

Reinvention keeps Keppel resilient to threats and turmoil

CEO of world's No. 1 oil rigmaker feted for keeping standards high

By LEE SU SHYAN
MONEY EDITOR

KEPPEL Corp is standing tall as the world's No. 1 maker of oil rigs known as jack-ups and semi-submersibles.

But the threat of Chinese and Korean shipmakers looms large while economic woes threaten Keppel's largest customer, Brazil's state-owned Petrobras.

Add to this the imminent retirement of its chief executive, long-time stalwart Choo Chiau Beng, 65, and there are questions over whether this blue-chip can maintain its winning streak.

Keppel acknowledges the concerns but is well aware that this will not be the first time that the company has had to reinvent itself and it won't be the last.

In an exclusive interview with The Straits Times, Mr Choo said: "Keppel has emerged stronger and more resilient with every challenge in the past 45 years.

"Many people forget that we owned Keppel Tat Lee Bank and when we sold it, we lost a large chunk of profits and we had to make up for that," he said.

At the time of the sale back in 2001, many analysts were concerned that the group had lost its main source of income.

But with a little help from soaring oil prices in that decade, the offshore and marine division was transformed into a money-spinner.

Another daunting challenge emerged in 2009, when Mr Choo took over from retiring executive chairman Lim Chee Onn, with the global financial crisis in full swing. He said: "When I became CEO of Keppel Corp in January 2009, we were in the midst of the global financial crisis. My top pri-

ority then was to make Keppel leaner and stronger."

One tough decision was to get out of oil refining and retailing.

He said: "I was personally involved in nurturing Singapore Petroleum Company (SPC) for 10 years as its chairman. And when the time and price were right, I led in the harvesting of Keppel's investment in May 2009."

It was an offer that Keppel could not refuse; the \$1.47 billion from selling SPC was ploughed back into the business.

For Mr Choo and Keppel, 2009 turned out to be a stellar year. SPC's sale contributed to a record-busting net profit figure of \$1.63 billion, 48 per cent higher than previously.

The following year, Mr Choo also took home the "best CEO" award at the Singapore Corporate Awards.

But even as some of these strategic decisions stole the headlines, it is Mr Choo's contribution behind the scenes that may have a more long-lasting impact.

By 2009, Keppel was already operating in more than 30 countries with more than 30,000 employees.

Keeping standards high and consistent over every unit and each office is a challenge that has defeated many a corporate giant. That was behind Mr Choo's decision to spend time on developing a set of values that Keppel should stand for.

He is a fervent believer that spelling out these values helps give a workforce, now numbering more than 40,000, a sense of "esprit de corps".

Each Keppel employee gets a laminated card, highlighting core values including the Keppel can-do attitude, customer focus,



It was under Mr Choo that Keppel decided to set up a separate Keppel Land China unit to boost the group's focus on the vast market there. ST PHOTO: RAJ NADARAJAN

commitment to safety and accountability, to meet stakeholder expectations.

Mr Choo said: "Our business is a lot of teamwork. Someone who is a loner and selfish, he would not be effective. So we must make sure we inculcate values. We Singaporeans are known to be straightforward, reliable, we don't take short cuts, these are our values. In our business, we have to be reliable. Who wants to give a \$1 billion piece of work to an unreliable contractor?"

Observers say that Keppel's culture of thrift and putting the customer first has kept quality high. This has translated to a minimal defect rate, complaints that are few and far between and a record remarkably low on accidents.

Others praise Mr Choo for having quietly nurtured the next generation of leaders and for promoting from within.

Mr Loh Chin Hua, the chief financial officer set to succeed Mr Choo, has been working at Keppel

for nearly a dozen years.

Having laid the groundwork for a long-term future, Mr Choo has good reason to be confident of Keppel's prospects.

Its recent deal with Mexico's national oil company Pemex to set up a new yard in the country, at the Gulf of Mexico's Port of Altamira, is yet another example of how setting up shop near a customer pays off.

Keppel's offshore unit has been in the United States since 1980. Such commitment including having Keppel veteran Chow Yew Yuen based at a yard in Brownsville, Texas, near the Mexican border from 1993 was key to cracking the Mexican market.

And just last week, Keppel nailed a whopping US\$1.1 billion (S\$1.37 billion) order from the world's largest drilling operator Transocean, seeing off competition from the Chinese and Koreans.

This success shows how Keppel's timely delivery and unique

design retain its edge and will go some way to silencing the critics that say customers now opt only for the lowest price.

Property, too, will buffer any shortfall in oil rig income. While Keppel and its oil rigs are synonymous, a closer look at the numbers shows that property is a significant contributor. Third-quarter profit was 32.1 per cent higher at \$457.6 million compared with a year ago, driven by its property arm.

Already, last year, property notched up profits of \$1 billion, nosing ahead of the offshore unit's \$948 million tally.

It was also under Mr Choo that Keppel decided to set up a separate Keppel Land China unit to strengthen the group's focus on the vast market there.

Keppel Land China was ranked among the "Top 10 Asean Companies in China" by the China-Asean Business Council earlier this year while the overall Keppel Land has seen economic value added - a measure of return - rising from \$47.4 million in 2008 to \$70.3 million at the end of last year.

Looking even more long-term, just as Keppel was associated with a bank in the past, it might one day be just as well-known for its infrastructure business as it is now for its oil rigs.

Mr Choo said: "For the last 30 years, in particular, in China, India and Vietnam, many people are moving to the cities. In China, the

government is thinking of developing more of the townships and smaller cities and modernising the rural areas. This means people use more electricity, cleaner water, there is waste to be taken care of. These are the areas Keppel is in."

Keppel's infrastructure arm runs power plants, builds waste-to-energy facilities and provides data centres and logistics services. The unit brought in only a fraction of the group's \$2.2 billion net profit last year.

But as a master developer for the Sino-Singapore Tianjin Eco-City, Keppel shows how it can marry its expertise in infrastructure and property development to offer a clean environment, eco-homes and efficient business solutions as urbanisation takes off.

Mr Choo said: "We go where there is a need for our solutions and services and for urbanisation, you need to build new townships, new places."

With a market value of around \$19 billion, Keppel is already one of the largest companies in Singapore.

Said Mr Choo: "Being the largest company in Singapore or globally is not the be-all and end-all." What is key is "that we must find profitable opportunities, find sustainable profits".

With a glint in his eye, he adds: "I want Keppel to be the most profitable company in Singapore."

sushyan@sph.com.sg

NEW MARKETS

For the last 30 years, in particular, in China, India and Vietnam, many people are moving to the cities. In China, the government is thinking of developing more of the townships and smaller cities and modernising the rural areas. This means people use more electricity, cleaner water, there is waste to be taken care of. These are the areas Keppel is in.

- Mr Choo Chiau Beng, Keppel's chief executive