



# Benchmarking the human capital strategies of MNCs in Singapore

MNCs in  
Singapore

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**Abstract** *Singapore's economic success has largely been fueled by foreign direct investment from multinational corporations (MNCs). These companies brought with them not only their capital and technology, but also their managerial prowess. The latter has been a key ingredient in propelling Singapore to its current economic success. New competition and rising costs are forcing local businesses to look for new strategies to succeed. One way is to benchmark the human capital strategies of MNCs. This study employs a survey of the human resource policies of both MNCs and promising Singaporean enterprises. The results show stark contrasts in the philosophical and practical applications of human resource strategies. Insights into Singapore's human resource practices are uncovered and key success factors for promising local companies are discussed.*

## Introduction

Benchmarking has become increasingly important, as organizations strive to compete globally by improving quality and reducing costs (Brillinger, 2001). For many, this means observing, adapting and re-applying best practices from others within the same industry sector (Appleby and Mavin, 2000). Following the lead of several scholars, benchmarking is defined here as continuous examination of practices against those organizations regarded as practice leaders (Bamberger and Feigenbaum, 1996; Goldwasser, 1995; Sanchez *et al.*, 1999). Hence, unlike popular conceptions, industry sector is not an important delimiter. The complexity of benchmarking the human capital strategies of others due to higher barriers to imitation than those of product innovations has led many organizations to ignore the HR function. More recently, competitive pressures have helped forge new understandings regarding the need for strategic human capital strategies (Boxwell, 1994). Underpinning this movement is the understanding that human capital may be the only sustainable competitive advantage (Brillinger, 2001).



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Promising local enterprises (PLEs) in Singapore have benefited greatly from the influence of MNCs. This paper examines the human capital strategies of both PLEs and MNCs in Singapore with particular interests in whether PLEs are learning from the HR strategies of MNCs. The analysis draws on empirical data from 218 PLEs and 261 MNCs. First, we discuss the historical, economic, and business context of Singapore.

Singapore has been a model of economic success. This development has largely been fueled by foreign direct investment from multinational corporations. These companies brought with them not only their capital and technology, but also their technical know-how. Recently, Singapore's neighbors, such as Malaysia and Indonesia, have been closing the gap economically and industrially. They have also been liberalizing their markets in an attempt to emulate Singapore's successes. This new competition, coupled with the fact that Singapore is no longer a cheap location, puts Singapore at risk of losing its global competitiveness. Hence, Singapore can no longer rely on MNCs to sustain its economic performance. It needs to nurture its own companies and industries. In turn, these will provide support to MNCs, while simultaneously building knowledge-intensive capabilities and developing indigenous products and technologies for global markets.

Historically, Singapore companies have focused on their technical and capital resources at the expense of their human resources. They have not seemed to view their human capital as playing a strategic role in the success of their international business plans. Though the trend is changing for the better, local companies still have a lot to learn from the human capital strategies of their multinational counterparts. This study unveils some successful human capital strategies that promising local enterprises (PLEs) can adopt in order to achieve international economic success.

Today, globalization is one of the most powerful and pervasive influences on nations, businesses, workplaces and communities. All firms are affected by global forces by selling output to and/or purchasing supplies from international companies and/or competing against products and services that come from foreign companies. Few firms can afford to depend on their home country markets for future growth and prosperity. Even those small firms that sell predominantly from a little corner in their home country will soon find themselves competing against overseas firms. Though Singapore appears to be a little dot at the southern tip of the Malaysian peninsular, global forces have not left it unaffected by any means.

Since its independence in 1965, Singapore has relied heavily on foreign investments and foreign multinational corporations (MNCs) located in Singapore for its economic and industrial development. This is a dangerous one-legged stance, especially in recent years, with increasingly stiff competition for foreign investment coming from countries such as Malaysia, Hong Kong, Taiwan, Indonesia and China. Singapore needs to be more self-reliant. This can be achieved by building its own value-adding local enterprises that not only provide support to MNCs but also drive its economy through knowledge-

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intensive capabilities and the development of indigenous products and technologies for global markets.

