

Leading in the new
world of work
Human Capital Trends 2015



This year's 10 trends are focused on four broad areas

Leading



Leadership: Why a perennial issue?

Companies are struggling to develop leaders at all levels and are investing in new and accelerated leadership models.



Learning and development: Into the spotlight

Companies are actively exploring new approaches to learning and development as they confront increasing skills gaps.

Engaging



Culture and engagement: The naked organisation

Organisations are recognising the need to focus on culture and dramatically improve employee engagement as they are facing a looming crisis in engagement and retention.



Workforce on demand: Are you ready?

Companies are taking a more sophisticated approach to managing all aspects of workforce including hourly, contingent, and contract workforce.



Performance management: The secret ingredients

Organisations are replacing traditional performance management with innovative performance solutions.

Reinventing



Reinventing HR: An extreme makeover

HR is undergoing an extreme makeover to deliver greater business impact and drive HR and business innovation.



HR and people analytics: Stuck in neutral

Too few organisations are actively implementing talent analytics capabilities to address complex business and talent needs.



People data everywhere: Bringing the outside in

HR and talent organisations are expanding their HR data strategies by harnessing and integrating third party data about their people from social media platforms.

Reimagining



Simplification of work: The coming revolution

Organisations are simplifying work environments and practices in response to increasing organisation and system complexity, and information overload



Machines as talent: Collaboration, not competition

The increasing power of computers and software to automate and replace knowledge workers is challenging organisations to rethink the design of work, the skills their employees need to succeed.

Foreword

Our theme for this year is “Leading in the new world of work”. Talent is in high demand, and many organisations struggle to attract and retain the right people with the right skills in the right roles. Our theme reflects our strong conviction that in 2015, Southeast Asia-based business and HR leaders must adapt to a new world that requires us to tailor our human capital solutions to the culturally diverse markets and evolving work environments in our region.

HR should stand at the centre of this transformation. Achieving these necessary changes will require bold and innovative thinking by both business and HR leaders. Longstanding practices and habits need to be reviewed with a greater focus on leadership and employee engagement as a key element in driving both workplace change and business success.

With this in mind, I am pleased to share with you our key findings from the Deloitte Human Capital Trends Survey 2015 – one of the largest of its kind in the world. Over 3,300 executives from 106 countries participated in our survey this year, including 57 business and HR leaders in Southeast Asia who offered their insights on the future of work and human capital’s valuable role in shaping it.

This regional report is the local supplement to the Deloitte Global Human Capital Trends 2015 report. The global report explores 10 major trends reflecting four major themes for the year: leading, engaging, reinventing, and reimagining. Our regional supplement focuses on the most critical trends that emerged within Southeast Asia. We trust you will find both the regional and the global reports insightful and look forward to discussing these trends further with you as you prepare for the year ahead.

Yours sincerely,

Nicky Wakefield

Executive Director and Leader, Southeast Asia Human Capital

Key findings for Southeast Asia: Managing talent is the most important and challenging issue

The Deloitte Global Human Capital survey focuses on the importance of critical talent trends and an organisation's perceived readiness to address these challenges. We label the difference between the importance and readiness for specific trends the "capability gap"—a measure of how prepared organisations are to respond to the most urgent human capital issues. The importance, readiness and capability gaps for the top ten Human Capital trends for Southeast Asia are shown in Figure 1a. For comparison purposes, the top ten global human capital trends are shown in Figure 1b.

Based on the survey data, interviews and secondary research, we provide more detail on the top six challenges facing SEA organisations and recommendations for how leaders can begin to address them. As we analysed the data and talked with companies throughout the region, we uncovered three key themes that paint a high level picture of how organisations are approaching talent and work.

"Softer" areas such as leadership, as well as culture and engagement, have become critical business issues

Issues once considered "soft" are now urgent challenges impeding business sustainability and growth. CEOs and operational leaders have become aware via research and personal experience of the tremendous impact so-called "soft" issues have on business results. Therefore, they are taking a more active role in managing programmes to enhance leadership capability and driving culture and engagement.

Developing workforce capability and learning have dramatically increased in importance but the capability gap is widening

As economic growth in SEA continues, companies see an accelerating demand for highly qualified talent at all levels of the organisation. These challenges saw the greatest increase in importance ratings from last year but even greater decreases in readiness. These results suggest that even while organisations see these as critical needs, they are beginning to appreciate that their current methods are increasingly ineffective at keeping pace – much less closing the gap.

HR organisations and processes are not keeping up with business needs

Compared with last year, the capability gap for virtually every issue increased in magnitude. Furthermore, the SEA capability gap for each of the top 10 Human Capital trends is larger than the corresponding Global capability gap. This finding implies that HR is struggling to keep pace with growing business needs. Our experience with firms around the world tells us that high performing HR organisations tend to demonstrate strong capabilities across all areas. Therefore, HR and business leaders who continue to focus on Reinventing HR will be better positioned for success across the board.

Capability gap across the 2015 Human Capital Trends

This chart shows the Capability Gap Index, a metric representing the difference between the importance index and readiness index scores, for each human capital trend.

Where does your organisation have the biggest capability gaps? How can you help to close them?

