

OBJECTIVE

Policy Thrust 4 of the GLC Transformation Manual advocates the adoption of corporate best practices within Government-Linked Companies (GLCs). The objective of Initiative 10 - Enhancing Operational Efficiency and Effectiveness, is therefore to encourage the adoption of best practices via the implementation of a Framework for Continuous Improvement at GLCs. In instances whereby GLCs have some form of framework for operational enhancement that is producing tangible results in place, this Initiative can serve to complement (where applicable) the existing processes and reporting systems.

ENHANCING OPERATIONAL EFFICIENCY AND EFFECTIVENESS

Initiative 10 comprises a series of Workshops, Seminars and Roundtable sessions facilitated by experienced industry practitioners and is intended to serve as a forum to institutionalise a Framework for Continuous Improvement at GLCs. Through participation in the programme, GLCs will benefit in the sharing of real-life experiences and learnings from each other. Best practices and successful case studies will eventually be codified for future reference as part of the philosophy to reinforce a culture of continuous improvement at GLCs.

Session 1 of the programme is scheduled to be held in November 2006 and will provide an overview of the Framework for Continuous Improvement and the 'Evaluation' phase. This session is targeted for Project Champions identified by GLCs to lead and drive operational enhancement initiatives within their respective organisations.

Session 2 will focus on specific areas of the Framework for Continuous Improvement, namely the Efficiency and Execution phases. GLCs will be provided with an overview of options to enhance operational excellence, 'best practice' illustrations and guidance on Execution capabilities required to implement the framework at GLCs.

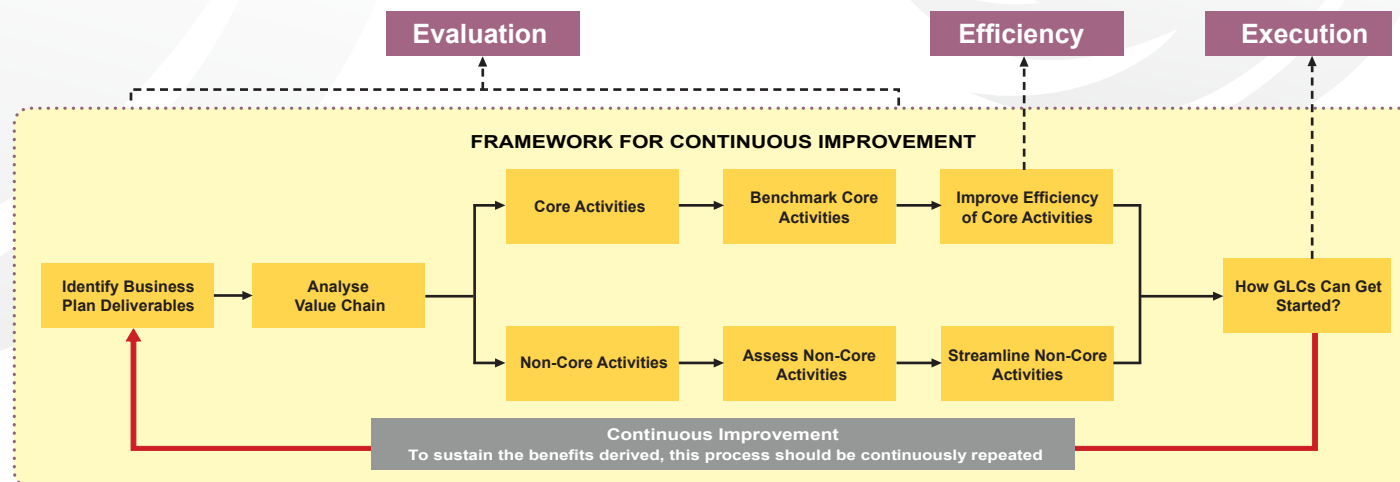
In parallel, Project Champions should mobilise the necessary resources to implement this Initiative and to attend Sessions 3 and 4 (and if applicable to the GLC, the optional session on Franchising).

CULTURE OF CONTINUOUS IMPROVEMENT

The underlying theme of this Initiative is to inculcate a mindset for continuous improvement at GLCs. As industry dynamics and the competitive environment are constantly evolving, high performing organisations continuously raise their performance bar in pursuit of operational excellence.

A FRAMEWORK FOR CONTINUOUS IMPROVEMENT

It is recognised that there are many ways for GLCs to strive to achieve operational excellence. Given the different industries and operating environment under which GLCs undertake their activities, a structured Framework for Continuous Improvement serves as a guide to assist GLCs to evaluate, select and execute initiatives to enhance operational effectiveness.



THE 3Es FOR OPERATIONAL EXCELLENCE

1ST STAGE - EVALUATION PHASE

In the first stage, a systematic or structured approach to identify opportunities for operational enhancement will be necessary. This includes identifying clear Business Plan deliverables, mapping and analysing the GLC's value chain to identify core/non-core activities and benchmarking those core activities to identify gaps (revenue, cost, productivity, asset utilisation etc). For non-core activities/assets, data collection and analysis will be required to support activities in the second stage.

2ND STAGE - EFFICIENCY PHASE

Based on analysis and data from the Evaluation phase, the subsequent activities will involve the assessment and selection of option(s) to enhance Efficiency of core activities. For non-core activities, various options to improve efficiency of capital and resource allocation are to be considered.

3RD STAGE - EXECUTION PHASE

Having evaluated options for improving the Efficiency of operations, an implementation plan with quantified deliverables, timelines and a responsibility matrix will be developed. Progress of these initiatives need to be tracked, measured and reported to the Board on a quarterly basis by Management.

RELATIONSHIP WITH OTHER GLCT INITIATIVES

The Framework for Continuous Improvement is intended to complement and support the other GLC Transformation Initiatives. As prescribed in the Blue Book (Intensifying Performance Management), operational improvement targets are to be cascaded as Key Performance Indicators (KPIs) to relevant business units and captured in the Performance Management system. Similarly, procurement related targets (Red Book) should also be viewed together with internal operational improvement initiatives.

Rationalisation of assets and investments/holdings to improve asset productivity are complementary to guidelines in the Purple Book¹ which focuses on the optimisation of capital management practices at GLCs. Also, when considering options to manage investments/holdings or assets for purposes of social contributions, GLCs should refer to the Silver Book.

Efforts to optimise operational efficiency/effectiveness also bear impact on enhancing shareholder value and can be measured by economic profitability which is aligned to the principles to be advocated in the Value Based Management (VBM)¹ Programme. In implementing operational improvement initiatives, GLCs should also consider an appropriate framework to identify and manage talent to be prescribed in the Orange Book¹.

¹. The Purple Book, VBM Programme and Orange Book are due to be launched by end 2006.