In 1995, the Singapore Economic Development Board (EDB) implemented the Promising Local Enterprises 2000 (PLEs 2000) program with the aim of nurturing “companies which possess strong core capabilities, growth-oriented management with a clear vision and a critical mass to grow.” Once such companies have reached the targeted annual sales revenues of \$100 million, EDB will facilitate their emergence into Asian MNCs. Many programs have been implemented to assist these PLEs at all stages of their growth. Most importantly, several incentive programs have been designed to help them specifically in their internationalization efforts. However, these programs primarily focus on strategies related to business development, technical know-how, marketing, and research capabilities. What is painfully obvious is that very few focus on human resource strategies.

Neghandi (1987) made clear the importance of human capital, when he stated:

Virtually any type of international problem, in the final analysis, either is created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company’s economic growth.

In short, the significance of the role of human capital in the process of internationalizing cannot be overstated.

## **Literature review**

### *Benchmarking HR strategies*

The literature on effective human resource management is extensive. HRM benchmarking examines the relationship between HRM practices and organizational level indicators of performance (Camp, 1995). Not surprisingly, human capital benchmarking strategies have succeeded in identifying exemplary practices (Browne, 2000). Pfeffer (1994) identified 16 effective HR practices, including training, participation and empowerment. Osterman (1994) uncovered several HRM practices that impact productivity gains through the use of differing work organization (e.g. job rotation, and teams). Pil and MacDuffie (1996) linked organizational performance with high involvement work practices as being contingent upon the HRM practices of hiring, training and reduction in status differentials. All these studies support the conclusion that there are exemplary HRM practices that enhance organizational effectiveness.

Historically measures used to identify effective HRM practices have been organizational level indicators of firm performance (Browne, 2000). In today’s competitive marketplace, organizations must satisfy more than cost criteria (Lobo and Zairi, 1999). More recently, world-class organizations have been using multiple measures of performance. This, often referred to as the “balanced-scorecard” approach, encompasses both “soft” measures such as employee morale and customer satisfaction and “hard” operational measures

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(e.g. sales and costs figures) (Appleby and Mavin, 2000). Today, all companies are facing the harsh realities of a competitive marketplace. To compete, companies are instituting revolutionary changes meant to have impact in a short time frame (Henderson and Evans, 2000). To increase organizational flexibility and competitiveness, improvement activities should be designed to release the full potential of employees (Bogan, 1994; Camp, 1995).

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#### *The value of human capital*

Dunning's (1983) framework explains the influence on the extent and character of a firm's international involvement by using the ownership, location and internationalization paradigm. These variables identify particular competitive advantages to enterprises and countries in international involvement. They are in turn affected by factors such as home and host country conditions, nature of firms' activities, and firm-specific attributes such as available human capital, financial strength, etc. It is well documented that a company that enters the international business arena will engage in modes of business that differ from those to which it is accustomed on a domestic level (Robbins and Coulter, 1996). Intellectual capital is necessary to conceptualize and operationalize this transition (Mangaliso, 2001).

Organizations have three types of resources: physical, financial, and human. They are all equally important. However, because it is difficult to measure the value of human resources, because they cannot be depreciated as physical resources or used to reflect the net worth of an organization like financial resources, management often overlooks the importance of this resource. It is only in recent years, often termed the third stage of industrialization, that some attention has been given to human resources as a core competitive advantage (Browne, 2000). In fact, there is recognition that human resources may be more valuable than other competitive advantages (i.e. technologies and production processes) due to higher barriers of imitation (Bogan, 1994). Human capital consists of the knowledge, skills, abilities, attitudes and experience required to accomplish an organization's mission. It also includes an organization's ability to recruit and retain employees.

#### *Recruitment and selection*

Recruitment and selection processes are responsible for placing diversified talent at all levels within a firm. Indeed, sourcing and retaining valuable human capital have become a competitive battleground (Pfeffer, 1994). All organizations, whether big or small, compete aggressively for the best talent. Such competition is very prevalent today, especially with globalization forces that have led organizations to search actively for agile, expatriate managers who can go abroad and grow a global company.

