



"If employers want to implement any management system for their employees, they must first believe in it themselves. In our case, the HR project was never a tool for cost cutting - it was about doing the right thing to strengthen the organisation and cement our relationships with our employees."

Mr Jackie Lau, Managing Director, Seng Heng Engineering

Case Studies

Atlas Sound & Vision
HMI Institute of Health Sciences
K.U.S Holdings
Pan Asia Logistics
Provident
QSS Safety Products
Rasa Sayang Healthcare
[Seng Heng Engineering](#)
Tagit
TME Systems
Unique Gas Solution
Wizlogix

Case Stories

Seng Heng Engineering

Professionalizing the family-owned enterprise: The nuts and bolts of human resource management



Like many pioneering industrial companies in Singapore, Seng Heng Engineering's success as a small and medium enterprise (SME) was founded on traditional values inherent in family-owned businesses. Its achievement as a widely sought-after OEM for high-quality industrial fasteners has been buttressed by a 60-year heritage in the production and customisation of bolts and nuts. Its growth from tiny shop-house operation in Geylang to full-scale engineering and production factory in Eunus has been the result of hard work and enterprise.

Today, this thriving organisation with an annual turnover of S\$30 million employs a workforce of 110. Plans are underway to relocate to larger premises in the Joo Koon industrial estate as part of business expansion.

As the company internationalised, issues such as global financial crises and other economic bugbears became new considerations for Seng Heng, which now exports 70% of its output to 33 countries. Its blue-chip clientele includes oil & gas giants like Shell, General Electric and ExxonMobil, as well as Keppel Shipyard in the marine industry.

As business gained complexity, unstructured HR practices and policies were no longer tenable. "The policies that worked for a team of 20 people cannot deliver the same results with 110 employees. There must be clearly defined roles and standardised operating processes," said Seng Heng's third-generation Managing Director Mr Jackie Lau.

The challenges of business expansion

From the company's early days, job scales and staff remunerations were based on tenure – the longer the service, the greater the increment without due consideration for job scope or job size. Recruitment and selection of new staff were ad hoc, and decisions for additional headcount were made unilaterally at the department level without reference to strategic objectives or business bottom-line. This increased the risk of overstaffing and making the wrong hiring decisions.

Without formal systems for performance management, career advancement or people development, the company found it difficult to motivate employees, drive productivity or sharpen business results. Approvals for all kinds of manpower expenditure also fell squarely on the Managing Director and his assistant.

As employment size increased, it was no longer feasible for the Managing Director to be involved into every HR decision. Furthermore, the absence of strong HR management held back other best practices impacting customer confidence, and created roadblocks for the incorporation of fair employment practices in the epoch of socially responsible organisations. "Running Seng Heng like an MNC was always in the family vision," admitted Mr Lau, "but we need robust systems and processes in order to operate like that."

Staff retention, managing business costs and driving performance through better teamwork were key priorities in Seng Heng's efforts to become more competitive – a task that would prove uphill without the ability to track manpower needs, learning and development opportunities, performance management, career planning or rewards.

Because these factors were interlinked, the company believed that a comprehensive review of its HR processes was the first step to raising business standards. By identifying and strengthening critical gaps in its existing HR policies, Seng Heng aimed to derive critical advantages through HR management in buttressing the organisation's value and ensuring consistency of its new policies.

The tipping point

The HR project, which Seng Heng tapped on through SPRING Singapore's Capability Development Grant, provided the company with the expertise it needed to step up its HR management. It was among the first batch of Singaporean SMEs to benefit from the initiative, which equips employers with frameworks, guidelines, tools and templates necessary to systematically kick-start HR activities and functions.

For Seng Heng, the programme also provided customised consultancy support, accelerating the formulation of HR frameworks and beefing up the capability of its fledgling HR department.

Engaging employees

It comes as no surprise that the biggest challenge to implementing the recommendations of the HR project was restructuring the organisation, demarcating job levels and moving away from the informalities that were instituted in the pioneering years. This entailed the specifying of roles and responsibilities, the inclusion of job grades and salary benchmarks and the introduction of a reward system, which linked pay to performance outcomes.

To mitigate the possibility of resistance and discontentment, the company was careful to time a few policy "sweeteners" together with the introduction of revised salary structures. This included staff welfare programmes, long-service awards and increments in annual leave.



“understandingly, everyone was apprehensive about change – and that includes management, but the only way to win trust is to be transparent,” affirmed Mr Lau. “We communicated regularly, whether through weekly staff meetings or otherwise, so that our people are not taken by surprise. And because we valued their feedback, we wanted to engage every level of our staff proactively. We also responded promptly and candidly to all questions so that people could allay their concerns.”

A huge advantage for Seng Heng was its culture of “open-door policy”. As such, the management team proactively briefed employees regarding the rollout of the HR project, offering assurance so that people felt comfortable discussing and clarifying their roles. “The truth is, no one was worse-off as a result of change,” Mr Lau added.

