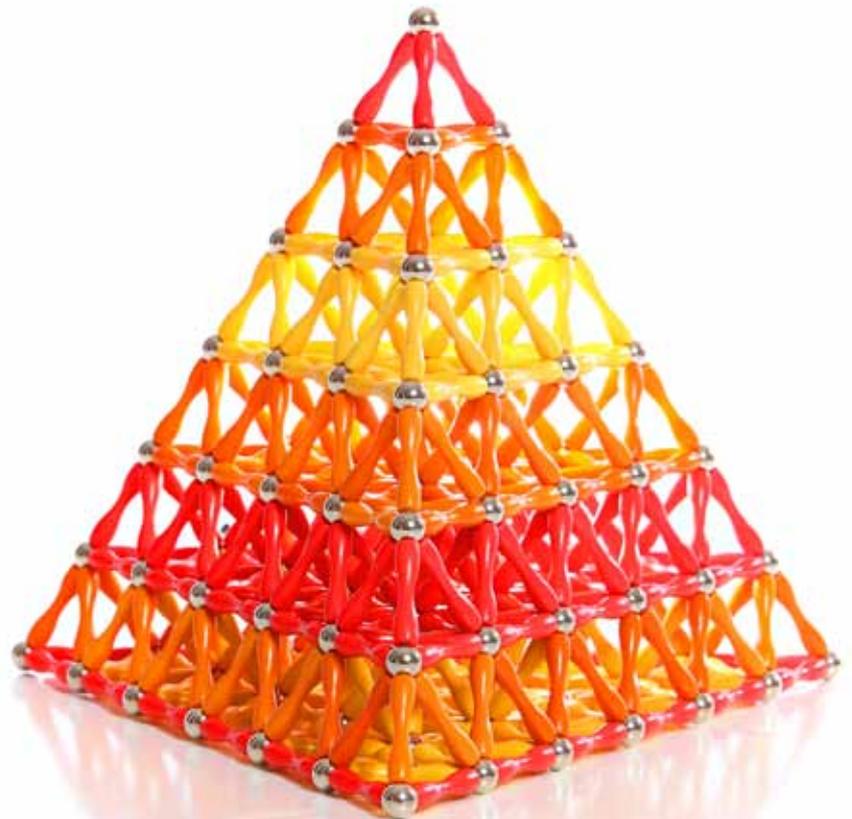


# Fuelling the Asian growth engine

## Talent challenges, strategies and trends

A Focus on Asia





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# Executive summary

The emerging economies of Asia are increasingly playing a critical role in the global arena, even as there is continuing turmoil and uncertainty in other parts of the world due to economic, financial and political upheavals. While Asian economies are undoubtedly impacted by global headwinds, most of them have been buffered by their sound economic and policy fundamentals, healthy domestic demand and continued inflow of Foreign Direct Investment (FDI). Meanwhile, Asia is undergoing its own transformation: many countries in Asia are experiencing greater economic prosperity and rising affluence, translating into higher demand for goods and services. As businesses flock to Asia to capture the opportunities presented by an emerging customer base, they need to be mindful of the intensifying competition for talent and leadership, which are fundamental assets to achieve business sustainability, competitiveness and success in the region.

To provide greater insights on these issues and to further understand the talent priorities and strategies of organisations operating in Asia, Deloitte Consulting and the Human Capital Leadership Institute invited local organisations and foreign multinationals (MNCs) operating in Asia to participate in a talent and leadership study entitled, “Fuelling the Asian growth engine – talent challenges, strategies and trends”.

The study reveals that the top business challenges faced by businesses in Asia are related to “driving business growth”, “dealing with increased competition”, “achieving better operational efficiency” and “managing cost pressures”. In an effort to remain competitive, companies in Asia are focusing on improving quality and enhancing value, as well as promoting innovation.

In terms of talent, organisations in Asia appear to experience significant challenges with overall talent scarcity and especially with talent retention and attraction. Furthermore, the leadership pipeline in some organisations in Asia appears weak, primarily due to the difficulties faced by organisations in retaining talent with leadership potential. Interestingly, while the survey respondents reported that driving business in Asia requires some specific leadership competencies, they did not believe that the ethnicity of the leaders has any bearing on the ability to lead in Asia.

In response to these challenges, organisations in Asia are adopting various approaches. Popular practices include the pursuit of diversified recruitment channels, leveraging of the employer brand during recruitment and investment in graduate (or entry-level) programmes. The survey findings suggest that most of the talent efforts are focused on immediate, tactical priorities (e.g. efforts to retain talent), and less on future-oriented strategies (such as leadership development). Respondents across Asia have also identified technology as a key enabler of their talent strategies.