There are other factors external to the organization that can significantly affect the firm's recruitment and selection efforts. Most important are supply of and demand for specific skills in the labor market. If demand for a particular

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skill is high relative to supply, a company may have to make an extraordinary recruitment effort. Local labor market conditions are of primary importance in recruitment for most non-managerial, many supervisory, and even some middle management positions. Recruitment for executive and professional positions often extends to national and international markets.

Compared with global players and cash-rich MNCs, local companies are usually more constrained in their recruitment and selection budget. Much as they need to attract talent to their firms, they are usually not as successful as the bigger firms. To overcome this weakness, they may offer stock options, advanced job opportunities with overseas posting, a share of firm's profits in the form of either bonuses or profit-sharing, etc. They can also employ innovative recruitment strategies like Venture, a local Singaporean company, which employs most of its engineers from "downsized" MNCs. Finally, they can join overseas recruitment missions organized by EDB.

One important area of human capital that internationalizing companies should continuously develop is the competencies of global managers. Such managers are often sent on global assignments as part of their responsibilities and/or development, and the quality of their human capital will determine the success or failure of the firm's internationalization efforts. Some authors describe a successful global manager as one possessing a global mindset (Certo, 1997; Ulrich, 1997), great adaptability, ability to work with a culturally diverse workforce, strong leadership ability, long-term orientation, effective communication skills, and ability to maintain harmonious subsidiary-parent company relations.

### *Benefits and rewards*

It is important to create an organizational environment that is able to elicit high contribution (Appleby and Mavin, 2000). Expectancy theories have attempted to explain employee motivation in terms of anticipated rewards. Such theoretical models assume that people make rational decisions based on economic realities. Only when employees consider that their effort will translate into a desired accomplishment or a given level of performance will lead to a particular desired outcome, will s/he be motivated to higher levels of performance. This helps to explain the critical role played by the company's reward system in eliciting and maintaining its human capital investment. Today, employees value both external and internal rewards. Not only do they desire higher pay, better benefits and promotional opportunities, they also value responsibility, personal growth, and autonomy. As local companies often have fewer resources than MNCs, they usually cannot afford to offer salaries and bonuses on a par with or higher than the MNCs. The economies of scale afforded by size may facilitate the implementation of new ideas (Baldrige and Brunham, 1975; Moch and Morse, 1977). Tannenbaum and Dupuree-Bruno (1994) found a positive relationship between size and progressive HR practices. This puts the local companies at a great disadvantage when recruiting and retaining top-notch talent.

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Though local companies may not be able to compete on salaries, they can develop innovative financial and non-financial rewards that are attractive to both current and potential employees. In short, their size could be a strength, if they are flexible and creative in developing innovative plans. Special financial incentives such as bonuses, stock options, or profit-sharing can also be given to high performers.

Often local companies cannot afford to provide as comprehensive a benefit scheme as the MNCs. However, they can overcome this disadvantage by joining a consortium of local companies in purchasing comprehensive benefit plans such as group insurance, medical insurances, etc.

### *Creating a learning culture*

Organizations must ensure that their corporate cultures are conducive to the achievement of overall strategic objectives. Though a change in corporate culture is usually a long and difficult process, it is not an insurmountable task. To increase an organization's human capital, the corporate culture should inculcate the values of continuous organizational and individual learning; in short, a learning organizational culture (Nevis *et al.*, 1997; Blanchard and Thacker, 1999). Fostering a learning climate will lead to an organizational learning that can capture and deploy learning to those who seek it and, when this is coupled with individual learning, human capital within the organization will be greatly enhanced (Blanchard and Thacker, 1999; Nevis *et al.*, 1997).

For example, General Electric's acquisition and dissemination of knowledge throughout the organization have helped it to increase its human capital (Henderson and Evans, 2000). When GE leaders acquire new knowledge, they develop teachable points and teach the next lower level of leaders, who spread the teaching to the next level and so on. Basically, knowledge is disseminated via a "teaching cascade." However, such a teaching culture is not possible without strong leadership inspiring and encouraging change. Jack Welch has been a role model, who ensures that his vision is communicated and taught to all (Byrne, 1998; Henderson and Evans, 2000; O'Boyle, 1998; Tichy and Stratford, 1994).

