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Speech by Mr Lim Swee Say, Minister, Prime Minister's Office, at the Business Excellence Awards 2008 at 7.20pm on Tuesday, 7 October 2008 at Fairmont Singapore, Raffles Ballroom, 4th Level, Raffles City Convention Centre

Professor Cham Tao Soon, Chairman, SQA Governing Council,

Excellencies,

Distinguished Guests,

Ladies and Gentlemen,

Good Evening,

1. It is my pleasure to join you for the 2008 Business Excellence Awards Ceremony.

Managing in the Global Economy

2. Over the past weeks, we have seen how the US financial crisis has dimmed the outlook of the global economy. As we go through this nervous time, it is of utmost importance that our companies continue to upgrade their business management capabilities. We need to gear up to tackle the challenges ahead and position ourselves for survival and growth.

3. A recent study by Accenture¹ found that companies that manage well over time can improve their performance relative to the competition, even during economic downturns. These companies strive for value creation all the time. And the competitive advantage they gain lasts for years. They are not only able to pull through, but also to grow, during challenging periods. They make smart moves even in adversity - building a more robust organisation, investing in future growth, and collaborating with customers to improve value propositions.

Importance of Business Excellence Framework

4. In Singapore, we have the business excellence framework to help our companies enhance their management systems and processes in a holistic way to achieve growth, competitiveness and sustainability. This framework is aligned to international business excellence frameworks. It enables an organisation to be managed as a whole, rather than as a collection of parts. It enables the leadership to drive strategy effectively by leveraging on people, resources and processes to deliver business results.

5. A National University of Singapore study found that averaged over a three-year period, the productivity of SQA winners, as measured by annual increase in value-add per employee, was 33% higher than that of their industry counterparts².

6. The business excellence framework benefits all enterprises, regardless of size. SMEs can adopt the framework to improve their systems and processes. Among the SQA winners tonight, we have a home-grown enterprise that has been on the business excellence journey for 10 years. By staying focused, the company consistently improved its performance. It has moved up the value chain, enhanced its capabilities in engineering services, and ventured into new markets. Its revenue has grown at a compounded annual growth rate ("CAGR") of about 35% over the last four years.

Building HR Capabilities of SMEs

7. People are a source of competitive advantage. One important aspect of business excellence is tapping on the full potential of its workforce to create a high-performance organisation. A key challenge facing Singapore employers today is attracting and retaining talent. This is especially so for SMEs who employ about 60% of the workforce.

8. In this year's SME Development Survey, the findings show once again that manpower is among the top three growth challenges for SMEs. SMEs face problems in recruiting and retaining staff.

9. A recent study by Ernst & Young Associates involving industry associations and some 20 SMEs found that there are three main factors that contribute to this situation. Firstly, SMEs do not seem to have robust systems for managing staff to meet business and employee needs. Secondly, SMEs are often unable to position themselves as choice employers, especially with the rising expectations of the workforce. And thirdly, SMEs tend to lack competent HR personnel to help shape their human resource policies and practices. This is because most SMEs view human resource as an ancillary function.

10. To help SMEs address these factors, I am pleased to announce that SPRING Singapore and the Singapore Workforce Development Agency have jointly developed a Human Resource Capability Package that aims to strengthen SMEs' ability to attract, develop and retain talent. This 'how-to' package comprises tools, templates and guidelines to help SMEs put in place sound HR systems - from recruitment and staffing, to career development and performance management.

11. In March this year, 20 SMEs from various industry sectors participated in a pilot to help them use the tools in the new HR Capability Package. Let me share the experiences of two of the SMEs.

12. For THT Logistics, HR is not just about paying a good salary. It is also about creating a competitive and rewarding compensation and benefits package that meets the expectations of both the employer and employees. Through the pilot, the company has acquired know-how in developing such a package based on clear job descriptions, key performance indicators and job expectations. With greater clarity in job scope and responsibilities, the company is now able to conduct regular work reviews and to provide an enrichment programme for all staff. THT Logistics reported higher staff morale and loyalty and better teamwork as a result of the new systems. It noted an increase in value-add per staff over a six-month period of some 70%, compared with the same period in 2007.

13. In the case of Atlas Sound & Vision, the company needed a more robust performance appraisal system with clear goals and performance standards. They set up such a system using the tools from the HR Capability Package and are now seeing some positive results in terms of better employee performance. Atlas has recently recruited an HR executive and is embarking on the design and implementation of a full spectrum of HR policies using the HR Capability Package.

14. To ensure greater access of the package to SMEs, the HR Capability Package will be available through the Singapore National Employers Federation (SNEF) and the Singapore Human Resources Institute (SHRI). For a start, SNEF will make the package available online. It will also conduct training workshops to help SMEs use the package.

15. The HR Capability Package complements WDA's HR Workforce Skills Qualifications framework which will be launched later this month. The framework will focus on developing HR skills in individuals, including staff managing HR functions in SMEs, while the "how-to" HR Capability Package helps to deploy the HR systems in companies.

16. Besides the "hardware" to help SMEs build HR capabilities, SPRING also partners SNEF to provide the "software" in the form of an HR advisory and information service for SMEs. This service will be made available through SNEF and the network of Enterprise Development Centres, or EDCs. It will be first piloted with the EDC@SMA. SMEs will be able to get professional advice and guidance from SNEF on HR-related matters. In addition, SMEs can also tap on the HR

information resources at SNEF to find publications on HR practices such as salary and benefits benchmarking or participate in seminars on best employment practices.

17. In time, we hope that our SMEs will be able to improve their HR management capabilities and raise their profile both in terms of attracting and retaining good employees. With the right people in place, our SMEs will be in a stronger position to pursue excellence and growth.

Conclusion

18. Regardless of their industry, size, structure or maturity, organisations need to establish good management systems to be successful and stay competitive, especially in these challenging times. The business excellence framework can help organisations understand and address the gaps in their performance and make continuous and sustainable improvements. To excel, organisations must set high standards and work systematically towards achieving them.

19. I congratulate this year's Business Excellence Award winners. These organisations have excelled to deliver superior results for their customers, stakeholders and employees, in spite of the many business challenges. I wish you continued success.

Thank you.

¹ Accenture, "When Good Management Shows: Creating Value in an Uncertain Economy", 2008.

² NUS, "Impact Study on the Business Excellence Initiative", 2008.

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