Going beyond funding matters

NANDE KHIN looks at how SMEs can tackle problems such as the lack of a business strategy and manpower issues

IT'S NO secret that local small and medium-sized enterprises are no longer chiefly concerned with just access to funding any more. Now that the funding environment here has improved, other problems faced by SMEs — such as the lack of a well-defined business strategy and the difficulty in recruiting and retaining qualified staff — have come to the fore.

A recent survey conducted by DP Information Group found that 17 per cent of SMEs have no business strategy at all. And of the 83 per cent who said they had some business strategy in mind, only three out of 10 have a structured plan with clear objectives.

The survey shows that manpower issues are now among the top three concerns of 37 per cent of local SMEs, a jump from the 28 per cent in a similar survey last year. But how can SMEs tackle these problems?

Business strategy

Industry experts say that a lack of resources and a misperception that only bigger companies need a business strategy keep many SMEs from setting a well-defined strategy. Said Tan Wee Han, managing consultant of BDO Raffles Consultants: "A commonly heard reason from SMEs is that they are too busy 'fire-fighting' and do not have the time nor resources to craft their strategies and, more importantly, execute them. They feel that it will be a disruption to their 'real day-to-day jobs' if they were to set time aside to craft a business strategy."

Because of their resource constraints, many SMEs tend to think that only the "bigger boys" need a business strategy. But this kind of thinking will get SMEs into trouble. Eugene Wong, managing director of Sirius Group which advises and invests in SMEs, noted that while many SME bosses have short-term business plans, they don't have a long-term strategy. "As a result, they lose focus of the big picture, and can't foresee potential challenges or opportunities."

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Charlotte Yen, a partner with business consultancy Vanden Advisors, also pointed out that because of their "if it ain't broken, don't fix it" mentality, a lot of SMEs are unable to chart a long-term growth path. "Look at the smaller listed companies: some of them have not grown in size and their business has been stagnant for many years, or worse, are declining slowly but not substantially to drive the management to take drastic actions."

She suggested that SMEs lacking time and expertise to develop a well-thought-out business plan can engage the help of an external consultant, but one drawback of this is that the consultant may lack specific industry knowledge.

For those SMEs which want to devise their business strategies themselves, Ms Yen pointed out that there are a number of management tools that could be used such as the Porter 5 Forces, Value Chain Analysis, S.W.O.T analysis, Portfolio Analysis, and 7S Framework.

One company that has found such tools useful is AEM-Evertech. Its group managing director, Tok Kian You, said the S.W.O.T model is a "great practical starting step" for SMEs to start on their business plan development.

"Through self-analysis such as the SWOT model, companies would be able to identify its key strengths and weaknesses, opportunities and threats. Companies can then map out their core expertise and extend it into new high-growth areas via, say, innovations," said Mr Tok.

In developing business plans, SMEs should bear a couple of tips in mind. One is to make sure that their business strategy has room for flexibility. "A business strategy should never be a static affair, especially in the implementation, because it has to be based on the opportunities that present themselves to you as well as the challenges that crop up suddenly," said Sirius Group's Mr Wong.

Joshua Wong, operations manager of Albedo Corporation, also advises SMEs to keep in mind the resources — finance and manpower — they have at hand and "plan in accordance with these". "Only then would the business strategy be workable and when put into practice, would take the company towards the desired end."

Manpower

Ms Yen noted that SMEs generally have difficulties in attracting and retaining good staff because they "usually cannot compete with the big corporations on remuneration packages". On top of that, larger corporations offer a prestige factor and are generally believed to provide better career prospects.

She advises SMEs to compete for talent by "being innovative and differentiating themselves from larger corporations. "Working for a big corporation usually has limited exposure due to the departmentalisation of the operations. On the other hand, working for SMEs will expose an individual to much broader aspects of managing a business."

With many job-seekers looking beyond the remuneration package nowadays, SMEs are in a better position to leverage on their strengths which will not only help them attract talent but also retain them, say industry players.

"SMEs also need to learn how to — and when to — sell an employee a vision: the expanded job scope, the share options and performance bonus to help employees develop a sense of ownership. SMEs need to showcase the advantages of working for them such as working in close partnership with key management, flatter organisational structures, faster career progression, broader work exposure. These may sound simple, but not many SMEs practise them," said BDO Raffles' Mr Tan.

Industry experts also stress the need for SMEs to offer training and development opportunity to their staff. Sirius Group's Mr Wong, who is an adjunct lecturer with the Singapore Management University, said that based on feedback from his students, they are more inclined to join an SME if they know that they'd receive proper training and be nurtured as a talent.

Some SMEs like AEM-Evertech already realise this. Said AEM-Evertech's Mr Tok: "Besides monetary rewards, we offer training and development programmes to enhance the knowledge of our staff so that they can be motivated to perform even better."

Howard Lo, CEO of Nippecraft, said his company has been able to retain its good employees even with the job market a lot tighter. "It is important to create a transparent evaluation system to recognise individual contribution, and then reward staff appropriately not only monetarily but also by allowing them opportunities to overcome challenges and progress in their career, thus giving them job satisfaction."

Joey Chang, CEO of AXS, which said all its key management has been with the company almost since its inception, also shared a practical HR tip. "Establish a 'two-way communication' policy. It is very important to hear from your people who are involved in their areas and for the leaders to ensure that the message is clearly understood and, just as importantly, accepted."

This is a view shared by Jason Electronics. It has monthly meetings where the management share information about the company's latest developments and get feedback from staff. "During the meetings, we'd also share with our staff compliments we receive from customers as well as internal compliments. It is a form of recognition and also a good way to promote excellence by sharing best practices," said Ooi Chee Kong, the company's HR and administration manager.

According to him, Jason Electronics staff turnover rate is just 2 per cent — lower than the national average of 4 per cent. "As a smaller company, we can offer a more personal work environment. We try to create a more family environment for our staff. Whenever possible, we would include staff family members in company functions and even in seminars on family matters."

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Rewarding staff: *Mr Howard Lo, CEO of Nippecraft, said his company has been able to retain its good employees even with the job market a lot tighter*