Developing an experimental mindset is important in a learning environment, as it encourages employees to try out new things, and experiment with new ideas, which may churn out winning products. 3M strongly encourages such an experimental mindset. This may explain why many of their successful products were actually churned out from the ideas of rank and file employees. Other facilitating factors include constant environmental scanning, maintaining an open environment, continuous skill development and lifelong learning, open communication systems, etc. (Nevis *et al.*, 1997; Blanchard and Thacker, 1999).

Another strategy for developing a learning focus is to concentrate on human resource development. There are three fundamental component areas of human resource development: individual development, career development, and organizational development (Gilley and Eggland, 1989). Individual development usually comes in the form of training and development activities

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provided to help employees improve skills and knowledge for their current jobs. For example, Motorola increases its human capital by ensuring that every employee has at least 40 hours of job-related training annually.

Unfortunately, according to *The Straits Times* (1999), local companies' attitudes toward training are still poor compared with MNCs. Data from Singapore's Productivity and Standards Board (PSB) show that local companies spend only 2 per cent of their payroll on training, whereas most MNCs spend three times as much. To survive and grow in this competitive global arena, these smaller companies must follow the successful MNCs in treating training as a long-term investment in human capital rather than as an expense.

There are other employee development methods that can increase the amount of human capital in the organization, such as mentoring programs, transfer programs, job rotation methods, field trips, professional conferences, etc. (Rothwell and Kazanas, 1989).

Career development focuses on identifying the individual interests, values, competencies, activities and assignments needed to develop skills for future jobs (Gilley and Egglund, 1989). It can be part of a performance management system. This will help to motivate employees and can contribute towards attracting and retaining the best talent. Shell has successfully embraced career development strategies, as evidenced by their low turnover rate (Moel, 1991).

The discussion so far has focused on strategies for making an organization more competitive through the strategic deployment of human capital. Now, we turn our attention to the actual practices of MNCs and Singapore-based local companies.

### **Methodology**

The choice of research methodology is often difficult. Broadly speaking, quantitative methods are concerned with theory, validation and confirmation. In contrast, qualitative research is concerned with discovery and is to a large extent atheoretical (Munhall, 2000). The differing philosophical premises necessitate differing methodological rules and processes. When stripped to their essentials, debates over methodology are debates over assumptions and purposes. The positivist (quantitative methods) seeks facts or causes of social phenomena apart from the subjective states of individuals.

This study uses a positivist approach in an effort to get a broad picture of the HRM practices and the underlying philosophical premises behind HRM decisions of MNCs and SMEs in Singapore. Qualitative research methods often provide in-depth insights into the operations of one individual or organization. They are rarely practical when the objective is a broad view of a number of participants. Since our interest here is in discovering the differences between MNCs and SMEs, a survey of the HR practices was developed for this study. This study was based on a sample of 261 MNCs from "Singapore 1,000 Directory" using cluster sampling and another sample of 218 Promising Local Enterprises (PLEs) from the "SME 500 Directory." The information was

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gathered and analyzed in 2001. In order to facilitate research and comparative analysis of human capital strategies between MNCs and PLEs, we focused on the following research areas:

- value of human capital;
- recruitment and selection;
- training and development;
- career management;
- corporate culture; and
- government role.

The PLEs' questionnaire was translated into both English and Mandarin. The use of the Mandarin language enabled us to tap the segment of PLEs, which are dominated by Mandarin-speaking business persons. The questionnaires were sent to the human resources manager, the chief operating officer, or the owner. Questionnaires were sent with a postage-paid, self-addressed envelope attached. One month later, we faxed letters of reminders to non-respondents. Finally, we followed up via telephone to those who still had not responded.

