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Raising the bar: Trends in implementing productivity initiatives in the finance and accounting function

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October 2014

Raising the bar:

Trends in implementing productivity initiatives
in the finance and accounting function

About the Institute of Singapore Chartered Accountants

Formerly the Institute of Certified Public Accountants of Singapore, the Institute of Singapore Chartered Accountants (ISCA) is the national accountancy body of Singapore. ISCA's vision is to be a globally recognised professional accountancy body, bringing value to our members, the profession and wider community.

Established in 1963, ISCA shapes the regional accountancy landscape through advocating the interests of the profession. Possessing a Global Mindset, with Asian Insights, ISCA leverages its regional expertise, knowledge, and networks with diverse stakeholders to contribute towards Singapore's transformation into a global accountancy hub. Our stakeholders include government and industry bodies, employers, educators, and the public.

ISCA is the Administrator of the Singapore Qualification Programme (Singapore QP) and the Designated Entity to confer the Chartered Accountant of Singapore - CA (Singapore) - designation.

It aims to raise the international profile of the Singapore QP, a post-university professional accountancy qualification programme and promote it as the educational pathway of choice for professional accountants seeking to achieve the CA (Singapore) designation, a prestigious title that is expected to attain global recognition and portability.

There are currently over 28,000 ISCA members making their stride in businesses across industries in Singapore and around the world.

For more information, please visit www.isca.org.sg.

About Robert Half

Robert Half is the world's leading specialised recruitment firm and a pioneer in global placement services for accounting, finance, banking and technology professionals. Founded in 1948, the company is traded on the New York Stock Exchange (symbol: RHI).

Robert Half operates four divisions in Singapore, including **Robert Half Finance & Accounting** for temporary and permanent finance and accounting professionals; **Robert Half Financial Services** for

high-calibre professionals within finance and accounting, operations, risk, compliance, investment banking and financial markets, and technology; **Robert Half Technology** for experienced IT professionals and **Robert Half Management Resources**, for senior-level finance, accounting and business systems professionals on a project and interim basis.

For more information about Robert Half please visit: www.roberthalf.com.sg.

Foreword

CFOs and Finance Directors have had to manage tremendous change in the past decade. Not only do they have to be nimble and respond to fast-changing business conditions, they also need to continuously adapt to an increasingly complex regulatory and compliance environment.

Coupled with a tight talent pool in Singapore, finance leaders are increasingly challenged in hiring the right talent with the requisite finance and accounting capabilities and experience.

Against this backdrop, ISCA and Robert Half recognise the importance of finance leaders looking to enhance the effectiveness and productivity of the accounting and finance function in their businesses.

ISCA and Robert Half are committed to providing our members and clients, who work across all levels of finance and accounting, over a range of industries, with resources and knowledge to raise their effectiveness and productivity as they carry out their roles in their workplaces.

This report therefore, serves to provide crucial insights into productivity initiatives within the accounting and finance function in Singapore, and how they compare with corresponding trends observed in Hong Kong, Japan, and China (Shanghai). In addition, this report also identifies measures such as the outsourcing and the streamlining of business processes that could potentially contribute to more effectiveness and productivity.

We hope this report will be valuable for ISCA members, the business community, and policy makers as they look to enhance workplace effectiveness and productivity.

Lee Fook Chiew
CEO
Institute of Singapore Chartered Accountants

Stella Tang
Managing Director – Singapore
Robert Half

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Executive summary

Faced with a tightening labour supply, raising productivity has become an increasingly important issue for many businesses in Singapore. To understand how this impacts the finance and accounting functions of businesses, the Institute of Singapore Chartered Accountants (ISCA) collaborated with Robert Half to survey over 550 senior finance executives in Singapore and also the region to understand the focus of finance and accounting functions of businesses regarding raising productivity of these departments or functional units.

Our findings will be presented in a series of three reports with the following themes – (1) Trends in implementing productivity initiatives, (2) Challenges faced in implementing productivity initiatives, and (3) Essential skills and training to drive productivity.

In this report, we focus on trends in productivity initiatives undertaken by the finance and accounting functions of businesses operating in Singapore, and how they compare with trends in Hong Kong, Japan, and China (Shanghai).

We find that firms in Singapore, Hong Kong, Japan, and China tend to favour staff-related initiatives over process-related initiatives when looking to raise productivity, with this focus on staff-related initiatives being relatively more prominent in the more developed economies of Singapore, Hong Kong, and Japan.

Further, it is observed that there has been relatively less focus on technology adoption in the more developed economies of Singapore, Hong Kong, and Japan than in China.

Looking forward, senior finance executives in all 4 jurisdictions plan to place greater focus on productivity issues in the next 12 months compared to the past 5 years.

Overall, the survey results also highlight areas which firms may want to pay closer attention to when trying to improve productivity. In particular we identify outsourcing and the streamlining of business processes as potential areas of focus.

1. Respondents' Profile

1.1. Singapore

1.1.1. Job Title

A total of 150 senior finance executives in Singapore were surveyed. 60% of respondents held the position of Finance Director (FDs) or equivalent, while the remaining 40% were Chief Financial Officers (CFOs) or equivalent.

1.1.2. Firm Size

Slightly more than half of the respondents (58%) belonged to firms that were classified as small (less than 500 employees), 25% to firms classified as medium (500-999 employees) and the remaining 17% to firms classified as large (1000 and more employees). See Figure 1.

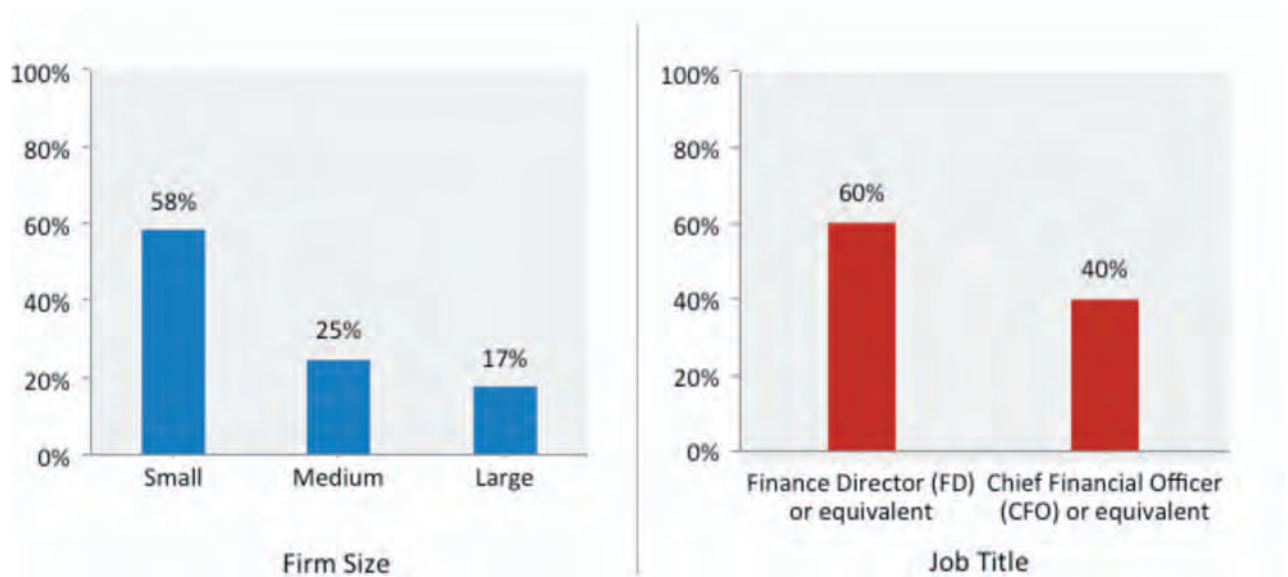


Figure 1: Singapore respondents' profile by Firm Size and Job Title

1.1.3. Industry Representation

There was a good mix of respondents from a wide spectrum of industry sectors. Industry sectors were also well represented by respondents from firms of all 3 sizes. See Figure 2.