Figure 1a: Top 10 Talent trends in Southeast Asia: Importance vs. Readiness (2015)

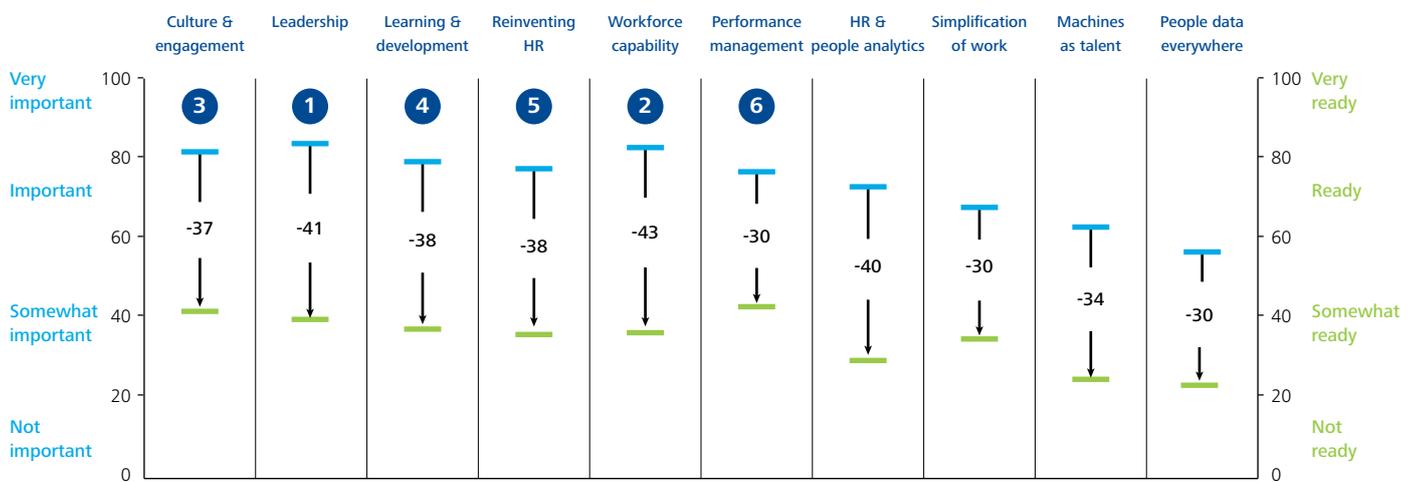
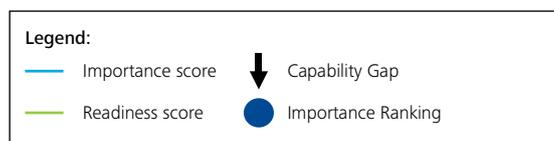
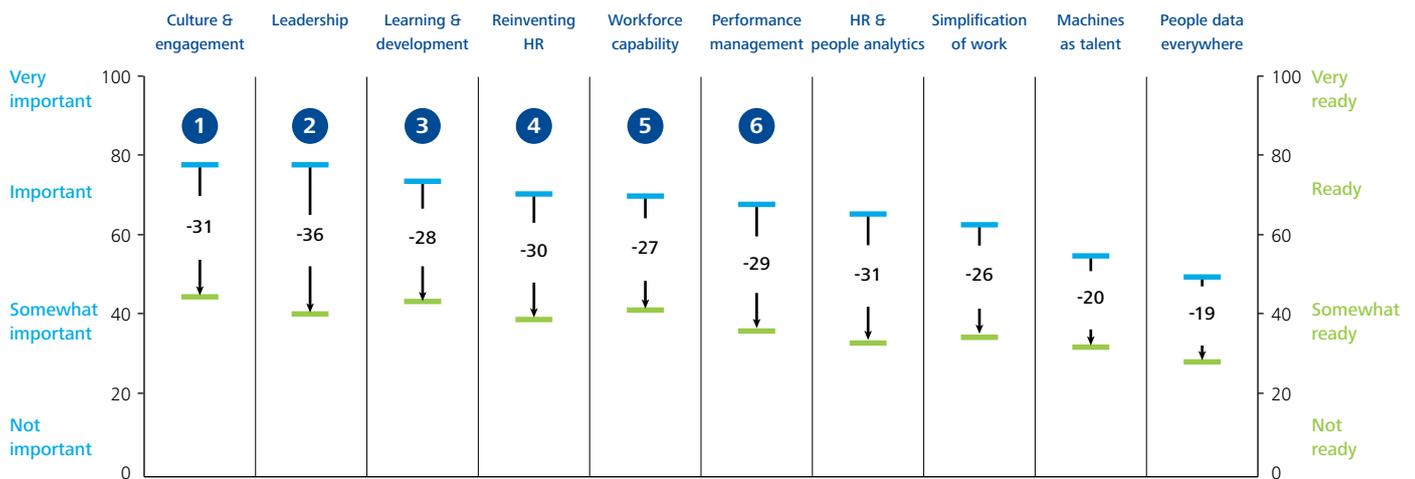
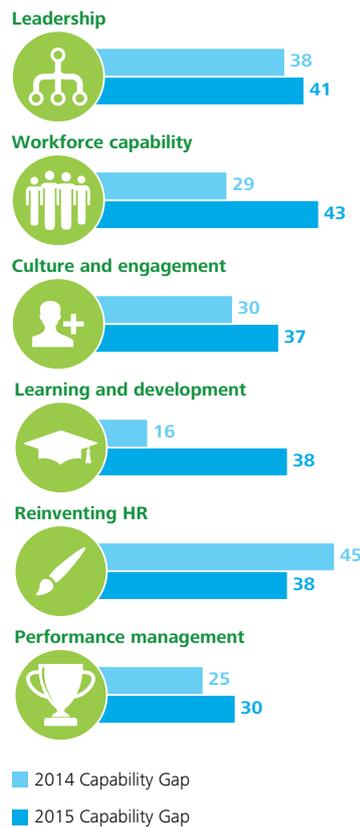


Figure 1b: Top 10 Global Talent trends: Importance vs. Readiness (2015)



Human Capital capability gaps widen as HR investments falls

Figure 2. Capability gaps for the six most important HC trends in SEA



The capability gaps in 5 of the 6 most important trends grew year over year even though these were also identified as key areas for focus in last year's report. This suggests that organisations have not been effective at identifying and deploying solutions to close the gaps (see Figure 2.) This inability to turn the tide of capability points to potential concerns in SEA in human resources effectiveness and/or investment.

