In his 2014 New Year speech to the nation, Prime Minister Lee Hsien-loong said:

“We are taking a balanced approach, reducing but not cutting off the inflow of foreign workers. This is why companies are finding it harder to hire the workers they need, especially SMEs. We are helping companies adapt by exploiting technology and becoming more productive. At the same time, we are encouraging firms to develop their Singaporean workforce and adopt fair employment practices.”

And he continued this theme in a speech at an event organised by the SMCCI (Singapore-Malay Chamber of Commerce and Industry) on 7 May 2014 when he shared the following message:

“I know that SMEs are concerned about manpower, in fact very worried about it, especially as we reduce the inflow of foreign workers. All SMEs want more foreign workers, and it is not just Malay-Muslim SMEs. In fact we are allowing in a continuing flow of foreign workers so that the number of foreign workers here is continuing to grow, although not as fast as before, and not as much as the employers and companies would like. We know that even this is still not enough for the companies, and that SMEs have to turn away business because they do not have the workers to service this new business. But unfortunately we cannot ease up on the foreign worker limits and I hope companies will understand because we have to manage the inflow, we have to manage what we can accommodate in Singapore and we have to manage the total numbers. So what we can do is to help SMEs to make jobs more attractive to Singaporeans, to raise their productivity and therefore you make the most of the workers you have.”

The macro-level business and social case is clear and Singapore is leading the way in terms of understanding the link between talent management and productivity and between foreign talent and overall population growth. Singapore recognises the need to balance the positive impact made by foreign workers with the need to carefully monitor and manage the population growth of an already crowded island.

At the front-line business and organisational level in Singapore, we believe our research signposts concrete and tangible actions that not only SMEs but also MNCs can take to reassess what they are doing in order to manage better and lead more effectively the talent that they do have. And the insights provided by the research do two things: firstly, they provide an evidence base for things we suspected were important but had no data to support and secondly, they provide a starting point – a challenge to companies – for a long-overdue re-appraisal of whether they really understand what it takes to engage their people and ultimately boost productivity. In this sense, this Singapore-focused report should also be interesting reading for business people beyond Singapore as noted in the UK in a Bank of England statement reported by the BBC on 16 June 2014:

“The Bank of England says productivity [in the UK] is 16% below its pre-crisis trend – but says it is at a loss to understand why... since the onset of the 2007-08 financial crisis, labour productivity in the UK has been exceptionally weak... even taking into account possible measurement issues, this shortfall is large and is often called the “productivity puzzle”. The UK is known to be less productive than other similar developed countries [and] earlier this month the International Monetary Fund (IMF) said poor productivity in the UK was a key risk to future economic health...[The] UK has seen an improvement in output, but productivity has failed to rise in tandem - creating the “productivity gap” - and is below that of other developed countries. British workers now produce about a fifth less for every hour worked than other leading G7 nations.”

“We would therefore encourage our UK-based national and international clients to see this research work from Singapore as food for thought - an additional data point for them as they ponder productivity and talent issues closer to home. So why do this research?

SMEs are considered the backbone of the Singaporean economy, accounting for 99% of all companies in the country*. For Singapore to continue to grow and prosper, it is critical that SMEs in the Republic perform well. At the same time, Singaporean SMEs face a number of challenges, not least of which is ensuring they have the people capability to sustain and support growth. Looking at the relationship between talent and productivity – and how to leverage one to support and increase the other - is therefore key to the country’s continued success.

The research, commissioned by the Singapore Ministry of Manpower, aims to raise awareness of and demonstrate the business benefits to Singapore SMEs of adopting talent management practices. These encompass sourcing, attracting, selecting, developing and retaining talent. We defined business success in terms of excellent financial performance, delivery of targets, and staff recruitment and retention. Measures of productivity themselves can be defined as “essentially the quantity of goods and services produced per worker or per hour – and can be used to inform estimates of an economy’s ability to grow without generating [too much] inflation.” (Source: Bank of England).

Our research also sought to develop a means of providing practical support to Singapore SMEs in advancing their talent management practices.

* According to SPRING Singapore: “Today 99% of all enterprises in Singapore are SMEs. They employ seven out of every 10 workers, and contribute nearly half of national GDP” (SPRING Singapore website, 8 April 2014)
invest in personal development planning activities and business performance) to support and underscore the case for SMEs investing in talent management. In addition, the fifteen practical, accessible case studies are designed to encourage and inspire other SMEs to invest in talent management, and to share learning with a wider audience.