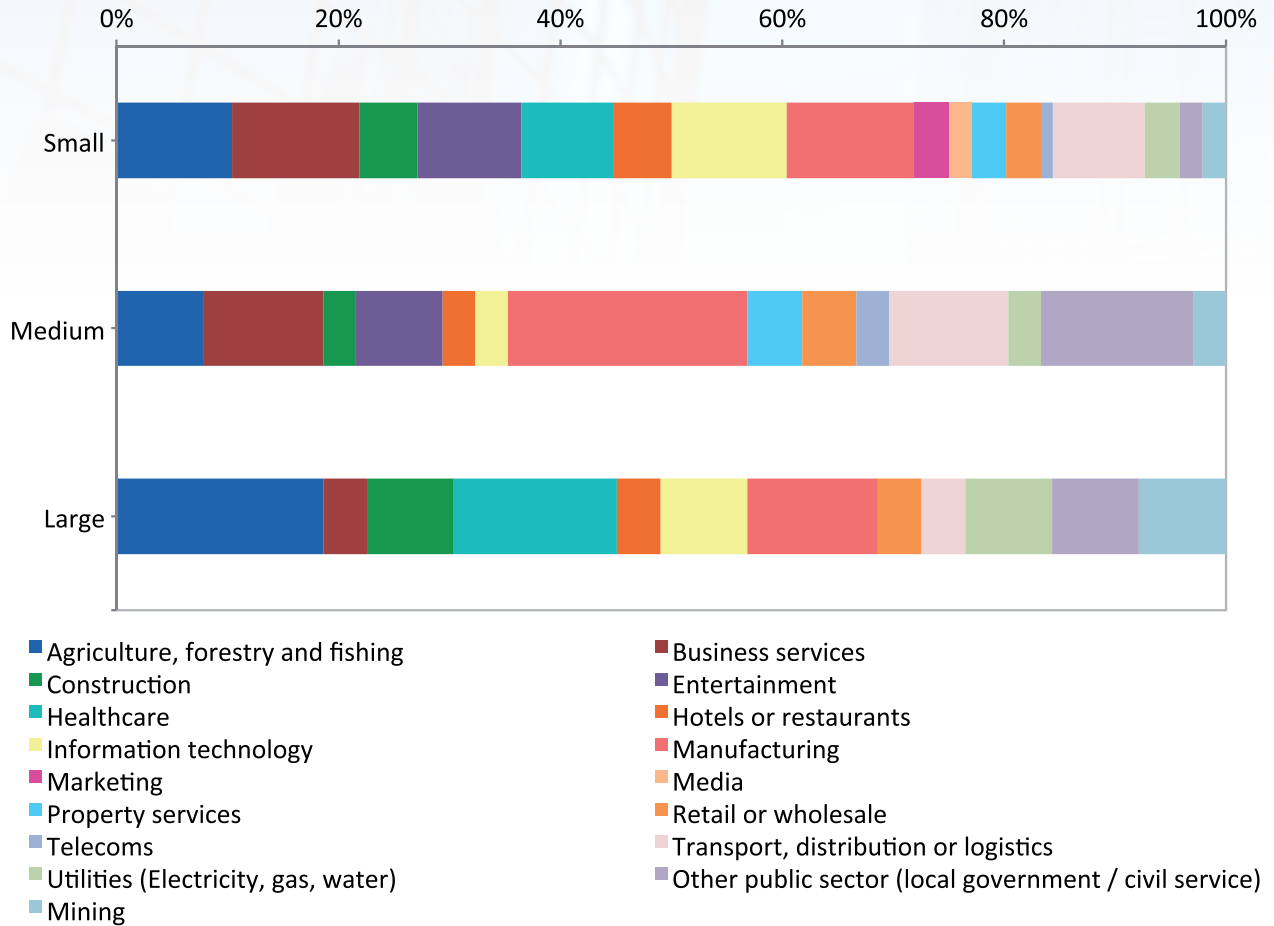


Figure 2: Singapore respondents' profile by Firm Size and Industry Representation

1.2. Hong Kong, Japan, and China (Shanghai)

A total of 150 senior finance executives each took part in the survey in Hong Kong and Japan and another 102 took part in the survey in China.

In each of these jurisdictions, the majority of respondents were from small firms, with 61% from Hong Kong, and 53% from Japan and China being classified as such. The remaining respondents were from medium or large firms - 22% from Hong Kong, 18% from Japan, and 26% from China were medium firms while 17% from Hong Kong, 29% from Japan, and 21% from China were large firms.

Across the 3 jurisdictions, there was a good representation of respondents who either held Finance Director or CFO equivalent positions. See Figures 3 to 5.

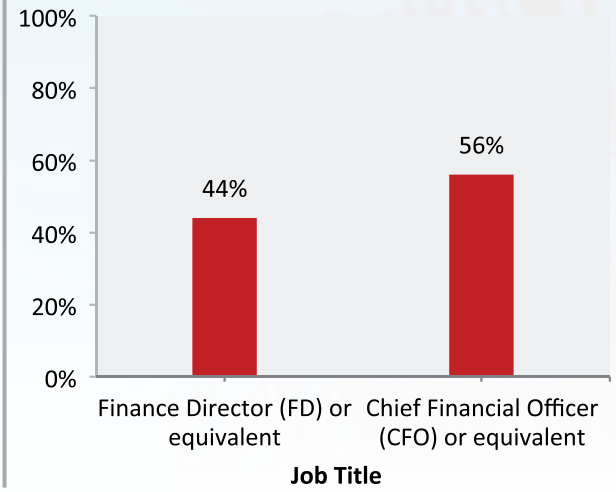
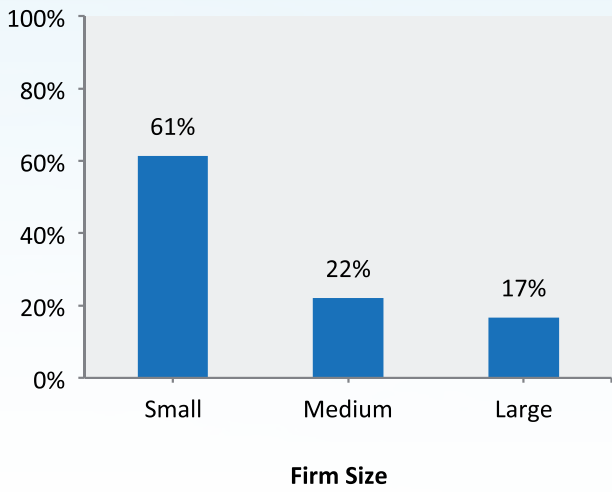


Figure 3: Hong Kong respondents' profile by Firm Size and Job Title

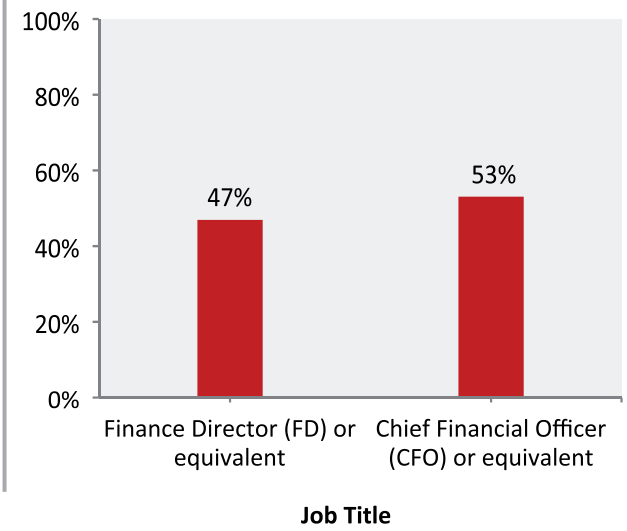
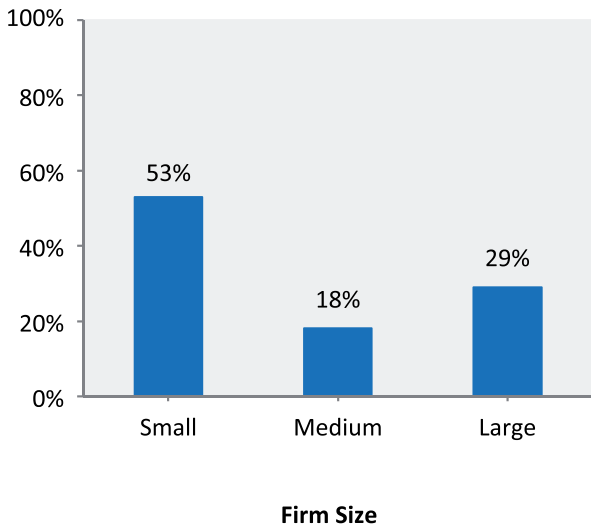


