

## RESEARCH NOTE

# Talent and the Structuring of Opportunity

## Explaining Singapore's Talent Deficit

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### Singapore's 'talent deficit'

The ongoing industry transformation in Singapore puts pressure on its skill formation system to groom highly-skilled talent in a timely manner. Observations of the difficulties companies face when hiring Singaporeans at the higher end of the labour market often lead to the assumption that there are particular skill gaps or 'talent deficit' in locals. These deficits may relate to technical skills, but also soft-skills or behavioural traits such as a lack of leadership or presentation skills. The response is to introduce various education, training and career development programmes to develop the desired skillsets and attributes in Singaporeans. The intent is that through such programmes, the skillsets of Singaporeans will eventually catch up.

This comparative research by the Institute for Adult Learning (IAL) on talent and talent management in Singapore, China and India puts forth an alternative explanation. Rather than any actual 'talent deficit' of Singaporeans, the study found that the perceived talent shortage at higher levels of the labour market in Singapore is linked to the corporate structuring of opportunities for Singaporeans in a 'War for Talent' corporate landscape.

The finding is drawn from qualitative interviews with 82 senior corporate executives and 64 high-potential talent in 30 organisations across Singapore, China and India. The four sectors covered in the study are pharmaceutical & biotech, banking & finance, infocomm and professional services. Of these 30 organisations, 21 were TNCs with 11 of them interviewed across all three locations. The remaining 9 organisations were local enterprises/start-ups who were interviewed to provide contrasting perspectives.

### Summary

- ▶ Singapore's 'talent deficit' is best understood as linked to the corporate structuring of opportunity for Singaporeans in a 'War for Talent' corporate landscape.
- ▶ Singapore's fairly flat university system does not signal to companies the elite base that companies can target, leading to Singapore graduates not being favourably positioned as talent in companies. India and China, on the other hand, have a small pool of elite universities that companies can target easily using their 'War for Talent' model, creating the pipeline of sponsored talent. Moreover, local knowledge commands a significant premium in India and China, in contrast to Singapore's plug-and-play business environment.
- ▶ The 'War for Talent' model is in tension with the objectives of *SkillsFuture* of facilitating skills mastery and inclusive opportunities for all Singaporeans. It suggests a limit to how education and training programmes can support the development of Singaporeans, if companies continue to operate based on a narrow talent model.
- ▶ The 'Wealth of the Talent' model is an alternative approach that complements the objectives of *SkillsFuture*, and government policy can support the cultivation of such organisations.

# Talent and the corporate structuring of opportunity

Corporate discourse typically defines ‘talent’ in terms of individual qualities, competence or giftedness. This emphasis on individual attributes is consistent with the idea that talent is an empirical reality; it is ‘out there’ reflected in individual differences, if only we can find better ways of nurturing and identifying it.

However, such discourse obfuscates the very structured ways that companies put in place to identify and manage talent. Consultants at McKinsey (Michaels et. al., 2001) have perhaps done the most to promulgate the ‘War for Talent’ as a strategic business challenge and driver of corporate performance. This talent model highlights that business success depends on the contributions of 10 – 20 per cent of the workforce, as it is top talent including high-potential talent, that is believed to add much of the value to the organisation. Becker et. al. (2009) takes the stratification of the workforce further, advocating that companies distinguish between ‘A’ jobs (strategic), ‘B’ jobs (support), and ‘C’ jobs (surplus). Talented employees are spotted, and groomed into ‘A’ jobs.

By design, the models put forth by McKinsey consultants and Becker et. al. are set up for scarcity as they are unable to accommodate the plentiful supply of talent. Fortunately, the ‘War for Talent’ is not the only way in which companies can organise their workforce. In [Figure 1](#), we present four ideal types for companies to organise their talent pool.

The vertical dimension in [Figure 1](#) relates to the framing of jobs in terms of control over content, organisation and sequencing of work tasks. Evidence of strong framing of