Overall, the survey findings highlight the business challenge of driving business growth amidst competition and cost pressures, as well as talent challenges of talent scarcity, leadership shortages, competency gaps and employee expectations. The recommendations proposed in the last section of this report emphasise the need to balance both strategic and tactical people objectives by optimising internal and external infrastructure synergies across the talent ecosystem. However, it is important for each organisation to ponder carefully on which practices would work best for them and to prioritise solutions based on the organisation's specific needs, capabilities and capacity.

# 1. Business in Asia

Asia is a region associated with business opportunities. Increased wealth, a rising middle class, and new customer segments all form a familiar terrain. On the supply side, it has been synonymous with low cost manufacturing.

Today, the opportunities remain, but easy gains are perhaps less attainable. With globalisation intertwining the fates of economies, the slowdown in the United States, Europe and Japan is having a spillover effect on Asia. Costs across Asia are also on the increase, and there are infrastructural and regulatory challenges to deal with.

Perhaps the biggest challenge of the region lies in its diversity. Cultural differences aside, Asia's 49 economies can be classified into: (a) seven high income, developed economies; (b) 11 fast growing, converging economies; and (c) 31 slow or modest growth, aspiring economies<sup>1</sup>. Businesses will need to adopt different strategies for success in different Asian markets.

Underpinning the formulation and execution of these strategies is the quest for talent and leadership. Human capital issues are now widely recognised as being critical to business sustainability, competitiveness and success, and firmly feature at the top of most CEOs' agendas. With this in mind, Deloitte and the Human Capital Leadership Institute embarked on a study of 212 Asia-based organisations, with a view to understanding their business priorities and the people strategies deployed to support these priorities. Aligning with market interest, the study covered seven Asian countries: emergent giants China and India, and Southeast Asian economies Indonesia, Singapore, Malaysia, Thailand and Vietnam.

This report first focuses on Asia as a region, highlighting similarities and drawing out insights and recommendations that can apply across the seven countries. Recognising the need for country specificity, the Country Insights section goes on to provide a snapshot of the talent challenges, strategies and trends for each country.

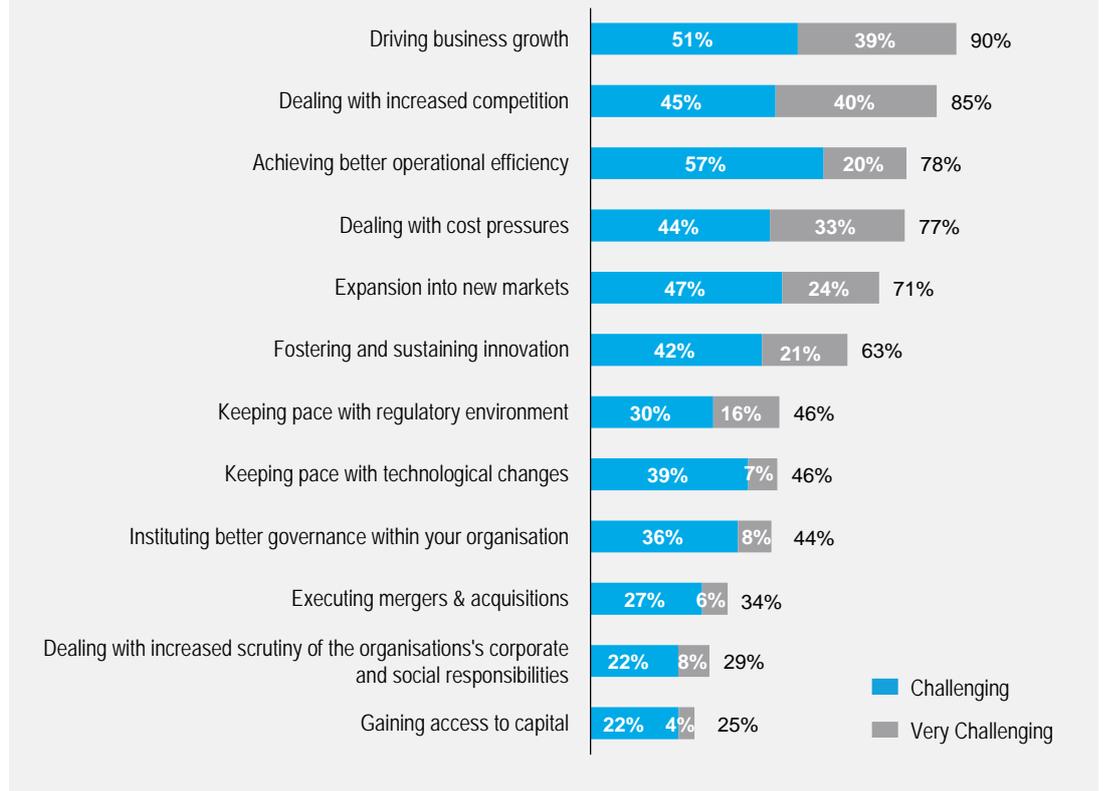
## **1.1 Key business challenges: driving growth amidst competition and cost**

Regardless of cultural or economic diversity, organisations in the seven Asian countries surveyed all have one top business priority in common: fuelling the growth engine. Our findings show that "driving business growth" was ranked by the most number of organisations as a top business priority. This was consistent across the surveyed locations, with the exception of Indonesia and Vietnam where this priority ranked a close second. Unfortunately, while recognising the criticality, most respondents surveyed across Asia (90%) noted that "driving business growth" is a key business challenge faced by their organisations.