Figure 4: Japan respondents' profile by Firm Size and Job Title

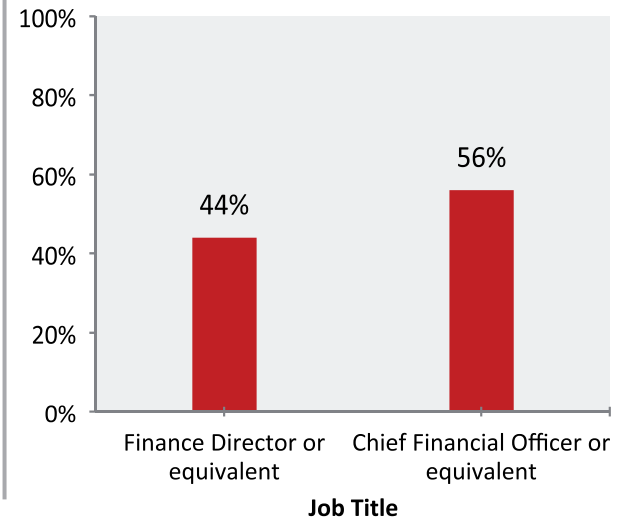
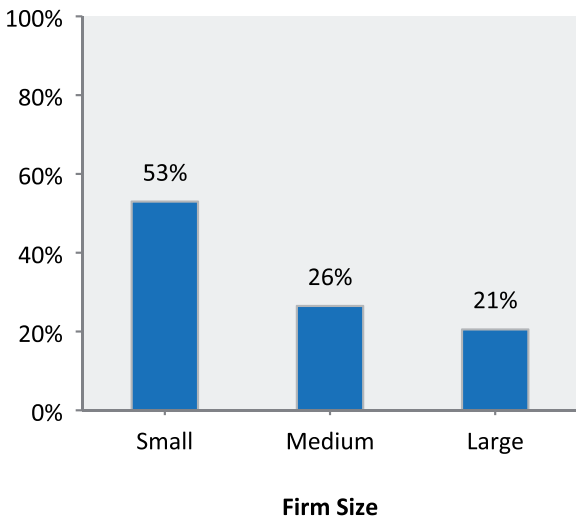


Figure 5: China respondents' profile by Firm Size and Job Title

2. General Productivity Landscape

2.1. Singapore

In Singapore, the challenge of improving productivity has risen to the forefront in recent years. Issues such as an aging population and reduced reliance on foreign labour have intensified the need to raise productivity in order to maintain competitiveness and economic growth.

Of note, however, Singapore's labour productivity has experienced a slowdown in recent years. Figures from the Ministry of Trade and Industry confirm that labour productivity rose by 11.6% in 2010 but declined by 2.0% in 2012 and stagnated altogether in 2013.

Coupled with this, there is a need to address another emerging trend. A 2012 survey by the National Population and Talent Division of the Prime Minister's Office (PMO) found that Singapore could experience a decline in the number of citizens of working age between the ages of 20-64 from as early as 2020. With fewer young people entering the workforce, the overall labour pool may shrink. Unless the nation's workforce becomes more productive or significant innovations come on board, this may have an impact on economic growth.

At the same time, the slowdown in growth rates of foreign labour, which reduced from 5.9% in 2012 to 4.2% in 2013 according to a 2013 Labour Report by the Ministry of Manpower, has been the subject of intense public debate. Although local companies have struggled to cope with the ensuing "labour crunch", the government has reiterated that restrictions on foreign labour will remain in place, and that the best way for companies to overcome labour shortages is to raise productivity.

To this end, the government has provided assistance to local firms to help them improve productivity. In delivering the 2014 Budget Statement, Finance Minister Tharman Shanmugaratnam announced various schemes to boost productivity. These included the extension and broadening of the Productivity and Innovation Credit (PIC) scheme which gives companies tax deductions or cash grants when they invest to improve their capabilities.

Despite these challenges, Singapore has, to date, remained attractive to investors. The appeal lies in its strong economic fundamentals - a stable business environment, a highly educated workforce, and connectivity to global markets. On the international stage, Singapore maintained its Number 2 ranking (behind Switzerland) in global competitiveness in both 2012/2013 and 2013/2014.

2.2. Hong Kong

According to statistics cited in the South China Morning Post, the labour force in Hong Kong will peak in 2018 and steadily decline thereafter as its population ages.

To maintain its current GDP growth rate of 4%, which is comprised of 1% from workforce growth and 3% from productivity growth, productivity growth will have to increase substantially to offset the expected fall in workforce growth as its population ages.

To boost productivity, several measures have been put in place. For example, Hong Kong has plans to establish an Innovation and Technology Bureau, which will, among other things, help boost productivity. Further, the minimum wage that was legislated in 2011 was introduced with the hope that it would encourage Hong Kong businesses to increase productivity.

2.3. Japan

As part of Japanese Prime Minister Shinzo Abe's "Abenomics" policies designed to lay the foundation for sustained growth, structural reform has been cited as the third of three "arrows" in the plan.

There are signs that the ongoing labour crunch - exacerbated by a rapidly aging population which decreased by a record 244,000 in 2013, and which is expected to decline by about a third, from 128 million in 2010 to 87 million by 2060, according to a report by the Japanese National Institute of Population and Social Security Research - has already led some companies to embark on their own reforms to boost labour productivity. For instance, Uniqlo, Asia's largest apparel chain, has been reported to have plans to boost the productivity of employees by revamping established HR related practices.

However, at the same time, many smaller firms continue to harbour doubts about the sustainability of the current economic revival in Japan, and appear to have remained cautious about investing to raise productivity. Indeed, despite recording a strong annualized GDP growth rate of 5.9% in the first quarter of 2014, a subsequent shrinkage of 6.8% was recorded in the second quarter following the implementation of an increase in Sales Tax from 5% to 8%.

2.4. China

Despite recording strong annualized average productivity growth of 2.8% between 1990 and 2010 according to a report by Accenture, China's productivity levels have some catch-up to do when compared to other more developed economies. For instance, in 2011, China's labour productivity was less than 15% of the level in Singapore.

Despite its relatively lower level of productivity, China is also faced with rising wages brought about by a tight labour supply. In the past decade, average inflation-adjusted wages have more than tripled as the effects of an aging population begin to take its toll on the economy.

A 2012 Ernst & Young report points to declines in China's export growth since 2010 - particularly to the key markets of Asia, Europe, and North America. This has seen revenues to China's industrial sector slowed, and productivity growth has fallen "from an annual average of 4.7% in 2001-07 to 2.8% in 2008-10"

Overall there now seems to be increasing recognition that in order for China to attain sustainable growth in the long term, it must do more to boost productivity levels in its economy. In this respect, some companies have taken the initiative to raise the productivity of their workers. For example, in 2012, the automotive joint venture FAW-Volkswagen Automotive Co. was reported to have employed nearly 3,000 Chinese graduates from an apprenticeship programme that equipped students with skills tailored to the venture's needs.

3. Trends in Implementing Productivity Initiatives – Past 5 Years

3.1. Focus on Staff-related initiatives in Singapore

In recent years, companies in Singapore have had to contend with a tightening labour supply. To help companies cope, the government has, in that time, introduced a slew of initiatives designed to increase productivity, with a significant number targeted specifically at raising labour productivity.

Additionally, higher labour productivity in a company can also have the added benefit of generating a corresponding positive impact on a host of other areas such as costs, outputs, and even capital productivity.

