

Bayswater Shipping business philosophy and my experience in running a SME

I grew up in the Sungei Rochor area where my Dad operated his wooden tugboats and bumboats business in the 1960's. The river then was black and dirty and it was common to see the carcasses of dogs and other animals floating down the river. These conditions however did not bother me and my friends for we would jump into the river and enjoy our swim around or across the river. Swimming was a distraction from the tough conditions we lived in. Most of the time we had to look after we while our parents slogged to find us 3 meals a day. Not all could go to school and many of those who did did not complete their formal education. Thus we mostly grew up street smart and I think my survival instincts were honed by the tough conditions of my childhood. I wonder if the generations after us are similarly well prepared for the future. They seem to assume that the good life they are in at the moment would last their lifetimes.

Besides marine related shops along the river, I also remember that nearby were hardware shops. Most of them have grown into businesses and several have become companies listed on the main stock exchange. However, I still believe that one would be better off eventually if one were to pursue a Marine Engineering course and acquire some sea experience. Many I know or have met through our Mariners Network have taken this route. The sailing experience would toughen up one's character with a no fear and never say die attitude. This is important in our life as we may or may not face adversity along the way but it helps when it happens.

I am more fortunate than most for I had been to sea often from as young as 10. I did so during my school holidays since my Primary 5, helping my Dad in his small wooden tug. The experience has helped me run Bayswater Shipping providing both logistics and shipping services. I like to grow my company into a one-stop World-class logistics company. The challenge for me is to start with providing World-class logistics services to our existing customers while expanding beyond the Batam - Singapore route into the international arena.

I remember what Charles Darwin said about survival. "It's not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change."

Thus running a business is like sailing in un-chartered waters. You never know what will hit you next, but you have to give your best shot when confronted with challenges. Our company has gone through 3 recessions during the last 29 years of business while we have seen many big SMEs and famous companies tumbled, especially during the 1997 recession and the Asian currency crisis. Many failed not because the companies got no business but were caught in a cash trap. Banks would call in their loans once the companies failed to repay on time.

We survived because of our policy of zero gearing and our philosophy of building "Trust, Respect and Professionalism" with our employees, subcontractors and customers. This strategy has been critical to our success for during the bad times we were able to function as normal and still make profits. The worst situation for a company to be in is when the business is down, revenue is shrinking and yet it still got a bank loan to service. Such a situation would create a huge stress on management and employees that lead to many problems which they typically try to solve with retrenchment, delayed payments to subcontractors, cutting cost, etc.

Training our people with good knowledge has been critical to the success of our company. By involving myself in planning and operations, I was able to share my experience

with my people and explain the mistakes to them thereby building their confidence in handling more projects on their own. A successful corporate culture must be based on a fundamental respect for knowledge. Those at the highest levels must set the example by facilitating the free flow of information at all levels and in all areas of business within a company and in a transparent and honest manner.

Trust is the key for our company. If you do not trust your people, they would not work whole-heartedly for you even though you pay them well. In order for my people to learn more and be able to carry out their tasks and projects without me, I have developed a loading program which I think is very user friendly because anyone (be he in operations, marketing or finance) in my company knows how to use the program to work out the loading plan for our respective customers before each load out.

Next we differentiate ourselves from our competitors by providing a one-stop service to major clients that integrates land, air and sea shipments with their inventories of ship spares placed under our custody and care. This is a huge task for it involved all from marketing to operations and each must be able to respond to our customers directly.

Most important of all is sharing our success by rewarding our people every year as long as we as a company hit our sales target and objectives. I believe that happy people lead to happy customers. I am pleased to reveal that most of my people have been with me for more than 10 years and several more than 20 years.

As our company reputation builds up, we have started to undertake heavier lifts ranging from 50 to 500 tons per lift for our Oil & Gas customers. Most of the items are marine machineries. We have maximised our cargo capacity to suit our barge strength. We do not want to compete with other big players and will focus on our niche area where we can handle the projects without any issue at all.