<sup>1</sup> "Asia 2050: Realizing the Asian Century" Asian Development Bank, 2011

**Figure 1: Key business challenges faced by organisations**



Beyond business growth, other important priorities that were surfaced as key business challenges in Asia include “dealing with increased competition” (especially relevant in Indonesia and Vietnam) and “achieving better operational efficiency” (noted as a particular pain point in Thailand, Indonesia and India). In addition “dealing with cost pressures” is cited as a key challenge as well (especially relevant in Singapore).

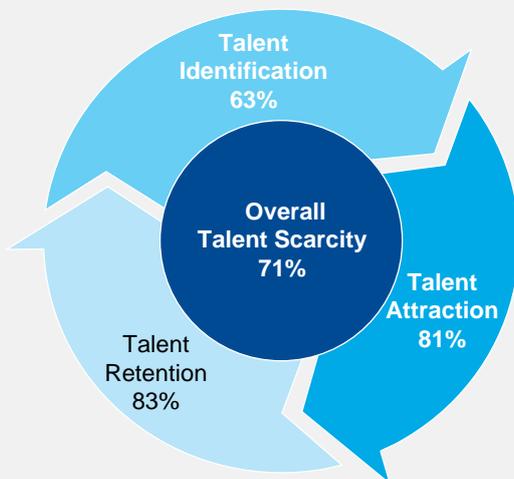
Perhaps the increasingly competitive landscape experienced in Asia deserves an examination into its implications. The study reveals that most organisations felt that competition is forcing a focus on “quality and value” (85%), as well as “innovation as a key market differentiator” (83%). At the same time, on the human capital front, competition is “putting upward pressure on wages” (83%), and “forcing employers to enhance their brand” (80%).

On this note, it is timely to turn our attention to the talent landscape in Asia. What are the key people and leadership challenges that may derail the topmost business priority of driving growth? Despite increasing competition, rising costs, and gaps in operational efficiencies, what are the key talent strategies and trends that may just help businesses fuel their growth engine in Asia?

## 2. The talent landscape

Our findings reveal that the talent landscape across Asia is characterised by an overall scarcity of talent, as reported by 71% of our survey respondents. This talent shortage, to be interpreted in relation to demand, leads to competition for the same resources, which in turn results in challenges in attracting and retaining the right employees.

**Figure 2: Talent landscape**



### **Digging Deeper: “Talent challenges felt by all”**

Our research suggests that talent challenges are equally faced by both local and multinational corporations (MNCs), whether in terms of talent scarcity, attraction or retention.

### **2.1 Talent identification: opportunities to enhance understanding of talent needs**

While talent identification is not the most commonly experienced challenge, it still confronts 63% of our survey respondents. When queried about specific causes behind the challenge, 39% cited the lack of systematic and objective processes, whereas 36% pointed to managerial inability to consistently recognise high-potential candidates. Another 27% of respondents reported that they are unsure as to where to find the needed talent, and an equal proportion reported having an unclear understanding of future talent needs.

### **2.2 Talent attraction: approaching talent via multiple channels**

Concerning talent attraction, this is a challenge reported by a significantly high proportion of organisations across Asia (81%). Most respondents attributed their talent attraction challenge to the fact that they compete for the same talent with other organisations (88%). This was a perception popularly shared across all seven countries surveyed.

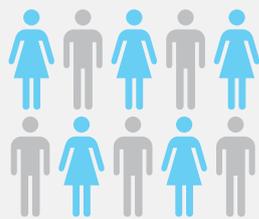
To compete in the war for talent, organisations typically use strategies related to employer branding and rewards. Increasingly, organisations are adopting generational strategies, recognising the need to develop different value propositions for each generational segment of the workforce.

Despite this diversity of approaches, a significant proportion of organisations are still challenged to attract talent. For instance:

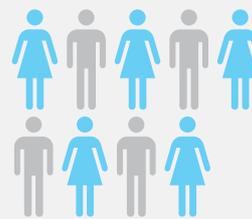
- Although 80% of respondents stated that competition is forcing them to enhance their employer brand, 45% reported that their brand as an employer is not strong enough to consistently attract the right talent.
- Although 73% of respondents reported that competition is forcing them to reward staff based on results, 37% feel that their rewards are not competitive enough.
- Also, 39% of respondents reported that their value proposition is not attractive to the younger generations.