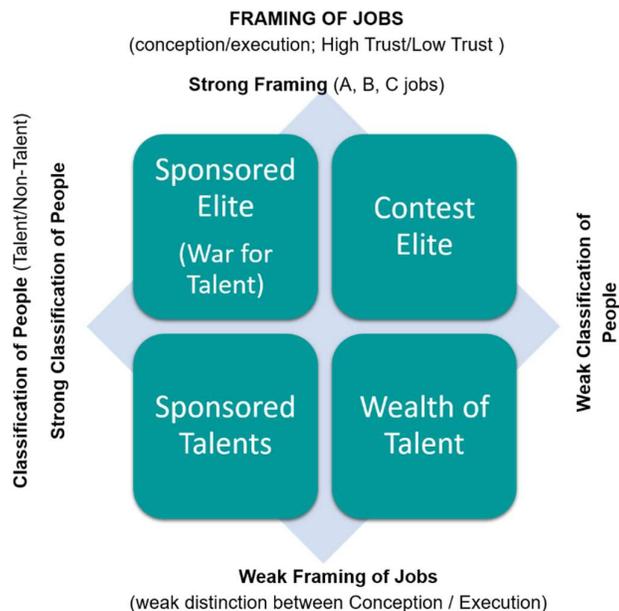
job roles is where companies adopt a centralised model of organisation control where ‘permission to think’ is restricted to people occupying strategically important positions in the organisation. A weak framing is where permission to think is extended through the organisation, where jobs are not framed in terms of the distinction between ‘conception’ or ‘execution’. The horizontal dimension relates to the classification of people through high-potential programmes or their equivalent.

The ‘War for Talent’ organisation identifies a proportion of job roles as strategic, and uses high-potential programmes to identify and sponsor a narrow pool of talent to take on these jobs. The rest of the workforce may still be ‘valued’ within the organisation, but they are not seen to be people that truly add value to the organisation, or are capable of taking the business forward.

A HR manager in a banking and finance TNC in Singapore summarised this approach succinctly: “It’s like the vital many and the vital few. We do some things for the vital few who sits in the talent population. They tend to get the lion share of resources, senior leadership time, senior leadership advocacy sponsorship etc. Our finite resources tend to get more focused on the vital few.” By design, the opportunities are fewer for those not identified as talent early.

The alternative of a ‘War for Talent’ organisation is a ‘Wealth of Talent’ organisation, which takes a generous view of the abilities of its workforce. There is a limited stratification of job roles, and a limited classification of their workforce, with abundant opportunities for the majority of the workforce to demonstrate their capabilities.

**Figure 1: Framework for corporate talent management (ideal types)**



## 'War for Talent' and national skills formation systems

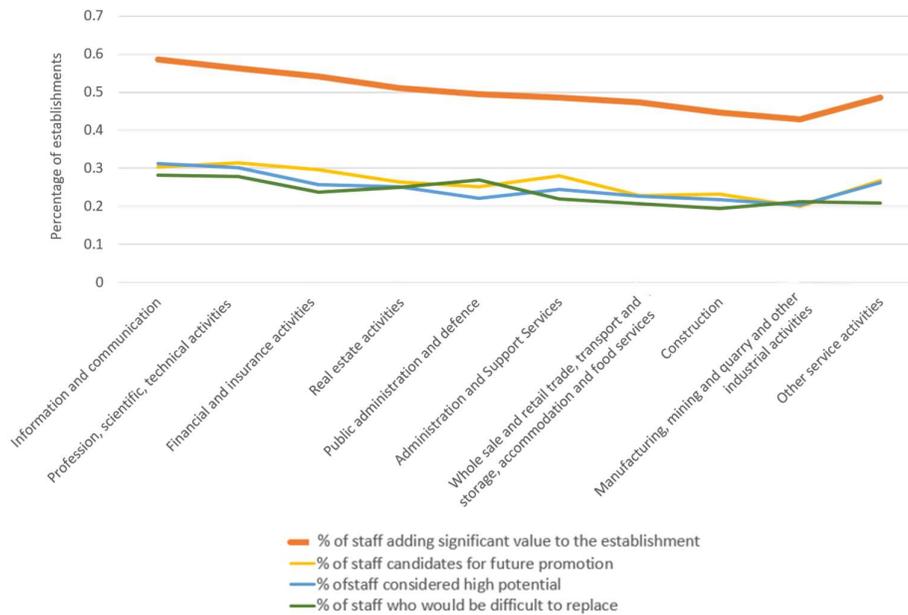
Based on the qualitative interviews, the 'War for Talent' model dominates Singapore's corporate landscape. This finding is further supported by IAL's nationally representative survey of 3,800 establishments in Singapore ('Business Performance and Skills Study' or BPSS) that was conducted in 2016.

In [Figure 2](#), we see that companies took a generous view of the performance of their workforce, with around 40-60 per cent of staff seen as adding significant value

across sectors. However, when asked about the percentage of staff considered as high-potential, the proportion shrunk to around 20-30 per cent of the workforce.

