



Kienbaum International Newsletter

Singapore

Agenda

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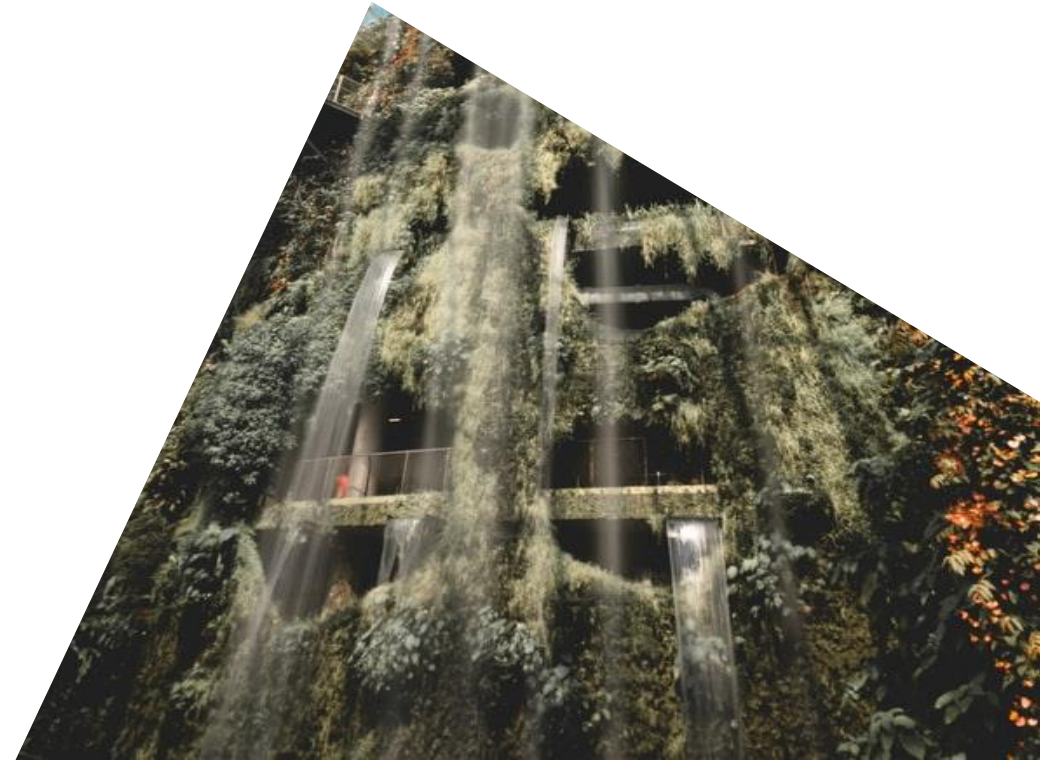
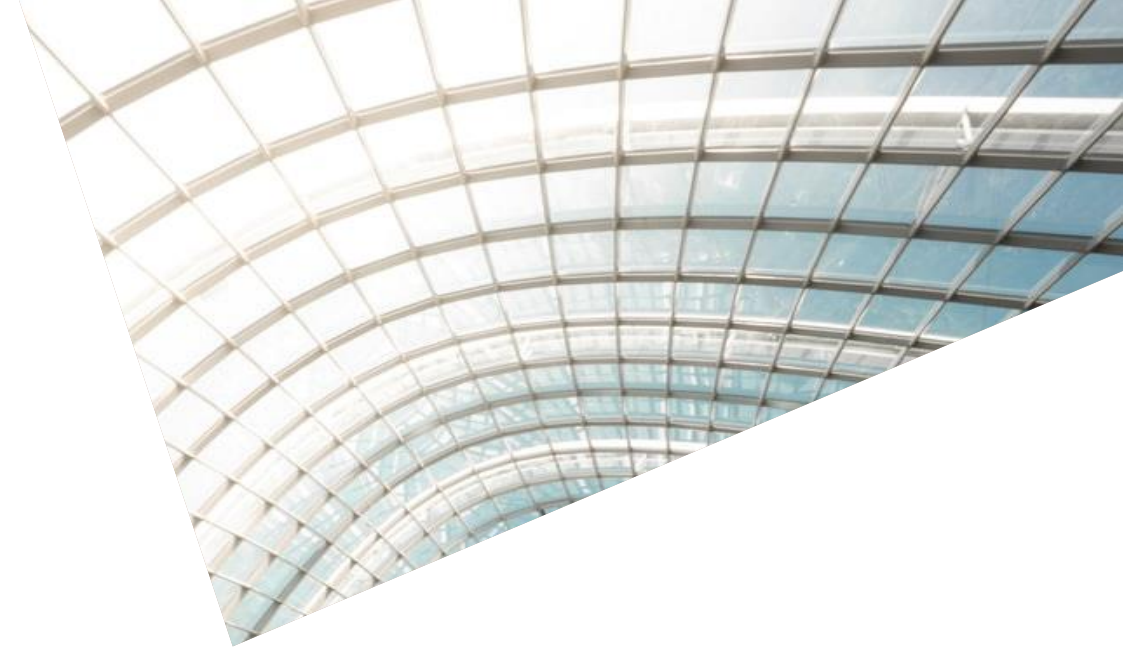
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Country Spotlight Singapore