Most Southeast Asia-based companies surveyed indicated that they are planning to increase investment (following increased investment reported in last year's survey). Unfortunately, this increased investment has not resulted in as much progress as desired. This finding coupled with Deloitte's client experience in technology, suggests that the heavy increased spending on HR technology has not been accompanied by similar investments in process, people, and content.

Only 37% of Southeast Asia-based organisations' HR and talent programmes are rated as "good" (none are considered "excellent"). This low rating combined with a widening capability gap may undermine HR's credibility in the region. We believe that the time is now for HR to exercise bold leadership to guide strategic human capital initiatives which accelerate sustainable growth. While these efforts must be collaborative with other business leaders, Chief HR officers must step up to ensure an integrated approach across all people programmes which is supported with analytics and a clear business case.

Figure 3a. HR & Talent programmes report card

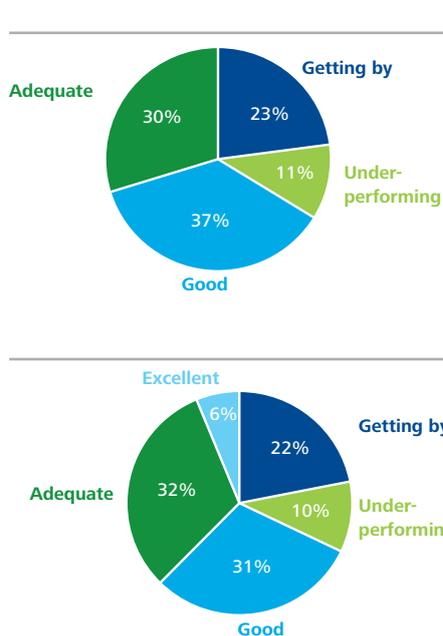
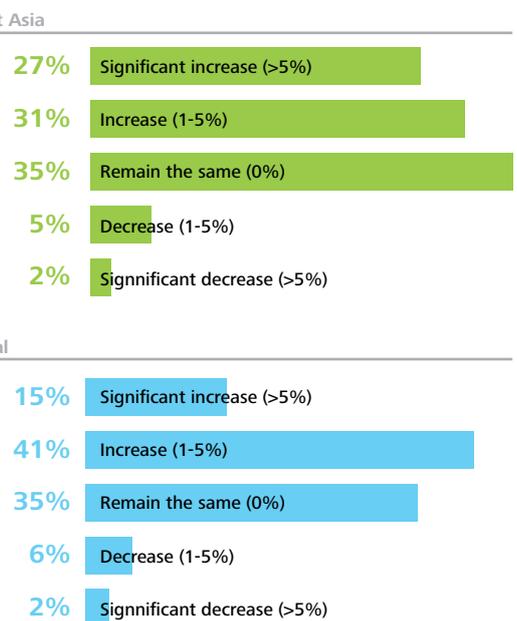


Figure 3b. HR investment in next 12-18 months



Talent programmes struggle to support regional growth

Our survey suggests that Southeast Asia is poised for further business growth as over 60% of the respondents are looking forward to moderate to strong growth in 2015. In this growth environment, human capital issues are critical to ensure we have the talent and capabilities to achieve business sustainability, competitiveness and success. Additionally, in this growth environment with a finite talent pool and most businesses looking to expand, being able to take advantage of these business opportunities depends on leading, developing, and engaging talent with key capabilities.