In this context, it is perhaps unsurprising that the results of the survey suggest that accounting and finance departments in Singapore seem to have favoured initiatives which target productivity improvements in staff-related areas relative to process-related ones when attempting to increase productivity in the past 5 years.¹

Based on the percentage of respondents from Singapore who indicated that their departments exerted either “Great Effort” or “Above Moderate Effort” (top 2 bands) to improve productivity, the top 3 ranked areas in the last 5 years were staff-related: 40% of respondents rated “Motivating Employees” in the top 2 bands², 37% did the same for “Improving Staff’s Performance Evaluation”, and 32% for “Improving Training and Development of Employees”. See Figure 6.³

In contrast, the 3 areas ranked at the bottom were process-related: only 25% of respondents rated “Better Technology Adoption” in the top 2 bands, 16% did so for “Streamlining of Business Processes”, and 14% for “Outsourcing of Business Functions”.⁴

¹ Respondents were asked to rate 6 areas that can contribute to productivity gains. Each of these areas were rated according to (1) the extent that respondents have focused on these areas to improve productivity in the past 5 years and (2) their importance to increasing productivity in the next 12 months. In this report, these areas are classified into 2 categories – (1) staff-related and (2) process related. Staff-related areas of focus include: (1) Motivating Employees, (2) Improving Staff’s Performance Evaluation, and (3) Improving Training and Development of Employees. Process-related areas of focus include: (1) Better Technology Adoption, (2) Streamlining of Business Processes, and (3) Outsourcing of Business Functions.

² This indicates that 40% of respondents rated “Motivating Employees” in the top 2 bands of having exerted “Great Effort” or “Above Moderate Effort”.

³ In our analysis throughout this report, we follow a similar convention and analyse participant responses in terms of top 3 and bottom 3 ranked initiatives. The rankings are based on the percentage of participants who responded with a rating in the top 2 rating bands in the survey.

⁴ It should be noted that the types of business functions that are typically outsourced in finance and accounting departments can often relate to “transaction activities” which are recurring in nature

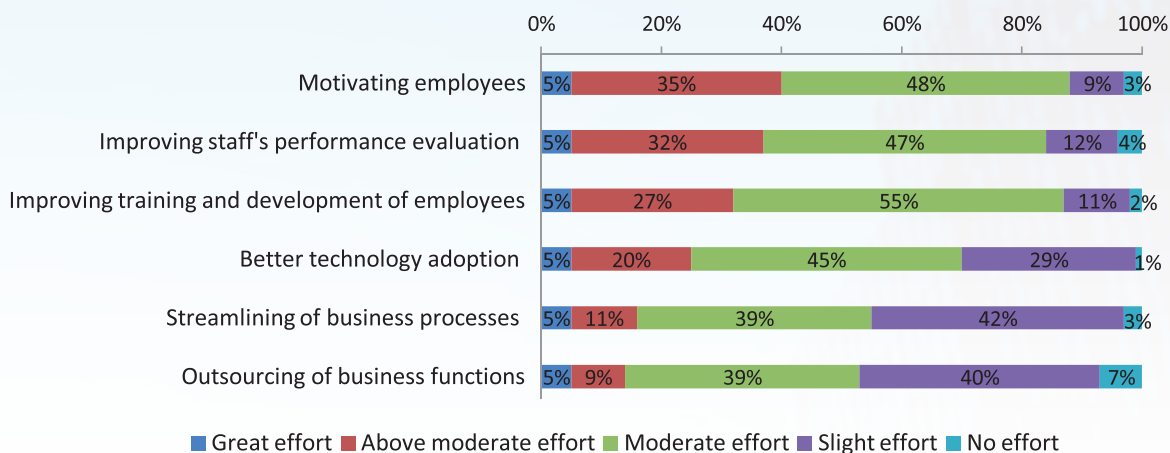
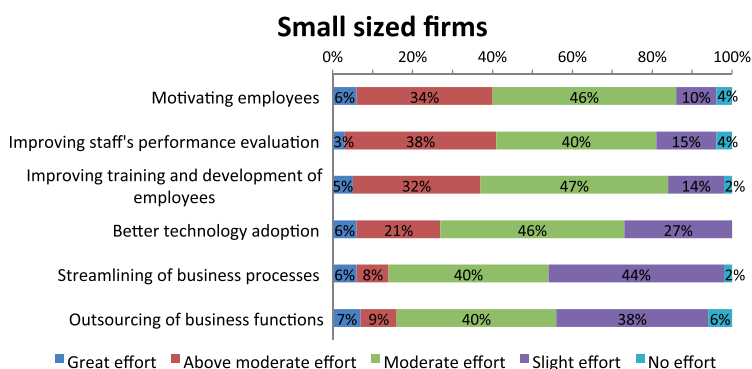
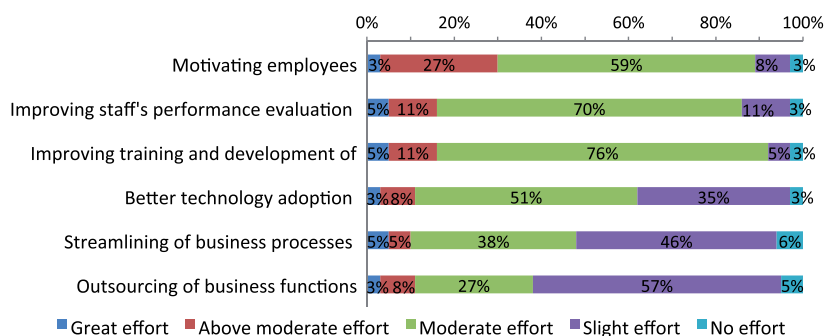


Figure 6: Extent of effort put into improving productivity in the past 5 years – Singapore



Medium sized firms



Large sized firms

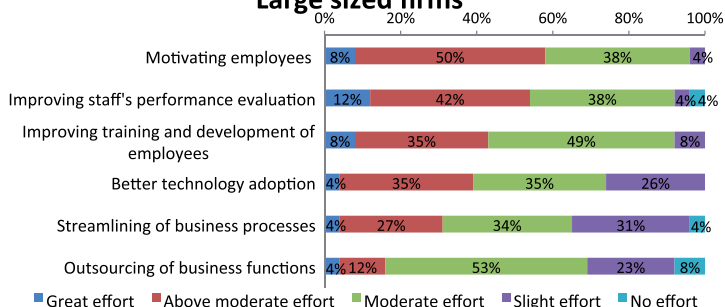


Figure 7: Extent of effort put into improving productivity in the past 5 years – Singapore

3.2. General focus on staff-related initiatives in Hong Kong, Japan, and China

A similar trend was observed for senior finance executives surveyed in Hong Kong and Japan where the top 3 ranked areas were staff-related initiatives: 39% of respondents in Hong Kong and 48% in Japan rated "Motivating Employees" in the top 2 bands, 40% in Hong Kong and 39% in Japan did the same for "Improving Staff's Performance Evaluation", and 37% in Hong Kong and 40% in Japan rated "Improving Training and Development of Employees". See Figure 8.

Correspondingly, the bottom 3 ranked areas were process-related: 34% of respondents in Hong Kong and 35% in Japan rated "Better Technology Adoption" in the top 2 bands, while 30% in Hong Kong and 29% in Japan did so for "Streamlining of Business Processes". 32% of respondents in Hong Kong and 36% in Japan also did so for "Outsourcing of Business Functions".

One reason for the similarity in findings for Singapore, Hong Kong, and Japan may be due to their being at comparable stages of economic and social development. Indeed, while the absolute levels of productivity are fairly high in these jurisdictions, they all face common challenges, such as aging workforces and high costs of living, which could perhaps explain the focus on the stated initiatives to drive overall productivity and wage growth.⁵

Indeed, according to the APO Productivity Databook 2013 Singapore, Hong Kong, and Japan were ranked relatively highly in terms of the proportion of aged dependents in their populations. This comparatively high proportion of aged dependents in these jurisdictions may correspondingly create some pressures for improvements in labour productivity.⁶ Further, Singapore, Hong Kong, and Tokyo were rated 1st, 13th, and 6th among cities in a 2014 Economist Intelligence Unit survey as having the highest costs of living. There is a possibility that firms chose to focus on improving labour productivity in order to support pressures for real wage growth, given documented link between improving productivity and real wages growth. Pressure for wages to grow may also relate back to the effects of higher cost of living.^{7,8}

In contrast, when a similar ranking is done for survey responses from China, a process-related area of focus – "Better Technology Adoption" (61%) – is ranked in the top 3, along with two other staff-related ones: "Improving Staff's Performance Evaluation" (67%), and "Improving Training and Development of Employees" (64%). (Figure 9)

This comparatively greater emphasis on "Better Technology Adoption" might have been due to China having been at a relatively earlier stage of economic development, where technology adoption may have been relatively lower given that labour was comparatively inexpensive. Belatedly, China may have found itself having to quickly build technological capabilities from a lower base, and hence the stronger focus on technology to raise overall productivity.