Since its foundation in 1965, the fairly young nation of Singapore has seen a **remarkable transition** from a small, underdeveloped speck of coastline nestled in between powerful regional hegemons to an economic powerhouse and a beacon of social and political stability in Southeast Asia (SEA). Today, it is the **undisputed gateway to an entire region and thus the ideal hub** for businesses from all around the world to install their SEA headquarters. In essence, if you could paint the so-called “land of milk and honey”, it would probably look a lot like Singapore. With **one of the highest GDPs per capita, excellent economic and diplomatic ties** beyond its borders as well as one of the best healthcare and educational systems in the world, the country is indeed an exceptional place. Last but not least, it is also leading the way as a unique melting pot, calling itself home to both temporary (Singapore boasts one of the



View of Singapore

biggest expat communities in the world) and permanent residents from all over the globe. In a world of rising populism and seclodedness, Singapore acts as a **role model for the peaceful coexistence of various cultures, ethnicities and religions** (see table next page) - all in the same place which is only a little over twice the size of Munich.

Nevertheless, if you look closer, you can see **several challenges and vulnerabilities** which the country has to manage and cope with, explaining the huge transformation that the country has prescribed itself a couple of years ago. As Singaporeans cannot rely on natural resources, they had to build their economy around **trade, financial/business services and manufacturing**. Especially within the first two fields, the city state is one of the world's most dominant players and SEA's portal to the world.



Country Spotlight Singapore

Thanks to its unique location at the Strait of Malacca, one of the most important international shipping routes (25% of the world's traded goods pass through this narrow lane between Sumatra and the Malay Peninsula), Singapore's harbor is the world's **second busiest container port** after Shanghai. Consequently, even the slightest slowdown in global trade is felt immediately. As a result of the Sino-American tit-for-tat tariff escalation policy, China - Singapore's biggest trade partner - is experiencing its slowest economic expansion in three decades. Because of that, Singapore finds itself **on the edge of a technical recession** which will be difficult to overcome without a change of heart (and mind) in Washington and/or Beijing. Until then, there are no better options than hoping for the storm to end soon and prepare the economy for the challenges ahead.

An obvious angle to nurture the required future readiness is the **educational system**. Even though Singapore takes the number one spot in the global Program for International Student Assessment (PISA) ranking, schools and universities have changed their curricula to account for the **challenges of a more and more digital world**. That all of this follows a bigger plan can be seen in the list of "21st Century Competencies" published by the Ministry of Education which lays out the blueprint of the road ahead. Besides obvious hard skills such as coding and robotics, this also includes a number of soft skills to make Singapore's future workforce more empathetic and self-reliant. As an example, the program aims at developing "a concerned citizen, who is rooted to Singapore, has a strong sense of civic responsibility, is informed about

Singapore and the world, and takes an active part in bettering the lives of others around him." At SMU (Singapore Management University), every student has to go through a **"future readiness"** course, teaching students how to build up their "cognitive flexibility, judgment and decision-making, as part of building their readiness to handle multifaceted careers".