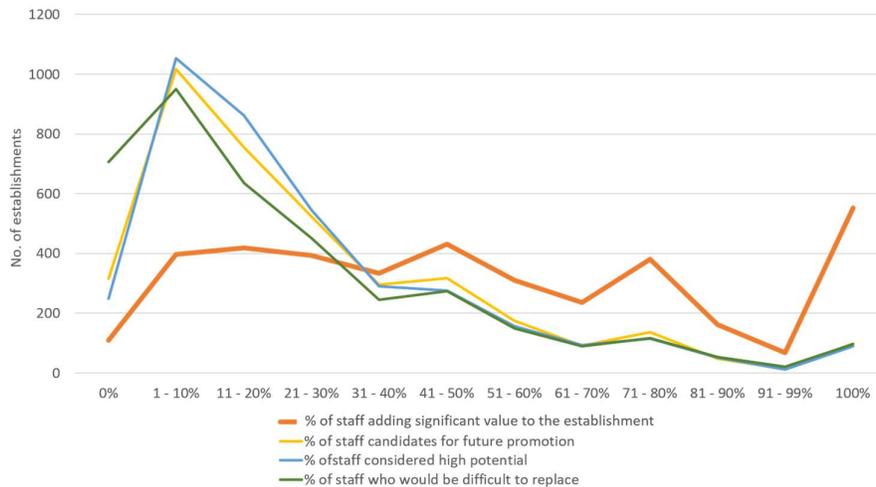
In [Figure 3](#), we see that there is a somewhat uniform distribution in terms of establishments' response to the current performance of their staff, but the distribution is skewed to the right for the proportion considered as high-potential talent. This possibly suggests a forced distribution, with the majority of establishments in Singapore keeping their talent pool at around 10-20 per cent of their workforce consistent with the qualitative finding.

**Figure 2: Average percentage of establishments' response to different types of 'talent' categories by sector**



Source: BPSS data

**Figure 3: Distribution of establishments' response to different 'talent' categories**



Source: BPSS data

The 'War for Talent' is not unfamiliar to Singapore, nor China or India. Less known is how the talent model locks into national skill formation systems.

The national skill formation systems in India and China signal a narrow base of elite universities with enrolment numbers that are tightly controlled, which companies could lock into easily, using their preferred 'War for Talent' strategy. In India, corporations cream the top students nurtured through the Indian Institutes of Technology (IITs) and the Indian Institutes of Management (IIM) in elaborate campus recruitment activities. As the HR director of a TNC bank in India explained: "There is a war and it is pretty well-established. Even before it starts, you sneak in on Day 0 [of campus recruitment] to ring-fence your pool. It is a huge matter of prestige."

Another HR director in an infocomm TNC in India explained how her company privileged graduates from India's elite universities vis-à-vis those from regular universities: "For the rest of the colleges we are pool-hiring, which means we hire from a pool and then we distribute based on what is required. For IITs, we go for a special job description [for] a role which is created for them. For IITs, we cannot go for pool-hiring... Because otherwise they will not join."

These recruits from IITs and IIMs, and their counterparts in Chinese elite universities, command premium pay and special developmental opportunities, including global postings, as early as within the first few years. As an indication of the investments companies are putting into these elite university graduates, a leading global pharmaceutical company in India found that it had to pay these fresh graduates a marked-up salary that was the equivalent of those with six to eight years of experience. Yet, when asked if the investments paid off, many of the senior executives could not articulate the actual contributions of the recruits. One HR director in a leading corporation in the infocomm industry admitted that the quality was uneven. Another HR director in one of the top global banks was more candid: "That's what we're struggling with, because honestly we don't know. The honest answer is we don't know."

Regardless, these recruits form not only the talent pipeline of these leading-edge companies, but also the talent pool that their competitors fish from. Indeed, the expectation is that many of these recruits would not stay long in a company, as they would be poached by competitors that dangle even more attractive opportunities, creating the pool of global corporate elite as we know it.

The fervour in which campus recruitment takes place in India and China is not matched in the local context. Singapore's university system is far less stratified and does not signal a narrow base of elite for corporations to pick up readily. Moreover, top Singaporean students do not typically aspire to attend local universities, with intensive coaching by top junior colleges to prepare their students to apply for overseas universities. The Public Service Commission, whose scholarships sit at the pinnacle of the talent market in Singapore, likewise sends its crème-de-la-crème to top universities abroad.

Corporate talent markets pick up on how local graduates are positioned in national talent markets. This does not mean that TNCs do not hire from local universities, but that the hires are not favourably positioned within the internal labour markets of TNCs. Companies tend to hire local graduates for tried-and-tested roles. A HR manager in a professional services company explained her recruitment strategy: "If I'm hiring an entry level person for auditing, I want that person to be a Singaporean out of a Singapore university. If I'm looking for somebody who can bring in work in consultancy [and] be self-motivated to build the business independently, he will probably be in his late 30s, early 40s, white, male, English native speaker, English/Australian experience and that's very different from the auditors. So there is a huge difference."