Business outlook of growth in each region to 2014

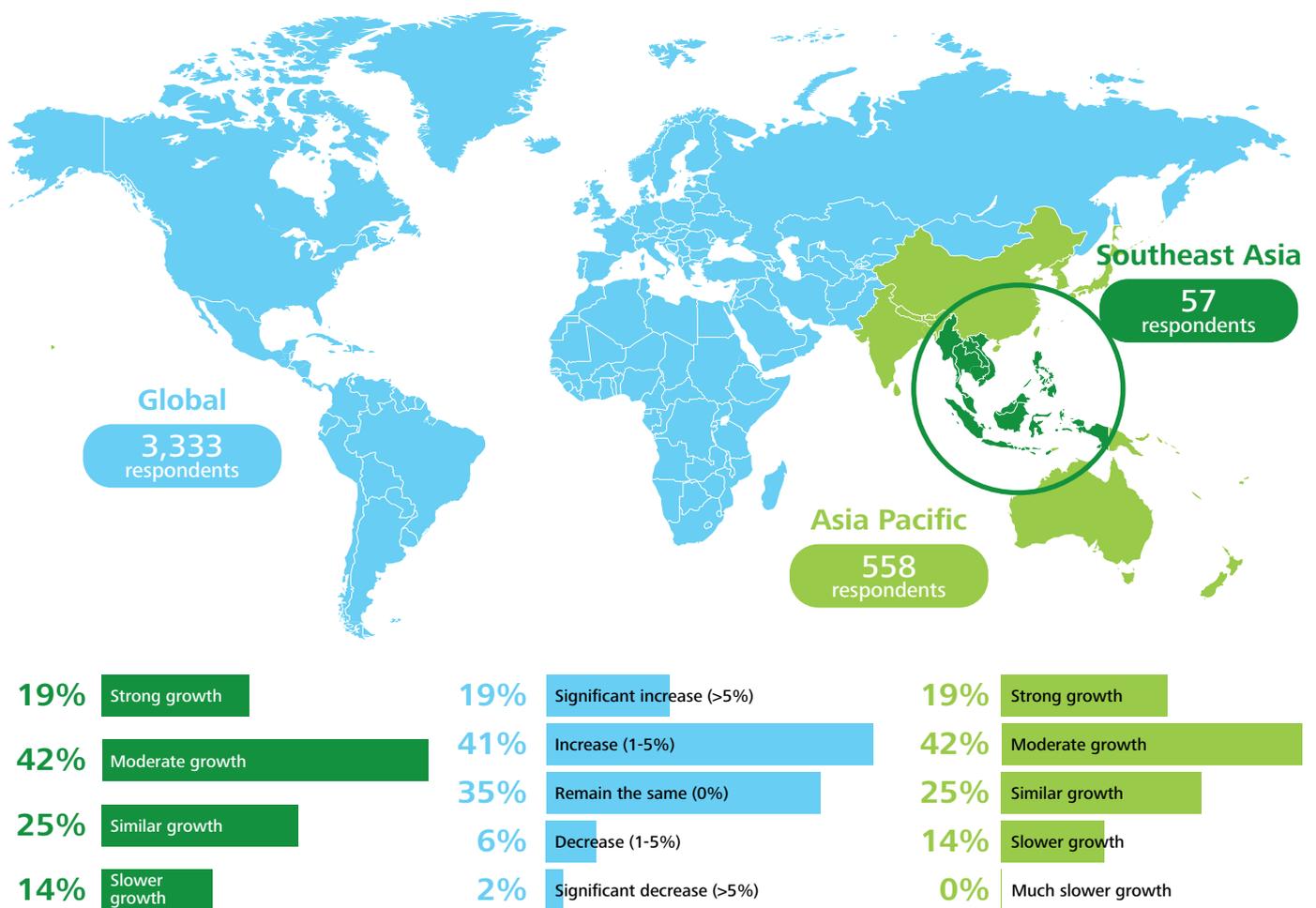


Figure 4a: Southeast Asia

Figure 4b: Global

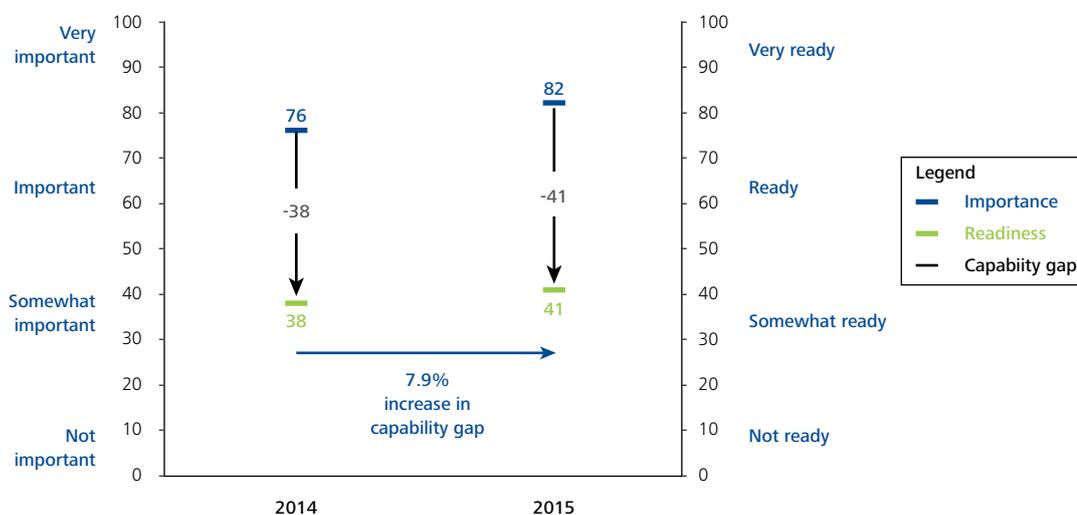
Figure 4c: Asia Pacific

Our region includes different markets that are in different phases of maturity. Labour costs, governance and legislation, work practices, culture, and languages differ markedly from country to country and from industry to industry within this region. Given each country's and industry's unique characteristics, organisations will need to adopt human capital strategies tailored to their individual needs for success in Southeast Asia. There is no "one-size fits all" solution.

Leadership: A perennial issue

- Organisations in SEA are struggling to create and maintain their leadership pipeline in light of rapid growth and low engagement.
- Eighty-six percent of respondents cited leadership as an important or very important human capital challenge.
- A focus on strategic, integrated leadership development at all levels is key to identifying and developing leaders now and in the future.

Figure 5. Change in leadership capability gap between 2014 and 2015 for SEA



Leadership is the most important human capital challenge in Southeast Asia and has the second largest capability gap in the region, with only 5% of Southeast Asia-based respondents indicating that their organisations were “very ready” to address their leadership issues. Despite this being the second year with leadership as the most important human capital issue, the capability gap grew from 2014 to 2015. While the readiness score increased this year; the importance score increased by a greater magnitude. Clearly, the urgency for effective leadership in Southeast Asia-based companies is increasing faster than our readiness to deal with this theme.

Given past economic growth, the positive business outlook in the region, and the intense competition for talent, it is no surprise that ensuring a pipeline of leaders to sustain that growth is being seen as increasingly important. To address these leadership challenges, organisations should focus on:

Taking a strategic view of leadership development

Companies must view leadership as a long term investment. Too many businesses equate leadership development with short-term training classes or a series of ad hoc events. Many current leadership development programmes are very fragmented making it hard for companies to architect integrated, yet tailored experiences their leaders need. Without a long-term, holistic approach to identify, develop and retain leaders, it is not surprising that future leaders with appropriate skillsets are in short supply.

Developing a clear view of what capabilities and experiences are required for each leadership position

Being clear on expectations at each leadership level will help identify those with the potential to fill these leadership positions and dictate how to ensure that future leaders are developing the capabilities they need to succeed now and in the future.