Country Spotlight Singapore

Official Name	Republic of Singapore (name derives from the Sanskrit words "simha" (lion) and "pura" (city))
Capital city (inhabitants)	Singapore (City state, 5.7m)
Time zone	CET+7 (Singapore Standard Time)
Surface	725km ²
Prime Minister	Lee Hsien Loong
President	Halimah Yacob
Currency (EUR exchange rate)	Singapore Dollar (S\$, SGD, 1EUR = 1.51SGD)
Official languages	English, Tamil, Chinese (Mandarin), Malay
Population	6.0m
Population growth rate	1.8% p.a.
Population (forecast 2050)	6.7m
Ethnic groups	Chinese 74.3%, Malay 13.4%, Indian 9%, other 3.2%
GDP total	USD364.2bn
GDP per capita	USD64,579
GDP growth 2018	3.1%
Unemployment rate	2.2%
Birth rate	1.2 children / woman
Life expectancy at birth	85.5yrs
Median age	34.9
% of population over 65	10.0%
Interest rates (10yr Govt Bonds in %)	1.80%
Stock market / development 2019YTD	FTSE Straits Times Index (STI) / +5.49%
Main industries	Manufacturing (electronics, chemicals, biomedical sciences, logistics and transport engineering), financial & business services, pharmaceuticals & chemicals

Source OECD, The World Bank, IMF, The Economist, The World Factbook, European Commission

Transformation does not stop there though. It has also reached Singapore's banks – the city state's second big economic pillar next to manufacturing. After several scandals linked to its **secretive financial industry** (most notably the "1MBD" scandal, where USD1bn was channeled from the Malaysian government to private accounts in Singapore), the "Switzerland of Asia" has come to rethink its **role of being solemnly the region's cash point**. After all, for a country where finance contributes for 12.6% of GDP, it is better to be ahead of the curve than letting new players and concepts bite into the established system's profits. Therefore, the Monetary Authority of Singapore (MAS) has vowed to invest USD160m into Fintech companies by the end of 2020. The idea, however, is not to disrupt, but to integrate new concepts into the existing banking infrastructure, thus helping the 200+ banks currently present in the city state to secure their presence in the future.



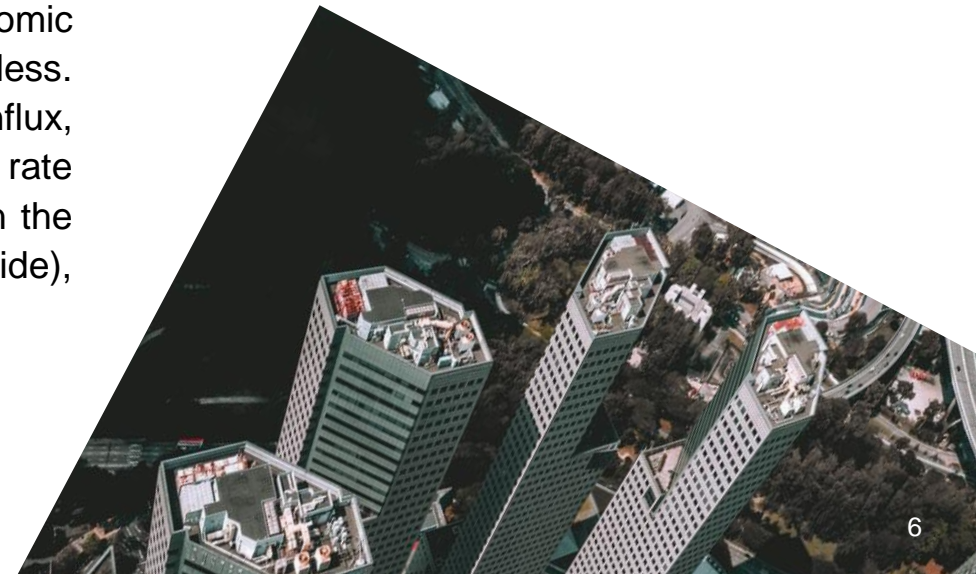
Country Spotlight Singapore

But the efforts to digitize Singapore go far beyond the field of financial services. The world's most competitive economy (World Economic Forum ranking) has launched several **initiatives to ease funding for start-ups and SMEs** and help them to get trained and adopt innovative digital solutions ("SMEs go digital" program). Furthermore, the Government **actively supports a healthy venture capital scene** in the country. The fruits that this bears can already be seen, as Singapore has just been ranked the world's second most digitally-competitive country (IMD World Digital Competitiveness Ranking) after the US, underlining its stance towards the trends and technologies of the future. Consequently, within ASEAN (Association of Southeast Asian Nations), Singapore's role is frequently described as the region's bright and modern face to the world.