The weak opportunities for Singaporeans also highlight the reality that doing business in India and China is not the same as doing business in the Singapore. Local connections and knowledge are vital when operating business in the two Asian giants, unlike Singapore's plug-and-play environment. Foreign talent posted to Singapore have already been identified as 'high-potentials' with the posting seen as a 'stretch' opportunity, giving less room for Singaporeans to demonstrate their talents. The absence of middle-level jobs to provide 'stretch' opportunities for locals also put them at a greater risk of being sidelined under the 'War for Talent' model.

Unfortunately, in the context of a segmented labour market in Singapore, the tightening of the Employment Pass numbers in recent years had the unintended effect of sharpening the distinction between foreign talent and local talent. Local campus recruitments are intensifying but to take in what is perceived as "mediocre" local talent, according to one Singapore-based HR executive in a professional services industry. She explained: "Those who come here, they have to fight to come here. For the locals, it is like any

mediocre Singaporean...It wasn't like this two, three years back....So we hired 40 plus campus graduates. We don't even look at their results. We don't even look at their university performance. They don't even have to come from [an] IT background...because we need to hit the numbers.”

The irony is that Singapore's universities perform very well in global university rankings. The National University of Singapore, for instance, has been consistently ranked among the world's top 30 universities. In contrast, India's elite institutes do not even feature in the top 100 of major university rankings. Only a handful of Chinese universities feature in the global top 100 university list. The contrasting fates of Singapore's graduates vis-à-vis their counterparts in China and India suggest that it is not sufficient to look at the quality of training or education programmes, without also examining the corporate structuring of demand.

Interestingly, there is an alleged global 'shortage' of technologists, but this is related to how companies across a range of sectors have come to designate these infocomm professionals as critical talent to support digital restructuring, and thus again rely on narrow means of talent identification which vocational education, training and career programmes would unlikely be able to bridge.

## Implications for the Promise of SkillsFuture

An expedient but short-sighted response to a 'War for Talent' corporate landscape is to shift the university system in Singapore to demonstrate a higher level of elitism, as is the case with the university systems in India and China. However, this flies in the face of creating a more inclusive society and shared economic prosperity. Moreover, the 'War for Talent' model is under significant pressure in the context of rapid technological change, as companies find it difficult to make heavy investments in a small pool of talent when the industry base is evolving rapidly. The limited premium on local knowledge in the Singapore context, and the absence of middle-level jobs to provide 'stretch' opportunities for locals to demonstrate their worth, will also not be resolved by creating a more stratified hierarchy of higher education in Singapore.

Still, a 'War for Talent' corporate landscape is incongruent with the aspirations of *SkillsFuture*. The success of *SkillsFuture* hinges on a corporate landscape that takes a generous view of the abilities of its workforce, where skills and performance really matters. The flipside is that investments in lifelong

learning may not lead to good labour market outcomes for Singaporeans for as long as the 'War for Talent' model continues to dominate the local corporate landscape. It should also be pointed out that the study found that it remains vital for Singapore to continue to be open to global talent as the current rate of rapid technological change in fact requires new ideas to be supported through higher levels of diversity in the workforce. Singapore is an ideal spot for companies to tap on the diversity of talent from Asia and elsewhere.

A sustainable way forward is to broaden the *SkillsFuture* movement to give due focus to transformational strategies that shift the local corporate landscape towards more inclusive talent approaches. The alternative of a 'War for Talent' organisation is a 'Wealth of Talent' organisation where there is higher trust, workplace discretion and developmental opportunities afforded to a wider proportion of the workforce. In a 'Wealth of Talent' organisation, there is more equitable structuring of opportunities for Singaporeans to demonstrate their capabilities, alongside non-locals. Learning and development programmes are likely to have greater traction in such organisations.

Of the 30 organisations interviewed in the study, only one demonstrated a 'Wealth of Talent' approach. This is a biotech company whose founders were cultivated by the Economic Development Board to headquarter their operations in Singapore. The company stood out because it did not deliberately set out to hire from elite universities or brand-name companies, nor did it have high potential programmes. It did not even use the word 'talent', referring to its staff as "people who are all good at what they do." As its Chief Operating Officer (COO) explained, the company tended to take a chance on people when hiring. At the point of interview, the company was expanding to four other countries and offering good developmental opportunities for their local and foreign workforce alike.

