Supply Chain Management among SMEs in Klang Valley, Malaysia: The Possibilities and the Challenges

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Abstract - Over the years, the issue of talent shortage and undermanage of talent continues to stir challenges to many organizations both large and smaller firms. In most cases, SMEs constantly suffer from the shortage of talent due to various internal constraints, however, SMEs do aware of the importance of getting the right people for the key positions. Many of the respondents do recruit domain experts, although these employees are in the categories of lower-skilled workers. Although some forms of informal training provided by most SMEs to their employees, and tie the compensation with a merit-pay system, nevertheless, further alignment between skilled-workers and business goals still need to be enhanced in the long run. Despite all challenges and limitations, it is still possible for SMEs to kick-start proper talent management systems and continuously improves it from time to time. Identifying key positions is an initial attempt of talent management, as firms only need to hire talents in the area of a few core job functions. Followed by this will be appropriate talent development and commitment of firms to align talents with business goals. Also, inspirting work cultures and values, proper feedback systems, and the like will further enhance the branding of SMEs and make it easier for SMEs to attract and retain talents. All these efforts will eventually translate into desirable organizational strategic outcomes.

Keywords: Talent Management, Small and Medium Enterprise (SMEs), Supply Chain management, Talent Identification, Talent Development, Talent Engagement

1. Introduction

When McKinsey Consultant published a topic on talent war in 1997, talent management started to receive remarkable attention from both practitioners and academia. Talent management is about the systematic attraction, identification, development, engagement, and retention of these individuals who are valuable to an organization. In brief, talents are the people who are capable of making a difference in an organization. Talent management is not something new in the business world. It becomes one of the key discussions in business when McKinsey Consultant published a topic on talent war in 1997. Since then, talent management received remarkable attention from both practitioners and academia. According to [1], the meanings of talent changes over time. It was first used by ancient people in Rome, Greek with the meaning of “denomination of weight”. In the 13th century, it meant inclination and changed to “treasure, riches” in the 15th century. By the 19th century, talent was viewed as people with capability. In brief, talent refers to people who make a difference in organizations. The Chartered Institute of Personnel and Development (CIPD) defines talents as individuals who can make a difference to organizational performance, either through immediate contribution or long term highest level of potential [2]. Subsequently, talent management is the systematic attraction, identification, development, engagement, and retention of these individuals who are valuable to an organization. Although organizations have been talking about talent management, yet, there are no clear conceptual boundaries of talent management [3]. In general, HRM covers the activities of recruitment, training, compensation. Whereas, talent management include the incorporation of new knowledge and operation of businesses in a more effective and efficient way [4]. Ref. [5] further identify three types of conceptualization of talent management, which include: a typical collection of
HR practices; talent pools and focus on either high-performing or high potential employees.

2. Background of the study: ranking of Malaysia in talent management and talent shortage
In terms of ranking of talent management among 61 countries, Switzerland is ranked as the highest, whereas, Malaysia is in the 22nd of the list [6]. The evaluation assesses three main aspects: investment and development; appeal and readiness. Although most firms recognize the importance of talent management, the majority of them still encounter the shortage of talent in their organizations. McKinsey’s research [7] comments that nearly 75% of corporate officers are concerned with the shortage of talent. Similarly, firms in the European Union highlight that talent management is one of the key challenges in Western Europe [8]. In other separate cases, firms interviewed [9] from Harvard; and study of ref. [7] agree that they need to enhance their talent pool in the coming three years. In the 14th Annual Global CEO Survey [10], PricewaterhouseCoopers (PWC) found that majority of the CEOs worry that shortage of talents impedes the development of their organizations. The study of [11] again proves that executive talents are the most undermanaged human assets for the past two decades. Moreover, despite the high unemployment in North America, nearly 60% of firms comment that hiring and retaining of talent with critical skills remain a challenge for them. Malaysia shares similar experiences with other countries, these include lack of awareness, talent shortage, etc.