**Figure 3: Employer branding and challenges to talent attraction**

Probability analysis indicates weak employer brand being closely related to talent attraction



For every 10 respondents that agreed their Employer Brand is not strong enough...



...at least 9 found attracting talent a challenge

From a country perspective, more respondents from Vietnam (63%) reported challenges with employer branding compared to India (34% of respondents).

From an industry perspective, more Business Services (70%) and Real Estate firms (71%) reported challenges with employer branding, versus Conglomerates (only 33% reported this as a challenge).

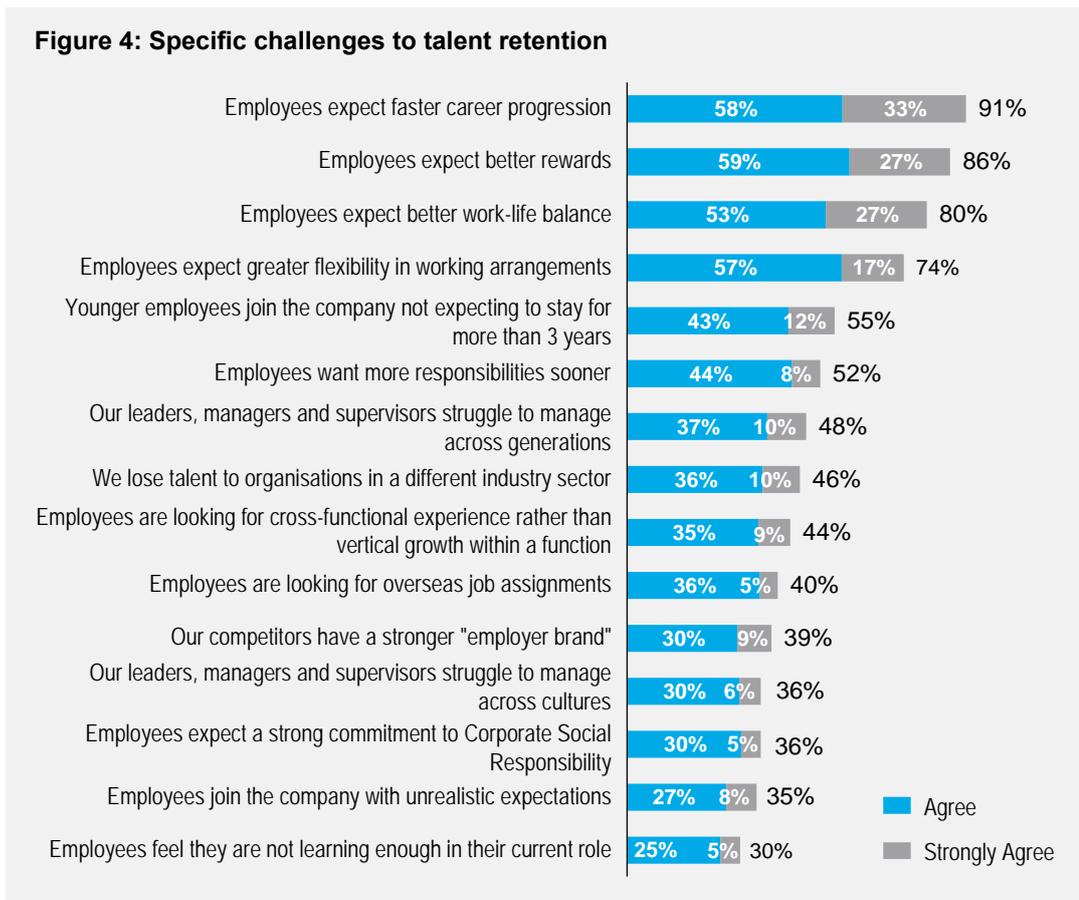


**Digging Deeper: “Life Sciences & Healthcare face fierce competition for talent”**

From an industry perspective, Life Sciences and Healthcare respondents reported key challenges specific to talent attraction. 100% said that they compete for the same talent with other organisations, while 77% felt that rewards are not competitive. In contrast, none of the respondents from the Energy & Resources industry found issue with the latter.

### 2.3 Talent retention: confronting the employee expectations paradox

Most prevalently, retaining talent within an organisation is a real challenge across Asia (83%). This was expressed by respondents in all the countries surveyed.



Respondents agreed that satisfying employee expectations is the main hurdle to retaining talent. Unfortunately, employee expectations are not of one type, but several. To just name the most predominant, expectations concerning career progression are cited to be a challenge by 91% of respondents; better rewards by 86%; and work-life balance by 80%. It appears, therefore, that organisations are expected to provide faster career progression and better rewards, whilst at the same time delivering better work-life balance.