Besides staying lean, efficiency and meeting deadlines after critical success factors. Thus for all projects that we have undertaken, I would ensure that each project is completed on time, to customer specifications and without incident. I strongly believe that teamwork plays a very vital role in the success of any project. And in demonstrating this belief, I have worked alongside my people for very large projects e.g. those that require continual operations for 7 days and nights inside the Port in one of our projects to discharge large equipment items from our barges.

In summary, I attribute the success of our company to our policy of zero gearing, our culture of building trust and respect for our people, subcontractors and customers, our commitment to ensuring that our people have the knowledge and skills to discharge their responsibilities and the sharing of information through open communication, working as a team to fulfil our promises made to our customers and then sharing the fruits of our labour. This formula has served us well for we have survived several recessions. This formula seems to make sense to our people and we continue to enjoy their support, many of them have grown together with our company.

As an aside, I have applied Covey's "7 Habits of Highly Effective People" (shared by Mr. Cheng Huang Leng, formerly Head of Marine Engineering Dept Singapore Polytechnic, at the Mariners' Gatherings) in the running of my business. The 8th Habit, "Find your voice and inspire others to find theirs" is particularly important to me. It reminds me to share what I gained from society with others to help them realise their dreams.

Over the past 30 years, I have seen many companies fail. I like to offer my analysis of why they fail and share my thoughts on how one could avoid failure.

1. They over gear. When business is doing well, they borrow in excess to fund their expansion without taking a step backward to check their cash flow. And they run into cash flow problems with their bankers. For a SME, a rule of thumb is to gear your company below 30% of your assets. That would leave you some excess even when you have to sell everything away. Never guarantee your roof to the bank. You can lose your business but not the roof. A personal guarantee is as good as signing your life away. Bankers are heartless. Once you are down, it is very difficult to get funding or help and with that the poor chance of recovery.
2. They over trade. This puts a stress on cash flow. And this is bound to happen when customers do not pay on time or even worse, they default!
3. They fail to pay their subcontractors on time. We all depend on subcontractors. They make your company if you honour your part of the bargain or they break your company if they are not paid.
4. They spend like dukes. When the company starts to make good profits, instead of shoring up their reserve and continuing to stay lean, they splash their money on luxury cars and a lavish lifestyle. It is always prudent to save for a raining day. It is the lean company that survives longer in the market. One lesson learnt from past recessions is – CASH is King.
5. They lost their trustworthiness. Without the trust of their suppliers, subcontractors, customers or their own people, no long term business transactions is possible (nor any human transactions). Trust takes a long time to build and has to be earned with kept promises. With trust, one could iron out difficulties that are bound to arise and more importantly to capitalise on opportunities that would appear. The trust I have earned from several ship builders has allowed me to take deliveries of my vessels after sea trials and pay for them later when I get back to my office.

The recent drop in oil prices of more than 40% will pose a challenge to the Oil & Gas and Shipping Industries. The European and US markets are important to the Asia economy. If their economies are not doing well they will affect the Asia market. Japan export is down and so is China. Nobody knows what is going to happen to the economy in 2015. My forecast is not good. Most of my customers do not see a good turn around as demand is low. The business climate in Singapore will be tough as most SMEs rely on many MNCs for their revenue. The high cost of doing business in Singapore will make it difficult for some SMEs to survive if 2015 goes into a downturn or recession.

As for my company, our policy and philosophy will be tested once again. I will maintain my company in its present format as there is nothing we can do to change the market outlook but to wait and see and to respond accordingly to changes in the market.

Kelvin Tan Keng Hock
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Kelvin graduated in 1982 with a Diploma in Marine Engineering from the Singapore Polytechnic, went on to obtain his degree in Mechanical Engineering from University Of Strathclyde in 1987 and a MBA the following year. He returned to work for his family business for about 8 years before venturing into Bayswater Shipping which has grown to a company that employs close to 130 operating 10 tugs and barges, harbour mobile cranes and cargo handling equipment.

Kelvin was a water polo player and swimmer in his younger days. These days, he keeps fit swimming 3 times a week, works out in the gym and golf. He also devotes a lot of his energy and time to helping others on their entrepreneurial ventures at the Singapore Graduates' Guild and the less fortunate.

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