In contrast, the more developed economies of Singapore, Hong Kong, and Japan are likely to already have been at a relatively more advanced stage of technology adoption and hence placed a correspondingly lower emphasis on further adoption of new technology.

Consistent with this, statistics from the APO Productivity Databook 2013 indicate that from 1970-1990, Singapore, Japan, and HK were ranked 3rd, 4th and 5th while China was ranked 8th in terms of "Capital Deepening". In contrast, from 1990-2011, China moved up the rankings to 1st, while Singapore, Japan, and HK moved down, and were ranked, 11th, 10th and 8th respectively. Also, the data indicated "IT Capital Deepening" contributed relatively more to productivity growth

⁵ According to The Global Competitiveness Index 2013-2014 - compiled by the World Economic Forum - which is based on "how productively a jurisdiction uses available resources", Singapore, Hong Kong, and Japan were ranked 2nd, 7th, and 9th globally

⁶ The APO Productivity Databook 2013 is published by the Asian Productivity Organization, and presents comparative data on productivity and economic growth covering 29 Asian economies and Australia, the EU, Turkey, and the USA

⁷ For example, a research article – Productivity and Wage Growth in Singapore – published by the Ministry of Trade and Industry in 2011 documents a "relatively strong relationship between productivity growth and the real average wage growth of resident workers in Singapore".

⁸ Research evidence, such as – Does Wage Inflation Cause Price Inflation – published by Federal Reserve Bank of Cleveland, finds that higher prices can have an impact on wage inflation.

in Singapore, Hong Kong, and Japan, than to such growth in China from 1985 to 2000. While in the period from 2000 to 2011, "IT Capital Deepening" contributed relatively less to productivity growth in Singapore, Hong Kong, and Japan, than in China.⁹

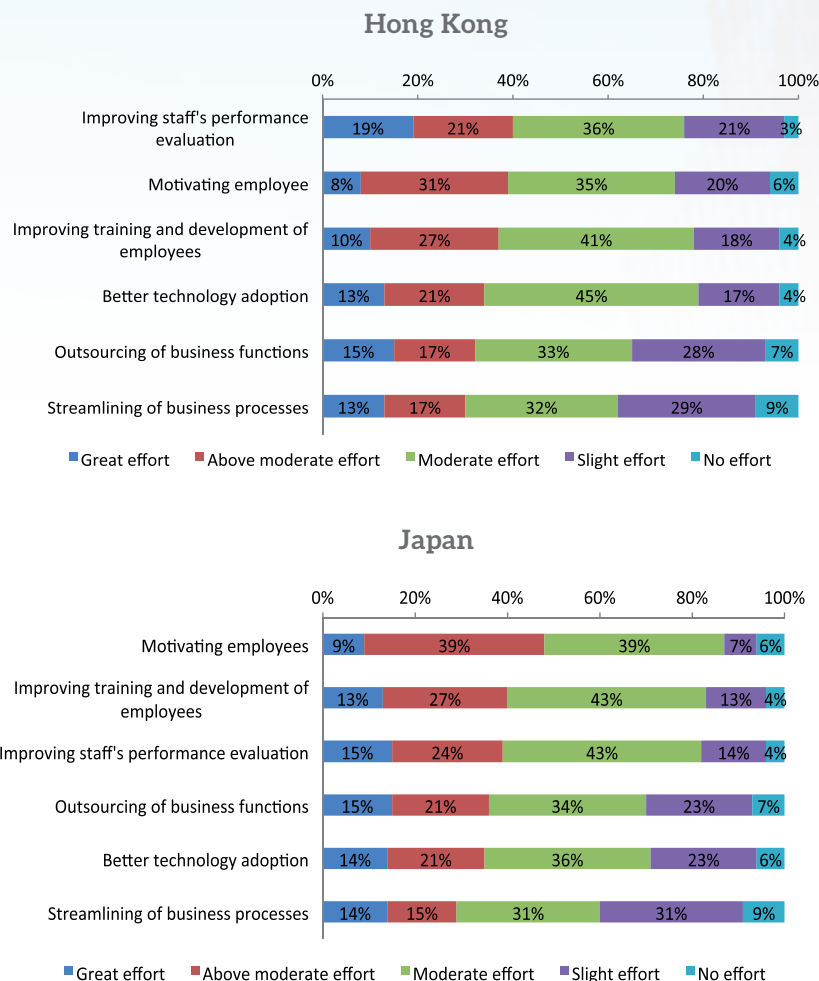


Figure 8: Extent of effort put into improving productivity in the past 5 years – Hong Kong and Japan

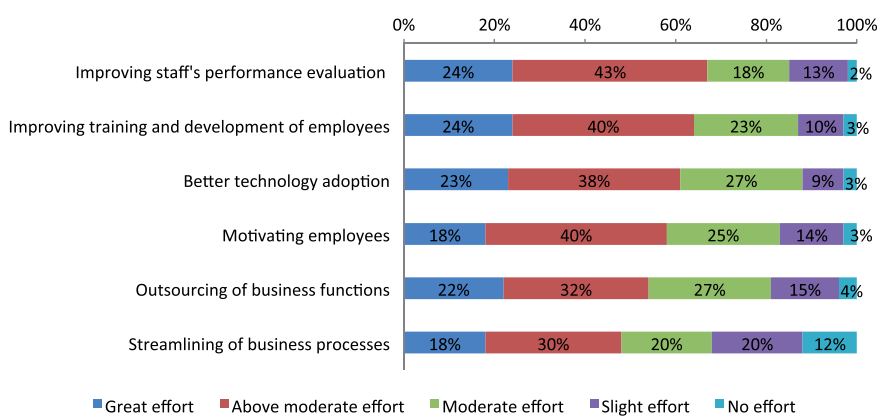


Figure 9: Extent of effort put into improving productivity in the past 5 years – China

⁹ Contribution of "IT Capital Deepening" to labour productivity growth is presented in figure 64 in the APO Productivity Database 2013

3.3. Outsourcing of business functions as a viable means of improving efficiency

“Outsourcing of Business Functions” does not appear to have been a top priority of improving productivity for Singapore firms. However, firms in Japan and China seem to have employed it relatively more extensively to improve efficiency.

“Outsourcing of Business Functions” ranks in the top 3 for large firms in Japan, and also for large and medium firms in China. (Figure 10 and 11)

At the same time, there has been recent evidence that outsourcing can indeed significantly improve a firm's productivity.¹⁰

With Singapore firms somewhat lagging behind their peers in the region in terms of employing outsourcing as a means to improve efficiency in the last 5 years, outsourcing might perhaps be a possible area which Singapore firms could focus more attention on when looking to raise productivity in the accounting and finance function.

