



coverstory

Growing **BIG** on Business Leadership



Small and Medium Enterprises (SME) face similar challenges in developing management talent as the larger firms. Like large firms, they too need to attract, recruit, develop and retain management talent.

However, SMEs are constrained in this area. Given their size, they have fewer resources to invest in developing management talent, yet they weather greater risks than big businesses. While not crippling, the constraint requires SMEs to have a well thought out plan for training and grooming staff earmarked for management positions.

In this issue of *Enterprise Today*, we examine how management training can make the difference between success and failure for SMEs. Also, we will take a look at the issue of Singapore's shortage of SME management talent and how the new Business Leaders Initiatives (BLI) can help address this.

The Difference Between Success And Failure

Management training can cut the failure rate of small and medium enterprises (SMEs) by as much as half.

This eye-opening conclusion was reached by the Organisation for Economic Co-operation and Development (OECD) in a 2003 study that covered half a dozen developed countries. The global organisation found there was "a positive correlation between the degree of management training and the bottom-line performance of an SME".

It discovered that the chance of business failure fell from one in three to just one in ten over the first three years of an SME's lifespan if management training was undertaken.

The OECD's findings are particularly relevant for Singapore's SMEs given the recently announced package of schemes to help shape a new generation of towkays.

Mr Philip Yeo, Chairman of SPRING Singapore, noted in a speech earlier this year that local growth-oriented enterprises need to build up their management teams to enter new markets, develop new products and seize fresh business opportunities.

Speaking to the pioneer cohort of SME leaders in the SPRING-SMU SME Leaders Management Development Programme, Mr Yeo said the challenge they face is not the lack of growth opportunities but the dearth of good leaders, across all levels, who can lead their businesses to seize these opportunities.

In other words, to take advantage of the

benefits that a globalised marketplace has to offer, Singapore's SMEs need to be led by bosses and senior executives schooled in management skills and savvy enough to capitalise on the opportunities that turn up.

A Start-up Enterprise survey by SPRING in 2006 found that just 40% of Singapore entrepreneurs had a basic degree and formal management training. While the rest may have been able to manage their enterprises satisfactorily so far, they are likely to find it tougher going as the business conditions become more complex and competition more intense.

Local SME leaders do recognise that it now takes more than just technical know-how to lead their businesses to success.

In SPRING's 2007 SME Development Survey, 9 in 10 SME bosses identified 4 core skills that their managers needed to develop – leadership, team-building, marketing and promotions, and business planning. This is a significant shift away from training managers in narrow, job-specific skill sets to "soft skills".

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To take advantage of the benefits that a globalised marketplace has to offer, Singapore SMEs need to be led by bosses and senior executives schooled in management skills and savvy enough to capitalise on the opportunities that turn up.



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Mr Willie Wong, Chairman of Chinyee Engineering & Machinery Pte Ltd, in a recent interview. "Only through continual education can we improve ourselves to deal with the changing global business and technology situation we face these days."

Another SME leader who is very aware of the importance of investing in management training is Mr Low Cheong Kee, managing director of Home-Fix D.I.Y Pte Ltd.

"Being in the retail industry, the most challenging issue I face is retaining and grooming our best talent," he said.

"This is one of the reasons why Home-Fix focuses on constant upgrading and providing training support to our staff. Our philosophy has paid off somewhat, as most of our management staff started off as store assistants," said Mr Low.

The Challenge: A Lack Of Management Talent

If SMEs recognise the need to attract and develop management talent, what is preventing them from doing so?

One widely held belief is that SMEs pay poorly. But the 2007 SME Development Survey found otherwise. Some 68% of SMEs in Singapore said they paid the market average in terms of staff and benefit packages, while 6% said they paid above market rates.



About SPRING Singapore's Business Leaders Initiative (BLI)

SPRING's Business Leaders Initiative (BLI) is a comprehensive programme that offers structured development courses that cater to the management training needs of SMEs. Each component of BLI is designed specifically to target a key stakeholder in SMEs – the SME boss, the up-and-coming executive, and aspiring entrepreneurs.

1. Advanced Management Programme (AMP)

Formerly known as the Management Development Programme, the AMP focuses on training CEOs and senior executives from growth-oriented enterprises. SPRING has worked with institutes of higher learning (IHLs) to develop customised and affordable Executive MBAs, short-term Executive Development Courses and other business management and leadership courses.

The AMP provides the IHLs with a one-time curriculum development grant for customised courses for SMEs, as well as up to 50% of operating costs for each intake.

The courses are currently offered at Nanyang Technological University (NTU), National University of Singapore (NUS), Singapore Management University (SMU) and SIM University.

Course fees range from S\$8,000 to S\$15,000 per participant for executive development courses, and S\$30,000 to S\$35,000 per participant for postgraduate courses.