The response rate was 17 per cent or 81 completed surveys. However, only 15 per cent of the questionnaires returned were usable. The response rate for PLEs was slightly higher than that of MNCs at 15.6 per cent and 14.2 per cent respectively. The response rate is acceptable, as it meets the general industry standard of 12-15 per cent for such surveys. Data were then compiled, coded, tabulated and analyzed using an SPSS software program.

## Results

### *Background of companies*

The manufacturing sector represented 48.6 per cent of MNC and 29.4 per cent of PLE respondents. This may lead one to conclude that the results are more generalizable to the manufacturing sector. The fact that 51.4 per cent of MNCs and 70.6 per cent of PLEs were not involved in manufacturing processes leads us to conclude that the findings are quite generalizable across industry. The majority of our MNC respondents employ fewer than 100 or more than 500 people. Since most companies were on the tails of the distribution, averaging this number is meaningless. The PLEs are much smaller – 20.6 per cent have fewer than 20 employees. 54.1 per cent of our MNC respondents are Japanese-owned companies. US corporations represent the next largest group (32.4 per cent).

### *Value of human capital*

*Perceived importance of human capital.* Our research findings indicate that 88.8 per cent of MNC respondents strongly agree or agree that employees play a crucial role in company performance. Another 81.1 per cent also expressed that human resource strategies should be given greater emphasis. Only 64.7 per



cent of PLE respondents believe that employees play a crucial role in the company's performance. Another 64.7 per cent of PLEs agree that human resources are just as important as technology, research and development. This highlights a shift in the mindset of local companies towards the role of human resources. Previously, human capital was not treated as being as important as other resources such as technology and capital. However, the more interesting finding is the relationship between the two samples. MNCs clearly recognize the importance of human resources more than PLEs.

*Accounting for the value of human resources.* A little over half of MNCs located in Singapore (54.1 per cent) account for the value of their human resources in terms of human resource expenses/costs like payroll, recruitment, training, compensation and benefits, etc. However, they are just measuring human resource value on the basis of historical costs or expenditures, rather than on the human asset basis. PLEs do not place much emphasis on accounting for the value of human resources. PLEs may want to develop other ways of accounting for the value of their human assets or simply just adopt the MNCs' historical costs accounting. This is an area of future research.

#### *Recruitment and selection*

*Competencies, skills, values and traits desired.* MNCs tend to place high value on a comprehensive set of competencies and traits with particular emphasis on teamwork, honesty, creativity, intelligence and leadership. PLEs, on the other hand, place more emphasis on honesty, integrity and diligence. Where competencies are concerned, the MNCs focus on a wide variety of skills in their current and potential employees. They seem to value multi-skilled employees who can function as team members and be creative.

*Recruitment and selection strategies.* The MNCs focus on a myriad selection criteria in their assessment of potential candidates with emphasis on technical and job knowledge, education, previous work experience, and health. PLEs tend to focus solely on the technical aspects like technical, industry and job knowledge, and past work experience. MNCs' selection criteria highlight the type of competencies and skills they value. This may be an indication of the human capital PLEs need to recruit in order to reach the MNCs' level of success.

#### *Training and development*

*Training focus.* Technical training (29.5 per cent) remains the main focus of the PLEs. MNCs, on the other hand, seem to focus on a wider range of training. This is not surprising, given their objective of having multi-skilled team-focused employees. For instance, the MNCs provide social-cultural training programs in addition to the technical training, etc., while the PLEs lack such training. This finding may indicate an area of cultural adaptability skills needed by the employees of internationalizing PLEs.

*Training and development strategies.* MNCs are aware that they have to be proactive and alert to changes in their competitive environment. One tool for

forecasting and planning human capital (as well as strategic business planning) is to perform SWOT analysis. A total of 22.7 per cent of MNCs use SWOT analysis for analyzing their employees' knowledge and skills. PLEs do not currently use this (or any comparable) tool to forecast human resource needs. PLEs need to embrace a more forward-thinking approach to the development of human capital to be able to meet future challenges.