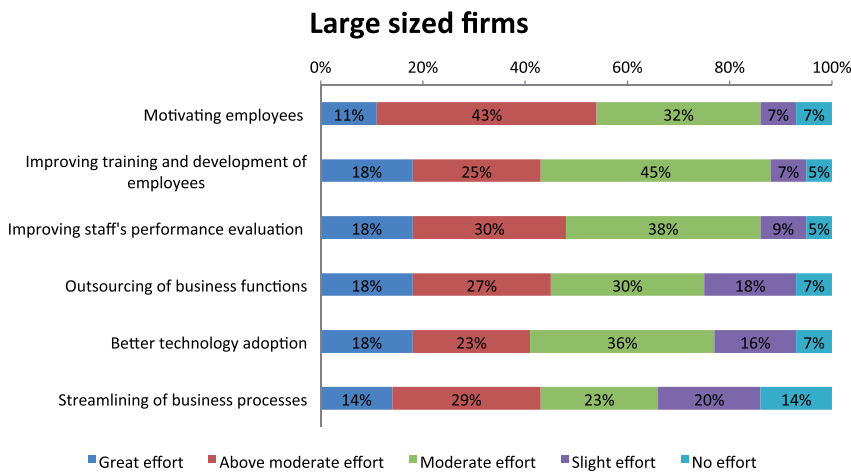


Figure 10: Extent of effort put into improving productivity in the past 5 years - Japan

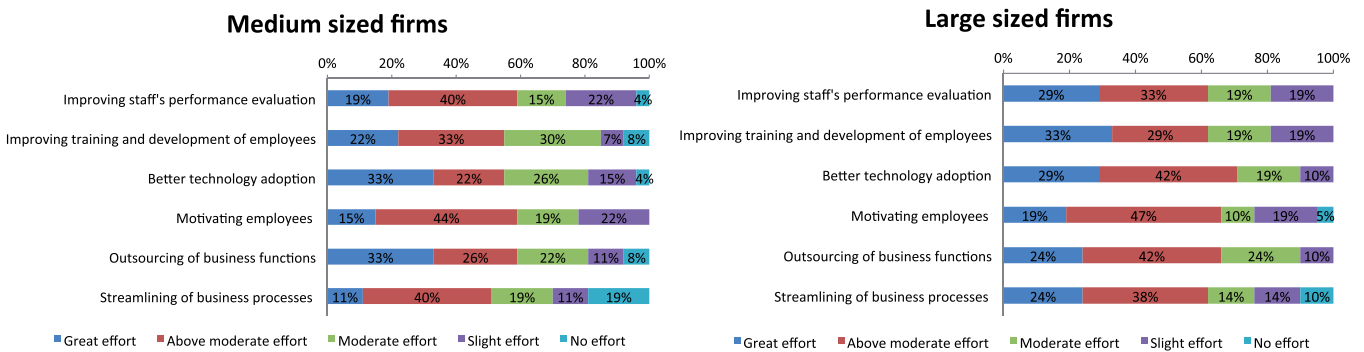


Figure 11: Extent of effort put into improving productivity in the past 5 years - China

¹⁰ For instance the book, "Globalization, Outsourcing and Labour Development in ASEAN", provides an overview and also past studies of the potential positive effects of outsourcing on productivity. Outsourcing service providers have also highlighted benefits such as allowing a company to remain flexible and able to make changes, while a company can still run its core function with the help of an outsourcing vendor to absorb changes being made to the organisation.

4. Focus of Productivity Initiatives – Next 12 Months

4.1. Continued focus on staff-related initiatives in Singapore and the region

Respondents in Singapore continue to demonstrate a preference for staff-related initiatives compared to process-related initiatives in the future, with staff-related initiatives occupying the top 3 positions and process-related ones the bottom 3: “Motivating Employees” (54%), “Improving Staff’s Performance Evaluation” (49%), “Improving Training and Development of Employees” (40%), “Better Technology Adoption” (25%), “Streamlining of Business Processes” (22%), and “Outsourcing of Business Functions” (22%). (Figure 12)

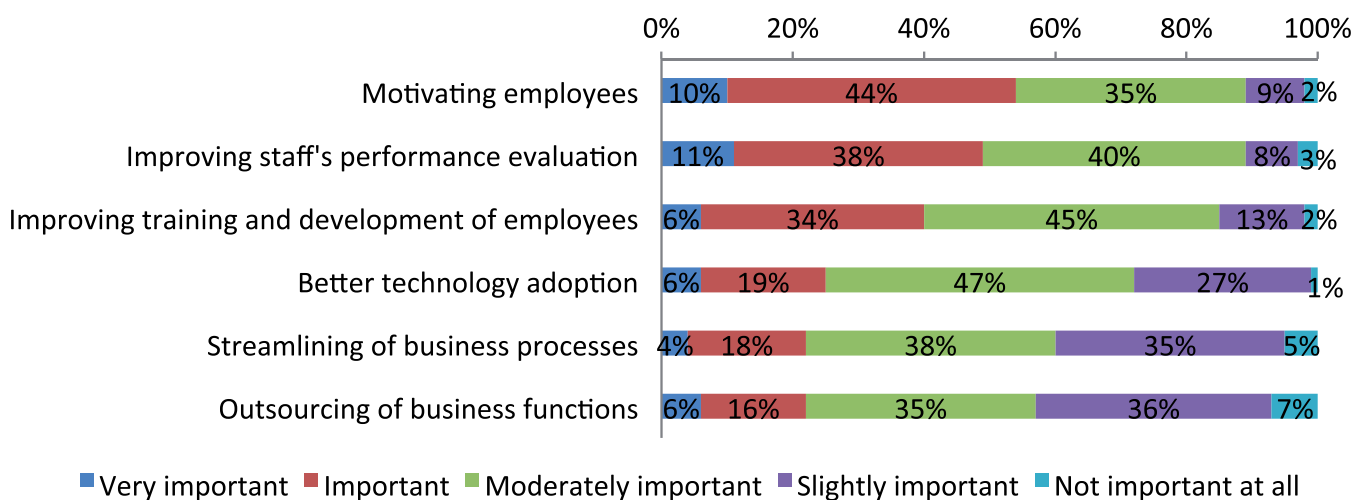
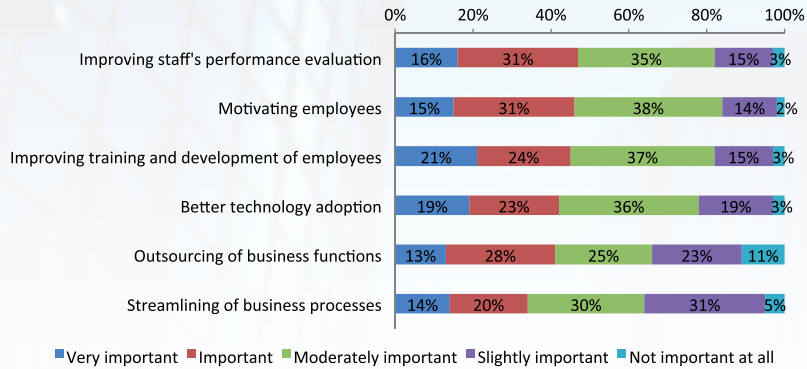


Figure 12: Importance of improving productivity in the next 12 months - Singapore

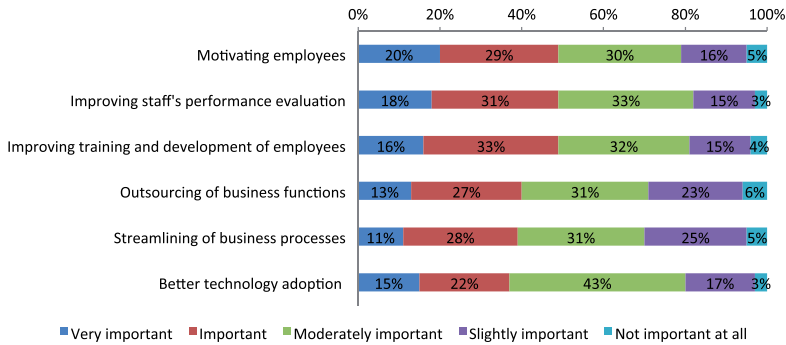
This same trend was also observed in the other jurisdictions being compared, with staff-related initiatives being in the top 3 and process-related initiatives in the bottom 3. (Figure 13)

Notably, 72% of CFOs in China believe training and development is important, reflecting the need for China to up-skill many segments of its workforce. It is estimated that China is facing a shortage of 22 million to 33 million skilled workers, and without improvements in the nation's collective skill base, China will find it difficult to continually upgrade its economy.

