

## 53rd GBM approves new strategic directions and hails productivity champions

The 53rd Governing Body Meeting (GBM) was held 19 to 21 April in Malaysia at the Royale Chulan Hotel in Kuala Lumpur. A total of 57 participants attended the three-day event, which was hosted by the Malaysia Productivity Corporation (MPC) for the second year in a row. Originally set to be hosted by the Government of Japan in Tokyo, the high-level gathering was moved to Kuala Lumpur after the earthquake and tsunami struck Japan's northeastern region in March. The APO Secretariat had been in the thick of preparations for the GBM and the APO 50th jubilee celebration when the tragedy struck. The Government of Malaysia, through the MPC, readily accepted the request of the Government of Japan and the GB that Malaysia host the meeting. APO Directors and advisers representing all active APO members and observers from partner organizations like PAPA and the Colombo Plan attended. The GBM elected a new chair and vice chairs for 2011–2012: APO Director for Lao PDR Somdy Inmyxai was elected APO Chair while APO Director for Malaysia Azman Hashim and APO Director for Mongolia Yamaaranz Erkhembayar assumed the positions of First and Second Vice Chairs, respectively.

A highlight of the GBM was the approval of the proposed new strategic directions of the APO for 2011 to 2020. The APO was established in 1961 with the mission of contributing to the socio-economic development of its members through enhancing productivity. With global developments calling for improved competitiveness and sustainable development of countries, the GBM agreed that the APO must conduct its mission in the next 10 years with a view to supporting the “sustainable socioeconomic development” of members. In line with this modified mission statement, the APO's new vision “To be the leading international organization on productivity enhancement, enabling APO economies to be more productive and competitive by 2020” was also approved. In the next decade, the APO's strategic thrust areas will focus on strengthening NPOs, promoting the development of SMEs and communities, catalyzing innovation-led productivity growth, and promoting Green Productivity.

The Inaugural Session on the afternoon of 19 April was opened by Chairman of the Board of the MPC Azman Hashim, who welcomed the delegates. Malaysian Minister of Trade and Industry Yang Berhormat Dato' Sri Mustapa Mohamed delivered the inaugural address. Other guests of honor during the Inaugural Session were APO officials led by outgoing Governing Body Chair Dr. Dong-Kyu Choi (Republic of Korea) and First Vice Chair Somdy Inmyxai (Lao PDR). The inaugural session was highlighted by the conferment of the APO Regional Awards 2011 on five distinguished productivity champions, led by former President Fidel V. Ramos (Philippines) who gave the keynote address. The four other distinguished recipients of the APO Regional Awards were Dr. Tyzz Jiun-Duh (Republic of China), Rachmat Gobel (Indonesia), Tsuneaki Taniguchi (Japan), and Dr. Dong-Kyu Choi (Republic of Korea).

In his welcome address at the inaugural session, Azman Hashim conveyed the MPC's honor in hosting the 53rd Session of the APO Governing Body. He expressed confidence that the 53rd GBM would provide an avenue for deliberation on a broad range of issues concerning the way forward for APO programs to raise regional productivity. Minister Yang Berhormat Dato' Sri



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L–R: APO GB 2nd Vice Chair Y. Erkhembayar, 1st Vice-Chair Azman Hashim, Chair S. Inmyxai, APO Secretary-General Yamazaki, and Secretariat Administration and Finance Director Sherman Loo at the plenary session on the opening day. Photo courtesy of MPC.



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Mustapa Mohamed in his inaugural address noted that Malaysia had adopted a new economic model that would hopefully elevate the country to a higher growth path. He emphasized that the role of government was to provide an investment environment conducive to attracting quality investments and developing high-quality human capital. In this drive toward growth, he believed that Malaysia, as a member of the APO, had learned valuable productivity lessons from its Asian neighbors and would continue to intensify its productivity and innovation programs for the creation of high value-added activities in the economy. Former President of the Republic of the Philippines Fidel V. Ramos, one of the five APO Regional Awardees for 2011, delivered the keynote address. The GBM received reports from Secretary-General Ryuichiro Yamazaki, which included the APO's performance in programs and projects and the audited financial status for 2010.

On day two of the GBM, APO Directors spoke on the strategic and operating challenges of the APO and the measures to address them. Foremost in the minds of members was ensuring that the APO would be able to sustain the delivery of its services to all members while efficiently managing operational constraints, especially financial resources. With the global crunch being felt by all, the GBM agreed that it was an imperative to rationalize existing programs and projects so that they were more focused and direct in creating benefits for members, consistent with the APO thrust areas of strengthening NPOs, SME development, Green Productivity, and innovation-led productivity growth.

GBM delegates also visited the facilities of MM Vitaols Sdn. Bhd. in Kuala Lumpur. MM Vitaols is a multiple award-winning manufacturer of edible oil and fat products which exports to 81 countries and exemplifies an SME that has carved out a market niche through the adoption of tried-and-tested best practices in business and quality management. The delegates were given a presentation on the company's profile and taken on a tour of the factory's facilities and operations. 🌟



APO Regional Awardees 2011 (L-R): T. Taniguchi (Japan), D.-K. Choi (ROK), F.V. Ramos (Philippines), R. Gobel (Indonesia), and T. Duh (ROC). Photo courtesy of MPC.

## A look at Asian productivity in the last decade

### Koji Nomura

In terms of aggregate production, there exists a huge divergence in performance among Asian countries. At the two extremes, annual production per capita in the poorest economies corresponds only to the average weekly production for an individual in their rich counterparts. Almost all of this extensive gap in per capita GDP is explained by the variation in labor productivity performance. This article evaluates the current cross-country divergence in labor productivity levels and countries' productivity performance in the last decade against the historical performance of the Japanese economy in the past century as a benchmark.

Figure 1 shows estimates of the levels of average labor productivity per hour worked (ALP) in Asia in 2008, based on the latest APO Productivity Database. To facilitate cross-country comparisons, observations are plotted on a logarithmic scale and against the long-term trend of Japan's ALP for the period 1885–2009, with its 2009 level normalized to 1.0. While we should be mindful that level comparisons of productivity among countries and over periods are subject to a large degree of data uncertainty, they are adequate in providing rough sketches of the productivity divergence in Asia.