*Developing competencies, skills and knowledge.* Not surprisingly, 78.4 per cent of MNCs report that they develop the required competencies, skills and knowledge of employees in line with organizational strategies. The research findings show that 83.8 per cent of the MNCs provide sponsorship or financial aid to their employees. The types of courses they sponsor vary, but the most common are courses leading to professional training certificates and diplomas. A moderately high percentage of PLEs (64.7 per cent) provide financial support for training programs. However, the focus is squarely on technical skills and computer-training programs. This finding is not surprising, as *The Straits Times* (1999) reported that local companies still lag behind MNCs in terms of training. Augmenting their training and development strategies to more closely mirror those of the MNCs may assist PLEs in increasing employee skill levels and organizational commitment.

*Rewards for newly acquired competencies, skills and knowledge.* Monetary reward in the form of salary increment (18.9 per cent) is a common reward method. Our findings also show that MNCs reward employees in other ways, such as promotion (13.5 per cent), special award (16.2 per cent), bonus (10.8 per cent) and other (40.5 per cent). Examples of "other" include certificates, plaques, and time off. To attract and retain highly mobile employees, PLEs should learn about the MNCs' explicit and implicit reward systems and mirror them. This may be necessary for their survival, since MNCs and PLEs very often compete in the same labor market.

#### *Career management*

*Managing performance evaluations.* A total of 62.2 per cent of MNCs and 55.9 per cent of PLEs indicate that they have a formal feedback channel to measure performance. However, such feedback is usually provided only during the performance appraisal exercise – annually. This is especially true for local companies. In evaluating each employee's performance, the MNCs focus mainly on his/her abilities, training needs, and work performance. PLEs emphasize work performance, employee behavior, and achievements more. The PLEs seem to be more results-oriented or bottom line-oriented than the MNCs. This may not be a good approach, as PLEs should also focus on achieving long-term results, such as having a loyal workforce. Further, focusing on the training needs of employees may help to increase commitment and reduce turnover.

*Performance management strategies.* Performance management strategies or systems have been recognized as being integral to good human resource management since the early 1980s. Common strategies adopted by MNCs include career development programs and performance appraisals. Our study

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shows that a high percentage of MNCs believe in the value of career development programs (64.9 per cent) and performance appraisals (70.3 per cent) in contributing to high levels of employee performance.

It seems that many local companies use only performance appraisal to manage employee performance. PLEs should recognize that performance management strategies can help increase the human capital within a firm. It will also likely lead to higher levels of motivation, loyalty and identity with the company.

### *Corporate culture*

*Important cultural elements.* Seven elements of corporate culture(s) have facilitated the MNCs' success in managing and developing their human capital, namely subsidiary autonomy, risk-taking adversity, decision-making processes, information sharing, communications, individual-group emphasis, and social responsibility.

Subsidiary autonomy may appear to be lacking, as most of the MNC respondents have expressed that the headquarters have a dominant influence on the subsidiary. However, many respondents also indicated that marketing decisions are made by the subsidiary. This is probably a good practice, since host country employees usually have a better understanding of local market needs.

MNCs, due to the stage of their development, are known to be cautious, deliberate and methodological in their decision-making processes. Surprisingly, 75.7 per cent of MNCs on our sample would rather choose to act than wait and obtain complete information, when the situation warrants fast response. Further analysis leads us to conclude that the recent economic crisis and the increasingly complex and rapid forces of globalization have made MNCs more proactive and improved the speed of their responses to market changes.

Roughly half the MNCs and PLEs believe in consensus decision making. One may assume that consensus is a good thing but, given time pressures, group consensus is not always possible. Hence, half of the decisions are being made either by top-level management (in the case of MNCs) or by the owner (for PLEs).

The recognition that information sharing is important to success does not appear to have taken root among MNCs or PLEs. Only 54 per cent of MNCs agree that information is shared widely in their organizations. Information sharing is very important, especially if both MNCs and PLEs ought to become learning organizations (Tichy and Cohen, 1998).