Hong Kong



Japan



China

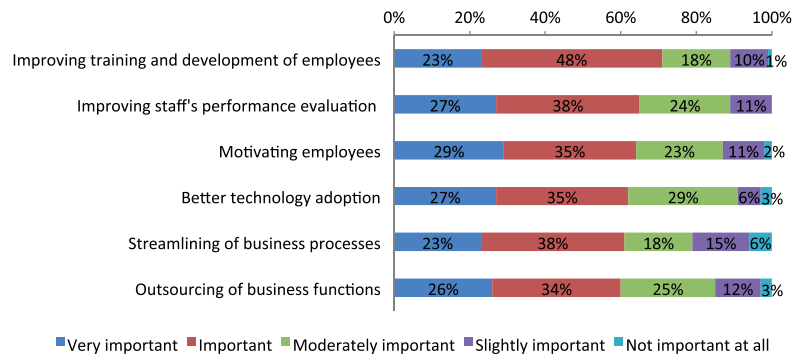
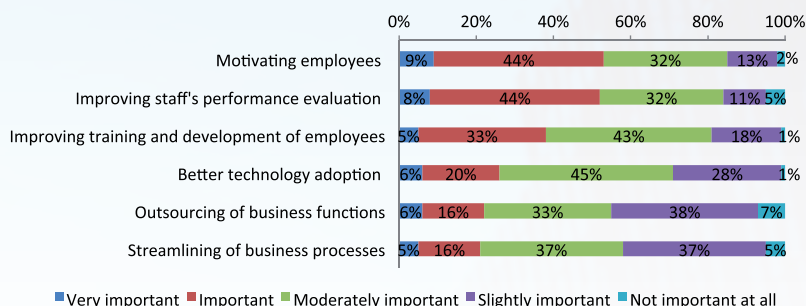


Figure 13: Importance of improving productivity in the next 12 months – Hong Kong, Japan, and China

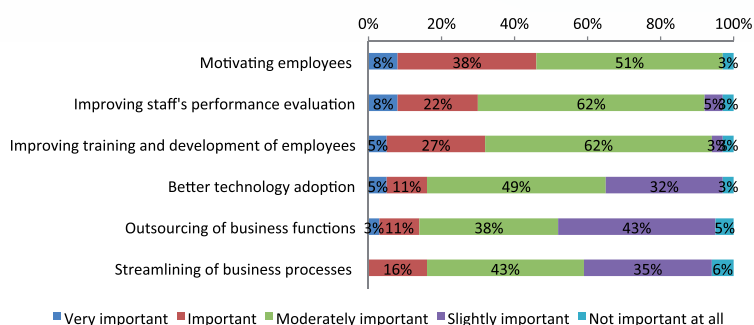
When analysed by firm size, it is observed that in Singapore, respondents from medium firms had the lowest average rating of the importance of productivity initiatives, with an average of 26% of respondents responding with a rating in the top 2.¹¹ This compares poorly with large firms, which had the highest average rating of the importance of productivity initiatives among firms of different sizes in Singapore. Across the 6 surveyed initiatives, an average of 50% of respondents from large firms responded with a rating in the top 2 bands (“Very Important” or “Important”). (Figure 14)

11 This average top 2 band rating is derived by calculating the average top 2 band score across each of the 6 surveyed areas - Motivating Employees (46%), Improving Staff's Performance Evaluation (30%), Improving Training and Development of Employees (32%), better Technology Adoption (16%), Outsourcing of Business Functions (14%), and Streamlining of Business Processes (16%).

Small sized firms



Medium sized firms



Large sized firms

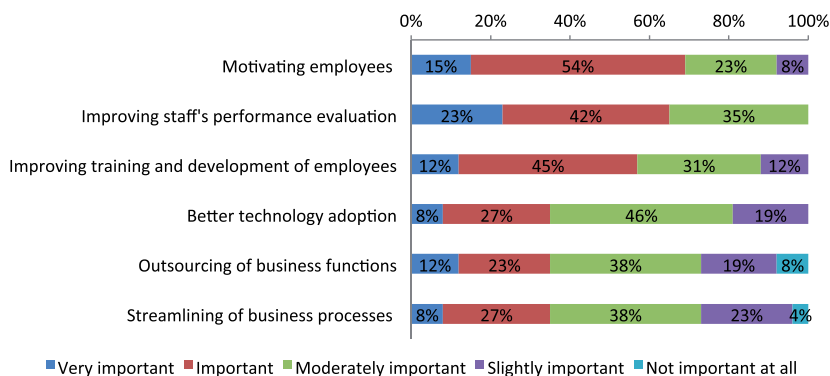


Figure 14: Importance of improving productivity in the next 12 months - Singapore

In contrast, in Hong Kong, respondents from medium firms had the highest average rating of the importance of productivity initiatives, with an average of 68% of respondents from medium firms responding with a rating in the top 2 bands ("Very Important" or "Important") across the 6 surveyed initiatives. (Figure 15)

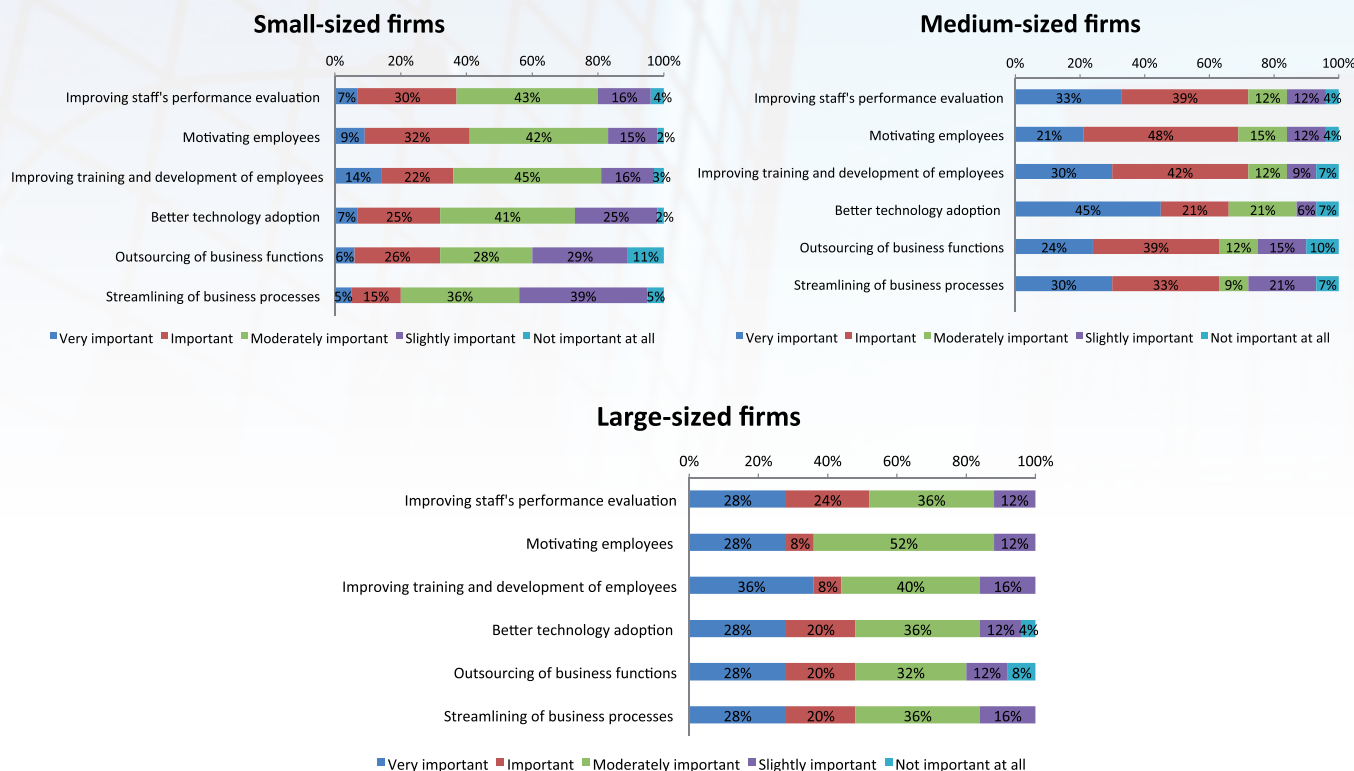


Figure 15: Importance of improving productivity in the next 12 months – Hong Kong

When compared to their peers in Hong Kong, it thus appears that medium firms in Singapore place less importance on implementing productivity initiatives. With a seeming lack of Singapore firms that have made the leap to become large global firms, encouraging medium firms to increase their focus on improving productivity might then perhaps be an important first step to enabling medium firms in Singapore to improve their competitiveness on the international stage and to develop into global firms.