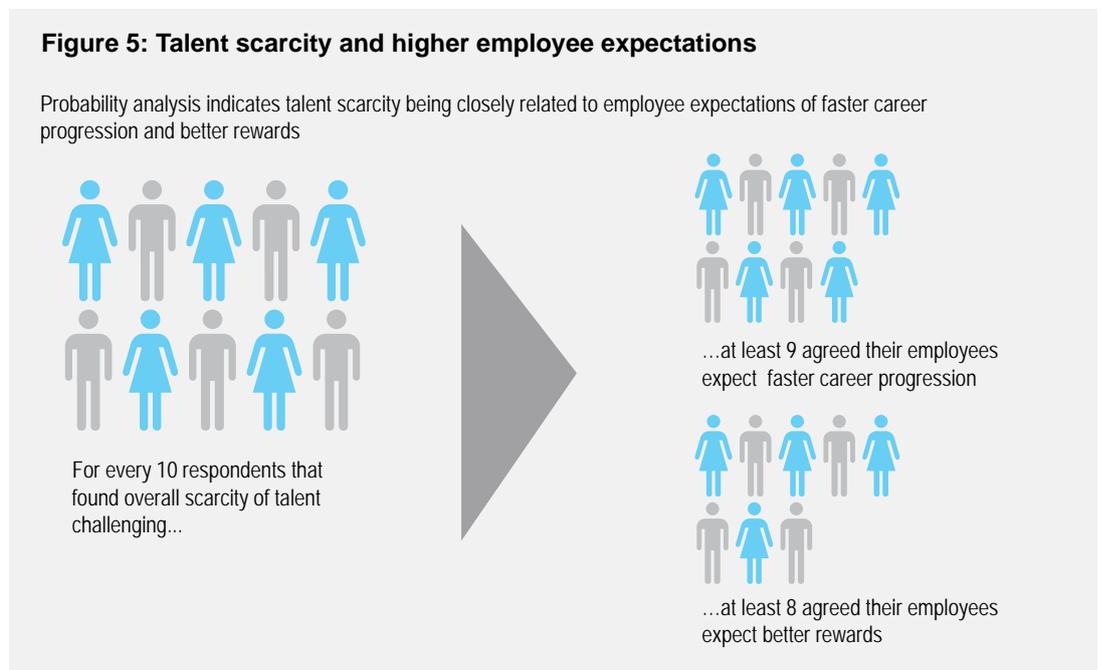


**Digging Deeper: “Public sector employees have more manageable expectations around rewards?”**

Across all industries, fewer respondents from Public Sector (60%) reported challenges due to employee expectation of better rewards. Contrast this with Life Sciences & Healthcare, where all respondents unanimously report this as a challenge.

Such employee expectations present a paradox to organisations. How do organisations promote employees into roles that they may not be ready for, pay them more even as they grapple with cost pressures, and provide work-life balance when intensifying competition and demanding customers require higher performance levels?

Interestingly, organisations appear to have accepted these expectations as the “new normal”: only 35% of respondents felt that employees join with unrealistic expectations. The negotiating power of employees has undoubtedly increased. In an environment of talent scarcity, our research indicates that this employee expectations paradox is experienced across all countries, industries and at both local and multinational corporations.



## 2.4 Talent competencies: non-technical competencies more difficult to find

Our findings so far suggest that there is an overall scarcity of talent, leading to challenges with attraction and retention. Exploring further, what are some competencies that employers are looking for, and deem scarce across Asia?

It appears that the main challenge does not lie with technical competencies. 59% of respondents reported being consistently able to find people with the necessary technical skills for their industry (although 68% struggle to then retain them due to high demand).

