

Leadership Practices of Small and Medium Enterprises in Singapore

Hiring, Developing and Retaining Leaders

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Abstract— Singapore Small and Medium Enterprises (SME) provides 67% of the jobs and comprises 99% of all enterprises. Many of them continue to struggle with bringing their companies forward because of talent shortage. Leaders are required at different levels in order to ensure continued success while expanding. This paper aims to discover the current leadership practices and gaps in leadership development of the SMEs.

Keywords- Singapore; Small and Medium Enterprises; Leadership; Hiring, Developing and Retaining Leaders;

I. INTRODUCTION

According to the Singapore Department of Statistics, there were about 154,000 Singapore enterprises in 2010, of which 99% were SMEs. These SMEs contributed significantly to the Singapore economy, employing 67% of the total workforce and accounts for almost 60% of GDP.

Over the five-year period of 2003-2007, SMEs' share to all enterprises had remained around 99%. Their value-added contribution had increased steadily from 46% in 2003 to 49% in 2007, while their employment share had maintained at about 60%.

As the business environment becomes more turbulent, complex and dynamic, successful leaders and effective leadership are increasingly viewed as sources of competitive advantage (Küpers and Weibler 2008; Yukl 2008). However many SMEs face problems attracting suitable leaders. They also have difficulty developing and retaining them. Even though leadership is a critical and a pertinent issue in propelling the SMEs forward, there is limited research being done to understand more of the challenges in this area. Most leadership research has been situated in corporate contexts and there has been much less attention given to issues of leadership in the context of small and medium sized-enterprises (Coglister and Brigham 2004; Vecchio 2003). This study seeks to discover the readiness of the leaders in SMEs in meeting future challenges as well as to find out the current leadership development practices in the organizations and identify the gaps in the process.

Through the research, it is found that up to 58.3% of the leaders were not ready to take on the challenges facing the organizations moving forward and frontline/operational leaders

seem to be the least ready. These organizations need leaders who will lead by example through fulfilling their commitments, and leaders who are good in interpersonal skills and who can build the team. Managerial skills such as planning and decision making also seem to be lacking and the problem is compounded sometimes by the lack of leaders who are willing to step up to shoulder greater responsibilities.

Career and leadership development processes are generally ineffective and companies lose their leaders to better opportunities and salary elsewhere. Some leaders leave because they were not able to take the stress that comes with their responsibilities. The leaders who remain are mostly developed only through training and development programs, and retention strategies for these leaders appear to be less than holistic. All these led to a low of just 20.8% of the companies agreeing that their next-in-line leaders are very ready to take over the current leadership

II. RESEARCH METHODOLOGY

A. Research and Sample Design

This was primarily an exploratory research that employed the use of the survey research method. 150 Singapore SMEs were invited to participate and 24 companies responded. There are three sectors namely F&B (Food and Beverage), Retail (Retail services and Malls), Other Services (IT, Financial, Consulting etc.). The respondents from these companies are mostly HR Directors/Managers and Operations Managers. The survey contained three parts focusing on Attracting, Developing and Retaining leaders using 17 questions and took about 15 minutes to complete.

B. Data Processing and Analysis

Standard editing and coding procedures were utilized. Qualitative responses were coded into five to six categories and responses were tabulated according to the categories. Simple tabulation and cross-tabulations were utilized to analyze the data.

III. CHALLENGES AND THE READINESS OF LEADERS

The study began by asking about the challenges faced by each company moving forward and how ready were their leaders in meeting those challenges. Readiness of leaders were

considered according to three different levels of leaders: Frontline/Operational, Middle Management and Senior Management.

The top challenge mentioned was *Manpower*. It includes the challenge of hiring sufficient manpower and the recruitment of the staffs with the right skills. It seems that the challenge is compounded by the fact that there is also high turnover and the lack of skills in potential hires. Market competitiveness is ranked second highest. It includes the managing of costs, development of new products, dealing with changing economic conditions and securing adequate financing in order to maintain a competitive position in the market. Some companies mentioned other challenges, which include finding successors, building internal communication and alignment, increasing employee commitment as well as overcoming the resistance to change.

In terms of readiness of leaders, Senior Management were rated as most ready, followed by the Middle Management and Frontline Leaders. However, 37.5% of Senior Management Leaders were still rated as “Not Very Ready” and “Not At All Ready”. The percentage increases to 58.3% for Frontline Leaders. It is apparent that the readiness of our frontline leaders in meeting the organizational challenges is a key concern.