3. Will talent management the first to be scarified during tough times
Further from the trade war and other factors causing the weaker economy in 2018, this trend is expected to continue in 2019, notably Europe and Asia [12]. The global economic growth is projected at 3.5%, which is 0.2% below last October’s projections, with softening momentum and high uncertainty [12]. Even in the US, nearly all major industries will experience a slowdown [13, 14]. Inevitably, Malaysia is forecasted with lukewarm steady growth in 2019, resulting from dampened external demand, slowing global growth and political uncertainties, say analysts [15]. In the [12], International Monetary Fund (IMF) stresses a long list of downside risk factors, these cover: trade tensions, rising interest rates, political uncertainties and so on. It is projected when the growth of the US will decelerate for the next five years. The global trade volume still increases but at the declining growth rate. Furthermore, information of Mark [16] show that SMEs most likely will face more pressure in 2019 followed by an economy slowdown, these include the raising cost in operation, the lack of confidence of consumers, the worries about a recession that will eventually come, etc. On the other hand, workers around the world are working more hours. Although there is digital technology, it is yet to optimize to get things done [17]. During the economy slowdown, some firms believe that the war for talent will go on, employers may need to expect the balance of power between employers and employees is here to stay [13, 14]. Nonetheless, the needs of business change faster than the skills and experiences required, so it is more competitive for those who enter the labour market. At the same time, the retention rate is higher at this period [13, 14]. Ref. [18] have conducted a study on a few multinational companies (MNCs), such as FedEx, Microsoft, Wikipedia, and FE. The findings indicate that large firms tend to downsize their workers in order to implement cost-cutting, increase productivity and efficiency. At the same time, firms will try to redesign their compensation package, cancel some benefits and reduce training program. Hence, cutting cost through training is something inevitable, this applies to both larger or smaller firms. However, less focus is given to SMEs as regards to the issue of talent management.

4. The purposes of this study
The purpose of this study is to understand how SMEs implement talent management in their organizations in order to ensure their long run sustainability and competitiveness. Also, it aims to know the way SMEs’ responses to talent management when they implement cost-cutting during the economy slowdown.

5. Literature review: talent identification, talent development and engagement
Based on the stream of thought of [3], talent identification is one of the crucial steps in talent management. Talent identification is to identify potential or high performance employees into the talent pool. The involvement and engagement of management are part of the key factors in talent management [19]. Add on to the definition of [3] on
trend. Leading firms use training for growth is a way to retain firms' business, compared to its sales. This approach is supported by McKinsey Consultant, 
d engineered by [20]. The process of talent identification is linked to the family-oriented arrangement in Asian and recruitment agents in the West. It is found that the practices of talent pool or pivotal talent are yet to be delineated and there is lack of empirical evidence in this aspect. In fact, impersonal work setting with the exclusion of personal competencies can prevent competent performance [21]. In the process of implementing talent management, [20] comment that the attributes of firms are essential as well. Although the differentiation of talents from other employees may affect teamwork, nevertheless, this step plays a significant increment to an organization’s performance. Based on [3] stream of thoughts, the next phase after talent identification will be talent development. Talent development is the development of skills and competencies for talent pools or those potential employees with top performance, which in return contributes to the competitive advantage of firms. In the research of Garavan, Carbery and Rock (2011), they agree that talents are employees who possess unique managerial and leadership competencies. Talent is the group who consistently deliver credible results, and capable in mastering new skills or expertise; as cited. In other words, they are the future stars or future leaders. Over the years, the approach on talent development has been advocated from an exclusive approach as initiated by McKinsey Consultant to a more inclusive approach, which targets not just “A players” but also “B players” [22]). From the research of [23], training leads to the development of positive work related attitude within the employees. Prospect for growth is a way to retain employees, moreover, a growth environment encourages employees to use their skills and competencies to the fullness. The research of [23] is to investigate the relationship of talent development on organizational success. It is by testing a model to find out significant factors which impact organizational success. The dimensions of talent development include performance appraisal, training programs, career development, knowledge sharing, and creativity. Around 160 respondents out of 200 of them answered the questionnaire. The findings show that indeed talent development has a positive relationship with organizational success. This study implicates that talent development is crucial for business success, it serves as an aid in the strategic development of talent. Most of the studies on talent engagement focus on the level in which employees are engaged to their jobs and organizations. Unlike most researchers, [19] focus more on how firms engagement in nurturing talent. In their survey, they point out that it is inevitable to align all talent management with firms’ business goal. [19] Identify both exclusive and inclusive approach of talent management. They find that talent is defined differently in different organizations and the percentage of talent they select among employees are varies as well. Despite that, these top firms share some common principles with regards to talent management. The first principle among these firms is the alignment of talent management with business goals and strategies. These firms integrated talent management processes with business planning processes. Some of them give more emphasis to technological leadership due to the nature of businesses and needs in the firms. The next principle is internal consistency, it is crucial to have talent management to fit into all aspects of the management. These two principles are crucial in talent engagement from a firm’s perspective. To achieve this consistency, indeed it needs management involvement and the culture to nurture talent. The culture here involves the attitude of learn ability, the attitude of employees which fits into culture values. Leading firms use training development beyond the enhancement of skills and knowledge but also to manage and reinforce culture. The next principle is related to the balance of global and local needs in talent management, this is particularly relevant to global firms. The last principle is employer branding. No doubt, firms with better employer branding tend to attract talent than those which do not. However, this last principle can be part of internal consistency, which covers organizational culture and management involvement.