We also noted a shift from individual emphasis in the PLEs to group emphasis in the MNCs. Group emphasis or results are very important, as it is the collective effort of all employees in the firm that helps achieve organizational goals. Hence the company and employees cannot focus solely on individual performance. This explains why most MNCs are now looking for employees with an outstanding ability to work in teams. As many PLEs

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expand rapidly into the global arena, they should try to emphasize both group and individual results, so as to ensure the synergy of goals.

A reported 56.8 per cent of MNCs make some conscious effort to interact with the community. They recognize that, among other benefits, an image of good corporate citizenry will help to attract a larger pool of potential job candidates. From recent articles in *The Straits Times*, we can also see a growing number of PLEs making efforts to interact with the community through advertisements, provision of scholarships, etc. Such efforts may help to attract business opportunities, create an upstanding image, and attract potential candidates.

The following list provides a summary of the successful human capital strategies of MNCs located in Singapore:

(1) *Value on role of human capital:*

- Place generally high value on human asset, as 88.8 per cent believe that employees play a crucial role in company performance.
- Value of HR is mostly accounted on the basis of historical costs.

(2) *Recruitment and selection:*

- Focus on multi-skilled employees.
- Particular importance placed on these traits and competencies: teamwork, honesty, creativity, smartness and leadership.
- Particular emphasis placed on these selected criteria: technical and job knowledge, education, previous working experience and health status.

(3) *Training and development:*

- Focus on wide range of training programs with fairly equal emphasis.
- Some use SWOT analysis as a form of training needs assessment.
- 78.4 per cent develop competencies, skills and knowledge of employees in line with organizational strategies.
- 83.8 per cent provide sponsorship or financial aid for training courses.
- Reward methods for acquired competencies, skills and knowledge: salary increment, promotion, special award, bonus and others.

(4) *Career management:*

- Formal feedback channel in place.
- Performance measurement criteria: employees' abilities, training needs, work performance and others.
- Common PMS: career development programs and performance appraisal.

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(5) *Corporate culture:*

- Subsidiary normally does not receive much autonomy except for decisions pertaining to marketing.
- Risk-taking adversity seems low, especially when situation warrants fast responses.
- Only 50 per cent prefer consensus decision making.
- Information sharing is not that widely practiced, as only 54 per cent agree to it.
- More focus placed on group than individual now; hence more focus on group results than on individual performance.
- Slightly more than half of the respondents take on some social responsibility.

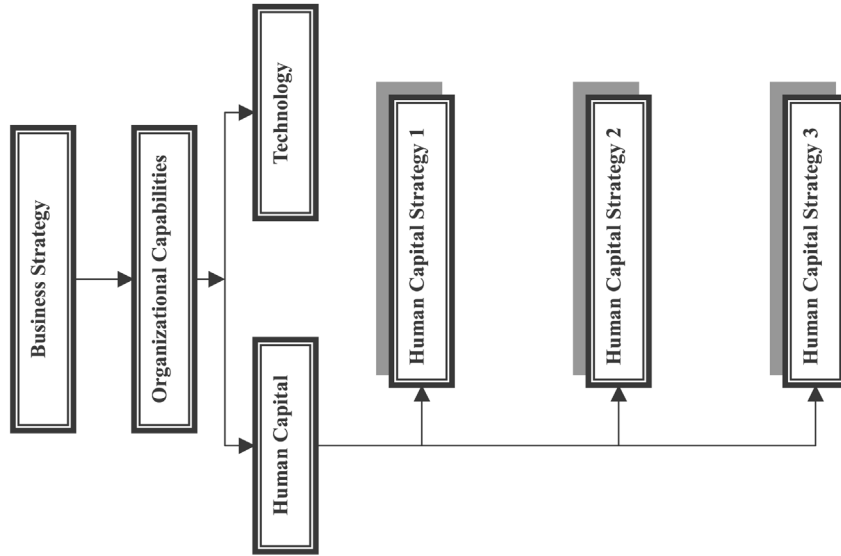
(6) *Government role:* not applicable.

We now turn our attention to discussing the managerial implications of these findings.