In general, ALP growth is achieved via three channels: technological progress in production; greater use of capital relative to labor input; and human capital development. They are captured in the standard framework of productivity measure-

ment as changes in total factor productivity (TFP), capital deepening (capital input per hour worked), and labor quality, respectively. At the whole-econ-

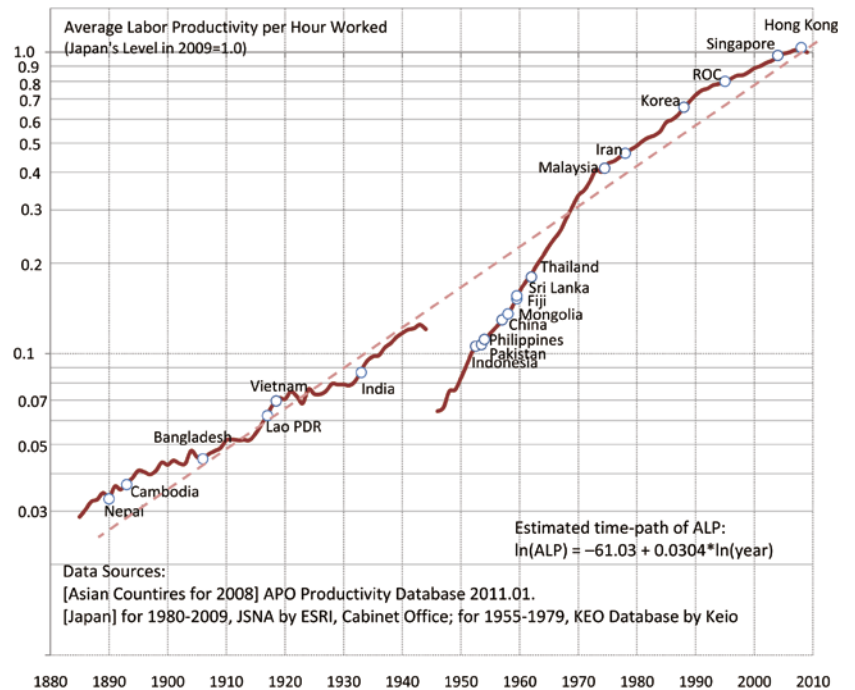


Figure 1. Cross-country divergence in labor productivity levels in Asia.

omy level, ALP reflects not only productivity within individual industries or firms, but also the composition of industries. The latter can be significant in explaining a country's gaps in ALP level and growth, since possible options of the capital-labor ratio and opportunities of technological changes, mainly occurring in capital, are different among industries.

The first observation to note from Figure 1 is that Japan's long-term ALP approximately follows a log-linear trend, although ALP-enhancing factors changed. The rapid growth during the 1950s and the early 1970s depended more heavily on TFP growth. After the 1973 oil embargo, this process slowed dramatically while capital deepening increased its role and offset the slowdown in TFP growth. In the long recession since the early 1990s, any improvement in ALP has been largely a result of capital deepening, which reflects decreasing labor input against the backdrop of a slowdown in investment. Excluding the period of an economic collapse caused by WWII and its subsequent resurgence, the average growth rate of Japan's ALP was 3.0% per year over the past century, based on the estimated time-path of ALP. For expositional purposes, this is used as the benchmark performance here.

Second, countries with the lowest labor productivity levels, such as Nepal, Cambodia, and Bangladesh, are comparable to Japan's level in 1890–1910. Figure 1 suggests that if these countries manage only the average speed of ALP improvement of the benchmark country, it will take one century to catch up with the current Asian leaders: Japan, Hong Kong, and Singapore. However, this is likely to be a conservative outlook as latecomers are typically expected to surpass the long-term productivity performance of the benchmark country.

Testing this hypothesis against our data for the past decade shows a diverse picture among countries. Figure 2 evaluates productivity performances for the recent decade of 1998–2008, based on the inverse function of the estimated benchmark time-path of ALP. Each block maps an individual country's

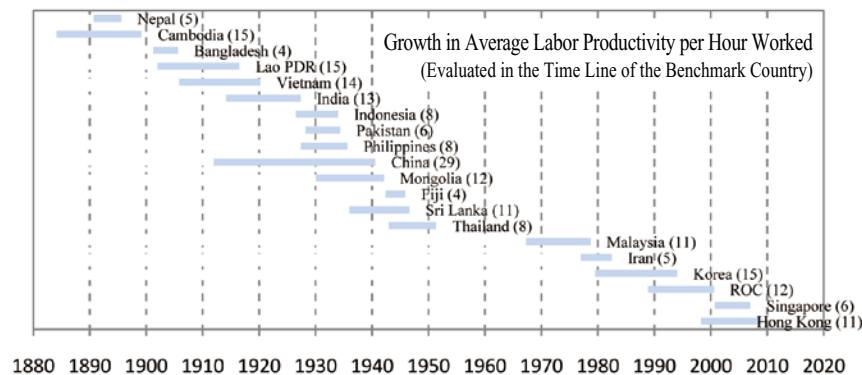
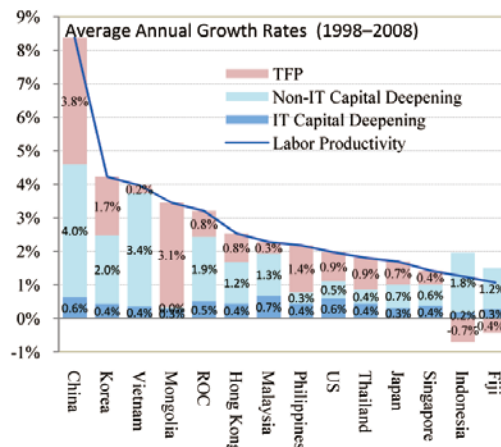


Figure 2. Productivity performances in the last decade.

productivity improvement in the last decade onto the equivalence in terms of years in the benchmark performance, with the end point marking a country's current productivity level by the year when Japan reached the same level. For example, in the low-productivity group, the progress Cambodia has achieved in the past 10 years is equivalent to 15 years according to the benchmark performance equation, reflecting Cambodia's higher ALP growth relative to the benchmark country. In contrast, Nepal and Bangladesh have not exceeded the benchmark performance, managing only to achieve in 10 years what Japan had achieved in four to five years.

Third, among the eight countries in the middle group, plotted between the 1950s and the early 1960s in Figure 1, only Sri Lanka, Mongolia, and PR China exceeded the benchmark performance of ALP growth in the last decade. The other five countries have not taken advantage of being latecomers and fallen below the countries belonging to the higher-productivity group such as Malaysia, the Republic of Korea, and the Republic of China. The origins of shortfall in such countries are different as shown in Figure 3, which presents the sources of ALP growth in the last decade. Thailand has fallen behind in capital deepening, having been burdened by nonperforming loans, which accounted for more than 40% of bank assets as of the end of 1998. The Philippines, on the other hand, has made comparable investment in IT capital since the 2000s and enjoyed high growth of TFP, but the non-IT capital deepening was too modest to foster labor productivity growth.

In Indonesia and Fiji, TFP has deteriorated in the last decade despite the relatively vigorous investment, which probably has taken place in industries with few opportunities for technological advancement.



Data Source: APO Productivity Database 2011.01.

Figure 3. Sources of labor productivity growth in the last decade.

