 4-5 USD (Malaysia)

2) MAIN COMPETITIVE DISADVANTAGES

- Low Cost + Price Erosion 20% / Yearly
- Huge Market Potential
- Large Labor Resources

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GLOBAL MARKET COMPETITION

3) MAIN COMPETITIVE ADVANTAGES

- Very Establish Technical / Skill Labor Resources
- Very Strong Q&R, Yield, Process Control
- Good Infrastructure

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4) OTHER KEY SUCCESS FACTORS

- One Stop Solution Provider
 - [R&D → Turnkey Manufacturing → Drop Shipment (ODM)]
([Document Link - R&D Capabilities](#))
- Ability To Manage Short Business Cycle & Product Life Cycle
 - (2 yrs to 6 months)
 - Price Erosion 20 % /year
- Ability To Manage Shorter TPT
 - (6 days to 2-3 days)
 - WIP – Low
- JVA or Alliance With Foreign Technology Partners

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GLOBAL MARKET COMPETITION

5) POTENTIAL IMPACT OF KYOTO PROTOCOL ON GLOBAL BUSINESS

- ROHS Compliance
- FULL GREEN Compliance

([Document Link – Substances Restriction > ROHS](#))

([Document Link – Substances Restriction > GSE](#))

6) POTENTIAL IMPACT OF HIGH CRUDE OIL ON ORGANIC RAW MATERIALS

- + 5% - 10% or Higher
- Logistic Cost – Up By 20%
- Shortage of Raw Material (30% Shortage)

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7) MANAGEMENT OF FOREIGN CURRENCY IMPACT

- USD vs RM
 - YEN vs RM
 - EURO vs RM
 - RM - Unpeg
- } * 90% of the raw materials are quoted in USD
* 100% of the Advance Technologies Equipment are shipped from Japan, USA and Europe

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8) SKILLFUL WORK FORCE STABILITY

- Foreign workforce is a must nowadays
 - 50% Foreign Workforce
- Human Capital Investment
 - 1% HRDF is not sufficient

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C) 3RD PHASE - TECHNOLOGIES TRANSFORMATION WITH FUTURE CHALLENGES AND DIRECTION (From 2004 – 2014)

1) BUSINESS VISION WITH THE NEW EMERGING TECHNOLOGIES

- Huge Business Potential

2) VERY HIGH R&D INVESTMENT ESPECIALLY IN :

- Equipment / process Development
- IP Right
- Governmental Support Needed in Terms of R&D Grants

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- 3) **FORM ALLIANCE WITH FOREIGN R&D AND TECHNOLOGIES HOUSE**
- 4) **COMMERCIALIZATION OF NEW TECHNOLOGIES**
 - Expected 2006 to 2009
- 5) **WINNING BUSINESS MODEL**
 - Horizontally
 - Vertically Integrated

Thank You