TOPLINE

Way ahead of the pack

Local packaging solutions provider Fagerdala Group started growing its business internationally 20 years ago.

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by

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Mr Yeo roped in his daughter Diane to help in the transformation of Fagerdala in 2011 to ensure that the company is well positioned to handle even greater expansion. PHOTO: FRANCIS LEE

INTERNATIONALISATION seems to be the buzzword of late, as the weak local market and stiffer competition have driven many local businesses to look abroad.

But long before this clarion call to venture overseas was sounded by the government, local packaging solutions provider Fagerdala Group was already making the world its oyster.

With 16 entities in seven countries across the globe, Fagerdala has grown most of its business internationally. In fact, out of its total revenue of S$120 million, 90 per cent of it comes from abroad.

Much of it came down to the foresight of its executive chairman Paul Yeo, who recognised early on that the size of the Singapore market was too small - and acted to overcome the limitation.

In a way, this was linked to Fagerdala's Swedish roots. "Sweden itself is not a big economy, so the Fagerdala company invested all over Europe, even Brazil. For us, the reason is the same: we need to go outside to grow."

Fagerdala started in 1983 as a wholly-owned foreign enterprise in Singapore by the Landvik family. Mr Yeo wasn't part of the company then and he only got involved in it after he joined Presidium, Fagerdala's sister company which produced instruments for the gemological trade.

Mr Yeo started as a product developer consulting for Presidium in 1986. He was later promoted to general and technical manager of both Presidium and Fagerdala.

In 1994, Mr Yeo was made a minority stakeholder of Fagerdala, and that was when he started growing the business and taking it overseas. He decided to expand its operations abroad as the manufacturing base in Singapore was small and increasingly expensive. A factory in Thailand was started in 1997, followed by Shanghai in 1998. From then on, the company grew, opening one or two factories every year until now.

When Fagerdala first started venturing abroad, it went ahead without depending on government support.

"We never had any help from IE Singapore when we went to Thailand and China. It was only when we started going into America that they helped us with funding for our first overseas marketing office."

The business was later partially divested and bought out by Mr Yeo, who became the majority shareholder when the deal was completed in 2010.

This period saw rapid growth for Fagerdala, with revenue growing almost four times since then.

But with this came the need to transform the business internally to ensure that the company is well positioned to handle greater expansion.

The urgency for transformation came to a head in 2011, which was when Mr Yeo persuaded his daughter Diane Yeo to return from Australia, where she was working as a lawyer, to spearhead the transformation.

Now the executive director of corporate and legal affairs, Ms Yeo was instrumental in engaging an external consultant through Spring Singapore to redesign the company and make the changes needed.

Previously, the company expanded quickly into new jurisdictions with few systems or standardisation in place.

It was at that point that the company began to grow in a more deliberate direction. From being a single material manufacturer specialising in polyethylene, it began to position itself as a total solutions provider. Instead of remaining known in the packaging space for specific industries such as IT and telecoms, they began to branch out into other sectors that were coming into emergence, such as e- commerce.

One significant development was the setting up of Centres of Excellence (COEs), which were critical growth areas needed to develop subject matter expertise to grow the business overall.

To do this, experts in different areas such as packaging design, process engineering, manufacturing, quality, safety/environmental and the like came up with toolkits, which became the benchmarks used to train new recruits in the different countries.

Another significant change during that time was the overhauling of the human resource (HR) management function to provide a more structured approach as the internal procedures and policies became increasingly decentralised.

The restructuring of the HR framework took about two years, and this was shortly followed by a rebranding exercise to get employees aligned to company objectives.

Ms Yeo explains: "When we did the rebranding and the HR, we were new to being majority owners of the company. Paul wanted then to be known as a Singaporean company rather than a Swedish company… It is not very known inside Singapore because we grew outside of Singapore. The brand does not resonate with the Singaporean identity. Part of the incremental repositioning was to become a Singaporean company."

As a result, the organisation looked at redefining its sense of purpose, the work environment and culture it wanted to create, and setting the stage for development opportunities in the future. This helped to align the global team and create a new "melting pot".

In a way, the company has never stopped changing. Mr Yeo points out that there are constantly new developments in Fagerdala, be it process improvements, new materials or technology transformation.

In fact, the company has been leveraging technology and robotics to boost productivity and mannpower.

Mr Yeo says: "I have a vision that one day - I don't know when - our factory can be operated in the dark."

This will, of course, be possible with complete automation. Fagerdala embarked on its robotics programme three years ago with an engineering team that designs automation equipment for its own use as a means to cope with the manpower crunch and the high manufacturing costs base, such as those in Singapore.

Mr Yeo challenged the team then to use robotics as a means of manufacturing. The team engaged Nanyang Polytechnic as an external consultant in the area of robotics programming, but all the other integration, design and equipment were done in-house.

The project has since been concluded and implemented in Singapore, in what the company dubbed as the "Learning Lab". According to Mr Yeo, the robotic system is eight times more productive than a human being.

"Robotics automation has always been our core competency and we are always improving the equipment that we built. The equipment that we build and ship to all our factories are into the fourth generation."

The company's agility in transforming and overcoming challenges has been instrumental in its growth. In the near future, however, Mr Yeo says that organic growth will be a challenge for Fagerdala due to global economic conditions. China - where 60 per cent of its business is sited - is also facing headwinds.

Going forward, Mr Yeo says the company is looking at how to find funds to fuel its growth through mergers and acquisitions.

He echoes an increasingly common complaint by SMEs that local banks are more "kiasu" when it comes to lending.

"We are growing at a CAGR of 18 per cent and our profit has grown at a CAGR of 14-15 per cent and they think we are at risk."

As a result, Fagerdala switched to a foreign bank two years ago, which Mr Yeo says looks at businesses "very differently'.

But regardless of the challenges faced, the leadership team is clear on the need to evolve.

Mr Yeo adds: "Today, our customers don't look at us as a supplier of products, but as a partner. They want to know how we can value-add to them instead of being just a supplier. We are in many locations because our major customers want us to be near them."

This includes far-flung countries such as Mexico, which happened because of client demand.

As Ms Yeo sums up: "We cannot stand still and be blinded by our previous success and think that's the same formula to continue growing… We are in a constant state of change, and as we change, we see how we can calibrate ourselves better for future growth opportunities."