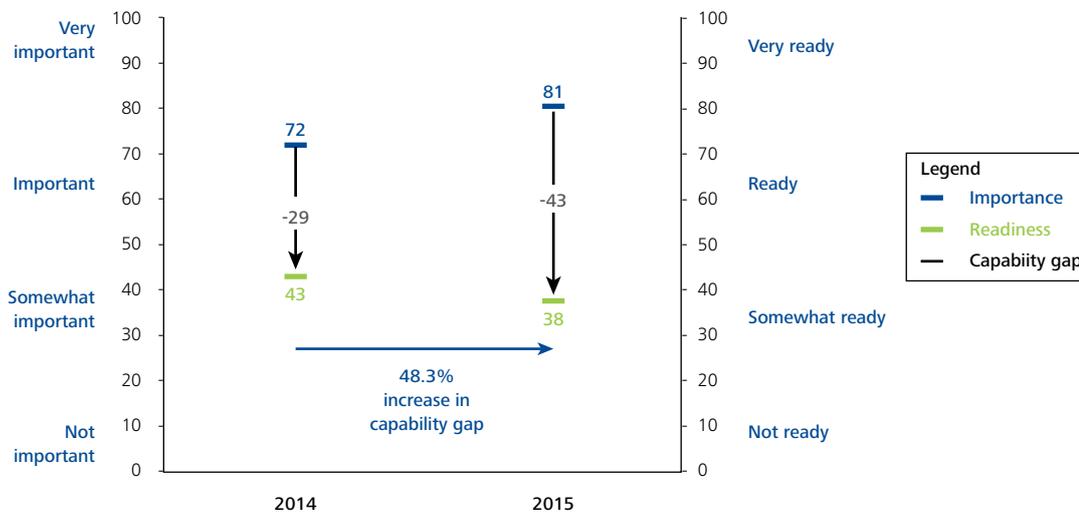
Investing in data driven leadership assessment and development tools

Companies need data to plan for succession and talent mobility to meet business challenges. Leveraging proven, data driven approaches allows for assessing and tracking leaders at all levels. Likewise, leaders desire greater awareness of available career paths and requirements to reach the next level of leadership.

Workforce capability: Focus on the employee

- Organisations’ ability to find, develop and retain staff in SEA has become increasingly difficult.
- Ninety-eight percent of respondents do not feel “very ready” to deal with this challenge.
- Businesses need to use people analytics to determine a holistic workforce capability management approach.

Figure 6. Change in workforce capability gap between 2014 and 2015 for SEA



Workforce Capability is the second most important trend in Southeast Asia, but it has the largest capability gap. The capability gap increased dramatically due to an increase in importance as well as a decrease in readiness. With the strong economic growth of Southeast Asia, business leaders increasingly see skill shortages as a major barrier to executing business strategy. It is not uncommon in this region for necessary job roles to be vacant for long periods of time. The decreasing readiness score compared to 2014 is clearly a realisation that the current approach to managing workforce capability is not meeting business demand. The core objectives that need to be achieved for companies to ensure they have sufficient workforce capability are as follows:

Identify current and future capability requirements for job roles through effective workforce planning

HR must partner with business leaders to understand and better define the talent supply and demand specific to their organisation’s critical roles. People analytics plays an important role in understanding the current level of capability in the workforce, future business needs, and the organisation’s ability to recruit, retain, and develop to meet the demand.

Innovate both recruiting and learning and development strategies to address workforce capability

Based on a clear workforce strategy, organisations will come to understand which skills are better suited to be developed within the existing workforce versus recruited externally. Furthermore, companies should leverage predictive analytics to help target more fruitful applicant pools with the skills they need.

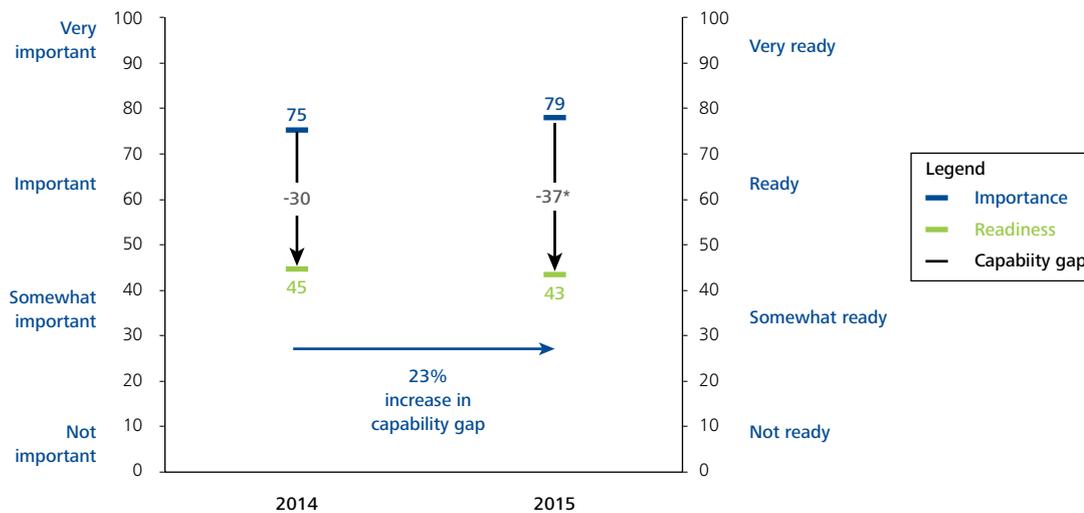
Fulfil current and future workforce capability requirements through innovative staffing models

Beyond building capability in the existing internal talent pool, businesses will have to look at ways to further cultivate external sources of talent. Potential solutions in this area include: joint ventures, freelance workers, partnership with educational institutions or consultants.

Culture and engagement: Transparency is key

- Culture and engagement have emerged as critical issues for business leaders.
- The culture and engagement capability gap increased by 23% over last year.
- Companies with strong analytics and leadership focus on culture will be able to drive greater retention and performance.

Figure 7. Change in culture and engagement capability gap between 2014 and 2015 for SEA



* Note: Capability gap is calculated based on actual scores, including decimals, and differences are due to rounding.