The productivity experiences of Asian countries in the last decade do not conform to a straightforward version of latecomer's advantage. The varied performance among Asian countries points to other facilitating factors that are prerequisites for capitalizing on the latecomer's advantage. A conducive environment for nonhuman and human capital accumulation; sound policies on allocation of production, labor, and capital among industries; and demand-side conditions such as opportunities for entering the global market are all necessary to get countries onto the first rung of the productivity ladder. Besides, we should be reminded through our study of national experiences that transformation through productivity improvement requires considerable time to achieve, although the time frame can be lengthened or shortened to some extent depending on policies. ☺

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# Improving productivity through integrated community development

Joselito C. Bernardo

The APO has been playing a leading catalytic role in supporting the transformation of the rural economies of its members by enhancing the capabilities of their institutions and empowering their rural populations to improve productivity and real incomes in an equitable, environmentally sustainable manner. To achieve this, the Integrated Community Development (ICD) Program was introduced in 1996, which consolidated all projects and support initiatives of the APO to spread the productivity movement at grassroots level in all members.

In its initial years the ICD Program emphasized institution building and social capital formation in rural communities. Projects were designed to build the capacities of national institutions and their representatives working in rural communities to promote the empowerment and participation of all stakeholders in the village, regional, and national development processes. Projects provided participants with relevant tools and techniques for participatory community development planning and project development and extension arms of governmental and nongovernmental organizations with facilitation skills to make them more effective agents of change in rural communities. Embedded in those projects were the concepts and principles of Green Productivity and various techniques for application of the concept in the rural community setting. Participants in ICD projects were also exposed to a wide selection of rural community development models in Asia.

Subsequently, APO projects and support under the ICD Program were focused on the evolving priorities of members, which emphasized addressing poverty, unemployment, and low-income groups. In response, the APO designed projects supporting the creation of rural enterprises and self-reliance anchored on the use of natural, human, and cultural resources that were indigenous to the community. The cluster approach to community development as exemplified by the One Village, One Product (OVOP) model was adopted. OVOP was promoted as a movement rather than just a one-shot project. The popularity of the OVOP model, which started over 25 years ago in Oita prefecture, Japan,

stems from its holistic approach to harnessing local resources and engaging the entire community in the process of developing distinct products that can be marketed in both local and overseas markets. Several member countries are now in the various stages of implementing OVOP or a variant of this model, and some of them have reaped the benefits in terms of higher incomes and more prosperous villages.



OVOP project in Cambodia: Women making local silk handicrafts. Photo APO/J. Bernardo.

In recent years, the APO has also embarked on promoting more inclusive, sustainable community-based enterprise development emphasizing multiple stakeholder participation, especially in the management of communal resources and sharing the benefits of development more equitably. This entailed the development of rural entrepreneurship and enhancing the access of small and micro entrepreneurs to non-traditional credit and financial services. A leading initiative of the APO in this direction was the introduction of community-based rural tourism (CBRT). This initiative recognizes that several APO members have immense potential for creating economic opportunities, jobs, and incomes by increasing overall rural productivity through tourism. The APO's advocacy in its projects was premised on the idea that to de-

velop a viable rural tourism industry, the whole community should be involved and the benefits should be evenly distributed among all stakeholders to ensure sustained participation and cooperation.

Projects under CBRT covered agrotourism and ecotourism. With APO support, agrotourism is now increasingly becoming an important component in the tourism development strategy in a number of countries, and many more are becoming interested in the concept. It is being pursued as value addition to farming and as allied businesses enabling farmers and rural communities to harness the optimal benefits of the multifunctional nature of agriculture. Thus, some countries now consciously develop their agriculture sector not only for food, fiber, and livestock production but also for tourism. Agrotourism in the region attracts both domestic and international visitors who want to experience a taste of farm and countryside life. It provides visitors with an opportunity to appreciate agricultural and country landscapes, participate in different activities ranging from harvesting fruit to fishing, and even becoming involved in actual farming operations.



Agrotourism in Indonesia: Touring a tea-processing facility. Photo APO/J. Bernardo.

Ecotourism is not an entirely new subject, but the APO's advocacy has been creating significant interest in it among member countries. In the past, the thrust of many tourism development plans among members was mainstream, which involved packages of good tourism infrastructure, entertainment facilities, and other social amenities. However, recent trends show that unique wildlife and their habitats combined with scenic mountainous terrain are becoming increasingly popular attractions for local and international tourists in member countries. Ecotourism is now seen as a viable enterprise with potential positive contributions to the rural population and the conservation of endangered biological resources. Nature tourists bring money to spend, which could provide resources for governments for conservation and effective regulatory activities while at the same time creating jobs and incomes for households and communities. Satellite activities such as craft industries, transportation, and food services are stimulated, also generating revenues and foreign exchange. Thus, ecotourism is benefitting both the environment and local and national economies. However, evidence in some countries has shown that unplanned, poorly managed ecotourism development can seriously harm the environment, wildlife, and biodiversity. In areas where local communities are not reaping the benefits from tourist receipts, no incentive is seen for protecting and conserving the environment and they continue to generate livelihoods through poaching and wanton extraction of wildlife. The excessive influx of tourists and uncontrolled tourism infrastructure development, especially in fragile ecosystems, also result in waste generation, pollution, and destruction of natural habitats and animal sanctuaries. Thus, the APO's efforts in this area will continue under its current strategic directions.

Overall, APO initiatives under the ICD Program were well received by members. The participatory planning approach, OVOP movement, and CBRT have become inherent elements of some members' development strategy for enhancing business op-

(Continued on page 5)

# SMEs take center stage in the ROC's economy

Dr. Pao-Cheng Chang

## Role of SMEs in the ROC

SMEs have played a vital role in the economy of the Republic of China (ROC) in the last decade. As of 2009, there were a total of 1,232,025 SMEs, accounting for 97.91% of all companies and providing more than eight million jobs or 78.47% of employment opportunities (Table 1). Broken down by industry, most SMEs (80.35%) operated in the service sector, of which about 46% had been in existence for a minimum of 10 years. These SMEs not only work with large enterprises to create comprehensive supply chains, but also ensure that the nation's industrial base is highly innovative and flexible, actively linking the strengths and resources of different companies in the form of strategic alliances and value-adding networks. It is not an exaggeration to say that SMEs are the foundation of the industrial economy and economic growth in the ROC.

Table 1. SMEs in the ROC by sector, 2004–2009.

Sector	2004	2005	2006	2007	2008	2009
All SMEs (no.)	1,176,986	1,226,095	1,244,099	1,237,270	1,234,749	1,232,025
Agriculture (%)	0.91	0.91	0.88	0.87	0.89	0.90
Industry (%)	18.24	18.11	18.13	18.79	18.83	18.75
Service (%)	80.85	80.98	80.99	80.33	80.28	80.35

Source: Ministry of Finance Tax Data Center, value-added tax data for 2004–2009.

## Policies and measures to promote SME development

To promote enterprise growth, the Ministry of Economic Affairs has worked through nonprofit technological agencies and nonprofit management consultants to bring together a diverse range of resources, providing SMEs with assistance in 11 distinct areas: finance; business management; information management; mutual assistance/cooperation; business start-ups and incubation; quality enhancement; marketing; R&D; production techniques; industrial safety; and pollution prevention. This approach is designed to provide enterprises with timely professional consulting advice throughout their life cycle.

