Breed loyalty so staff will stay

Convincing employees that they have a future in the firm is a way SMEs can keep them

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SMALL and medium enterprises (SMEs) that have trouble attracting and retaining employees due to their inability to pay out big bucks ought to cultivate loyalty as an alternative to buying talent.

This was the proposed solution of a group of panellists speaking at the Singapore Management University (SMU) last week, with the focus on SMEs that cannot dish out the same compensation and benefits as multinational companies (MNCs).

“The question for SMEs is how they can convince people that there is a future in the company,” said visiting Professor Phillip Phan, a panellist at the forum.

“Employers generally believe that the only way to attract people is on the basis of pay. And because SMEs cannot do so, they settle for people in transition, who are willing to accept a lower pay until they find their ideal jobs.”

This is especially obvious in the service industry, where front-end staff are easily poached “for as little as an extra $50 a month by other hotels”, lamented another panelist, IndoChine chief executive Michael Ma.

Compensation packages at an MNC are usually 20 per cent higher than at SMEs, said Ms Annie Yap, managing director of human resource firm The GMP Group, in an interview with TODAY.

Salaries paid by MNCs are found to fall in the top 40 per cent of the pay range in Singapore, whereas those paid by SMEs are about 10 to 20 per cent lower.

SMEs are further disadvantaged by an impression that small companies are usually family-run, and therefore employees will eventually hit a glass ceiling, added Prof Phan.

Mr Kenny Yap, chief executive of ornamental fish breeder Qian Hu admitted that while his company initially started off as a family-run business, ”after a while outsiders need to be included when capable family members are depleted”.

The solution, therefore, is not to fight with MNCs in terms of salary or to give the impression that family will always occupy the top positions.

“You don’t want to hire those who failed to get MNC jobs, but those who are naturally attracted to a job that may pay less but gives a person a lot more responsibilities,” said Prof Phan.

Job advertisements must have interesting descriptions and not be bland like those of banks, he suggested. “Banks can get away with it because people still want to work there, but SMEs can’t.”

The other thing an SME can do is for the chief executive to present at interviews as they are best equipped to sell the company to candidates. “Promoting the company is not the job of the marketing manager but of the CEO. This is because the cost of a wrong hiring is higher in a smaller company, while it won’t kill a larger one.”

Once a person is hired, one top reason why he stays in his job is his “relationship with colleagues”, according to Ms Yap. Therefore, an environment with less office politics is essential.

This is exercised in IndoChine, where Mr Ma discourages his staff from competing with each other.

“I tell them not to protect their turf. So we have this triangle system where one person trains two people under his wing. They are happy to share knowledge so that people underneath them can replace them while they move up the ladder,” he said.

The logistics industry is set to face the most problems when it comes to manpower shortage, Prof Phan warned.

“It goes by cycles. Logistics is booming now, just like how everyone was going for information technology in 1997.”