Culture and engagement is seen as the third most significant Human Capital issue in Southeast Asia. Clearly, culture is becoming a more important issue in the region and companies are recognising the need to focus on culture and dramatically improve employee engagement to deal with a looming crisis to attract and retain talent. Given our varied cultures in Southeast Asia, regional companies here tend to find managing culture and engagement even more challenging.

Southeast Asian companies are struggling to find and/or develop the workforce needed to achieve their business goals. Organisational culture becomes a key part of the company's employee value proposition and can significantly impact the ability to recruit strong talent. In this era of social media and instant global communications, every corporate decision is immediately exposed and publicly debated. Generation Y workers are demanding increasingly authentic and transparent relationships with companies and are willing to change employers for a better cultural fit. Given the current talent shortages and changing employee motivations, companies today need to think of employees almost as customers and not just workers. Where can companies start?

Culture starts at the top

Senior leadership must take an active role in defining and embodying the company's culture and values. Organisations who provide a sense of purpose, a strong culture, as well as new and exciting career opportunities will be better able to engage and retain skilled talent. This has to be driven by line managers who have the most day-to-day interaction with their subordinates but backed with support and tools from the HR department.

Measure in real time

With a myriad of different cultures and generations in the workplace, relying on annual engagement surveys and ill-equipped line managers to manage this issue is insufficient. Organisations in Southeast Asia need to recognise this is a long-term challenge and adopt a more holistic approach that incorporates real-time feedback loops that are then incorporated into HR and talent programmes.

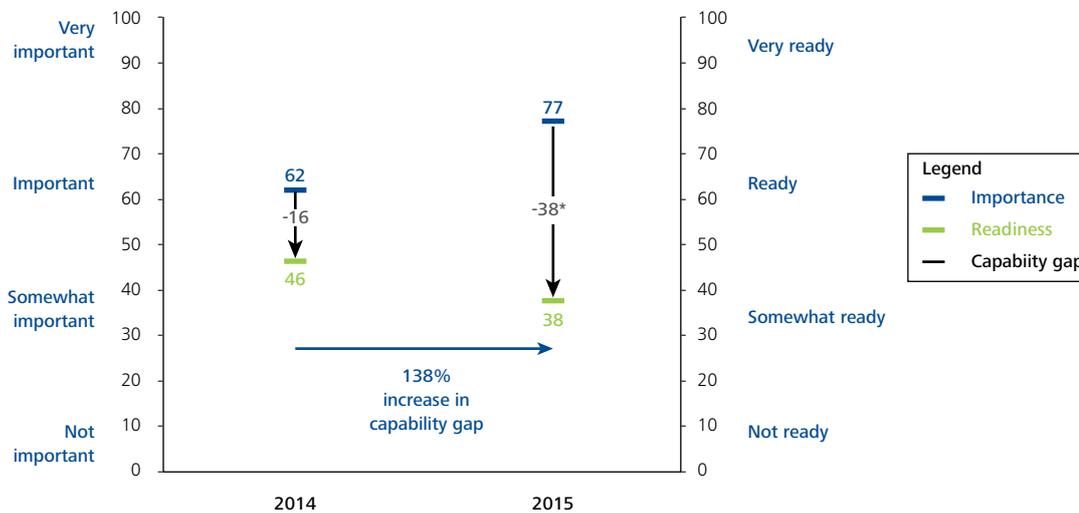
Make work meaningful

Organisations must focus on leadership, coaching, and performance management to help employees make their work meaningful. They must also work to reduce unnecessary bureaucratic burdens and inefficient processes which frustrate workers and hinders productivity. Further, they must work to reinforce the importance of a feedback culture (including upward feedback), and teach leaders how to be more open, authentic and transparent.

Learning and development: Into the spotlight

- Learning & development has become an increasingly significant concern in light of the workforce capability challenges facing Southeast Asia.
- Even as learning & development has become more important, Southeast Asian companies feel less ready to address these challenges.
- Learning today has become a business critical priority for increasing skills, improving the leadership pipeline and enhancing employee engagement.

Figure 8. Change in learning and development capability gap between 2014 and 2015 for SEA



* Note: Capability gap is calculated based on actual scores, including decimals, and differences are due to rounding.

In Southeast Asia, learning and development (L&D) rose from the eighth highest trend in 2014 to the fourth highest trend in 2015 and the capability gap increased dramatically. As businesses in Southeast Asia continue to grow and expand to new markets, they must take a more holistic view of L&D. The most successful organisations no longer consider L&D as distinct and ad-hoc training programmes or modules. HR and business leaders need to work together to align their talent management programmes with their company’s strategic plan and ensure L&D is an integral part of the plan. Three areas where companies can start improving on this function are:

Ensure L&D is integrated with the talent management strategy

Organisations must ensure that L&D is integrated and coordinated with overall talent strategy. It is imperative that L&D is aligned with the other key talent processes such as recruitment, performance management and mobility. Just as L&D has a strong impact on other talent areas, it must be considered in light of the overall plan. Ensuring this alignment will help companies ensure the maximum effectiveness and efficiency for their L&D budget.

Take a broader view of L&D

While companies were previously focused on developing technical skills and capabilities for lower level employees, they now must consider a broader set of competencies across the employee population. Based on our experience in the region, Southeast Asian companies are placing significant emphasis now on developing leadership/professional competencies to ensure the “right-balance” of local-to-expat talent. Thus, both entry-level and experienced professionals at all levels have to continuously upskill to effectively perform their roles.