6. Literature review: talent management and competitive advantage

Competitive advantage can be defined as firms which are in a favourable position, compared to its peers [24]. The study of [25] shows that even though
many firms acknowledge the importance of talent management as the key to maintain competitive advantage, however, not many of them take actions in changing their skills requirements. More than 60% of firms do not have any instrument to assess their talents. In most cases, many of them are not aware of future needs in skills. In addition, not many of them believe that their HR teams know the need for talent. [25] suggests that top management and HR team have to work closely in order to nurture and retain their talents. In order to achieve this purpose, he outlines a few areas for improvement, these include leadership development; staff identification and assessment; performance management and succession planning. Leadership development refers to the development of talent within the existing talent. Findings reveal that 55% of firms in life science lose their competitive advantage due to failure in nurturing their talents. Likewise, the research of [26], [3]; [8] have given similar findings. It is found that most of the chief executives of firms spend little time on talent management. In addition, most firms in Europe are facing a shortage of talent. [8] agrees with [25] that talent is the answer to have a sustainable competitive edge. [26] Further add that having these resources alone is yet to become the competitive edge of a firm but the utilization of it does. Thus, it is crucial to ensure human resource in a firm is fully utilized.

7. Data collection method

This is an explanatory study, to explain the practices of talent management among SMEs. A survey has been conducted on 30 SMEs retailers in the categories of fashion; home electrical and daily supplies. These three industries are selected as they have the highest online transactions [27]. A convenient sampling method is adopted in data collection method through interviews with selected SMEs.

8. Findings and discussions

Referring to the definition of talent as an individual who can make a difference in organizations [2] or talents are employees who possess unique managerial and leadership competencies, the majority of employees in SMEs do not fit into these criteria. Based on the interviewed with these 30 SMEs, it is found that the majority of SMEs hire employees with lower qualifications and skills, as it is indeed a challenge for SMEs to hire skilled workers due to cost constraints. Hence, most SMEs suffer from chronically talent shortage. Also, the majority of talents or skilled workers prefer to work in large firms or multinational companies. SMEs are normally not in the top list preferred by them. As the saying goes: pay what it takes to attract the talents. As such, the issue of talent management being sacrificed during tough time does not exist in SMEs, as the talent shortage always happens among SMEs. However, SMEs are aware of the importance of skilled workers who are capable of making a difference in their organizations. SMEs do train and retain domain experts, those employees with specific skills for the operation of a business, although these employees are with lower qualifications. As such, despite financial limitations, SMEs aim for domain experts, as these employees support and shape the growth of SMEs. Hence, the findings here include domain experts as part of the important resources of SMEs. [1] has encouraged large firms which give attention to talent that, domain expertise should be given adequate attention and concern, as low skilled workers are part of the team in an organization. In the context of SMEs, domain experts are playing a more crucial role to ensure the competitiveness of firms. [1] reminds that even workers with lower skills should not be neglected as their jobs are essential as well. The statement of [1] is supported [28]; [29] Based on the feedback, 50% of the SMEs somewhat agree that their firms identify key positions that are crucial to the organization. Only 1 firm disagrees with this statement. Likewise, about 40% of all the respondents think that their firms have sufficient budget to hire domain experts. However, not all SMEs encounter financial limitations. Some SMEs keep their businesses operation in a small and simple scale, they only hire lower-skilled workers to run their operation, as this industry is not their core businesses. It merely serves as a subsidiary to support the key businesses. For example, a developer firm that builds shopping mall embarks into the fashion industry on a smaller scale, the fundamental intention is to use it as a strategy to bring in human traffic. Their main aim is to build-up the brand name of the mall and the core business as a developer, earning profit from this fashion business is not the priority. As such, they prefer to remain the status quo in doing this fashion business. Apart from that, more than 50% of SMEs believe their selection processes are based on competencies. SMEs agree that they need a suitable person to be selected for their businesses, although expectations on the skill required are much lower. In contrast, 23% of them say their firms are yet to translate the
effort of talent management into employee branding, neither are they well prepared for digital businesses (over 30%), although there is a change of purchasing pattern among consumers. In many cases, SMEs are yet to change anything until they see problems with their business operations. Having said that, SMEs which target the consumer within the age group of 15 to 35, begin to embark into some forms of online businesses, either directly or indirectly. These SMEs are aware that younger consumers have the habits to find more materials via online platforms, prior to their purchasing decisions [30]. Hence, SMEs will post all relevant information into their websites or social media, to facilitate the purchasing decisions of consumers, particularly their frequent consumers. These consumers will collect the products from the outlet, or receive the products through postage delivery after they make payment using online banking. These SMEs are yet to use e-commerce websites or apps for their products but they try to tap into the preferences of their buyers. Conversely, SMEs which products are for senior citizens, such as those in the age of 50 over and above, these consumers prefer walk-in rather than online. Due to this, SMEs will not use any online platforms. Talent identification is a process to identify high potential employees [21]. Even though SMEs more incline to hire domain experts for key positions, it is still crucial to identify job functions which can bring impactful outcomes to firms. Apart from that, it has to be consistent in order to obtain continuous growth in businesses. Based on the experiences of one local sundry retail firm, which started with a humble beginning as a small sundry shop [31, 32]. Over the past two decades, it continues to expand and excel in its business and today it has more than a hundred outlets in the country. One of the reasons for its success is the hiring of the right people for the key positions. This SME owner managed to find an expert in inventory control, who knows the inflow and outflow of stocks with proper usage of tools and equipment. Due to this, the firm is able to improve its efficiency and reduces wastages on stocks and other costs. Together with other strategic planning and effective customer services, this brand continues to receive good responses from its consumers. Again, this proves the importance of key persons in the crucial positions. In brief, SMEs shouldn’t underestimate the importance of key positions in leading or supporting the firm, as it can create an effective team that yields great returns [3].