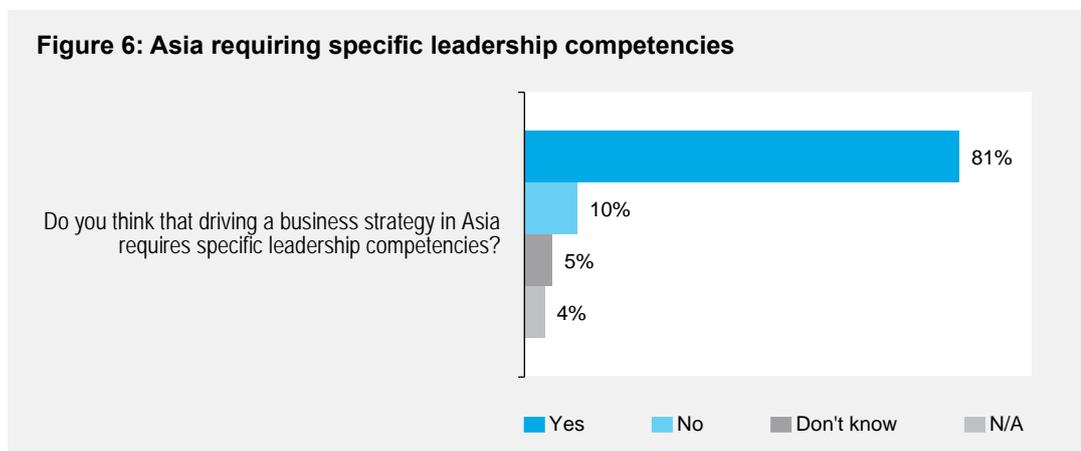
However, when it comes to non-technical competencies, a different picture emerges. Innovativeness, risk-taking and entrepreneurship seem to be harder to find. Only 43% of organisations surveyed reported that their ability to innovate is adequate for their business, and a similar percentage (42%) cited that their employees are willing and able to take calculated risks. A slightly lower proportion of respondents (40%) reported having the right level of entrepreneurial spirit amongst their workforce. Given that these competencies are critical to many organisations' competitive strategy of differentiating via innovation (refer section 1.1), this picture is a cause for concern.

# 3. The picture of leadership

An examination of the talent landscape in Asia will not be complete without a mention of its leadership at the top. In this section, we explore the competencies needed for leading in Asia and the challenges of leadership development in this region.

## 3.1 Leadership competencies: a different breed of leaders needed for Asia but ethnicity is not considered a constraint

Our findings suggest that a different breed of leaders is needed for Asia: 81% believe that driving a business strategy in Asia requires specific leadership competencies.

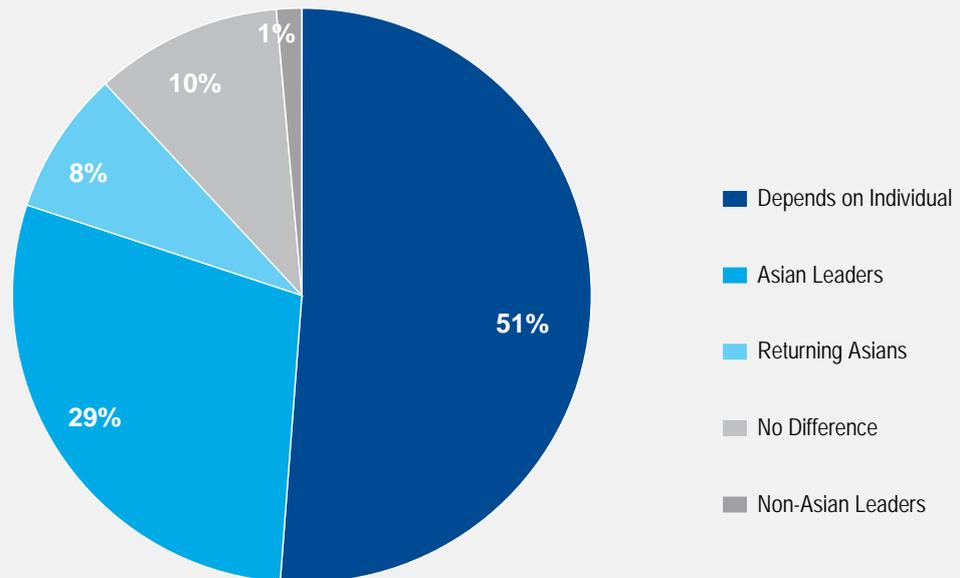


When probed to offer qualitative responses as to what these Asia-specific competencies may be, the two most common cited by respondents are the “ability to manage change” and “cultural sensitivity and adaptability”. Reassuringly, at least for the latter, “cultural sensitivity and adaptability” was also rated amongst the least difficult competencies to find. This should not be entirely surprising, considering the cultural diversity that exists within Asia and the emerging nature of some of its markets, which lends itself towards volatility and uncertainty. Prior studies conducted in this area<sup>2</sup> seem to confirm that the accelerated pace of change in Asia requires leaders to be extremely adaptable.

The popular perception that specific leadership competencies are needed for success in Asia may also raise the question whether the leader’s ethnic background has bearing on his/her leadership effectiveness. Our findings suggest that a majority of survey respondents (61%) felt that this is not the case, with many citing that it really depends on the individual. However, a significant minority (37%) do believe that Asian leaders, including returning Asians, are better suited to drive business growth in Asia.