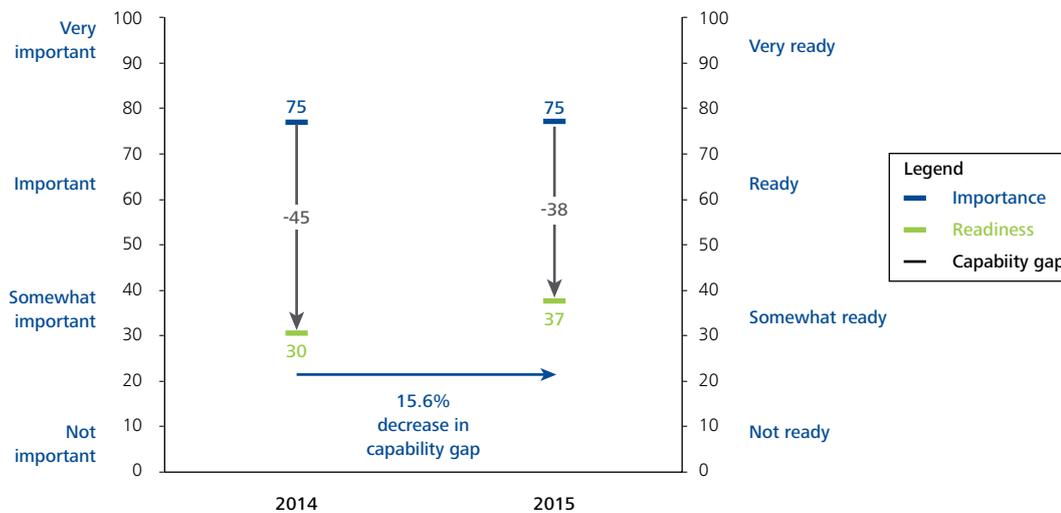
Leverage new, engaging L&D strategies

Many Southeast Asian companies are beginning to focus on corporate universities as a way to attract, develop, and retain talent. With a predominantly young workforce, Southeast Asian employees are looking for companies who will invest in their development. As such, traditional training approaches may no longer be effective as the primary means of delivery. This year is the time to reimagine and redesign the learning experience to create an environment that attracts and encourages people to learn.

Reinventing HR: An extreme makeover

- Southeast Asia HR is increasing its readiness to meet HR challenges.
- Increasing capability gaps across other human capital areas suggest there is still work to be done.
- Make HR a talent and leadership magnet by raising the bar for HR leaders and investing heavily in HR development.

Figure 9. Change in reinventing HR capability gap between 2014 and 2015 for SEA



Reinventing HR is still seen as a top priority despite dropping from second place in 2014 to fifth place in 2015. Past HR transformation efforts have begun to yield some fruit, but there is still much work to be done to close the gaps present in many HR areas.

HR in the region has recently been focused on reinventing its role from simply being a “transactional service provider” to being a business enabler, particularly in talent management areas. As the HR function has restructured and focused itself as a “business partner”, many HR professionals will need to acquire and improve the requisite skills and business acumen to adequately fulfil these new roles. As the business climate and employee value proposition become more challenging, HR is being forced to redefine its purpose from being a transactional service provider into that of a builder and enabler of talent. In order to meet these new demands, organisations should focus on these key areas:

Design the HR function to deliver business integrated solutions

For many organisations, it’s time to redesign HR with a focus on delivering high-impact business driven solutions, not just efficient HR administration. HR business partners must become trusted advisors to business leaders on people matters with the requisite skills to analyse, consult, and resolve critical business issues.

Make HR a talent and leadership magnet

Starting with the most senior HR leader, set the tone for strong, innovative and business-savvy leadership. How do people get HR jobs in your organisation? If they accidentally move or are compelled to move into HR, this may be holding you back. Create rigorous assessments for top HR roles and rotate high performers from the business into HR to create a strong pipeline for HR leaders.

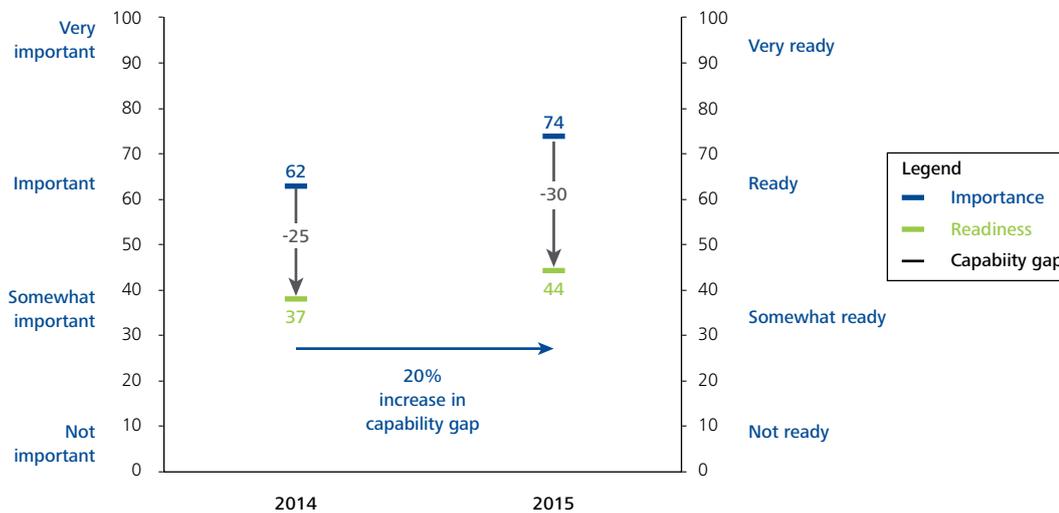
Invest in HR development and skills as if the business depended on it

HR professionals at all levels need continuous professional development. Focus on capabilities such as business acumen, consulting, project management, organisational design and change, and HR analytical skills.

Performance management: The secret ingredient

- The importance of Performance Management in Southeast Asia has increased faster than organisations' readiness to manage this area.
- Companies are realising that performance management is a key ingredient to addressing leadership, culture & engagement, and capability issues.
- Performance management is moving from an annual KPI and bonus determination to be more focused on continuous feedback and development.