Renowned for its **business promoting policies**, the city state's small and efficient government can also be seen as a role model for the region in many ways. Indeed, despite its size, Singapore keeps excellent diplomatic ties with the world and acts as the perfect ambassador to the West. Its citizens also benefit from this fact, as they can call **one of the world's most valuable passports** (Singaporeans can enter 167 countries without requiring a visa) their own.

Besides the aforementioned economic aspects, there are challenges nonetheless. Without the country's steady immigrant influx, for example, its notoriously low birth rate (only 1.2 children per woman are born in the city state, one of the lowest rates worldwide), the nation of 4 million citizens (out of an

overall population of approx. 6 million) would inevitably fall. Governmental programs to promote marriage and incentivize procreation through housing incentives and tax breaks have so far not led to the desired outcome. In this country built on economic success and inhabitants **focused on their individual career development**, not only ensuring the next generations' future-readiness but especially their continued existence has become a major challenge that has yet to be resolved.



Four questions with David Liendgens

Country Head Kienbaum Singapore

In the light of a looming trade war between the US and China, where do you see the Singaporean economy heading?

Well, to answer this question, it is inevitable to explain the economic power of China, together with its regional ties in Asia, including Singapore. **China is a commercial powerhouse that today accounts for 16% of the world's GDP.** On a regional base, China is now the largest trading partner for Singapore, Malaysia and the Philippines. If you take that in numbers, Asia in total has accounted for about 60% of China's total imports over the past decade. China also offers a vast consumer market for many Asian corporations. The incremental growth of consumption in China, in the period until 2030, is likely to be comparable to that of Western Europe and the United States combined. Furthermore, as part of its One Belt One Road (OBOR) program, China is a **massive investor in all other Asian nations.** From 2013 to 2017, it accounted for 35% of total Asian outbound FDI (Foreign Direct Investment) and in the same period, Chinese outbound FDI was equivalent to 6% of domestic investment in

Malaysia and 5% in Singapore. Not to forget that China is also leading the regional race as the **number one “Innovator”** – it accounted for 44% of global patent applications in 2017 and is home to about 28% of global unicorns (start-up companies with a valuation of more than USD1bn).

Today, China has developed a **globally-competitive digital economy** whose business models are a source of inspiration for various start-ups in Singapore and other Asian nations. Taking all this into account, the influence of the Chinese economy on Singapore and the other South East Asian nations is pretty significant. The ties between the Asian economies are very tight and a continuing trade war with the US could influence the economic performance and investment outlook of the whole region.



Four questions with David Liendgens

Country Head Kienbaum Singapore

On the other hand, there could also be beneficiaries across the region. Recent trade tensions between China and the US have pushed several manufacturers - including some Chinese companies - to move out of China and **relocate their production into neighboring Asian nations**. According to one estimate, 33 in China listed companies have informed China's two stock exchanges of their plans to set up or expand production abroad.

Nevertheless, **the total damage of a long-lasting “trade war” would exceed the overall benefit for the economies in South-East-Asia**, including Singapore, by far and considerably slow down the region's growth trajectory.

What are the biggest challenges for foreign companies when it comes to doing business in Singapore?

First of all, setting up a business in Singapore is quite straightforward and can be done within days, sometimes within hours. In the global **“Ease of Doing Business Index”**, which reflects a benchmark study of regulations, Singapore **ranks first** in global comparison. Rules and regulations are entrepreneurial-friendly and you can quickly focus on your actual objective - to start, grow and nurture your activities.

Doing business here becomes challenging when companies define their business model and purpose for Singapore and beyond (as mentioned, Singapore acts as the regional gateway). The cultures are different - very different - and organizations have to understand that **doing business in Asia might not be what they are used to** from Europe or the US. If the underlying assumptions of a typical Asian consumer differ from that of a European, you will not be able to change such a mindset in fundamental terms. You might be able to push the needle slightly, with huge investment, but as Mark Fields (former President of Ford) once said: **“Culture eats Strategy for Breakfast”**.



Four questions with David Liendgens

Country Head Kienbaum Singapore

To answer your questions in that regard, I think the most challenging task for foreign companies, when it comes to doing business in Singapore and Asia in general, is to **find right and valid business models**, which reflect Asian values and do not undermine a company's purpose.

According to you, what are the specifics of the Singaporean labor market?