The assistance provided to SMEs by the ROC government boils down to six strategic measures: strengthening of financing; enhancement of R&D capability; assistance in upgrading and transformation; promotion of business opportunities and expanded marketing; encouragement of business start-ups and incubation; and revitalization of local economies. This assistance is provided through four methods intended to optimize the SME operating environment and competitiveness, i.e., making the necessary legal changes, development of human resources, land prioritization, and the development of a service network. Together, these are designed to meet the diverse needs of SMEs throughout the ROC.

## Role of the APO and CPC in enhancing SME productivity

The ROC was one of the founding members of the APO in 1961 and in the 50 years since its creation, the China Productivity Center (CPC), the NPO of the ROC, has been responsible for the overall planning and promotion of the national productivity movement. Given that SMEs have played a crucial role in fostering economic development in many APO members, strengthening SMEs is one of the APO's thrust areas. The APO's and CPC's efforts for SME

development have been made through a series of training courses, seminars, diagnostic consulting, and survey/research programs designed to enhance the management and technical capabilities of SMEs in the industry, agriculture, and service sectors. In all these activities, the CPC ensures careful nomination and selection of participants so that optimal results are achieved. It also invites local experts from other APO members to speak on their areas of expertise and offer consulting advice, and then sharing the often invaluable experience of the ROC in different areas. In addition, the CPC has itself made use of the expert resources of other APO members in its organization of seminars on industry trends, training in innovative management tools, and provision of onsite inquiry and diagnostic services. This has enabled SMEs in the ROC to enhance their productivity and competitiveness and produced impressive returns in terms of the contribution made to the enhanced performance of local SMEs.

## Strategic direction of SME transformation and upgrading

Faced with the global trend of trade liberalization, it is important to accelerate the transformation of SMEs. This is one important area of future work in the ROC. As SMEs start the process of upgrading they will focus on technology applications and service innovations. In terms of the former, the issue will be how to utilize information and communication technology to make enterprises more competitive. For example, consulting advice could be provided to SMEs on how to use online shopping platforms to reduce the operational costs of opening their own stores. In terms of the latter, the focus will be on how to use increased-value services to upgrade the value added of enterprise operations and make SMEs more profitable. The key focus of service innovations will be enabling enterprises to establish a new business model that makes them more competitive and therefore more able to overcome the challenges posed by free trade.



Dr. Pao-Cheng Chang served as Secretary General of the Industrial Development Bureau, Ministry of Economic Affairs and helped formulate national industrial transformation and upgrading policies. He has a PhD in Technology Management and was appointed Senior Industrial Consultant by the Asia Pacific Industrial Analysis Association. He led the China Productivity Center as it became a trusted management consulting organization.

## Improving productivity through integrated community development ..... (Continued from page 4)

portunities in rural areas, creating jobs, and increasing incomes anchored on the utilization of natural resource endowments of communities and the culture and skills of local people, and achieving more holistic, balanced rural development. The benefits of the OVOP movement and CBRT development, when appropriately pursued, are therefore tremendous. They have huge potential to increase overall productivity in rural areas by mobilizing positive externalities associated with agriculture and natural resources development and conservation. 🌱

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# Milestones in the history of the

**1959** The 1st Asian Round Table Productivity Conference is held in Tokyo, Japan. An interim committee is assigned to draft a convention for the formation of an Asian productivity body.

## 1960s

### Decade of Establishment

- 1960** The 2nd Asian Round Table Productivity Conference is held in Manila, the Philippines. The draft convention is adopted as the charter of the Asian Productivity Organization.
- 1961** The APO is formally established with eight founding members: the Republic of China, India, Japan, Republic of Korea, Nepal, Pakistan, Philippines, and Thailand. The inaugural session of the APO Governing Body is held in Tokyo and the first Secretary-General is appointed. Technical Expert Services (TES) are started and the monthly newsletter *Asian Productivity* is launched.
- 1962** A conference of productivity center directors is held in Kathmandu, Nepal. Technical Enquiry Services start.
- 1963** Symposia and seminars are introduced. A study mission is sent outside Asia to the USA, UK, and Denmark. Hong Kong joins the APO.
- 1964** A reciprocal relationship agreement is signed with the International Labour Organization. The Ford Foundation provides a grant for a Small Business Management Trainers' and Consultants' course.
- 1965** The Republic of Vietnam and Iran join the APO. The quarterly *Productivity Digest* starts publication.
- 1966** Ceylon (later Sri Lanka) joins the APO. The Agriculture Program starts.
- 1967** The Government of Japan grants the APO official status as an international organization. A meeting is held in Hong Kong on the APO's 1st Five-Year Plan.
- 1968** Indonesia joins the APO.
- 1969** The 1st Five-Year Plan comes into effect. A regional Information Unit is established in Manila. Singapore joins the APO.

## 1970s

### Decade of Consolidation

- 1970** The APO's 10th anniversary is celebrated by declaring 1970 Asian Productivity Year. The 1st Asian Productivity Congress is held in Tokyo, and the Declaration on Productivity for the Asian Region is adopted.
- 1971** Previous activities are reviewed by economists and productivity specialists, who identify new projects. The commercial publication program is launched with the sales of books through international distributors.
- 1972** The 1st Expert Meeting on Productivity Measurement is organized to examine the relationship between total factor productivity and economic development. The ADB and USAID offer financial grants to the APO.
- 1973** The 1st Workshop on Productivity measurement is held in Singapore.
- 1974** The Research and Planning Program starts operations.
- 1975** The 17th GBM adopts the institutional capacity building of NPOs and focus on enterprise-level productivity as policies.
- 1976** The importance of technology for economic development is recognized. Non-ESCAP members' participation in APO projects is welcomed under a special fund from the Government of Japan. S.D. Ashanta of Nepal wins the APO's flag design contest.
- 1977** The APO Awards are established to honor regional productivity champions.
- 1978** The Bilateral Cooperation between NPOs Program is launched. The 1st roster of Asian experts is compiled for the TES Program.
- 1979** 1st APO Awards are conferred on nine individuals. Participant evaluation of training courses begins to improve quality.

## 1980s

### Decade of Expansion

- 1980** 2nd Asian Productivity Congress is held in Hong Kong to mark the APO's 20th anniversary.
- 1981** The APO focuses on illustrating the link between productivity and economic growth.
- 1982** Bangladesh joins the APO.

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1983	Malaysia joins the APO.
1984	Fiji joins the APO
1985	The APO Awards are renamed the APO Regional Awards, and the APO National Awards are introduced.
1986	The APO's 25th anniversary is marked with an International Productivity Congress in Kuala Lumpur.
1987	The Productivity Fellowship is launched.
1988	1st Strategic Planning Committee meeting is hosted by the Secretariat.
1989	Basic Research V on Human Resources Development in the 1990s is started. Five individuals receive the APO National Award and two the Regional Award.