Enabling the HR function

In fact, the HR project was a welcome intervention for the company’s growing number of Gen Y employees across various vocations. According to its HR and Admin Manager, Ms Intan Adam, these energetic individuals were interested in personal development and career opportunities. “The programme gave us an effective platform to engage and motivate their aspirations, thereby aligning their personal objectives to corporate goals,” she said.

Such valued inputs from the HR department could provide an edge in today’s business environment. After all, HR managers are now expected to play more strategic roles, contributing to organisational success and business growth. Unfortunately, it is a role that many SME HR managers are unable to fulfil because they are not an integral part of the business planning process.

For Seng Heng, bolstering its HR competency was a critical step in the right direction – empowering the department to standardise work practices, provide strategic inputs, optimise manpower budgets, and drive employee behaviours in ways that resonated with business goals.

For the first time, all department heads were required to conduct manpower planning by reviewing the job positions under their charge, identifying and addressing gaps between current and future requirements, and making a three-year projection on manpower needs. The effort provided Seng Heng with a master plan, which is now used to underpin staff deployment and future recruitment. Detailed job descriptions written-up during the review were intended to aid the interview process, ensuring objectivity and a set of approved selection criteria when assessing the calibre of job candidates.



More importantly, the HR department can now monitor the hiring process and provide input from initial selection right through to the recruitment of a candidate. At the same time, it has stepped up its strategic role by managing the company’s manpower costs vis-à-vis the master plan. With this, all additional headcount had to be justified against projected business outcomes before management approval.

Spin-offs from the timely reviews

The HR project gave Seng Heng the opportunity to assess its manpower policies and benchmark itself against market practices. For example, it was able to package a more competitive wage structure based on market salary information. It also enabled management to exercise greater control over business and manpower costs. The impending introduction of a monthly variable component (MVC), for instance, will provide Seng Heng with an additional tool for managing wage costs in times of economic uncertainty.

By combing through details, the company has become more aware of its social responsibilities, such as its obligation towards older workers vis-à-vis latest re-employment legislations. By incorporating a re-employment policy, the company now aims to be more proactive in retaining the services of competent older workers beyond their retirement age.

Besides process audits, Seng Heng also administered an employee survey, gathering feedback on benefits that could be improved as part of staff welfare. As a result, the company has incorporated a staff recreational club, organising a variety of activities to promote team bonding. To foster a greater sense of belonging and job ownership, more recognition schemes have been put in place. For example, through training programmes and the delineation of different job grades within a position, employees now have a clearer career path and greater opportunity for personal development and career advancement.

Contrary to initial qualms, employee reactions to the introduction of a performance-based pay structure have been positive on several fronts. Affirming the feedback, Mr Bobby Teo, a Production Supervisor, said that the new reward system has been perceived as an incentive for better performance. “Now we can be sure that the best rewards are reserved for those who are truly deserving,” he added.

Furthermore, by being transparent about performance expectations, compensation benchmarks and the derivation of variable bonuses, employees now had greater assurance that their hard work will be recognised. In turn, this fulfilled a key impetus for the programme, i.e. strengthening staff loyalty and retention.

No more guessing games

For Seng Heng, the establishment of a formal performance appraisal system also augured well with both appraisers and appraisees. By conducting these assessments twice a year, morale issues and areas for work improvements could be communicated and addressed more efficiently. Goal setting is now a collaborative effort between the worker and his supervisor, and a linkage was made between the achievement of specific key performance indicators (KPIs) and bonus payouts, promotions and other career advancements.

As an added advantage, the performance management system has enabled the senior management at Seng Heng to identify true performers and groom them for higher responsibilities and leadership positions – a critical component for business expansion.

With a proper system to address performance gaps and identify learning needs, employees are no longer left to “pull up their socks” on their own. “Because of the programme, we now have a training and development framework drawn up in consultation with all department heads. The final matrix takes into consideration the technical skills required to do the job, departmental learning needs, and leverages training and development as strategic tools in attaining our organisational goals,” revealed Ms Adam. “At the end of the day, it’s about explaining our expectations to employees, and enabling them to do well in their job,” she adds.

The system has not only benefited management but has also motivated Seng Heng employees. In the course of crystallising the company’s learning goals, a career management policy was developed – allowing employees to become more involved in their own career progression by mapping personal ability and preference to organisational needs. According to Ms Adam, the programme has prompted people on the ground to think about satisfying careers, greater job exposure and wanting to do more. “As business grows, we want to be sure that our workforce is ready and truly competent to cope with developments in the long run.”

Practical lessons

Importantly, the intensive six-month period that Seng Heng invested

prior to rolling out its pay policies, performance management strategies, training frameworks, as well as a comprehensive employee handbook, was time well spent. "If employers want to implement any management system for their employees, they must first believe in it themselves. In our case, the HR project was never a tool for cost cutting – it was about doing the right thing to strengthen the organisation and cement our relationships with our employees," deliberated Mr Lau.

And the reason why this has been such a successful intervention for thriving family-owned enterprises like Seng Heng is because of the recognition that people are ultimately responsible for a company's business growth. Sharing Seng Heng's experience with other family business owners, Mr Lau added: "It's important to operate like an MNC, but don't forget to work like a closely-knitted family."