In our view, we cluster Singapore in a group defined as “**Advanced Asian Countries**” together with Japan, South Korea, Australia and New Zealand, which all have achieved a per capita GDPs between USD30,000 and USD70,000. Thus, **the employment situation is stable**, compared to the rest of South-East-Asia. Singapore's labor market flourishes with high employment rates. Compared to OECD nations, Singapore is currently placed on the 8th position in total employment rates (Germany is 7th) and outperformed when it comes to rates of full-time employment by placing itself at the 4th spot (Germany is 23rd).

The **average income in Singapore is similar to Germany** and therefore significantly higher compared to all other South East Asian nations. However, taking Germany as a comparison, **the inequality in pay between high- and low-qualified workers** is much more significant in Singapore. Yet, Singapore's government has identified that gap and initiated several counter measures, which have already brought a positive effect (an average of a 4.2% annual wage increase for low-qualified workers since 2013).

A real differentiator is the **liberty of Singapore's employment market**. The ease of doing business is not the least due to a somewhat deregulated employment landscape. Singapore is operating on a quite unique approach, based on the concept of “tripartism” - which is a **partnership between employers, trade unions and the Singaporean government**, to promote the adoption of fair and responsible employment practices. Formulated in several rules and regulations, it forms the so-called “Employment Act”. Besides some mandatory laws, the vast majority of Singapore employment regulations are subject to the individual employment contract between the two parties involved - employer and employee.

Four questions with David Liendgens

Country Head Kienbaum Singapore

Therefore, the **ease of hiring and personnel retrenchment** is given and the negotiation of contractual terms, like working hours or granted holidays, is fairly flexible and protected only by bare minimum conditions. Even on an Asian level, this represents a quite liberal approach I would say.

By the way, **social security** is borne by both the employer and employee on a shared basis and paid into a mandatory benefit account, providing retirement earnings and healthcare for Singaporeans (foreigners are excluded). Singapore commits to a 3.5% to 5% interest on the deposits, which is **a quite competitive rate**, given the current average returns on international financial markets.

Do you have one specific case for us where Kienbaum created significant value for one of its clients in Singapore?

Yes, with pleasure. Since 2018, we are working with a **prestigious German consumer brand**, hiring their leadership team for the Asia Pacific region in Singapore.

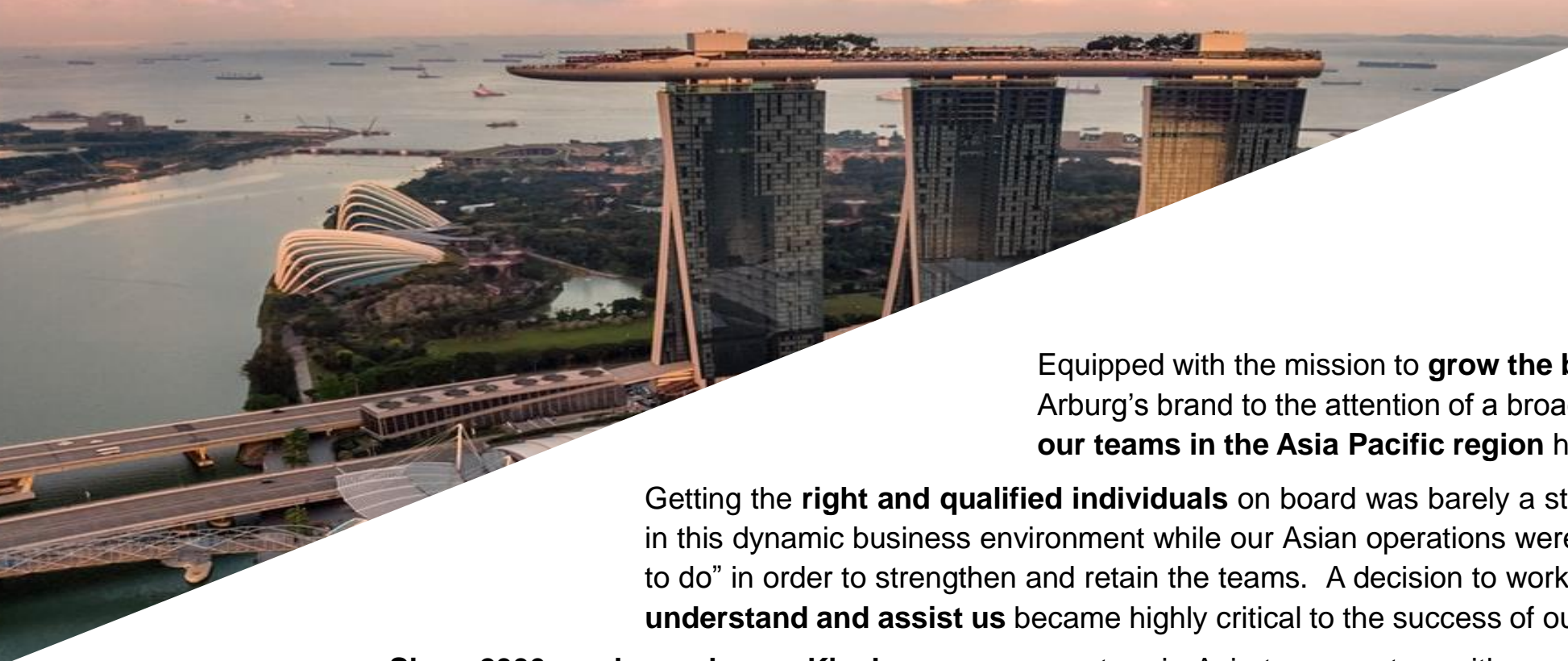
So far, we have brought in **three different functional and geographical leaders**. It has been challenging to find suitable personalities, taking into account the different underlying cultural components for the target markets in the region. We can proudly say that, together with our client, we have hired a **very diverse team, coming from three different nationalities and backgrounds**. Thanks to a thorough assessment of each individual, we have ensured both the right mindset and behavioral fit matching our client's culture and ambition. In my last follow up, we have just heard that **our client is breaking records in revenue, brand recognition and growth rates** all across the Asian region.



