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Penang preparing to roar!

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THE Penang government has found one way to counter the adverse effects of the current global slowdown in the electronics sector.

Chief Minister Tan Sri Dr Koh Tsu Koon's solution lies in the form of a global manufacturing alliance, whose members are determined to speak the same language of business. And what better thing is there than to speak the same language on a global platform?

Named after the famous Rosetta Stone, an ancient artefact which was inscribed with messages in three different languages, RosettaNet (www.rosettanet.org) is a non-profit consortium. It has a membership of more than 400 of the world's leading manufacturers.

Founded in February 1998, RosettaNet's task is to create a digital marketplace using a common messaging platform for manufacturers to communicate and trade with its suppliers and partners. To manufacturers, managing the supply chain is a critical concern of the business as it affects the whole operations of the factory. Without an efficient supply chain management system, manufacturing operations can come to a standstill.

Penang has been enjoying robust economic growth for more than a decade. But with global economies moving at snail's pace, especially that of Penang's major trade partner, the US, the situation is threatening to change. The threat to Penang's prosperity comes in the form of increased competition with many other economies looking to be sufficiently attractive alternatives.

The 691 factories in Penang are in danger of being placed in a disadvantaged position with the advent of globalisation and market liberalisation. Like many other emerging economies, the island relies heavily on foreign direct investments.

Although Penang's trade and services sector contributes 49.2 per cent to the state's economy, manufacturing is the backbone of Penang's economy. The manufacturing sector employs a total of 195,844 workers and contributes 46 per cent to the state's economy. Enjoying a robust growth rate of 6.7 per cent last year, Penang's GDP in 2000 was worth RM17.3 billion. The state's contribution to the national GDP stood at 11.4 per cent last year.

For a long time, manufacturers have relied on managing their supply chain, in order to keep the inventory, production costs and manufacturing processes low. Orders and various other communications with the suppliers are done via the fax and the telephone. 'Manufacturers currently rely on the telephone to order products from the suppliers. However, RosettaNet allows manufacturers to order and check inventory using the computer network,' says Stan Lim, managing director of Asia manufacturing, Cisco Systems.

With the setting up of RosettaNet, manufacturers now have an efficient way to get cheaper supplies within a more manageable lead-time. For the suppliers, RosettaNet may just be able to open up the marketplace for them to compete on a level playing field, in order to attract global manufacturers. Using open e-business process standards, RosettaNet will require all trade suppliers and partners to communicate using standard communication systems.

In some ways, RosettaNet may just be the answer that Koh needs to inject some excitement to Silicon Island. Apparently a number of multinational

companies (MNCs) in Penang are already on the board of RosettaNet. They include Intel, Dell, Cisco, Siemens and Hitachi.

Working on the plan for more than two months now, Koh has already set up a RosettaNet Technical Committee in the state to look into ways to link up with RosettaNet. Delighted by the prospect of turning the tide in favour of Penang's manufacturers, Koh and his team at the Penang Development Corporation (PDC) came up with a novel idea to start a northern e-economic revolution. He enlisted the help of the Federation of Malaysian Manufacturers (FMM), MIMOS Bhd and MyBiz (a local B2B portal) to further develop the plan. FMM, PDC, MIMOS and MyBiz later became the pioneering team for the initiative.

The result was the 'Technology + Industry + Government for e-Economic Revolution' (TIGER) strategic intervention plan, which covers Penang, Kedah and Perak.

Since Koh is a member of the National IT Council, a policy-making agency of the government, he saw an opportunity not to be missed. Last July, the NITC met for its regular meeting in Putrajaya chaired by Prime Minister Datuk Seri Dr Mahathir Mohamd. Having made prior arrangements, Koh presented RosettaNet's case to the council for further deliberation.

Koh's spirited presentation got the attention of the Prime Minister, who asked several questions on the strategy. 'The presentation was impressive. We all got the impression that we have to do it,' said Shaifubahrim Saleh, managing director of Cisco Systems Malaysia, who is also an NITC member.

The proposal involves a two-tier classification system for local suppliers. The first tier comprises big local suppliers and the second tier consists of smaller parts manufacturers. However, the exact yardstick that will be used to classify manufacturers into the two-tier system is unclear at the moment.

Koh declined to be interviewed for this article. Neither is MyBiz saying anything. Attempts to interview NITC Secretary Tengku Azzman Shariffadeen drew a blank. Datuk Paul Low, FMM's vice-president and an NITC member says he does not want to reveal anything at the moment as the plan is still in its infancy.

However, sources say there are plans to set up a RosettaNet Malaysia Pro tem Steering Committee, which will initially include the electrical and electronics industries. The committee will comprise representatives from the government, industry and non-government organisations. This may include the Ministry of Finance, Ministry of International Trade and Industry, MIMOS Bhd, Ministry of Science, Technology and Environment, MNCs and a few local parts suppliers.

As the whole business of RosettaNet is to link up suppliers with manufacturers, the TIGER project is estimated to cost RM90 million. However, Koh is seeking RM25 million from the government for the seed stage, from NITC's Demonstrator Application Grant Scheme's (DAGS) Perdana DA category.

The RM25 million is to be used to jumpstart supply chain linkages for local players, which will set up a common electronic messaging standard and e-business applications for members of RosettaNet. Initial costs may be high, but the long-term benefit will make the effort worthwhile. 'Penang is on the right track to go to RosettaNet early on. They will have an added advantage over those who have not gotten on it yet,' says Lim.

Penang's potential entry into RosettaNet couldn't have come at a better time, especially now that Singapore and Taiwan are already ahead of us, having set up their RosettaNet steering committee last year.

'RosettaNet can be likened to the ISO 9000 standard. Today, if you are not ISO-compliant, you can forget about doing business with international companies,' says Lim, explaining that without RosettaNet, one would be

out of the communication loop among the suppliers and manufacturers.

While the RosettaNet initiative has not received widespread adoption, it is growing rapidly. 'RosettaNet will happen in the next one or two years. Those who are not on the network will be left behind,' Lim says.

It may be a simple solution, but the TIGER project could yet prove to be a beneficial move for Penang. After all, it brings manufacturers and suppliers to speak the same language and to do business on a global level.

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