Table1. Rating of respondents on talent identification (%)

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Note:
Iden-1: Identify key positions which are crucial
Iden-2: Sufficient budget in hiring workers with expertise
Iden-3: Firms use employer branding in hiring
Iden-4: Selection process through competency-based interview
Iden-5: Workforce is well prepared for digital transformation

Scale: 1=strong agree; 5=strong disagree
As for talent development, SMEs may not have cutting edge training programs. Furthermore, the majority of SMEs agree that they do face talent building challenges. Having said that, some forms of training for employees do exist. Most SMEs comment that they somehow support employees for training, the supervisors give sufficient support for training or have sufficient tools and equipment for their talent pool. Talent development is the development of skills and competencies for potential employees. These are the workers who are capable of delivering credible results, and fast in learning new skills [23]. In the context of SMEs, workers with specific skills in an essential domain will play the role of as a talent. Hence, continuous nurturing them with reskilling and up skilling programs are essential. Close to 50% of the SMEs comment that their firms support employees for training and about 40% of the respondents indicate they allow employees to learn new skills. SMEs are aware of the importance of training, although they may not have a systematic schedule for training. Most training sessions are rather informal on-the-job training according to the needs of business
operations. Some SMEs may reluctant to train their staff as employees with higher skilled may choose a better career path in other organizations. Nevertheless, trained employees bring better organizational outcomes. Hence, SMEs gain more benefits from trained workers, although they encounter the risk of losing these workers in the long run. Proper and planned training programs will enhance the effectiveness of workers in achieving organizational goals. Out of the three selected industries, electrical and other electrical home appliance is the industry which has more frequent training, as some training are given by the suppliers about the functions of the products. As for the rest, most of the training is informal, which is related to hands-on experiences and technical skills. On the other hand, almost 50% of them indicate that their firms are not ready for digital upgrading needs, these include critical skills or new skills needed for digital businesses, despite the fact that there are more buyers who purchase online [33]. Meanwhile, 35% of the SMEs admit that they do not strengthen the strategies to develop the best people. Indeed, proper planning of training which fit into their needs can make a great difference in the long run.