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## Decade of Leadership

1990s

1990	APO projects are reclassified. The State of Western Australia, given observer status in 1989, hosts the Symposium on Tripartism in Perth for APO members.
1991	The APO's 30th anniversary is marked with an International Productivity Congress in Bangkok, where the Bangkok Declaration on Productivity for a Better Quality of Work Life is adopted.
1992	Mongolia joins the APO.
1993	Cleaner production becomes a focus. The <i>Productivity Journal</i> begins publication.
1994	The Special Program for the Environment is launched, and the concept of Green Productivity developed.
1995	The South-South Cooperation for Supporting Industry Assistance Program is launched.
1996	Vietnam joins the APO. The Integrated Community Development approach is initiated. The World Conference on Green Productivity is held in Manila.
1997	The APO signs a Memorandum of Understanding with the UN Environment Programme (UNEP) Industry and Environment Programme Activity Center.
1998	Links are established with the Asian Pacific Round Table on Cleaner Production, UNEP, US-Asia Environment Partnership, and Carl Duisberg Gesellschaft.
1999	Two new thrust areas are designated: Development of SMEs and Integrated Community Development. IT activities are enhanced.

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## Decade of Innovation

2000s

2000	The first external evaluation of APO projects is conducted by independent experts; a bimonthly Japanese edition of the <i>APO News</i> is published; and the Secretariat moves from Aoyama to Hirakawa-cho.
2001	The APO's 40th anniversary is marked with the First International Conference on Productivity in the e-Age in New Delhi, along with the International Forum for SMEs.
2002	2nd World Conference on Green Productivity is held in Manila. Lao PDR joins the APO.
2003	First APO web-based videoconferencing project on TQM is organized.
2004	Kuala Lumpur hosts the 1st Eco-products International Fair organized by the APO and others. Cambodia joins the APO. The One Village, One Product movement becomes part of the Agriculture Program.
2005	Bangkok hosts the 2nd EPIF.
2006	After a productivity conference in Sandton, South Africa, cooperation with the Pan African Productivity Association takes off. Singapore hosts the 3rd EPIF.
2007	An International Productivity Conference in Bangkok focuses on knowledge management.
2008	The EPIF in Hanoi attracts nearly 100,000 visitors. An Observational Study Mission to Switzerland on Quality and Innovation is implemented with JETRO support, and the first self-e-learning course on the Balanced Scorecard launched.
2009	The APO participates in the Conference on the Global Economic Crisis in Tainan, Republic of China. Manila hosts the 5th EPIF.
2010	A study mission to Germany on GLOBALGAP is organized by the APO. New Secretary-General Ryuichiro Yamazaki is appointed, replacing outgoing Secretary-General Shigeo Takenaka. Jakarta hosts the 6th EPIF.
2011	To mark its golden jubilee, the APO adopts new mission, vision, and thrust areas for 2020. The APO Regional Award is conferred on five individuals, including 12th President of the Republic of the Philippines Fidel V. Ramos, and the APO National Award on seven. New Delhi hosts the 7th EPIF.

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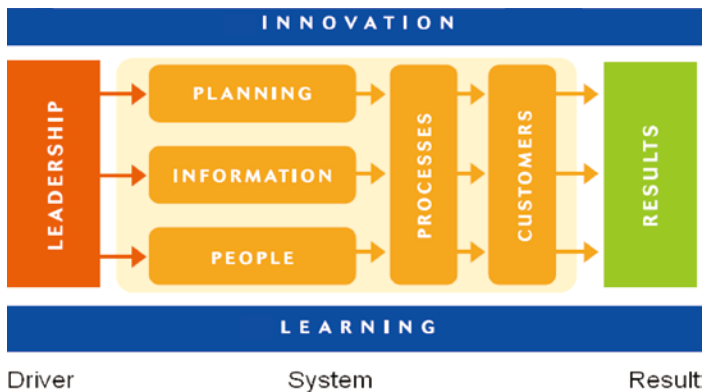
# The business excellence framework: A total systems approach for improving productivity

**Darshan Singh and Steven Phua**

**P**roductivity is defined as the ability of an organization to convert available resources into value-added services or goods. Productivity in the workplace involves the application of skills, technology, and innovative ideas to achieve maximum output or high levels of efficiency from the available resources. In other words, productivity is all about exploring new ways to build an efficient, effective organization.

One of the key steps for organizations to raise their productivity is to strengthen their management practices and capabilities. A Stanford University and London School of Economics study of more than 5,000 organizations across the USA, Europe, Australia, and Asia found that improvements in an organization's management practices can result in a 57% increase in labor productivity.

In Singapore, the business excellence framework (Figure 1) helps organizations to raise productivity by priming them to adopt a total systems approach in management. It is a holistic framework that covers leadership, planning, information, people, processes, customers, and results, all key elements of well-managed organizations. The framework establishes the connection between what an organization does and the results it is capable of achieving. It is used to structure a systematic review of any organization, permitting comparisons to be made among similar or very different types of enterprise. It is also used to identify which improvement initiatives need to be introduced or strengthened. More importantly, the business excellence framework provides guidance on how these initiatives could be aligned and integrated for the organization to reap the benefits of synergy and make significant improvements.



**Figure 1.** Business excellence framework.

The importance of a total systems approach cannot be underestimated. A study by management expert Russell Ackoff found that 70% of business improvement programs (e.g., total quality management, benchmarking, business process reengineering, etc.) failed when they focused only on optimizing one part of the system. The common cause of failure of such improvement programs is neglecting the system concept. Applying this to businesses, the most important things managers need to know is how elements of the organization interact and how these interactions affect the performance of the organization as a whole.

In Singapore, the Singapore Quality Award is the pinnacle award presented to organizations for outstanding performance in business excellence, and the Singapore Quality Class is presented for commendable performance on the business excellence journey. The following are illustrations of such performance.



## Case study: Tru-Marine Pte Ltd (Singapore Quality Award winner)

Tru-Marine Pte Ltd, a Singapore SME, has progressed from a general ship repairer to a market leader in turbocharger repair solutions. The company has a strong customer-focused ethos, which is evident from its good track record of highly satisfied customers and ability to retain large shipping companies as key customers. Using the business excellence framework, this SME addressed the main challenges of maintaining its competitive edge, retaining its talent, optimizing resources, and continuously innovating. For example, the framework enabled the company to align its productivity improvement initiatives such as kaizen and Six Sigma with its business objectives and integrate them with related initiatives. Tru-Marine's value-added per employee averaged over a three-year period was double the industry average.



## Case study: Teckwah Industrial Corporation (Singapore Quality Award winner)

Teckwah Industrial Corporation is the leading provider of print, value-chain management, and logistics services in Singapore. Teckwah was one of the early adopters of the business excellence framework back in 1997. The organization has adopted a strategic business innovation process to develop new business models and business streams. It has also leveraged technology to improve its processes and support business innovations. As a result, Teckwah has an international presence in 12 countries and become the preferred partner of global brands such as Microsoft, IBM, and Hewlett-Packard. From 2003 to 2008, it also tripled its productivity.