2. Management Development Scholarship (MDS)

Under MDS, promising SME executives and executives hoping to work for growth-oriented enterprises are sponsored in their part-time or full-time MBAs undertaken in local universities.

The MDS will be jointly sponsored by SPRING and participating growth-oriented enterprises. Upon graduation, these executives will pursue careers in the sponsored companies.

The MDS will provide funding at the following levels:

- *Full-time MBA*: SPRING Singapore will provide grant value of up to 70% of the expenses which includes tuition fees, basic stipend and other related expenses, including monthly allowance for full-time MBA scholars.
- *Part-time MBA*: SPRING Singapore will provide grant value of up to 90% of tuition fees and other related expenses. The SME will bear the full salaries throughout the course of study.

The scholarships are for courses offered at Nanyang Technological University (NTU), National University of Singapore (NUS) and Singapore Management University (SMU).

3. Executive Development Scholarship (EDS)

This new scholarship for undergraduate studies at NUS, NTU and SMU, is targeted at outstanding students who have demonstrated not only strong leadership capabilities but also a passion and drive to run their own businesses in the future.

Successful EDS Scholars will have the opportunity to do their internship in SPRING or at a growth-oriented enterprise. Upon graduation, EDS Scholars will work in SPRING for up to three years as part of their bond.

Upon completion of the bond, EDS Scholars are encouraged to join a growth-oriented enterprise or set up their own businesses.

The EDS covers up to four years of full support for all scholarship-related costs, including tuition, maintenance and book allowances, hostel fees and computer loan.



A more likely reason is simply that there is intense competition for people in Singapore's small talent pool. More than 50% of SMEs covered in the SME Development Survey said that they had difficulties recruiting staff for managerial, supervisory and operational positions.

For local precision engineering firm A & One Precision Engineering Pte Ltd, this battle for talent takes on an added dimension.

"Even if you have succeeded in grooming new managers, it is very likely for others to recognise their talents and invite them to join their company with a better offer," says Mr Leong Weng Kuan, A & One Precision Engineering's Corporate General Manager. "It is especially more challenging for an SME as most of these talents are drawn away by the big multi-national companies in the region, and this trend would continue as long as the country continues to attract foreign investments."

The problem is not exclusive to Singapore's SMEs. In a 2004 paper

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~ Ms Annie Yap, chief executive officer of human resource consultant The GMP Group

that examined management of talent in American SMEs, the US' Human Capital Institute noted that American SMEs faced constraints such as lack of specialised expertise that were not an issue for larger firms.

But, the institute added, SMEs had some innate advantages that bigger firms lacked. Since SMEs had fewer management layers, high potential performers could be dealt with on a case-by-case basis when crafting their development needs. Also, such



individuals would have a stronger sense of belonging to the SME as their contributions would be highly visible and would more easily have an impact.

In the case of A & One Precision Engineering, the way to tackle the challenge is to empower management staff with greater decision-making authority in addition to developing its own training programme for staff.

"Hopefully one day, we will be successful not only in grooming talents but can attract talents to join the company too," adds Mr Leong.

The challenges faced by Singapore's SMEs are also mitigated somewhat by the proactive support by the Government for local enterprises, said Ms Annie Yap, chief executive officer of human resource consultant The GMP Group.

SMEs should capitalise on this support by putting in place a strategic talent management framework to the key processes of sourcing, recruiting, and training and developing talents, she said.

SME leaders today face a different set of business demands and new skills are needed, Ms Yap added.

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"Many of the latest management ideas still originate from the West. It takes some time before the management skills reach us. Local SMEs tend to be a bit slower in adopting these skills and practices especially among the more traditional businesses.

"For example, overseas SMEs have been observing fair employment practices for a number of years, whereas in Singapore, we are only starting to advocate the importance of it. The sooner we adopt good management skills, the faster we are

able to cope with the different global challenges," said Ms Yap.

The Solution: Creating a Pipeline Of New Towkays

In January this year, SPRING embarked on a concerted effort to arm current SME leaders with management training and groom the next generation of SME bosses.

Pumping S\$60 million into its Business Leaders Initiatives (BLI), the agency expects to create by 2012 a pipeline of 1,000 trained SME bosses and senior executives while cultivating another 500 aspiring executives.

This will boost the talent pool of Singapore SMEs and help growth-oriented enterprises build management teams with sound management know-how.

Spanning the entire spectrum of SMEs' talent development needs, the BLI

has programmes targeted at different groups of learners.

For instance, SME bosses and senior executives can enrol in the Advanced Management Programme to study for postgraduate degrees or take short term courses in a variety of business and management topics. They can choose from courses jointly developed by SPRING and the National University of Singapore (NUS), Nanyang Technological University (NTU), Singapore Management University (SMU), or SIM University.