Table 2. Rating of respondents on talent development

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Note: Dev-1: Firms support employees for training
Dev-2: Allow employees to learn new skills
Dev-3: Sufficient support to employees for training
Dev-4: Strengthen the strategies to develop the best people

Coming to the aspect of talent engagement, which refers to the commitment of firms in aligning their domain experts with organizational goals. [11] urge that the management must foster the right talent-building behaviour and link talent to strategies. Talent management which is aligned with business strategies will be the backbones of talent effort. In order to be more engage in talent management, SMEs need to strengthen their images through appealing work cultures and inspiring values. These cultures and values should apply to most aspects of their behaviour. In the long run, these cultures and values will be the DNA of a firm and its branding, as no branding can be transformed overnight. Based on the findings, close to 40% of SMEs state that their firms aligned the skills needed with organizational goals. SMEs may need external consultants who can provide some insights about ways to deepen their commitment to the management of domain experts. Subsequently, 25% of them find that the firms are consistent in the management of domain experts and proper compensation packages of domain experts. An effort to link compensation packages with the organizational goal is an essential ticket to the game of attracting and retaining talents [11]. In the case of SMEs, although employees hired are less educated, compared to larger firms, yet an attractive package is still an attraction and motivation for employees to achieve desirable organizational outcomes. Despite the financial constraints, SMEs normally implement rewards in the form of commission to motive staff to achieve better performance. In addition, about 30-40% of them find that their firms have integration of skills and expertise with the business plans. At the same time, only 30% of the SMEs view the effort in digital transformation by using appropriate talent is sufficient, which cover: relevant talents needed for business strategies, talents needed for online business and the consistency of strategies in talent management. Overall, SMEs of the younger generation, who focus on the young buyers market somehow agree that they need to tap into the opportunities in online platforms, as this is the preferences of their buyers. In essence, the challenges faced by SMEs in talent management can
be classified under structural or managerial [30]. Structural challenges are related to the physical conditions of a firm. SMEs find it difficult to implement talent management due to limited resources within their firms. Whereas, managerial challenges are related to the attitude and commitment of top management in nurturing talents. The lack of commitment and involvement of top management causing ineffective talent management. When we sum them up, it is about the lack of integration and strategic alignment between HR and business strategies. SMEs which wish to have greater achievement in their businesses need to overcome these challenges.

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Table 3. Rating of respondents on talent engagement

Note:
Enge-1: Align the skills needed with the business strategies
Enge-2: Target digital expertise as a key skill needed for digitization
Enge-3: Integrated talent management with the business plans
Enge-4: Consistent in the talent management and competitive compensation packages
Scale: 1=strong agree; 5=strong disagree

9. Suggestions
Despite multinational companies (MNC) manage the physical and financial assets with rigor and sophistication, it is common that they undermanage their talents. Firms do have effort and commitment to attracting and developing their talents, but only a handful develop people effectively [11]. If this happens to larger firms, similar problems are more intense among smaller firms. Not only that, any firms seeking to exploit talent management need to instill a talent mindset in the organization, starting from the top. In most cases, firms with superior employee value propositions will be better in talent management. It is an enormous task, nevertheless, it is essential for SMEs to start somewhere, even if they do not possess all resources as required. Although SMEs operate at smaller scale, some factors are inevitable for long term talent management, these include sourcing great talent, attractive compensation, more autonomous, good feedback system and good leaders in the organizations. SMEs may seek the assistance of consultancy firms in order to have an effective management system in the main areas of their businesses. With this, it improves the efficiency of SMEs, at the same time reduces the problems of a shortage of expertise within the organizations. Attractive compensation will be of great help in getting suitable talents into SMEs. SMEs may classify job positions into a core and peripheral function, and have talents to take up core positions. This will overcome the lacking of expertise and it is not against the cost-cutting policies of SMEs. Once there are suitable talents in the team who knows the operation of businesses, SMEs can think of giving them more autonomy in running their tasks. Appropriate autonomy creates a sense of satisfaction and achievement among employees. As a result, their commitment can be enhanced. Apart from that, a good feedback system is essential, as employees can always make improvements on areas which they are weak, and enhances areas that they are doing well. Finally, a good leader in place is a key factor for the success of talent management in organizations. Some leaders are not exactly failing, neither are they leading the way [11]. These leaders may cause the team to be undermanaged and high performers leave due to disappointment. SMEs need to be cautious of these leaders who may drag everyone into low performance.

10. Conclusion
Despite all limitations and challenges encountered by SMEs in the implementation of talent management, it is still possible for SMEs to start somewhere and continue to make improvements. Identifying key positions is a starting point of talent management, as firms only need to hire talents in the area of a few core job functions, therefore, this can keep a balance between the need for talents and cost-cutting strategies. Followed by this will be appropriate talent development and commitment of
firms to align talents with business goals. Also, inspiriting work cultures and values, proper feedback systems, etc. will further enhance the branding of SMEs and make it easier for SMEs to attract and retain talents. All these efforts will eventually translate into desirable organizational outcomes.

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