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Forging ahead despite big challenges



Service needs: Mrs Grace Chong-Tan of the Smile Inc group hopes the foreign worker quota system can be relooked into to meet the needs of the services sector.

SMEs say rising manpower and operating costs can derail their development, **KOH JOH TING** reports

ASK any small and medium-sized enterprise (SME) about the top three challenges of growing in Singapore, and the answers invariably are: the cost and retention of manpower, high operating costs and tight competition in the market.

While the Government can do more to help businesses grow, entrepreneurs agree that businesses also have to be creative to be enterprising.

This is according to a survey by the APF Group done in conjunction with the inaugural SME1 Asia Awards that it organised.

The awards aim to promote sustainable growth in Singapore and beyond and to raise the profile of local businesses.

Out of 33 responses collated, 15 ranked manpower issues as the top challenge.

On whether the Government's stringent policies on hiring foreign talent or workers have hindered the growth of entrepreneurship in Singapore, 18 companies said yes while 14 said no. But the sentiment is somewhat optimistic, with 16 saying that the Government is making enough efforts to help while 14 say otherwise.

One of the respondents, Mr V S Kumar, the managing director of Network Express Courier Services, says: "The Government has always been recognised internationally as very pro-business."

He notes that Singapore is consistently ranked top in the Ease of Doing Business index of the World Bank.

The Ministry of Trade and Industry — through Spring Singapore, IE Singapore and IDA — has also been offering many pro-business incentives.

Get innovative

Despite these challenges, SMEs are pushing forth with creative ideas to raise productivity and grow.

One way is to regionalise, as in the case of MHC Asia Group.

It has a deal with Indonesia's Lippo group to bring managed health care to employees whose companies provide them with medical benefits.

Another idea is to build strong relationships with staff to build their loyalty.

Flexi-work hours with benefits for committed staff members were introduced 14 years ago, as in the case of Smile Inc.

Mrs Chong-Tan has let staff bring their infants to work, even setting up a playpen for them in a room at the clinic. This helps to brand the dental practice as a family-friendly company to her European patients.

Recruiting manpower

Nonetheless, many SMEs have expressed unhappiness with the recent moves by the Government to make it more costly for companies to hire foreigners by raising the foreign worker levy rate and the application fee firms need to pay for hiring them.

The result is that some companies in the construction industry sector simply decline projects if there are deadline clashes, as delivering quality work is paramount.

Raising levies across the board for all foreign workers, however, is not feasible in the services sector, says Mrs Grace Chong-Tan, the managing director of the Smile Inc group, also a recipient of the SME1 Asia Awards in the Distinguished category.

"This is because different sectors need different skills for different deliverables," she says. "You cannot keep a patient waiting when he comes for treatment."

She would like the Government to relook its quota system for the services sector and says it should be more aware of the needs of different sectors.

For instance, her dental practice needs to hire Filipinos as dental assistants. But she can hire only one Filipino employee for every seven Singaporeans she hires.

When the Ministry of Manpower told her that she could hire four Chinese mainlanders instead of a Filipino, she appealed that she needed staff who can speak in English when interacting with expatriate patients.

She also had to point out that the health authorities did not recognise China dental qualifications. So she had to rely on Filipino dental graduates instead.

"The fact is," she says bluntly, "even though

the pay starts at \$2,000, we have had trouble hiring dental hygienists trained at local polytechnics.

"Dental hygienists trained here can do polishing and cleaning, and they prefer not to put bibs on patients and hold instruments for the dentist as he works on his patients."

Mrs Chong-Tan also recalls a case of a Singaporean law student who interned with her clinic.

"She said she should have her full lunch hour as Singapore labour law allows for that," she says.

"This is not a matter of money, but a matter of a service standard for our patients — can we turn away customers because it is five minutes to closing time? Can our students understand professionalism at work?"

As Singapore attracts more investments in infrastructure, the expectations for higher standards in aesthetics and construction have also risen, according to Mr Matthew Drake, the director at Decora Art and Colour, a speciality decoration contracting company set up here in 2009.

The company has worked on the interiors and exteriors of Marina Bay Sands, and one of the company's recent hires is an Italian decorator who has worked on celebrity homes in Hollywood.

Mr Drake says: "The decorative finishes we provide are all handmade and, in a way, they are a form of art. In Europe and North America, craftsmen who are highly skilled in this work command high salaries and travel working."

For example, he provides lunch for delivery staff, recognises their personal achievements and encourages good road habits.

These measures have helped him to retain 65 per cent of his staff for more than five years.

Ultimately, the onus is on the Singapore entrepreneur to get creative, whatever the challenges may be.

"While entrepreneurs will certainly welcome any help from the Government, they thrive on overcoming challenges. They take whatever action is necessary to win, overcome and prevail," says Dr Andrew Chua, the principal and executive chairman of the EASB East Asia Institute of Management, an SME1 Asia Award recipient in the Prominent category.

It is a labour-intensive trade and difficult to find someone who has experience in polished plaster, textured plasters and decorative paints in Singapore.

"If we found a Singaporean with the skills, experience, and love for the work, his salary would easily exceed \$3,000 per month, if not more," he says.

Decora has hired people from Italy, Australia, America, Myanmar and India, and he hopes to reach out to Singaporeans in learning the craft.

Mr Drake says: "If we find a few interested Singaporeans to teach this artistic trade to, we would eventually not need to bring in expatriates from Italy or North America."

Rental costs

Recruitment and retention of skilled manpower aside, SMEs are also looking at ways to control costs.

The chief obstacle, as singled out recently in a media report, is rentals.

These have been rising over the past decade, noted the Association of Small and Medium Enterprises, after government landlord JTC Corp started divesting its properties to real estate investment trusts about a decade ago.

Some Singapore companies have been forced to move their base to China or Indonesia.

As recently as September, prime rents in Orchard Road have also risen 2 per cent to \$35 psf in the third quarter and it is only the threat of the economic slowdown that has dampened rental growth in the coming months.