

**T**HE new Straits Trading Building stands tall and gleaming in the heart of Singapore's premier Raffles Place business district. One of the earliest prime office developments, it has been extensively rebuilt on the same site, officially re-opening its doors in 2010. And this, building something new out of the old, perhaps best symbolises the transformation taking place at one of Singapore's oldest companies.

Founded in 1887, Straits Trading Company has survived two world wars, a foreign occupation and the birth of a nation. Now, it is undergoing a little revolution of its own, in the hands of – somewhat ironically – very old money.

The architect of all this is Chew Gek Khim. Ms Chew's family has had a long association with Straits Trading. Her grandfather, the late Tan Chin Tuan who was OCBC Bank's chairman, was responsible for bringing the firm into the OCBC stable decades ago and was once chairman of the company. Her family investment vehicle Tecity also held a stake in Straits Trading. In 2008, Ms Chew led a high-profile corporate battle for control, pitting Tecity against the founding Lee family of OCBC Bank. The Lees twice countered Tecity's bid for Straits Trading, but Tecity eventually sealed the deal. Ms Chew was appointed a non-executive director and later became the company's executive chairman. And the company was once again reunited with a family with which it has had long ties.

While there may be a lot of history in this, Ms Chew is all about looking forward and getting the job done. In her trademark cheongsam, she gave a candid assessment of her three years at the helm in an interview with BT.

"Since 2008, there have been a lot of changes. I like to think that we have increased shareholder value, but we are not home yet. We are still work in progress."

As it is now, Straits Trading has three core businesses: tin smelting and mining under Kuala Lumpur-listed Malaysia Smelting Corp (MSC), property and hospitality.

"If I have my way, in 2015 we would have Straits as the holding company, MSC in different parts of the world and if possible, a big player in tin. In hospitality, we would be a decent size player in Australasia with a reputation for consistency. In property, we would have a decent amount of development projects and at the same time be known for good quality, and good income from the assets we want to keep. And all three would then be generating a decent return for the parent, which in turn will offer shareholders a degree of stability and return."

"The qualitative target is to have Straits as a holding company with each of the businesses generating a sustainable income stream. Straits becomes an allocator of capital, a bit like Warren Buffet's Berkshire Hathaway."

If that is the vision, what is the progress so far? The mining business is "75 per cent" there, she said. The most painful

part was to convince the board and management of MSC to divest its non-tin assets and to focus on tin. As a result, some \$70 million was written off last year. But with its sharper focus on tin, MSC extended from tin smelting to tin mining, where margins are higher although more volatile. Adding to its tin reserves will be MSC's next challenge, including obtaining non-conflict tin from Congo, or tin that is not associated with armed conflict or human rights abuses.

#### Investing for the future

The hospitality business is investing for the future. Straits Trading owns, leases and manages a total of 14 hotels in Singapore, Australia, China and New Zealand. Many of these hotels have seen no renovations for many years, and the group has started refurbishments across the chain, including its flagship Rendezvous Hotel in Singapore. While the disruptions and costs associated with the refurbishments are hurting profitability in the short term, the improvements will enhance returns in the longer term, Ms Chew said.

She is very clear about the focus of Straits' hospitality arm. "We will work

with what we have, and what we have are 3 to 4.5 star hotels. We want to be very focused. If we aim to shoot for everybody, I don't think we will succeed. If you look at the 3 to 4.5 star segment, the focus is the business tourist, so we want to concentrate on that. If we want to sell to this target market, then we have to put ourselves in their shoes and see what they want."

What Straits will strive for is scale. "Hospitality needs scale. So we are looking for tie-ups. The trouble with tie-ups is that the fit must be right, the philosophy must be right, and the terms must be right. But logically, most people in the industry will realise the need for scale. So the big moves will be in partnerships, and the small moves will be acquisitions."

The geographical focus of the hotel business will remain Singapore and Australia, and the group will build a logical footprint around this, so that manpower and costs can be shared, and the same customer pool can be tapped. It is also revamping its marketing strategy and sales platforms to try to "bring the business to the traveller".

The property business is the one that is moving the "slowest". "We are enjoying

capital appreciation on our land bank, and there's no impetus to rush." The group has a total 1.47 million sq ft in Malaysia in Perak, Negri Sembilan and Penang. In Singapore, it owns Straits Trading Building at Battery Road, Rendezvous Hotel Singapore, Five Chancery, good class bungalows on Cable and Nathan Road and some units at The Holland Collection and Gallop Green.