TABLE I. READINESS OF LEADERS IN MEETING CHALLENGES

Leadership Levels	Very ready	Somewhat ready	Not very ready	Not at all ready
Senior Management Leaders	20.8%	41.7%	33.3%	4.2%
Middle Management Leaders	4.3%	62.5%	29.2%	0.0%
Frontline/Operational Leaders	0.0%	41.7%	50.0%	8.3%

IV. EASE OF ATTRACTING, DEVELOPING AND RETAINING THE RIGHT LEADERS

More than half of the respondents rated all the statements (Attract/Develop/Retain) as “Not Very Easy” or “Not easy At All”. In fact, only 8.7% of respondents rated “Somewhat Easy” to Satisfy and Retain the right leaders and 16.7% rated “Somewhat Easy” in Developing and Deploying the leaders. None of the respondents selected “Very Easy” for any of the statements. The figures highlight the uphill challenge of SMEs in terms of Attracting, Developing and especially in Retaining the right leaders in their organizations

In terms of responses by Industries, 55.6% of F&B companies rated “Somewhat Easy” to Attract and Select the right leaders as compared to just 25% for Retail companies and 40% for Other Services. But all industries find it equally challenging in developing and retaining the leaders.

TABLE II. EASE OF ATTRACTING, DEVELOPING AND RETAINING THE RIGHT LEADERS

Attract, Develop, Retain	Very easy	Somewhat easy	Not very easy	Not at all easy
Attract and Select	0.0%	45.8%	37.5%	16.7%
Develop and Deploy	0.0%	16.7%	79.2%	4.2%
Satisfy and Retain	0.0%	8.3%	79.2%	12.5%

V. CHARACTERISTICS REQUIRED OF AN EFFECTIVE LEADER

The respondents were asked to list down the top characteristic required of an effective leader working for their companies and here are the top eight characteristics:

1. Strategic and Results-Focused: Ability to think strategically with a focus on getting results
2. Innovative/Entrepreneurial: Creative, independent, resourceful and entrepreneurial
3. Positive Attitude and Passionate: Confident, motivated, thinks positively and passionate
4. People and Team working Skills: Good communication skills, relates well with people at all levels and exhibits empathy
5. Competence and Experience: Technical know-how and managerial experience
6. Integrity/Honesty: Being honest and uphold commitments
7. Commitment and Resilience: Hardworking, persistent and committed to their job
8. Customer-Focused: Ability to identify and work towards fulfillment of customers' needs

VI. LEADERSHIP DEVELOPMENT, CAREER DEVELOPMENT AND SUCCESSION PLANNING

Only 20.8% of respondents agree that their next-in-line leaders are very ready to take over the current leadership and 50% of them disagree or strongly disagree on that statement. The lack of ready successors may prove to be a critical derailment for SMEs seeking to grow their businesses. This issue appears to cut across all industries.

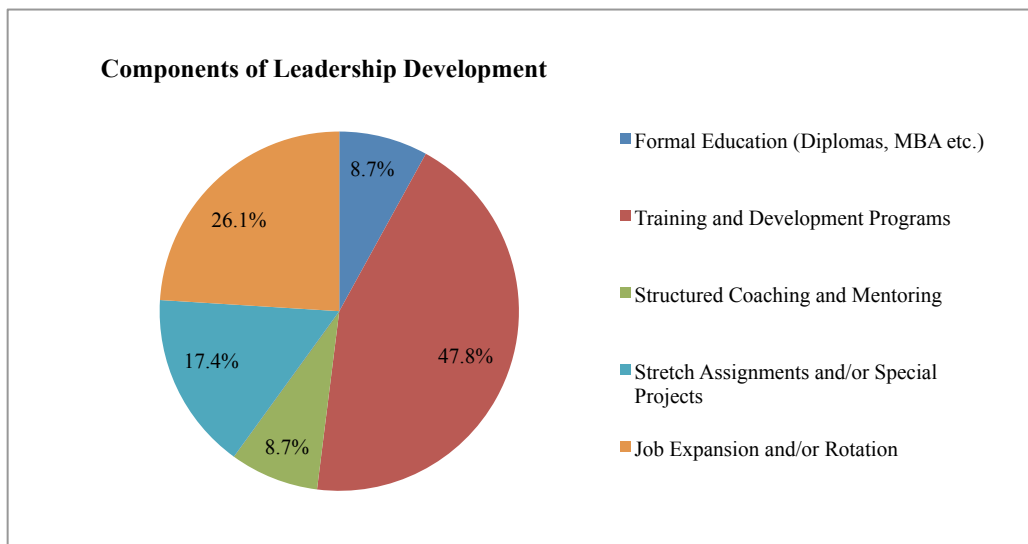
As for Leadership and Career Development, Retail companies seem to fair poorer (50% disagree or strongly disagree) as compared to F&B and Other Services (which range from 20% to 33% disagree or strongly disagree). Overall majority of the companies agree that all the existing Leadership, Career Development and Succession Planning do not seem to be very effective.