<sup>2</sup> “Developing Top Leaders for a Globalized Asia”, Human Capital Leadership Institute & Center for Creative Leadership, March 2012

**Figure 7: Leaders for Asia - demographic group best suited to drive business strategies in Asia**

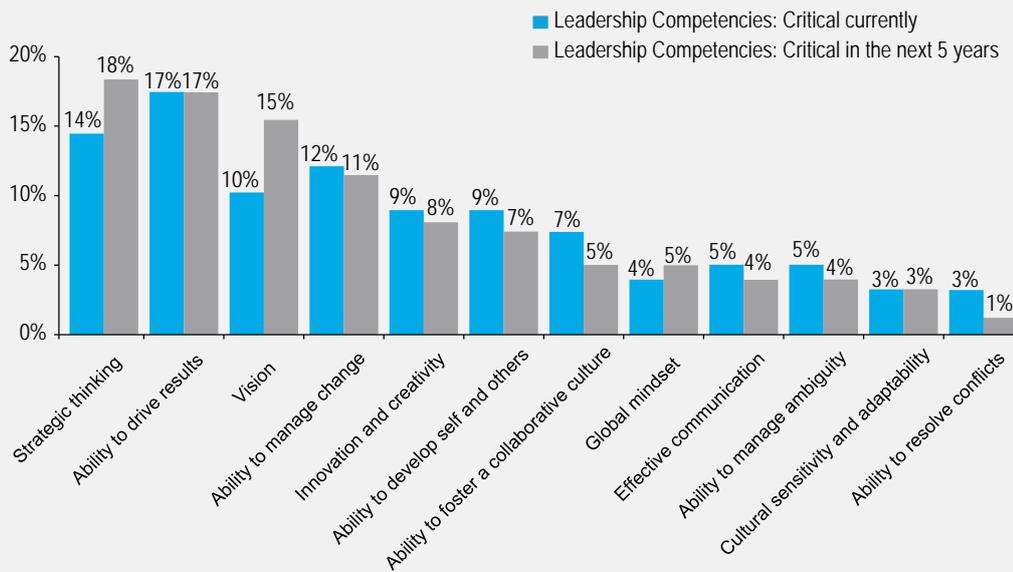


#### **Digging Deeper: “Leadership preference in India and China”**

When compared to the other countries, proportionately more respondents from India (48%) and China (33%) reported that Asian Leaders are better suited to drive business in Asia. Also, very few respondents from these two countries (3% and 10% respectively) favoured returning Asians to drive business in Asia. Taken together, these statistics suggest that in order to succeed in these economies, leaders will need to possess an entrenched web of local relationships, which may not be available immediately to returning Asians.

Asian specificity aside, our findings also suggest that some critical leadership competencies are simply universal. While no single competency was overwhelmingly voted as the most critical, the two competencies most highly rated in the immediate term, relatively speaking, are “driving results” (17%) and “strategic thinking” (14%). “Vision”, as a leadership competency, was mentioned by 10% of respondents in relation to the current horizon, and gains even more importance in the next five years.

**Figure 8: Critical leadership competencies: currently and in the next 5 years**



Tellingly, these competencies are all relevant to the top business priorities identified earlier: driving business growth amidst increased competition and cost pressures (refer section 1.1). It is therefore somewhat concerning to find that “strategic thinking” was most commonly highlighted as a leadership competency that is difficult to find. A greater cause for concern: only about half of our surveyed respondents (51%) felt that their leaders have adequate leadership competencies.

These findings point to the fact that there is a dearth of leadership competencies in organisations across Asia. Unfortunately, sourcing beyond one’s organisation for better leaders does not seem to be the answer: 68% of our respondents felt that the quality of leaders in the market is challenging, and a similar number (67%) also expressed concerns with the market availability of leaders. One alternative is for organisations in Asia to identify and develop their leaders internally. We now turn our attention to the challenges that organisations face in this area.

### 3.2 Leadership development: challenges due to upstream issues of talent retention

Interestingly, the commonly experienced challenges to leadership development are not related to a lack of external support infrastructure (e.g. executive development programmes). Nor are they due to perceptions that returns on leadership development initiatives are low, although the upfront cost of leadership development programmes impedes more organisations.

Instead, the most commonly cited challenges point to the upstream issue of talent retention. 81% of organisations surveyed are challenged to retain talent with leadership potential, while 75% find it difficult to establish a healthy pipeline of potential leaders.

**Figure 9: Challenges to leadership development**



It appears, therefore, that many organisations in Asia are faced with a dilemma: they need to develop leadership capabilities in order to support business strategies, but the fierce competition for talent means that those very same resources that are being developed also have a higher probability of being poached by other organisations.



**Digging Deeper: “Lack of systems and processes impede ability to identify potential leaders”**

From a country perspective, more respondents from China (73%) cited the availability of systems and processes to identify high-potential leaders as challenging, when compared to respondents from Singapore (35%). In addition, the study also found variation between company types. Overall, this issue is proportionately more prevalent amongst local organisations (67%) compared to foreign MNCs (41%).