We followed up the research work by running a set of three one-day workshops informed by the research findings and focused our efforts on supporting managers in SMEs to develop their organisation’s approach to talent. The first two workshops provided an opportunity for participants to share experience, reflect on their organisations’ practices and identify approaches to identifying and developing talent. The third workshop focused on building leadership capability. 61 managers from SMEs and GOEs (Growth-Oriented Enterprises) attended these workshops.

We also conducted three roundtables with the CEO/Owners of SMEs on leading change, creating a culture of innovation and strategic talent management. These were facilitated peer-to-peer discussions designed to enrich the body of knowledge about challenges faced and to enable the sharing of learning both within the group and with a wider audience of SMEs, CEOs and owners. Questions at each roundtable directed the discussion towards thinking about how a focus on talent can support the leading of change initiatives and create a culture of innovation.

Our research report provides a rare evidence base (in other words, evidence showing the quantitative relationship between talent management practices and business performance) to support and underscore the case for SMEs investing in talent management. In addition, the fifteen practical, accessible case studies are designed to encourage and inspire other SMEs to invest in talent management, and to share learning with a wider audience.

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Our survey research found that SMEs with good working conditions, including HR processes such as flexible working and reward and recognition, were more likely to be financially successful. SMEs adopting workforce and succession planning were also more likely to produce better bottom-line results. Furthermore, it is widely recognised that staff who have opportunities for development and learning are more engaged and more productive. Our survey research supported this and found that SMEs who invest in personal development planning activities with staff are more likely to be financially successful. Having a dedicated HR person or function was also linked to financial success. Our case study research identified a range of approaches being taken by SMEs, even those without an HR, to source, attract, develop and retain talent. HR has the potential to bring integrated thinking with regards to talent management.

Good working conditions also help Singapore SMEs attract talent. Flexible working opportunities are also key.

Employer brand and attracting talent

Our survey research also identified the value of a clear brand in attracting talent. Having a clear brand is also positively related to the financial success and growth of an organisation. Case studies such as 77thStreet provided an excellent demonstration of this.

Strong links were also found between SMEs that utilise performance-related reward and recognition schemes and the retention of talent. Such SMEs use these HR processes to effectively identify talent, plan career progression and development, and to demonstrate value and recognition.

Employer brand and financial success

We found a clear relationship between employer brand and financial success. What this means is that SMEs need to create a compelling story and vision of the origins and future of their organisation, plus a realistic picture of what it might be like to work there. They need to take steps to ensure their recruitment materials and partners communicate clearly - to potential candidates - what it is like to work in their organisation. They must be aware of their values, culture and future strategy and ensure that these are shared with recruitment agencies and with candidates in the recruitment process. They need to consider what they offer that is distinctive as compared to MNCs, such as opportunities to undertake challenging work in a fast-growing company. Many of our case study organisations were doing just that. SMEs should therefore focus their investment on building their brand and profile. Government schemes such as BrandPact can support this.

Merit-based recruitment and financial success

Our survey analysis found a clear link between merit-based recruitment and financial success. SMEs need to establish recruitment processes that have clear criteria against which to assess candidates (merit-based). They should also seek to provide a realistic preview of what a job role might involve, and invest time in the recruitment process to help ensure a good fit between recruit and the organisation.

Good working conditions and opportunities for development

Our analysis of survey data found clear links between personal development planning, formal training programmes, the provision of e-learning opportunities and financial success/delivery of targets. Development is key to managing talent. What this means is that SMEs need to communicate clearly to potential candidates the working conditions they provide which are appealing to their target talent, for example the technology available for Gen Y and the opportunities for flexible working for mid-career and older workers. So SMEs need to have an awareness of the different talent groups within their organisations (Gen Y, mid-career, older workforce and also the soon-to-arrive Gen Z) and work to customise their HR and management practices to support all groups, for example, attractive and supportive working conditions, tailored reward and recognition together with flexible working opportunities. They also need to engage and involve staff. This is where SMEs may have an advantage over larger MNC firms. SMEs should seek to communicate regularly with staff about business performance and to seek their ideas and involvement as much as is practical. Our case study organisations were often good examples of this.
Of the SMEs taking a strategic approach to talent management – what are they doing differently? SMEs taking a strategic approach to talent management are:

- Recognising talent as a key strategic enabler, driving accountability for talent management throughout the business by introducing ‘talent’ objectives or KPIs into the performance management process and rewarding talent retention. (Pet Lovers)
- Taking steps to identify critical roles and those individuals who may fill them in future. SMEs should begin by identifying their key talent groups and ensuring they have a clear career pathway. (Tong Teik)
- Formalizing the requirements of job roles and the competencies required, such that there is the capability to know the skills/capabilities required in the organisation and identify gaps and development opportunities (Mencast)
- Taking steps to ensure consistency in approach to HR practices such as performance management across the business. This was most clearly seen where a business had expanded by merger and acquisition and there was a need to develop a shared culture and practice across the newly formed group (Mencast)