David Liendgens

E-mail: David.Liendgens@kienbaum.com.sg

Phone: +65 643 528 00



Client Reference

Equipped with the mission to **grow the business in Asia** and bring Arburg's brand to the attention of a broader audience, **strengthening our teams in the Asia Pacific region** has been our priority.

Getting the **right and qualified individuals** on board was barely a starting point for our growth plan in this dynamic business environment while our Asian operations were challenged by “how and what to do” in order to strengthen and retain the teams. A decision to work with a **HR partner who could understand and assist us** became highly critical to the success of our business.

Since 2006, we have chosen Kienbaum as our partner in Asia to support us with a spectrum of services inclusive of executive search, diagnostic management, training, conducting employee survey and 360 feedback as well as mentoring and coaching our employees. In China, we have tripled our team size with a competent leadership team.

With their **customer centricity and commitment to quality service**, Kienbaum has been able to assist our teams in Asia to build up talent pipeline, assess and develop the leadership teams with the right competences, and partner with the country heads to uncover organizational issues and identify possible solutions while shaping and preserving the core culture and value of the organization.



Leslie Oliver Clauer

Senior HR Manager – ARBURG GmbH + Co KG

Andrea Carter

Director Sales Overseas – ARBURG GmbH + Co KG

Kienbaum in Singapore

Since 1997, our Singapore office has **successfully been providing solutions for our clients covering all industries**. Our vision as a leadership consultancy is holistic: We sharpen the competitive edge of our clients, increase the profitability of their businesses and boost the motivation of their people. We are known as a **strong implementer of change processes and as a savvy solution provider in search of both executives and specialists for our clients**. With a team of five, our Singapore branch is acting as the regional head office for Asia Pacific (ex-Japan), from where we also cover India and Sri Lanka. Within the last two decades, we successfully delivered **more than 1,400 projects** in the region.

About Kienbaum

With **24 offices in 13 countries**, Kienbaum is **THE ideal partner** for the development of your organization's full potential – not only in Germany and Europe, but all around the globe. Thanks to **more than 50 years of international presence**, Kienbaum offers you an understanding of local markets that is unparalleled. **From Atlanta to Zurich**, our transnational excellence spreads across the most important economic centers and regions worldwide. Our experienced Kienbaum consultants in the Americas, Europe and Asia have a highly-successful track record of both local and cross-border mandates and will make sure you find the best talent for your specific endeavors.





Kienbaum International Office

Your dedicated point of contact for all questions related to Kienbaum's international expertise and global service portfolio

Jörg Breiski

Managing Director / Partner

joerg.breiski@kienbaum.de

Julius Deppenkemper

International Business Manager

julius.deppenkemper@kienbaum.de

Austria | Brazil | China | Czech Republic | France | Germany | Hungary | Japan | The Netherlands |
Poland | Singapore | Switzerland | USA

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