## Case study: Conrad Centennial (Singapore Quality Award winner)

Conrad Centennial, a luxury hotel in Singapore, met the requirements of the business excellence framework by adopting a structured process to design and introduce new products and services that provide greater value to its customers. The hotel has in place a comprehensive human resources strategy to support its business strategy. These efforts led to significant productivity gains. Over a three-year period, Conrad Centennial's average productivity exceeded the industry average by 30%.



## Case study: Bestcoat Contract Services Pte Ltd (Singapore Quality Class recipient)

Bestcoat Contract Services Pte Ltd, a Singapore SME providing waterproofing products and services, started its business excellence journey in 2002. The company adopted a robust business planning process supported by a comprehensive performance management system and other initiatives to develop the capabilities of its people. These improvements have led to significant productivity improvements. Bestcoat's productivity was on average 32% higher than that of its industry counterparts. 



*Contributed by Darshan Singh and Steven Phua from the APO Centre of Excellence (COE) for Business Excellence (BE) in SPRING Singapore. The COE's role is to help APO member countries develop and enhance their BE initiatives and promote the sharing of BE best practices.*



# The APO's Green Productivity journey and achievements

Dr. Anil Kumar Saxena

## Evolution of the APO's Green Productivity concept

Sustainable national development represented the single largest challenge of the 20th century and remains a priority goal for many countries. Among developing countries of Asia and the Pacific, the issue is exemplified in the case of SMEs, which contribute greatly not only to economic growth but also to environmental degradation due to their inherent characteristics. Pollution, which is a form of waste and a symptom of inefficiency in production, signals an opportunity for improvements in the productivity of resource-extractive SMEs.

The concern for environmental degradation and rapid depletion of natural resources brought scientists, administrators, and politicians together at the Rio Earth Summit in 1992 that resulted in Agenda 21 on sustainable development for overall socioeconomic development of the world in the 21st century. Inspired by Agenda 21, the APO in 1994, under a special grant from the Government of Japan, created the Special Program for the Environment (SPE). Integrating the issues of environmental protection as the third dimension to productivity along with improvements in quality and efficiency to achieve the goal of sustainable development, the concept of Green Productivity (GP) was introduced. The GP concept under the SPE aimed to help member economies integrate environmental concerns into their productivity enhancement activities.

**Green Productivity (GP)** is a strategy for enhancing productivity and environmental performance for overall socioeconomic development. GP can be achieved by the application of appropriate productivity and environmental tools, techniques, and technologies to reduce the environmental impact of an organization's activities, goods, and services. GP reconciles two needs that are normally in conflict, i.e., the need for businesses to earn profits and the need for everyone else to protect the environment.



The APO used a multipronged approach to popularize GP among its members: the Green Productivity Promotion Mission, for networking and partnership programs; Green Productivity Demonstration Program (GDDP), for showcasing the applications of GP and developing institutional capacity; and Green Productivity Dissemination Assistance, for widely publicizing the experience gained among APO members.

With the establishment of a Working Group on Productivity and the Environment in 1994, GP was well on its way to wider adoption among APO members. GP research was started in 10 Asian countries. Initially, the focus of study was the application of cleaner production techniques. Research subsequently broadened to incorporate more tools and techniques, including pollution control, and mainly targeted SMEs, which by that decade had become the economic backbone of developing nations. The concept was also extended to farm and community level for the socioeconomic development of villages in members like Vietnam. GP was eventually adopted as an APO strategy under the Manila Declaration at the APO World Conference on Green Productivity on 6 December 1996 in Manila, the Philippines.

A group of productivity and environmental experts was organized by the APO to develop a GP framework with a unique six-step methodology based on Deming's plan-do-check-act cycle, and the *Green Productivity Training Manual* was published. By 2002, GP had achieved global recognition. The Second World Conference on Green Productivity was held that year, and the APO presented its GP achievements and activities at the World Summit on Sustainable Development in Johannesburg, South Africa. Recognizing the rich GP-related knowledge base in Japan, the APO founded the GP Advisory Committee (GPAC) in 2003 in cooperation with leading Japanese companies. GP received wider publicity from the series of Eco-products International Fairs (EPIFs), launched in Malaysia in 2004, showcasing eco-friendly products, components, services, and technology documented in the *Eco-products Directory* that

started publication in the same year. The EPIFs are organized with the support of the GPAC and include concurrent international conferences that thematically focus on various dimensions of the environment-economy dualism. All these served to bolster GP's elevation from concept to practice. In 2006, the APO raised the bar on its training activities by launching an e-learning course on GP. This year, the seventh EPIF and conference were held in India in February, and Singapore will host the fair for the second time in 2012. So far, about 400,000 visitors have attended both the EPIF and conference.

## Achievements of GP and the way forward

More than 15 years after launching the GP Program, the APO has conducted numerous workshops-cum-seminars, training courses, international conferences, study missions and meetings, and international exhibitions and fairs not only to disseminate the achievements of GP but also to popularize the concept. In addition, the APO has collaborated with many international organizations, such as the UN Environment Programme, UN Food and Agriculture Organization, Asian Development Bank, World Bank, Colombo Plan, and Association of Southeast Asian Nations, which have in various ways extended their support to

promote the concept of GP. The APO's GP Program has benefited many businesses, farms, and communities by improving their productivity and efficiency, and they have in turn contributed to the cause of sustainable development in the Asia-Pacific region.

GP is an umbrella concept covering a broad spectrum of improvement opportunities. It fosters the change process to help businesses cater to customer needs for better, environmentally safe products while improving their bottom lines by conserving natural resources through improved production efficiency and reducing waste. With the growing demand of the general public for green goods and services, the concept of GP can turn the table toward greater competitiveness.

GP has brought substantial, tangible results since 1994. The APO has contributed to achieving the goals of Agenda 21 by promoting the concept of sustainability in the Asia-Pacific region through the application of GP in production processes and at the community level. As the APO pursues its mission in the next decades, it will continue to advocate sustainable development in the Asia and Pacific region and other parts of the world through international collaboration. The message is loud and clear: promote GP as a simple strategy to achieve sustainability for economic, environmental, and social returns, a triple bottom line. 🌱

### Highlights of GP accomplishments

- ❖ **Policy and program development:** APO members like Malaysia, Thailand, and Singapore have incorporated GP in their national development plans. Malaysia has established an International Green Purchasing Network in collaboration with the Government of Japan.
- ❖ **Capacity building:** GP capacity building programs, through short- and long-term training programs and workshops-cum-seminars that were initiated to develop knowledge bases on various aspects of energy and environment have benefited NPOs, business enterprises, administrators, professionals, regulatory bodies, and other government agencies.
- ❖ **GPDP:** GP demonstration projects have been instrumental in cascading the benefits of environmental protection and productivity enhancement in a number of industries in APO members.
- ❖ **EPIFs:** Producers and consumers alike have attended Eco-product International Fairs, which showcase environmentally beneficial products, technologies, and services.