However our survey found that:

- Only one-fifth of SMEs had a talent management programme or succession planning process in place
- Between one half and three fifths of SMEs did not have job descriptions or use workforce planning
- Roughly one half of SMEs report investing in personal development planning – more need to do so
- One-third report developing staff through coaching and encouraging staff to innovate – a good start but not sufficient yet in our opinion

Clearly there is a lot of work yet to be done.

Digging deeper: attracting and recruiting talent

Our survey research identified that 39% of SMEs ‘often’ or ‘almost always’ experience difficulties attracting suitable employees. The case study research identified a variety of ways to reach out to potential talent pools. Recognising the importance of good working conditions (55%), flexible working (40%) and good pay & reward (40%) to attracting and retaining talent provides a useful starting point.

Doing more: developing and retaining talent

The survey research identified the importance of opportunities for personal development (48%) and on the job training (56%) to retaining talent (in order to keep people you need to give them the skills and experiences that puts them in a better position to leave!).

The research also identified the importance of regular appraisals for reducing staff turnover and increasing organisational performance.

It is also clear that changes in demographics will have a major impact on the attraction and retention of talent. In order to be successful Singapore SMEs need to embrace talent in all generations (mid-career and older workers), not just Gen Y (or Gen Z). The research identified that 20% of SMEs in Singapore were engaged in succession planning. This strikes us as too low.

Nurturing future leaders

We noticed through the research findings that good working relationships was the top reason for staying, selected by 49% of respondents, so we need to continue to look long and hard at inter-personal skills, team dynamics and an understanding of others. Good leadership & management was the third highest reason for why people stay with an organisation, selected by 43% of respondents (pay & reward was ranked second on 45%). Leadership style is therefore critical to SMEs wider and long-standing research indicates that leadership style influences culture. As much as 70% of employees’ perceptions about the organisational culture are linked to the characteristics of the leader (Cherniss & Goleman, 2001) so this point needs to be emphasised again and again: as the top leader determines much of the culture of an organisation, leaders of SMEs have to have a mechanism in place to ensure they get quality feedback and surround themselves with people who will challenge as well as support them.

In conclusion

SMEs are the life-blood of the Singaporean economy. Too often their talent management issues and indeed their leadership development needs have been overlooked by business schools and other academic institutions who have focused on larger, MNC-type organisations. We hope this research by Roffey Park will redress the balance and shine a light on the fundamental issues facing SMEs – both in Singapore and probably beyond the shores of Singapore – while also celebrating what has been achieved by the unsung heroes of the Singaporean economic success story.

Much has been achieved by Singapore’s SMEs and yet by their own admission, there is still more that needs to be done. These tenacious organisations will no doubt continue to develop, grow and prosper. It is important that they do so for the benefit of Singapore’s continuing economic success.

Key Actions for SME organisations

1. SMEs must conduct regular appraisals and ensure a strong link is made between performance and reward
2. SMEs must seek to reward performance other than through base salary
3. SMEs must have an awareness of the difference in the generations (including Gen Z)
4. SMEs must explicitly value the contribution of older workers and involve them in recruitment and mentoring of new recruits
5. SMEs must engage staff by seeking their views, ideas and involvement – communicating clearly and often
6. SMEs must equip managers to have challenging and supportive conversations – coaching is key
7. SMEs must provide learning and development opportunities and stretch assignments
8. SMEs must focus on retention through promotion and succession planning

To download the full research report - Talent Management and Productivity in SMEs, please visit www.roffeypark.com
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For more information about Roffey Park’s services, please contact us:

+65 6549 7840
singapore@roffeypark.com
www.roffeypark.com

UK OFFICE
Roffey Park Institute, Forest Road, Horsham, West Sussex, RH12 4TB, United Kingdom
Tel: +44 (0) 1293 851644
Fax: +44 (0) 1293 851565
Email: qualifications@roffeypark.com

Roffey Park Institute is a Charity, Registered No 254591

ASIA PACIFIC OFFICE
Roffey Park Asia Pacific Pte Ltd, 3 Temasek Avenue, Level 34 Centennial Tower, Singapore 039190
Tel: +65 6549 7840 / 7841 / 7842
Fax: +65 6549 7011
Email: singapore@roffeypark.com

Company registration 201015995E