### **Concluding remarks**

This study has focused on the role of human capital in the survival and growth of Singapore's promising local enterprises. These companies aspire to become multinational enterprises in the near future. This being the case, we believe that there is much they can learn from their MNC counterparts. We therefore have examined the management and development of human capital in many multinational corporations (MNCs) through both primary and secondary data. The results have revealed a growing awareness among Singapore's PLEs of the significance of human factors. It is recognized that there is still room for improvement in the way they manage and develop their human capital. If Singapore's global dream of having its own group of knowledge-based MNCs is to come to fruition, PLEs must capitalize on their organizational capabilities, with particular focus on human capital. To implement successful human capital strategies, PLEs ought to consider adopting the geocentric approach used by many MNCs. Specific suggestions for improvement are provided in Figure 1.

Overall, PLEs still lag behind MNCs in most of their human resource practices. Though a high percentage of PLEs believe that employees play a crucial role in company performance, it is still much lower than MNCs. The recruitment and selection, training and development, and career management practices of PLEs still leave much room for improvement. The biggest weakness may be philosophical, as their strategies tend to focus more on short-term solutions than on long-term results. MNCs clearly focus more on teamwork and the development of learning organizations. Likewise, an



**Figure 1.**  
Suggested human capital strategies for PLEs

**Recommendations for PLEs in Managing Their Human Capital**

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| <ol style="list-style-type: none"> <li>1) PLEs should look for multi-skilled individuals like the MNCs, as they usually have a wider range of skills and competencies</li> <li>2) As labour supply is tight in Singapore, PLEs should look for innovative ways to recruit needed human capital such as recruiting from overseas, non-traditional sources and downsizing MNCs in Singapore</li> <li>3) PLEs should offer attractive rewards like stock options, profit-sharing, etc.</li> </ol> | <ol style="list-style-type: none"> <li>1) PLEs should introduce more autonomy and employee empowerment into their corporation</li> <li>2) Risk taking is actually encouraged, if PLEs are to venture successfully overseas</li> <li>3) Information sharing, bottom-up initiatives, teamwork or emphasis on group results are also strongly encouraged for the PLEs' corporate culture</li> </ol> | <ol style="list-style-type: none"> <li>1) PLEs should focus not only on technical and computer training but also training in cultural adaptability, local and global management skills, etc.</li> <li>2) Like the MNCs, PLEs should learn to use tools like SWOT Analysis to identify skills and competencies required by their employees</li> <li>3) Financial support is encouraged for training and re-training of employees</li> <li>4) Career management is important, as it helps PLEs to manage and develop employees for new positions and/or future successions; serves as motivational tool as well</li> </ol> |
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understanding of and an ability to manage key cultural elements in building learning cultures are necessary for success.

More specifically, our results show that promising local enterprises in Singapore could benefit from benchmarking the following human capital strategies of MNCs:

- Alter philosophical understanding regarding the importance of human capital for competitive advantage. Much of MNCs' success may derive directly from their belief in the value of employee contributions. Further, the concept of the self-fulfilling prophecy (managers who believe that employees are capable of achieving more create situations in which employees are more likely to achieve more) likely serves to multiply this advantage.
- Develop methods to account for the value of human capital. Benchmarking MNCs would result in the use of historical accounting. A better approach might entail the development of a human asset model.
- Broaden the focus of selection and training methods to include critical thinking, teamwork and leadership. In conjunction with this, assessment criteria need to be broadened to highlight the importance of these competencies.
- Provide alternative rewards (other than salary) to help align organizational culture with new values of teamwork, leadership and learning. Compensate employees for non-technical training received.

To date, Singapore's government has implemented over 70 policies to help local companies grow and expand. However, PLE respondents expect greater governmental support in the areas of taxation, and foreign liaisons. Their growing expectations of governmental support may actually lead to company complacency. Since Singapore is a free economy, PLEs should emulate the successful strategies of MNCs and not rely solely on the government initiatives. Clearly, MNCs more readily recognize the value of and invest in the future development of human capital. The value of human capital in developing a distinctive and lasting competitive advantage needs to be embraced, if PLEs are to become MNCs.

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