Dr. Anil Kumar Saxena is the former Director of the Environment Department of the National Productivity Council, India. He is a GP expert specializing in the field of waste management and has served as resource person in APO GP activities since 1994.

# The APO turns 50

The APO Secretariat, led by Secretary-General Ryuichiro Yamazaki, gathered for a simple toast ceremony in its Tokyo office to commemorate the 50th anniversary of the founding of the APO on 11 May 1961. Newly appointed Director of Administration and Finance Sherman Loo called 11 May an “historic day,” as he invited Yamazaki to make anniversary remarks and lead a toast.

The Secretary-General concurred that it was an auspicious occasion for all present and then read a congratulatory telegram from Green Productivity Advisory Committee Chair Keisuke Kitayama, who is also Chairman of Mitsui Sumitomo Banking Corporation, expressing his “highest esteem for the achievements of your organization and hopes for its future prosperity.” During the next year, Secretary-General Yamazaki admitted, Secretariat staff would have a “full agenda” in attempting to follow up on the directives of the Governing Body after the recently concluded session in Kuala Lumpur.

“Everyone should contribute with ideas. We plan to organize task forces and teams to address the many issues.... I hope that the teams can take one step back to view the broader perspective of the entire APO,” stated the Secretary-General. He felt confident that if the entire staff “combine their minds, from which wisdom comes, and their hearts, from which a positive at-



A&F Director Loo and SG Yamazaki leading the modest ceremony marking the APO's 50th anniversary. Photo APO/A. Donaire.

titude is derived, we can overcome the difficulties ahead.” Secretary-General Yamazaki ended his remarks with appreciation and respect for productivity predecessors, the NPOs that continually extend their cooperation to the APO, and other stakeholders. 🌀

## e-Learning course on ISO26000: Guidance on Social Responsibility

Markets and businesses are undergoing major changes as globalization deepens. Pressure from diverse social groups, customers, governments, industries, and the public at large is changing the operating environment. Many organizations are interested in devising social responsibility (SR) strategies, both as a response to outside pressures and in their own interest. However, the key challenge remains how to turn these strategies into action and how to implement SR activities effectively. Against this background, the APO and Tokyo Development Learning Center jointly organized the first phase of the APO e-learning course on ISO26000, 9–12 May 2011. The course brought together quality control/management professionals, quality consultants, auditors, and representatives of universities to study the concept and fundamental elements of ISO26000 and SR.

APO Secretary-General Ryuichiro Yamazaki welcomed more than 100 participants from five member countries (Bangladesh, India, Pakistan, Thailand, and Vietnam). He stressed that, “The sustainability of business means not only providing products and services that meet customers’ requirements



APO e-learning course in progress at TDLC. Photo APO/A. Donaire.

without affecting the ecology adversely but also functioning in a socially responsible manner by all means.” Then he introduced ISO26000 as



Vietnamese participants in the e-learning course. Photo courtesy of VPC.

standard providing guidelines on socially responsible behavior and necessary actions.”

The course was conducted with interactive presentations by resource speakers Pende Sameer Vinayak and Sundareshan Ravi of the Bureau Veritas Certification (India) Pvt Ltd. on an overview of ISO26000, SR concepts and principles, exercises, and case studies. On the final day, each group of participants from the five countries made presentations to share their understanding as well as the experience in implementing ISO26000 in their own countries. The Vietnam group was recognized for making the best presentation. After the completion of the e-learning program, an online forum on APO Social Responsibility/ISO26000 Professionals was created and this will be the basis for knowledge sharing and dissemination. 🌀

Article contributed by the Vietnam Productivity Centre.

## APO/NPO Update

### New APO Liaison Officer for Republic of China

Ms. Lihkuan Lee, Chief, APO Affairs Team, China Productivity Center, was appointed new APO Liaison Officer for the Republic of China, w.e.f. 1 January 2011. The e-mail address of Ms. Lee is 2017@cpc.org.tw.

### New name and e-mail address of National Productivity Organization for Fiji

The Training & Productivity Authority of Fiji (TPAF) has become part of Fiji National University and previous TPAF functions are handled by the new National Training & Productivity Centre within Fiji National University. The new e-mail address is dntpc@fnu.ac.fj.

### New APO Alternate Director for Fiji

Mr. Yogesh Jitendra Karan, Director, National Training & Productivity Centre, Fiji National University, was appointed new APO Alternate Director for Fiji, w.e.f. 25 January 2011.

### New name and address/phone number of National Productivity Organization for Islamic Republic of Iran

The National Iranian Productivity Center has changed its name to the National Iranian Productivity Organization (NIPO) w.e.f. 5 Jan 2011.

The new address and phone number of NIPO are: No. 15, Daneshsara St., Baharestan Sq., Tehran, Islamic Republic of Iran

Phone: (98-21) 7765500

The fax number and e-mail address remain the same.

### New APO Alternate Director and Liaison Officer for Japan

Mr. Masaya Fujiwara, Deputy Director-General, International Cooperation Bureau, Ministry of Foreign Affairs, Japan, and Mr. Manabu Fujii, Director, International Cooperation Department, Japan Productivity Center, were appointed

new APO Alternate Director and new APO Liaison Officer for Japan, respectively, w.e.f. 1 April 2011. The e-mail address of Mr. Fujii is apo-liaison@jpc-net.jp.

### New APO Liaison Officer for Malaysia

Mr. Khidzir Ahmad, Consultant, Malaysia Productivity Corporation, was appointed new APO Liaison Officer for Malaysia, w.e.f. 11 January 2011. The e-mail address of Mr. Khidzir is khidzir@mpc.gov.my.

### New APO Alternate Director and Liaison Officer for Singapore

Dr. Woon Kin Chung, Executive Director, Productivity Programme Office and Corporate Services, SPRING Singapore, and Mr. Rajeshpal Singh Sandhu, Manager, Productivity Programme Office, SPRING Singapore, were appointed new APO Alternate Director and new APO Liaison Officer for Singapore, respectively, w.e.f. 1 April 2011. The e-mail address of Mr. Sandhu is Rajeshpal\_SINGH@spring.gov.sg.

### New APO Director and Liaison Officer for Sri Lanka

Mr. W.M. Bandusena, Secretary, Ministry of Productivity Promotion, Sri Lanka, and Mrs. J.M. Thilaka Jayasundara, Director, National Productivity Secretariat, were appointed new APO Director for Sri Lanka w.e.f. 22 November 2010 and new APO Liaison Officer for Sri Lanka w.e.f. 1 March 2011, respectively.

### New Director of the Administration & Finance Department and Acting Director of the Research and Planning Department of the APO Secretariat

Mr. Sherman Loo, Acting Director, Secretariat Research and Planning Department, was appointed Director of the Administration and Finance Department, and Mr. Joselito Cruz Bernardo, Director of the Agriculture Department, was appointed concurrent Acting Director of the Research and Planning Department, w.e.f. 1 April 2011.