Figure 10. Change in performance management capability gap between 2014 and 2015 for SEA



Performance Management jumped from the ninth most important in 2014 to the sixth most important human capital challenge in Southeast Asia. Organisations are starting to realise that performance management is a key process that can directly support managing leadership, engagement, and capability challenges. Many companies still use performance management as a backward-looking assessment programme to determine compensation and promotions. Deloitte's research indicates that the transformation of performance management is long overdue. With employees at all levels asking for feedback and developmental guidance, performance management can be a powerful tool to develop workforce capabilities and engage talent. Companies ready to undertake this journey can start by:

Aligning philosophy with strategy before implementing

Explicitly define the company's performance management philosophy and be sure that this philosophy is aligned with the organisation's strategy and culture. Clarify the behaviours expected of managers and senior business leaders as part of this process. Determine the firm's philosophy and strategy before defining your processes and choosing software to implement it.

Building a new performance management culture

Encourage ongoing feedback, enable effective coaching through training, and use change management communications teams to shift the performance management culture from an emphasis on top-down evaluation to continuous development. Move away from forcing employee ratings to fit a normalised performance curve and separate performance management and compensation discussions.

Empower local managers

Give managers the authority to recognise and reward employee performance throughout the year. Invest in leadership development that helps managers learn how to coach and develop their teams.

Moving forward



Only **37%** of Southeast Asia-based organisations' HR and talent programmes are considered as 'good' or better...

This report's findings show that HR departments in Southeast Asia are coming under increasing pressure to better support business goals in an increasingly competitive environment where **talent scarcity has altered the dynamic between companies and their employees**. In a region where employees are in the driver's seat, **the ability to attract, lead, motivate and develop our talent pool is critical to sustained business growth**.

In Southeast Asia, the lack of sufficient leadership talent by itself has massive long-term implications on businesses' ability to expand and grow. Companies must understand that **leadership development is not a short-term problem**. It needs a long-term holistic approach to identify, develop and retain leaders, rather than short-term training programmes or fragmented solutions.

Employees are no longer just employees—they are our customers and partners. To succeed in this new world of work, **organisations must build a culture that inspires employees to stay** and become proactive contributors to the overall success of a company.

Investing in **learning & development is one way to further improve employee engagement and retention as well as address the relative workforce capability challenges** in Southeast Asia. However, unless organisations redesign and continuously refine their learning and development programmes to match the constantly evolving needs of business, they are bound to struggle in achieving either of these aims.

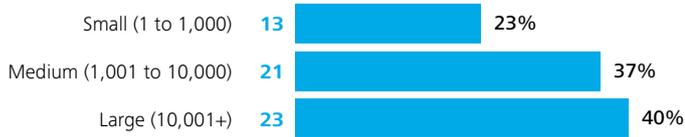
The most proactive organisations are prioritising their critical talent management challenges and are reinventing their HR functions to better support these areas. HR and business leaders must be bold and innovative to tailor solutions that are effective for their own business objectives and needs. Our research shows that HR has made small gains, going from only 35% considered as "good" and better in 2014 and improving to 37% in 2015. However, there are still significant opportunities for further improvement.

We encourage you to read the full Global report at www.deloitte.com/hct2015 to learn more about leading in this fascinating and challenging new world of work. Dive in to a few chapters of particular concern to your firm or industry and also take time to reflect on the broader, longer-term trends that we examine. If they do not concern you now, they will in the future – and your competitors may already be working to address them.

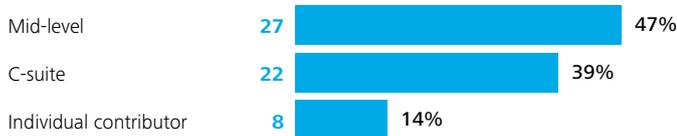
One of the most important features of this report is an interactive tool, the Human Capital Trends Dashboard, available at www.deloitte.com/hcdashboard. This tool lets you access and analyse the research from the survey by industry, geography, and company size, offering new insights into talent priorities and challenges.

Appendix: Survey demographics – Southeast Asia

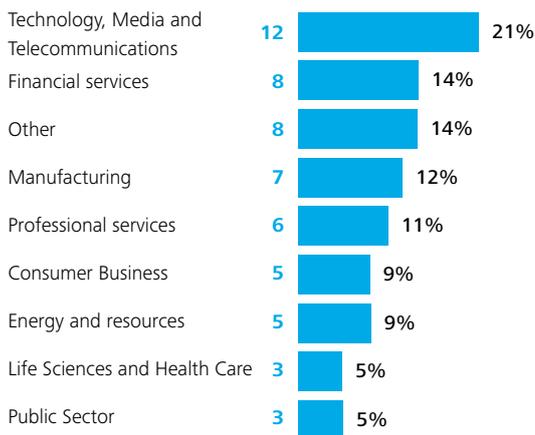
Business segment



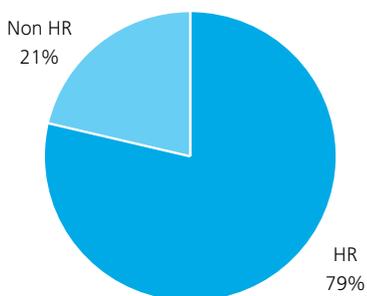
Organisation level



Industries



Job function



Contacts

Southeast Asia

Nicky Wakefield

+65 6232 7215

nwakefield@deloitte.com

Indonesia

Joanna Yordan

+62 21 2992 3100

jyordan@deloitte.com

Malaysia

Daniel Russell

+60 3 7610 7512

danrussell@deloitte.com

Singapore

Norman Chan

+65 6232 7228

normanchan@deloitte.com

Karina Kuok

+65 6232 7223

kkuok@deloitte.com

Jason Seng

+65 6232 7149

jasonseng@deloitte.com

Thailand

Mark Maclean

+66 8 1929 0421

mmaclean@deloitte.com

Kessara Sakmaneevongsa

+66 2676 5700

ksakmaneevongsa@deloitte.com

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