Another reason for including considerations of corporate talent models in *SkillsFuture* is their implications for Industry Transformation Maps (ITMs). A narrow talent model is likely to frame how firms deploy technology by displacing those below the 'talent radar', leading to labour reduction or deskilling. This would explain why discussions on ITMs simultaneously highlight skills shortages alongside the risks of technological unemployment or underemployment with digital disruption. Beyond TNCs, our findings show that SMEs in Singapore are just as likely to pursue a 'War for Talent' strategy. Given that they employ a large proportion of

Singapore's workforce, it is vital that the push for greater use of technology by SMEs should be twinned with efforts to encourage and incentivise them to also move towards inclusive talent models. Considerations of a firm's configuration of its demand for labour must therefore sit at the heart of ITMs to ensure that digital restructuring proceeds in inclusive ways for the local workforce.

## Exploring Policy Options

There are some specific ways in which the *SkillsFuture* movement can support the shifting of the corporate landscape in Singapore towards a 'Wealth of Talent' approach. First, government policy could deliberately seek out companies operating with a 'Wealth of Talent' model, and incentivise them to set up operations in Singapore independent of their market power. A diagnostic tool may be developed to identify and court companies that operate on a 'Wealth of Talent' model. A diversified strategy may be required to reach out to these companies, as they may avoid traditional knowledge and innovation sites known to policy-making. For instance, the founders of a cutting-edge data analytics start-up opted to base the company in Cardiff for ready-access to graduate talent without the premium costs that it would have to incur if it were to set up operations in London or San Francisco, thus deliberately avoiding the 'War for Talent' strategy and giving greater opportunities to a wider base of workers.

Second, skills development programmes may deliberately target 'Wealth of Talent' companies more purposefully. Currently, government funding of continuing education and training programmes are differentiated based on firm size (SMEs vs non-SMEs). It is worth considering a differentiated support for companies based on their talent models, as there is likely to be better outcomes from learning and development opportunities in firms demonstrating a 'Wealth of Talent' approach. 'Wealth of Talent' companies may also be considered for additional support as part of a differentiated foreign worker policy, given the likelihood that they offer more equitable opportunities for local and non-locals in their workforce. Further studies can be conducted to strengthen the evidence base to support the differentiation.

Third, building upon prevailing sentiments of uncertainty already in the corporate community of the 'War for Talent' strategy, government agencies can mount a campaign with the appropriate support to encourage companies to move towards a 'Wealth of Talent' model. A 'War for Talent' strategy makes less

business sense for companies given the model's internal contradictions that limit the supply of talent by design, the weakness of the model to cope with dynamic change, and its inability to get the best of its workforce in a sustainable way. A 'Wealth of Talent' model is a viable alternative as it creates a high-trust, high-discretion workplace with ample space for workers to be responsive changing business needs. It is also a performance-focused model designed to get the best out of the workforce. Some companies are already experimenting with alternative approaches such as the use of HR analytics. The campaign can support such approaches as well as advocate a business case for a 'Wealth of Talent' approach targeting C-suite leaders and the HR community. *SkillsFuture* employer awards, likewise, can give recognition to those companies with 'Wealth of Talent' approaches.

Finally, as part of the ITMs, companies can receive specialist support and funding to invest in technology in ways that is skills-enhancing. In other words, the funding of technology adoption is differentiated to deliberately consider companies' talent models.

## Conclusion

This research note puts forth that the alleged Singaporean 'talent deficit' at higher levels of the labour market is linked to the institutional structuring of opportunity for Singaporeans in a 'War for Talent' corporate landscape, rather than any actual 'talent deficit' in the Singaporean workforce. Consequently, there is a limit to how education and training programmes can support the development of Singaporeans at higher levels of the labour market, for as long as the 'War for Talent' dominates the local corporate landscape.

A 'War for Talent' corporate landscape is in tension with *SkillsFuture's* objectives of facilitating skills mastery and inclusive opportunities for all Singaporeans. The recommendation is for the *SkillsFuture* movement to be broadened to include efforts targeted at employers to shift towards 'Wealth of Talent' approaches that will enable the structuring of opportunity for Singaporeans to demonstrate their capabilities.

Access the full report at [https://www.ial.edu.sg/content/dam/projects/tms/ial/Research-publications/Reports/BuildingTalent\\_Report\\_Sahara.pdf](https://www.ial.edu.sg/content/dam/projects/tms/ial/Research-publications/Reports/BuildingTalent_Report_Sahara.pdf)

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### **CSPP**

**Centre for Skills, Performance and Productivity (CSPP) is a research centre of the Institute for Adult Learning. CSPP specialises in skills research in relation to workplace performance and productivity. The approach is interdisciplinary employing both quantitative and qualitative research techniques.**

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