## Publications Notice



### **APO Productivity Databook 2011 (upcoming on 27 May 2011)**

This is the fourth edition of the *APO Productivity Databook* series, which provides a cross-country comparative analysis of the economic growth and productivity levels of APO member and non-member economies. This year, by adding five countries from the

Gulf Cooperation Council for the first time, the fourth edition now offers data on crucial economic indicators for a total of 29 Asian economies and two reference economies, i.e., the USA and EU. The analysis of total factor productivity is expanded to 13 Asian economies, with Hong Kong, Malaysia, Mongolia, Singapore, and Vietnam newly added.

### **Impact of Business Excellence / Quality Awards on Enterprises (upcoming in June 2011)**

This volume contains research on applications of the business excellence framework and their impact in the Republic of China, India, Japan, Singapore, and Thailand. The results and analyses are based on data collected from a survey of 74 companies and 21 discussion groups, as well as interviews with 13 quality award-winning enterprises.

## Former Secretary-General Takenaka made Honorary Fellow

**F**ormer Secretary-General Shigeo Takenaka was made an APO Honorary Fellow by current Secretary-General Ryuichiro Yamazaki in a brief but memorable ceremony held at the APO Secretariat office on 18 May. Takenaka



Photo APO/ A. Donaire.

served from September 2004 to September 2010. The title of Honorary APO Fellow was given in recognition of Takenaka's contributions to the APO, specifically to the Governing Body Meetings and the Workshop Meetings of Heads of NPOs for the entire duration during which he was secretary-general. Takenaka was also instrumental in the launch of APO's e-learning program and program focus on knowledge management as key to improving productivity. ☺



## The APO's new mission, vision, and strategic directions for the next decade

Secretary-General Ryuichiro Yamazaki

I am pleased to announce that the APO Governing Body at its recent 53rd session (GBM) in Kuala Lumpur held 19 to 21 April 2011 endorsed the new APO mission and vision statements and strategic directions for 2020. The APO's founding mission in 1961 was "to contribute to the socioeconomic development of Asia and the Pacific through enhancing productivity." No vision statement had been formalized previously. There were five thrust areas aligned with that mission: Knowledge Management, Green Productivity, Strengthening of SMEs, Integrated Community Development, and Development of NPOs. These thrust areas were supported by the program of action comprising projects implemented by the APO.

The APO's current thrust and subject areas were discussed at last year's GBM by the APO Directors. That was followed up at the Workshop Meeting of Heads of NPOs (WSM), which discussed the current as well as new thrust areas at the strategic planning session chaired by NPO Head for the Philippines Antonio D. Kalaw, Jr. Subsequently, the Secretariat consolidated the inputs from the GBM and WSM and, under the guidance of an expert advisory panel, identified new strategies and modified existing ones to ensure that the new strategic plan remains relevant to the economic development needs of members.

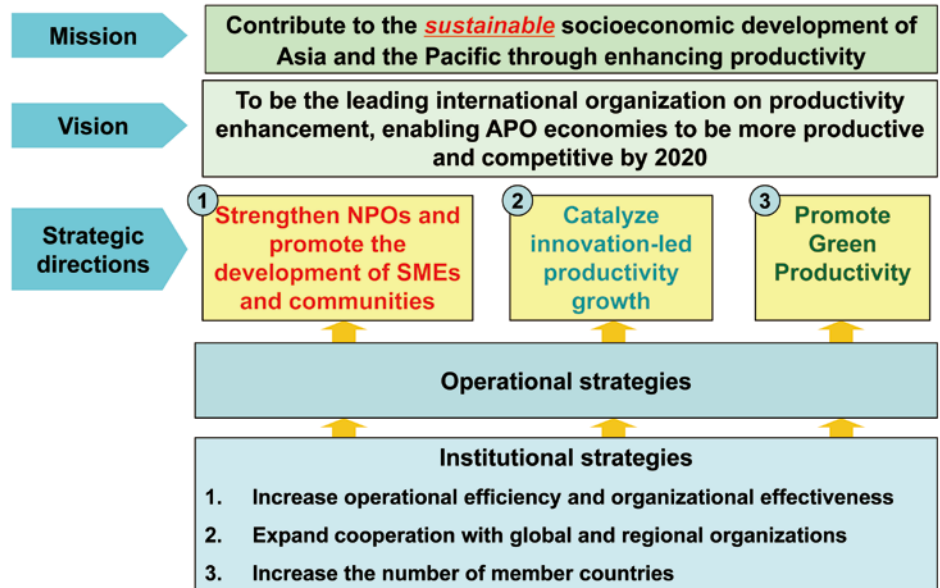
### The new APO mission

In the modified mission statement, "...contribute to the sustainable socioeconomic development of Asia and the Pacific through enhancing productivity," emphasis is placed on the sustainable development of members.

### The APO vision

The APO's new vision statement, which will help unite and inspire the APO membership is: "To be the leading international organization on productivity enhancement, enabling APO economies to be more productive and competitive by 2020."

## Mission, vision & strategic directions



### APO thrust areas

The thrust areas are now streamlined into three strategic directions. Two of the thrust areas, Knowledge Management and Integrated Community Development, have been subsumed under the other strategic directions. The three strategic directions are:

- 1. Strengthen NPOs and promote the development of SMEs and communities.** NPOs are the backbone of the APO and thus need to be strengthened to lead national productivity initiatives. We also recognize that SMEs play a crucial role in the economies of all member countries and are aiming to improve the productivity of targeted segments of SMEs and communities through supply chain and cluster-based approaches.
- 2. Catalyze innovation-led productivity growth.** Productivity improvement is not limited only to increased ef-

iciency. It also includes innovation-led gains that increase the quality and performance of products and services.

**3. Promoting Green Productivity** is the third strategic direction critical to achieving sustainable economic development. The APO will work with member countries to promote green technologies and create demand for green products and services. In addition, special effort will be directed to promoting sustainable practices in the agriculture sector.

The new APO mission statement, new vision statement, and strategic directions are intended to address the needs and key challenges of members. The next step is even more critical. The APO Secretariat will be working closely with NPOs to translate these strategies into detailed action plans for 2013 and 2014. In addition, a set of indicators will also be developed to track the action plans so that APO can effectively assess the impact of the new strategic plan. 🔄

### To All APO News Readers:

Thank you for the many messages of sympathy and condolence after the disastrous earthquake and tsunami centered in the Tohoku region of Japan on 11 March. APO Secretariat operations were briefly affected but resumed quickly to continue serving the needs of APO members and our readership.

APO Secretariat staff are thankful that no long-lasting disruptions in our

operations occurred, our friends and families are safe, and, more importantly, our host country Japan is on the road to recovery.

The APO Secretariat sincerely appreciates all of your messages of encouragement and condolence. We look forward to receiving your future views and opinions on productivity-related topics.