4.2. Increase in focus on productivity issues in the next 12 months

	Past 5 years ("Great Effort" & Above "Moderate Effort")	Next 12 months ("Very important" & "Important")
Motivating employees	40%	54%
Improving staff's performance evaluation	37%	49%
Improving training and development of employees	32%	40%
Better technology adoption	25%	25%
Streamlining of business processes	16%	22%
Outsourcing of business functions	14%	22%

Figure 16: Top 2 band ratings of productivity initiatives - Singapore

There also appears to have been an overall increase in focus on productivity issues for the next 12 months among accounting and finance departments in Singapore. The results show an improvement in the rating of the areas contributing to improving productivity in the next 12 months compared to the past 5 years. The only exception was in the area of "Better Technology Adoption" which had an equal proportion of participants rating it in the top to bands for both time periods (25%). (Figure 16)

These findings are consistent with firms in Singapore making continued efforts to raise productivity in response to a further tightening of foreign labour, and additional productivity initiatives announced by the government in 2014.

	Firm size	Past 5 years ("Great Effort" & Above "Moderate Effort")	Next 12 months ("Very important" & "Important")
Motivating employees	Small	40%	53%
	Medium	30%	46%
	Large	58%	69%
Improving staff's performance evaluation	Small	41%	52%
	Medium	16%	30%
	Large	54%	65%
Improving training and development of employees	Small	37%	38%
	Medium	16%	32%
	Large	43%	58%
Better technology adoption	Small	27%	26%
	Medium	11%	16%
	Large	39%	35%
Streamlining of business processes	Small	14%	21%
	Medium	10%	16%
	Large	31%	35%
Outsourcing of business functions	Small	16%	22%
	Medium	11%	14%
	Large	16%	35%

Figure 17: Top 2 band ratings of productivity initiatives (small, medium, large firms) - Singapore

When further analysed by firm size, a similar picture emerges. Across small, medium, and large firms in Singapore, there is a general increase in the proportion of respondents rating, in the top 2 bands, the importance of areas contributing to improving productivity in the next 12 months compared to the proportion of respondents rating, in the top 2 bands, the extent of effort placed in those same areas in the past 5 years.

The only exception to the above trend is for small and large firms, where there is a decrease in the proportion of respondents rating “Better Technology Adoption” in the top 2 bands for the next 12 months. (Figure 17)

Given this apparent decrease in focus on “Better Technology Adoption”, it was perhaps timely that the Singapore government announced \$500 million worth of information and technology subsidies in February 2014. This may help refocus firms on using technology adoption to raise productivity and growth.

	Hong Kong		Japan		China	
	Past 5 years	Next 12 months	Past 5 years	Next 12 months	Past 5 years	Next 12 months
Motivating employees	39%	46%	48%	49%	67%	64%
Improving staff's performance evaluation	40%	47%	39%	49%	62%	65%
Improving training and development of employees	37%	45%	40%	49%	62%	72%
Better technology adoption	34%	42%	35%	37%	72%	62%
Streamlining of business processes	30%	34%	29%	39%	62%	62%
Outsourcing of business functions	32%	41%	36%	40%	67%	60%

Figure 18: Top 2 band ratings of productivity initiatives – Hong Kong, Japan, and China

In Hong Kong and Japan, there was also a general increase in focus on productivity issues for the next 12 months when measured against the preceding 5 years. The focus was somewhat mixed in China. Overall, there was an increase in the proportion of respondents rating, in the top 2 bands, the importance of areas contributing to improving productivity in the next 12 months compared to respondents rating, in the top 2 bands, the extent of effort placed in those same areas in the past 5 years. (Figure 18)

These observations are in line with the increased focus on productivity in these jurisdictions, where the more developed economies of Hong Kong and Japan continue to grapple with social issues such as aging populations while China faces up to the need to increase productivity as labour costs continue to rise.

4.3. Streamlining of business process as a possible source of productivity gains

In Singapore and the region, streamlining of business processes as a possible means to achieve productivity gains appears to be accorded much less attention. Indeed, when ranked according to the percentage of respondents who rated in the top 2 bands the importance of areas that their departments would be focusing on to increase productivity in the next 12 months, "Streamlining of Business Processes" was consistently ranked in the bottom 2 in Singapore (22%)¹², Hong Kong (34%), Japan (39%), and China (61%). (Figure 12 and 13)

These findings would suggest that streamlining of business processes might represent an avenue for firms to achieve further productivity gains. Indeed, according to a 2013 report by Management Consulting firm Bain & Company, in addition to driving improvements in productivity, streamlining of business processes can also improve the quality of outputs because it promotes reduction in the fragmentation of work and also establishes clear ownership of work processes.

Feedback from practitioners further indicate that streamlining of business processes can lead to productivity gains as a result of greater economies of scale, standardisation of operating procedures, less downtime during staff turnover, and various other cost savings.

Hence, the findings in the survey provide an opportunity for firms to relook their focus in this area, and consider the potential benefits of streamlining when implementing productivity initiatives.

¹² Refers to the percentage of respondents who rated "Streamlining of Business Processes" as "Very Important" or "Important" (top 2 bands)

5. Conclusion

The results of this survey provide insights into understanding some of the main considerations involved in improving productivity of the accounting and finance functions in Singapore, and how they compare with their peers in Hong Kong, Japan, and China.

In general, the findings suggest that firms in Singapore and the 3 comparison jurisdictions tend to favour staff-related initiatives over process-related initiatives when looking to raise productivity.

In particular, the focus on staff-related initiatives is especially prominent in the more developed economies of Singapore, Hong Kong, and Japan, possibly due to their being at comparable stages of economic and social development, where issues such as having to deal with the rapid aging of their workforces and the pressing need to raise labour productivity to support wage growth or relative high cost of living have been contributing factors. Further, technology adoption may already be relatively advanced in these developed economies and thus of correspondingly less focus than in the less developed economy in China.

However, even as technology adoption is already at a high level in the developed economies of Singapore, Hong Kong, and Japan, it should also be recognised that there remains room for growth in technology adoption in these jurisdictions.

In particular, according to The Global Information Technology Report 2010-2011 published by the World Economic Forum, while Singapore and Hong Kong were ranked highly, at 4th and 12th respectively, in terms of the friendliness of their market, regulatory, and infrastructure environments to innovation and Information and Communication Technology (ICT) development (Environment Subindex Ranking), their businesses were ranked relatively lower, at 10th and 25th respectively, in terms of their capacities to effectively use technology to generate productivity gains and innovation (Business Usage Subindex Ranking). The substantial difference between the Environment Subindex and Business Usage Subindex Rankings for Singapore and Hong Kong suggests that businesses in these jurisdictions may not be realising their full potential in adopting new technologies.

As compared to the past 5 years, senior finance executives in Singapore, Hong Kong, Japan, and China also plan to place a greater focus on productivity issues looking forward into the next 12 months. Overall, the trends that we observed in the survey would suggest that senior finance executives are becoming increasingly concerned about productivity.

Additionally, the survey results also highlight some areas which firms could perhaps pay closer attention to. In particular, outsourcing and the streamlining of business processes are areas which are relatively less focused upon by Singapore firms but where further productivity gains could still be potentially made.¹³

Following on from the insights gleaned from this report, our future reports will delve further into the challenges faced by senior finance executives in implementing initiatives to improve productivity, and also into the skills and training that such decision makers deem essential to driving productivity.

¹³ In addition to recent research evidence, such as that identified in the book "Globalisation, Outsourcing and Labour Development in ASEAN" which suggests that outsourcing can improve firm productivity, and by the 2013 Bain & Company report which suggests that streamlining of business processes can drive improvements in productivity and also improve the quality of a firm's outputs, outsourcing and streamlining of business processes have the potential to be even more effective in raising productivity than other staff-related initiatives. For example, in his book, The Outsourcing Revolution, Michael Corbett contends that outsourcing can increase productivity and competitiveness 10 to 100 fold. Similarly, in the report, Reengineering the Corporation, Michael Hammer and James Champy propose that business process reengineering can "generate dramatic improvements in critical performance measures – such as cost, quality, service, and speed".

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