Table III. Leadership Development, Career Development and Succession Planning

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree	N/A
Our current leadership development program is very effective	4.2%	29.2%	45.8%	12.5%	4.2%	4.2%
Our career development plan for leaders is very comprehensive	8.3%	25.0%	33.3%	25.0%	0.0%	8.3%
Our next-in line leaders (of all levels) are very ready to take over the current leadership	8.3%	41.7%	25.0%	16.7%	4.2%	4.2%

VII. COMPONENTS OF LEADERSHIP DEVELOPMENT

Not surprisingly, Training and Development Programs forms the most widely used component in leadership development. However, some companies report that these programs may be ad-hoc rather than planned. There is also some form of Coaching and Mentoring (26.1%), as well as Stretch Assignments (17.4%) in place for leaders, and surprisingly very few companies (8.7%) employs the use of Formal Education for their leaders. This finding corroborates with earlier research which found informal learning in a practical and experiential way being the norm for SMEs, with only a minority of enterprises taking up formal and/or accredited training (Bramley, 1999; CfE, 2001; Robinson and Henry, 2001). None of the companies use any form of Feedback Tools, which includes 360-degree feedback assessments. For this question, there are no significant differences of the responses from different industries.



VIII. REASONS FOR DEPARTURE OF LEADERS

The top reasons for the departure of leaders ranked from the most frequently mentioned to the least:

1. Better career opportunities including greater job challenges, overseas opportunities and career advancements.
2. Inability to meet job expectations resulting in stress and challenges.
3. Conflicts and disagreement between team members or with the organization's management and direction.
4. Better salary including different forms of compensation and benefits.
5. Lack of job satisfaction.
6. Organizational changes.

IX. CHARACTERISTICS OF LEADERS THAT ARE LACKING

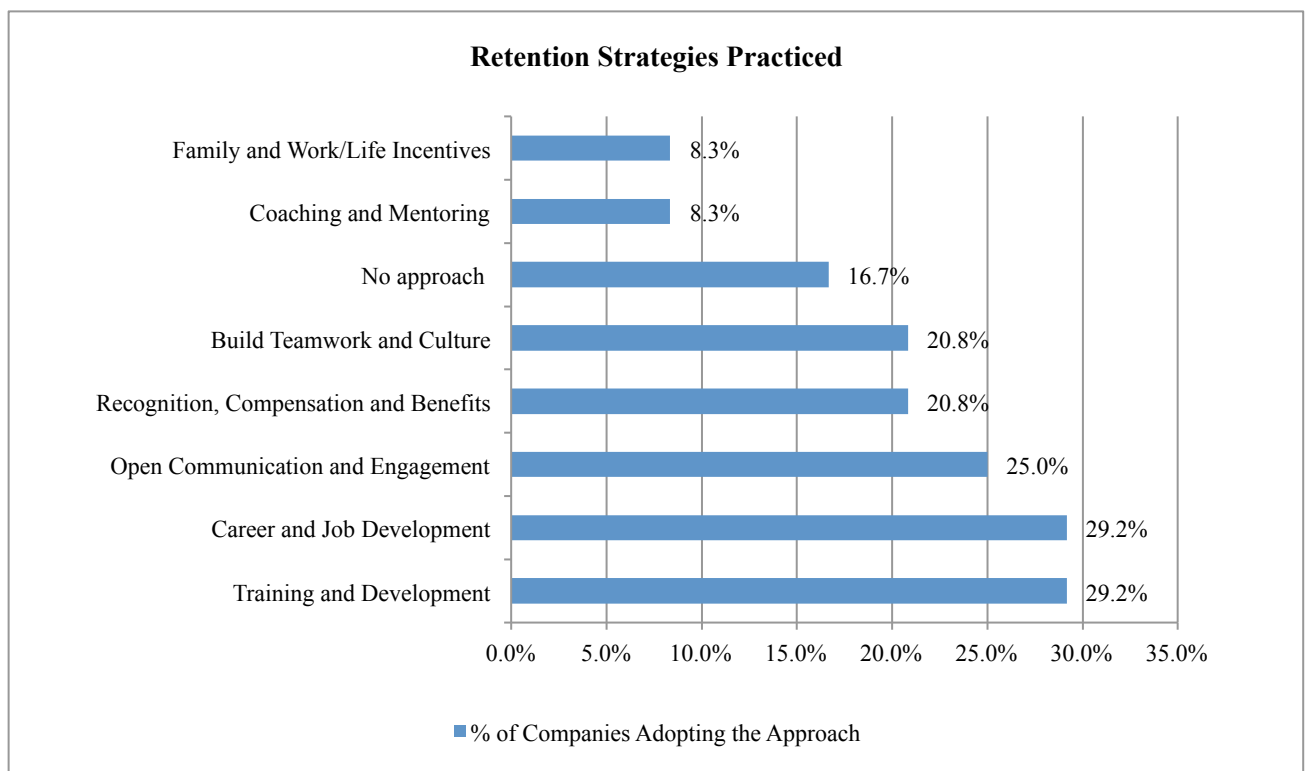
The companies surveyed were asked about the characteristics that they found lacking in their leaders. The results that are ranked are as follow:

1. Leading by Example – includes attributes related to character like “role model”, “honesty”, “delivering what you promise”
2. People and Team working Skills - includes “Interpersonal skills”, “Understanding local culture” and “Nurturing”.
3. Technical Competence – expertise in technical job function
4. Managerial Skills - includes planning and decision-making.
5. Willingness to Take More Responsibilities – willingness to take on increasing responsibilities and expansion in role
6. Willingness and Ability to Learn - includes the ability to receive and process feedback, modify behaviors and learn new skills.
7. Strategic Thinking – includes the ability to cast a vision and think strategically
8. Commitment and Resilience – the ability to deal with adversity and persevere in difficult times

X. STRATEGIES IN RETAINING LEADERS

16.7% of the companies reported no retention strategies in place. The other companies practice the following strategies:

1. Training and Development – The provision of personal and leadership development courses or programs. These may be done internally or through an external service provider.
2. Career and Job Development – Offering stretch assignments and greater challenges in their jobs. Discuss with the leaders on the path and opportunities for career advancement.
3. Open Communication and Engagement – Practicing a two-way open and regular communication with the leaders. Involving them in decision-making to instill a sense of ownership and providing counseling to address any issues they have.
4. Recognition, Compensation and Benefits – Providing incentives, salary adjustments and/or some form of recognition that commensurate with their performance.
5. Build Teamwork and Culture – Creating a common vision, building a family-like environment and developing a sense of belonging for everyone
6. Coaching and Mentoring – Assigning coaches and/or mentors for guiding the leaders
7. Family and Work/Life Incentives – Allowing flexibility in work arrangements and introduce family-friendly initiatives in the organization



XI. CONCLUSION

Based on the research up to 58.3% of Singapore SME leaders were not ready to face the challenges facing the organizations moving forward and the challenge was the greatest for our frontline/operational leaders. The companies need leaders who lead by example through fulfilling their commitments, and leaders who are good in interpersonal skills and who can build the team. Managerial skills such as planning and decision making also seem to be lacking and the problem is compounded sometimes by the lack of leaders who are willing to step up to shoulder greater responsibilities.

As a result of generally ineffective career and leadership development processes, leaders left to seek better opportunities and salary elsewhere. Some leaders left because they were not able to take the stress that comes with their responsibilities. The leaders who stayed were mostly only developed through training and development programs, and retention strategies for these leaders appeared to be less than holistic. All these lead to a low of just 20.8% of the companies agreeing that their next-in-line leaders were very ready to take over the current leadership. Claire (2009) found that there often is a conflict between leadership development and the SME context because the SME tend to be influenced by dominant individual(s), who are associated with a lack of flexibility, engagement, openness and responsiveness, whereas leadership development requires reflection and feedback in safe environments.

Future research can be done to understand the impact of dominant leader(s) on leadership development and retention. More can also be discovered through integrating extent leadership models to Singapore and/or Asia as at the moment almost all prevailing theories of leadership and most empirical evidence is North American in character (House, 1995). Understanding how the Confucian Asian culture (GLOBE 2008) influences the leadership and management of SMEs in Singapore and/or Asia can also valuable.

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Author's Profile



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Titus has an MBA from the University of Melbourne and an Engineering Degree from the National University of Singapore. He is a Certified Practicing Management Consultant and Business Excellence Consultant who is trained in Creative Training Techniques. He is also an NLP Practitioner who is certified in the use of psychometric tools including DISC & TICS Behavioral/Values Profiling, Big 5 Personality Profiling, Firo-B and MBTI. Some of his clients include adidas, Estee Lauder, HSBC, Infocomm Development Authority of Singapore, Ingersoll-Rand, Kohler, NTUC Fairprice, Schering Plough, SingTel, Resorts World Sentosa, Veolia Water, Watsons Personal Store and Wisma Atria.