"We are building on our land bank. Straits does have a large land bank. There is no pressure to add to the land bank but it doesn't mean we cannot buy opportunistically. I think people who don't have a land bank will feel the pressure to add. When you don't have the pressure, than you buy when you think prices are right."

For the first half ended June this year, tin mining and smelting contributed around 85 per cent to total revenue of \$778.9 million. Hotels constituted about 10 per cent, while the remaining was from property. Group net profit in the first half jumped to \$56.4 million from \$7.9 million the previous year. This earnings matrix should change as the transformation of the company progresses, Ms Chew said.

More difficult perhaps than making



## Architect of change

Chew Gek Khim shares her vision for the age old Straits Trading Company. **By Wong Wei Kong**



work and we had to start bringing in new people.

"It was a different approach from that of the PE (private equity) firms. A PE firm would have gone in and thrown out the people and bring in their own guys and be totally brutal. We weren't brutal and we may have suffered as a result because we had a crisis coming. If you had doers, they would have dealt with the coming crisis, but they were tardy in dealing with some of the issues."

So sweeping changes took place at senior management, while there was natural attrition at the more junior levels because those who could not embrace the changes took the cue and left on their own.

"The culture we want at Straits is to have this sense of accountability. You are given an asset and you need to be accountable for the return on it. You need to work on it and in turn your effort should be recognised in terms of remuneration. Secondly, we want to introduce a culture of succession planing which again we found was lacking in Straits. Nobody is here forever and no one can say 'I'm the kingpin'. The other thing we are trying to introduce is the idea of teamwork. The old Straits was very hierarchical."

She recounted her first impressions of the firm. "When I walked in, it felt very civil service-like. Nobody had names, you know. Everybody had a title – you are the chairman, you are the president – but nobody had names!"

"In some organisations, they call you by first names, in others, they call you Mister So and So. In all the places I had worked in before, it was always like that. I have never worked in an organisation where nobody had a name. I found that very odd but I think it reflected a very hierarchical organisation. I do believe that such hierarchy, while it can be good in its own way, will be detrimental in this day and age because people won't speak up. So you may have very good ideas at the lower levels but it never surfaces. You may have terrible ideas at the top but nobody dares to question it. That was actually very detrimental."

"You pay people well and then you demand a lot more. People should be responsible for their actions. You needn't be punished for every mistake but you must take responsibility for it. You cannot say it's the other guy's fault."

A lawyer by training, Ms Chew, who has just turned 50, graduated from the National University of Singapore in 1984 and joined the family investment firm Tecity in 1987.

She also sits on the board of CapitaRetail China Trust, a listed trust of the CapitaLand Group, and is deputy chairman of The Tan Sri Tan Foundation in Malaysia,

## CHEW GEK KHIM

Executive chairman, Straits Trading Co

**1984 Graduated in Law from the National University of Singapore**

**1987 Joined Tecity, eventually becoming executive chairman**

**2008 Led Tecity's takeover of Straits Trading Co, became its non-executive and non-independent chairman**

**2009 Appointed executive chairman of Straits Trading Co**

## The importance of accountability

CHEW Gek Kim's grandfather, philanthropist Tan Chin Tuan, played a big part in instilling in her the sense of accountability that she is now trying to institutionalise at Straits Trading. "From the time I worked with him, when you are given a task to do, and something went wrong, you are hauled up. It didn't matter if you are the clerk or sibling or cousin or maid, you will be hauled up. So this sense of accountability is very ingrained in us, even in how we live. I still remember how we used to be admonished for leaving things around, whether jewellery or cash. If it disappears, it wouldn't be the maid's fault, it would be your fault because you left it lying around."

"He didn't sit you down and say, one, two, three, four. It was a function of living together and working together. One thing he taught me, which made me sit up and think, was about how we use money. One day, we were discussing a business acquisition. I ended up arguing with him – people may be surprised but he actually entertained arguments – because I had put a lower figure and he had a higher figure. In the end he lost his temper and asked, what is money for? And that was the end of the discussion."

