

Q & A with the President & CEO



Peter Tay Buan Huat
President and CEO

Q1 :

Mr Tay, another year is over. Looking back, did the year's performance meet with your expectations?

A1 :

FY2002 began with a mixture of uncertainty and hope. The Singapore economy had just gone through a year of negative growth in 2001, following the bursting of the Internet and Telecommunications bubble and the 9/11 events. For SFI, we were hopeful of driving profit growth to levels comparable to the last few years. In pursuit of this, we continued with our 4 strategic thrusts to:

- actively seek overseas investment opportunities,
- strengthen our partnerships with key customers,
- pursue new business opportunities and product innovations while reviewing our existing business portfolio, and
- enhance our business and operational excellence through improved systems and processes.

Thus, for example, in Singapore alone, we undertook 19 EVA projects and 5 Six Sigma projects that helped to reduce costs in our operations and improve work processes. We also made a strategic review of our business portfolio and divested our entire 30 per cent stake in Aik Hua F&B group, an associate

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company for a small one-time capital gain. This divestment enabled Aik Hua to merge with another partner to realise their own ambitions.

In the event, despite the substantially reduced requirements from a key customer and the weaker-than-expected economic recovery in Singapore, we managed to achieve credible growth in profitability as a group, marginally ahead of our guidance given at the beginning of the year.

Q2 :
Would you describe 2002 as an eventful year for SFI?

A2 :
In a sense, 2002 was a watershed year for SFI. Even as we addressed the numerous operational challenges faced during the year, we undertook a number of significant corporate developments that would have longer-term implications for the SFI group. We successfully completed a cross-border take-over of S Daniels Plc, a listed company in the UK in a short period of 8 weeks when our Offer went wholly unconditional in late November 2002.

We also had a change of major shareholder, from SembCorp Industries Limited to Singapore Technologies Private Limited, when the former sold its entire 75 per cent stake in SFI to its own shareholders through a preferential rights offer. Singapore Technologies, who is a shareholder in SembCorp, now holds nearly 72 per cent of SFI's issued share capital.



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Q3 :
Would you please elaborate on the significance of these developments?



A3 :
For the better part of the last 28 years, most of SFI's sales have come from the Singapore market. Over the last 5 years, sales from overseas operations have grown steadily, and in FY2002, accounted for 38 per cent of total group sales. The acquisition of S Daniels will significantly increase this proportion further. Based on current growth trends, sales from our UK operations, International Cuisine Limited and S Daniels Plc, could be as high as that from Singapore operations. Together with sales from operations in China and

Australia, sales from overseas operations are expected to account for more than half of total group sales for FY2003.

Going forward, I expect that SFI's growth will come primarily from overseas rather than from Singapore operations. While we will still look for growth opportunities in Singapore, we will increasingly focus our attention on opportunities overseas. As such, we can expect the corporate profile of SFI to

transform from a Singapore-centric corporation to a much more international corporation with multi-domestic characteristics. I emphasise multi-domestic because in the food industry, it is important to recognise that cultural and taste preferences vary from country to country, and even amongst regions within the same country. We need to address these preferences at the local level. We will continue to be selective in where and what business we invest in. But the business strategy will continue to be one that seeks out opportunities in markets and products that offer higher than average growth potential in the countries we choose to operate in.

The change of major shareholder, I believe, will be a positive factor in contributing towards this transformation. The uncertainty of the major shareholder issue over the last 2 years, wherein we were considered non-core by our then major shareholder, and hence subject to divestment, has finally been resolved. With Singapore Technologies as a long-term strategic investor, the SFI management can now fully focus its attention on developing appropriate strategies and pursuing further opportunities for growth.



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Q4 :

As SFI goes through this transformation in the next few years, what will be top-most in your mind regarding the challenges SFI will face?

A4 :

I believe we must continue to manage our personnel resources well. Attracting talent, transforming hidden talent into visible talent and growing talent instead of just hiring from outside will ensure that the SFI group can transform and compete successfully in the markets and businesses it operates in. The market for talented people is increasingly a global one, and we must accept that talented employees are highly mobile. The challenges in identifying, nurturing, and motivating individuals are many, and top management must provide the leadership to address these challenges. Leaders need to be “Master Coaches” – get people to do what they would not have done on their own, in order to achieve what they have always wanted. We believe in an integrated approach in people management - aligning talent with business strategies, active and open communication in formulating business objectives, relevant training and rewarding career development, and testing individuals for brilliant execution (and not just good planning and analysis). To do all these we shall continue to:

- build robust, yet adaptable and scalable systems,
- identify, prepare, and develop our people to be at the forefront of change, and
- foster strong corporate values and professionalism throughout the organisation.

Another facet of this issue of people management is the recruitment and retention of skilled and motivated individuals in the overseas locations we invest in. As a result of our growing overseas



investments, we are in a good position to cast our net wider in the search for talented people by tapping into the pool of local management in these various overseas locations. We need energetic people with the drive to operate in diverse geographical environments, and who possess the cultural sensitivity in working effectively with people of different backgrounds and nationalities. This latter aspect will become more evident in this coming year as we bring Daniels into the SFI family. In the global

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economy, knowledge and expertise as embodied in key human talents will be the decisive factor in whether and how well we succeed in an unforgiving rough and tumble world of relentless change and competition.



Related to these efforts is the issue of succession planning. We shall continue to strengthen the management bench. Succession planning is an intrinsic building

block in laying the foundation for a living, successful and vibrant company that can master its competitive landscape. At SFI, we have in place a process that allows us to identify the talents of each promising employee, individual development needs, competency gaps for training and development, and career paths for key positions in the future. Our people will be enthusiastically challenged, with the stress on delivery of results and teamwork. Implicit in this process is the need to ensure that these key staff are imbued with the company's culture, adopt the company's values as their own, and exercise integrity and professionalism in whatever they do.



“Succession planning... for a living, successful and vibrant company that can master its competitive landscape.”

Q5 :

How do you support this process? Is there a framework, for example, by which you can leverage the skills of your talented people?

A5 :

To complement our various business and managerial initiatives, we have developed and implemented a framework of systems and processes designed to help us achieve business excellence in all that we do. This Business Excellence Framework provides a robust and scalable approach to every facet of our operations, while at the same time remaining flexible and responsive to the changing business environment. Our business unit leaders will have the intuition to handle the untold and the unseen and to address work-life balance in this challenging and ever-changing business landscape. The system is also culturally transparent, so that it can be applied at any of our overseas units with the appropriate training and guidance. For example, our UK operations have used the Six Sigma methodology to improve product yields and address product shortfalls, thereby reducing production costs and improving customer service levels. Our China operations completed a Six Sigma project which resulted in a 20 per cent reduction in energy cost. Indeed, the effectiveness and practical value of this framework is reflected in our FY2002 performance. While sales continued to be rationalised and grew a modest 4.9 per cent, profit after tax and minority interests (PATMI) grew at twice the rate of 10 per cent.

Q6 :

Finally, how do you feel about 2003 and beyond?

A6 :

Looking ahead, the uncertainties of 2002 will likely continue through much of 2003. We will need to continue to be nimble in a changing competitive environment, and continue to run a tight ship. The foundations we have laid in building up our overseas operations and honing our internal systems and processes will put us in a strong position for continued growth. Despite being in a perceived low-growth food industry, our mindset is that “No business is mature, No market is fully penetrated.” There are numerous viable business opportunities, but we must work hard and execute well, and I am confident that we have a management team with the disposition and determination to carry this out.



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