These courses for SME head honchos will be customised for the Asian business context and will address key business issues. They will also be flexible enough to fit into the busy schedules of these SME bosses.

For up-and-coming SME executives, there are sponsored postgraduate

SME Development: The Situation In Other Countries

Like their counterparts in Singapore, Small and Medium Enterprises (SME) in Japan, South Korea, Hong Kong, and the United Kingdom, also receive strong support from their governments. A gamut of initiatives has been introduced by the governments of these countries to ensure their SMEs get the help they need. Covering business advisory and mentorship, training for SMEs as well as financing, these initiatives help overseas SMEs develop and strengthen different facets of their businesses.

In this issue of *Enterprise Today*, we take a closer look at these initiatives.

JAPAN

Japanese SMEs have no lack of support from their government when it comes to business advisory and mentorship.

At the national level, the Organisation for Small and Medium Enterprises and Regional Innovation (SMRJ) runs the Experts Deployment Programme. Under this programme, 3,000 registered experts and advisors are on hand to provide business advice to SMEs. Upon deployment, these advisors visit the SMEs' premises to work closely with the SME owners on tackling the business issues they are facing. Cost-wise, the SMEs only need to pay one-third

of these advisors' fees, while the remaining two-thirds are subsidised by the Japanese government.

These advisors bring with them a wealth of knowledge and practical experience as they are mostly retired entrepreneurs and former senior executives in large companies.

At the regional and prefectural levels, SME support centres, commerce and industry associations, and chambers of commerce, form the next layer of support for Japanese SMEs.

A good illustration of this is the Osaka Prefectural Government's (OPG) MyDome Osaka programme. Through this programme, SME bosses in Osaka receive help through free, over-the-counter consultation by in-house coordinators, on-site consultation by external experts and financial support for conducting business feasibility evaluations.

Apart from business advice, Japanese SMEs bosses can attend training at SME universities to catch up on the latest management knowledge. The courses focus on providing practical knowledge and networking opportunities for Japanese SME bosses, and are subsidised by up to 60%.



KOREA

Over in Korea, the New Modernisation Programme is a new initiative that helps promising SMEs diagnose business needs.

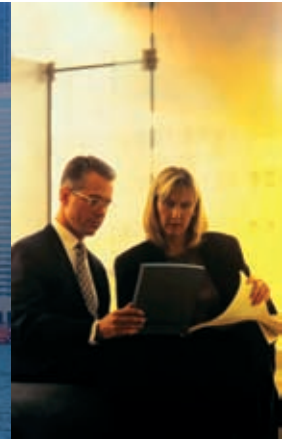
Launched by the Korean Small Business Corporation, the initiative also provides funding for training and consultancy work that SMEs may require.

Like their fellow brethren in Japan, Korean SME bosses can develop their management skills at Korea's Small Business Training Institute (SBTI). Again, the emphasis is on practical knowledge and the opportunity to network with other Korean entrepreneurs.

HONG KONG

In Hong Kong, the Trade and Industry Department (TID) has a Support and Consultation Centre for SMEs (SUCCESS). This centre provides SMEs with free, over-the-counter advice on a range of business areas.

Also notable is the TID's SME Mentorship Programme where SME bosses are matched with volunteer mentors for a 9-month period.



These mentors come from both the public and private sectors.

Working in tandem with TID is the Trade Development Council (TDC), which offers free, one-to-one consultations to SME bosses on trade issues.

THE UNITED KINGDOM (UK)

SMEs in the UK can tap on the government's Skills Brokerage Programme to develop customised training programmes for their staff.

Under this initiative, experienced skills brokers are engaged to help SMEs to:

- Diagnose training needs
- Develop training plans
- Identify training solutions providers

The skills brokerage service is provided free of charge. On top of this, the customised training that these SMEs develop and conduct for their staff is partially subsidised by the UK government.

degrees at NUS, NTU or SMU under the BLI's Management Development Scholarship (MDS).

These executives, once they have completed their postgraduate studies, will be expected to join the high-growth enterprises that sponsored their studies. The aim is that they will eventually take over the mantle

of leadership at these companies. The other initiative – Executive Development Scholarship (EDS) – seeks to mould future Singapore entrepreneurs and SME leaders.

Young undergraduates are sponsored for their bachelor degree courses and then exposed to work that brings them in close contact with successful SMEs

and entrepreneurs in Singapore.

Ultimately, these EDS scholars are expected to form the next wave of entrepreneurs and SME leaders when they move on to set up their own businesses or join growth-oriented SMEs. These are, in other words, Singapore's next generation of towkays. **ET**

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