"That was a very interesting argument. It's not about whether your figure was wrong or right. Implicit in his statement was the concept of not just getting a dollar value in return, but thinking strategically about what you want to use money for. He wanted to pay more because he thought that it would do good. So that I think that was one of the biggest influences on how I see money. Money is a resource. You don't just say I put in \$5 and get \$10 back. You think in terms of how it's really used. It's not just to make yourself rich. Does it change society, does it help the industry, does it propound a philosophy?"

"We actually do this across the board, including the foundation," said Ms Chew, who is deputy chairman of the Tan Chin Tuan Foundation in Singapore, the family's non-profit arm. "We ask for accountability. And some people think we're brutal. But the same thing we do in business we do in non-profit too. The thinking is very simple. The staff here work very hard to make money for the owners, and we then give this away. Just because you have an altruistic motive doesn't mean you don't have to be accountable."

**'We found the company with very good assets and land bank. But I think it was a little stuck in time. I found that the company was running along very 1980s lines. I believe that business and capitalism are rather Darwinian. If you don't cut it, you don't survive. I didn't think it was suited for this century.'**

She chairs the National Environment Agency Board here and is also on the Singapore Totalisator Board and the Securities Industry Council.

During the recent Presidential Elections in Singapore, she surprised some by sending out an e-mail titled "Tested, Trusted and True", urging friends and associates to "vote for my uncle, Dr Tony Tan".

"He is far from perfect and very human, but is true to himself and true to the public. What you see is what you get: From his trademark hairstyle and glasses to his reserved demeanour and sincere person," she wrote. Dr Tan was eventually elected President in a closely fought contest.

"It's not something I would usually do," she says in the BT interview. "I strongly believe that he is the right person for this time because we are going through so much change. You do not want a president who may be too confrontational and take up issues with the government publicly. This is not to say that Dr Tan won't have disagreements with the government, but he will raise these in private. We have

seen what has happened in the US and in Europe where leaders don't agree."

"We are going through a time of dramatic change, which will see the rise of Asia and the gradual decline of the West. This will be very challenging, and I think we don't need to have the problem of disunity internally."

So far, shareholders have shown patience as she carries out her plan to remake Straits Trading. "Transforming a company takes time and people who expect it to be done in one year or in two years are not realistic. We have said we will pay a sustainable payout and pay a big one when we unlock an asset. But when you are transforming a company, it is very difficult to say that you will pay a high dividend every year because your need for capital will fluctuate," said Ms Chew. "Our shareholders have been very kind. They just want to see change."

There are plans to increase the free float of Straits Trading and raise coverage by the analyst community. Several options are being considered, including a secondary listing on Bursa Malaysia, just as MSC recently completed its secondary listing on the Singapore Exchange. With key operations in Singapore and Malaysia, it is logical for the group to have shareholders on both sides of the Causeway, she noted. It will also tie in with the growing economic ties between the two countries as relations improve.

For now, the main business is rebuilding Straits Trading, layer by layer. "Transformation is slow. We're trying to build platforms. It's like building foundations. It can be frustrating because it takes a long time and you cannot see very much of it. But at the end of the day, if your foundation is good, you will be strong."

"So I always spend a lot of time on foundations. I mean this literally as well. When I put up a building, I'll always kick up a ruckus about the foundation!"

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business adjustments is trying to change mindsets and corporate culture in a long-established company such as Straits Trading.

"We found the company with very good assets and land bank. But I think it was a little stuck in time. When I went in, I found that the company was running along very 1980s lines. It was very old wealth, very nice people, but perhaps not suited for the current century. I believe that business and capitalism are rather Darwinian. If you don't cut it, you don't survive. I didn't think it was suited for this century."

"If you studied the company, you would find that there was a lot of hidden value but it was not unlocked and management was not pushed to realise the returns they could have gotten."

"The first thing I did was to institute the internal reporting process because I found that there was insufficient information coming up. The second thing was to get the capital structure in place because we found that good businesses were subsidising poorer performers. So you want to start segmenting them and say that everybody is accountable."

Management changes did not happen immediately. "The first year we did not make that many changes but inevitably, after about nine months or so, it became very apparent that we needed to make changes because it was a company that was too stuck in the past. And you had people who have been working for the last 20 years at very slow pace. If the mindset was that of custodians rather than doers, than you have a problem. So while we tried to leave management alone to change for the first nine months, it didn't

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