# 4. Current people practices

The talent landscape and picture of leadership in Asia reflect many challenges, particularly on the recruitment, retention, and leadership development fronts. In this section, we explore what organisations are already doing in response to these issues. What are the more effective practices, and are there strategic enablers worth considering?

## 4.1 Recruitment practices: multiple recruitment channels popular and effective

Across Asia, usage of multiple recruitment channels is a common practice, and deployed quite effectively. Other common recruitment practices include leveraging the employer brand or graduate/entry level recruitment programmes. 80% of organisations that have deployed these practices found them effective.

**Figure 10: Deployment of talent recruitment practices and their effectiveness**



In view of the reported scarcity of talent in Asia, we also explored the extent to which organisations are adopting global sourcing strategies to meet their staffing needs.

**Figure 11: Deployment of global sourcing practices and their effectiveness**



Our findings reveal that international assignments and movement of employees across borders are the most common global sourcing practices, and more than proportionately effective. While cross-border employee movements are expected to continue to play a critical role in the talent strategies of organisations in Asia, it must be highlighted that expatriate packages are likely to become increasingly leaner, due to cost considerations. In addition, international assignments can be costly and complex, especially on account of regional variations around employment laws, local benefits and tax regulations in some markets within Asia<sup>3</sup>. As a case in point, there are numerous restrictions on hiring of expatriate labour in Indonesia, on account of the government’s efforts towards reducing unemployment in the country<sup>4</sup>. These constraints may also explain why organisations do not regularly seek out candidates based in overseas markets, with only 35% of respondent organisations reporting adoption of such a practice.



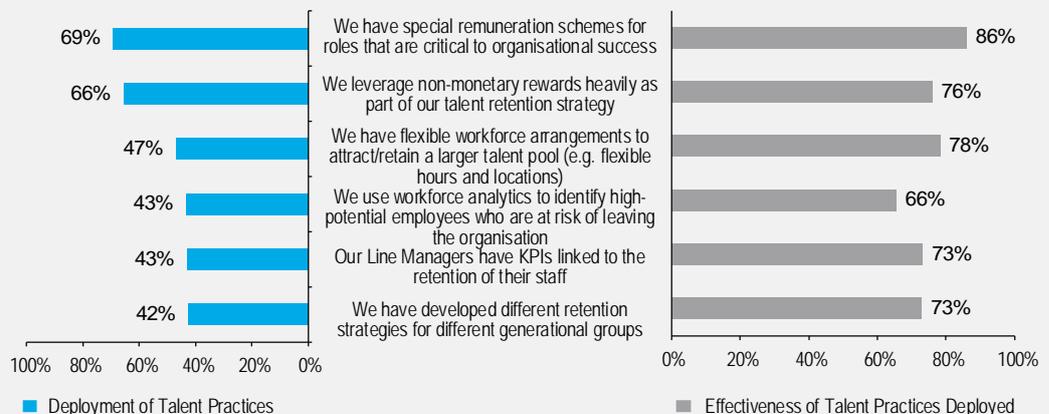
### Digging Deeper: “Global sourcing deployed selectively across Asia”

Very few respondents from Indonesia (27%) reported they look for suitable candidates overseas, and even fewer reported that they do so effectively (25%). By contrast, Singapore seems to have higher adoption and effectiveness scores (36% and 75% respectively) for sourcing of overseas candidates, presumably due to its prominence as a regional (and increasingly global) hub. Meanwhile, China shows high adoption rates (75% on aggregate) for Global Mobility programmes (i.e. International Assignments and movement of employees across borders).

## 4.2 Retention practices: taking steps to meet employee expectations

The retention practices adopted by organisations in Asia reflect an awareness of the multiple employee expectations regarding career progression, rewards, and work-life balance.

**Figure 12: Deployment of talent retention practices and their effectiveness**



<sup>3</sup> “HR & Mobility Challenges of Emerging Markets”, Dec 2011, Mercer

<sup>4</sup> “Into Indonesia”, May 2012, PageUp People Research

Rewards still appear to be the most effective retention tool, but it appears that employers are becoming more discerning as to where they put their money. In fact, 69% of organisations indicate that they have special remuneration schemes for their critical workforce, and 86% of this group rated this practice as effective. Employers are also leveraging non-monetary rewards, with 66% of respondents making use of this practice and 76% of this group rating the approach effective. Presumably, these practices are steps taken to reconcile the employee expectations paradox, where employers have to satisfy expectations of better rewards even as they grapple with rising cost pressures (refer section 2.3).

With reference to the employee expectations paradox, it is assuring to see that 78% of organisations that provide flexible workforce arrangements find this practice effective. By allowing employees flexibility in terms of hours and location, this may just be the strategy needed to reconcile with employees' expectations of work-life balance, and still ensure that work gets done, in a manner that suits the individual's personal circumstances and preferences.



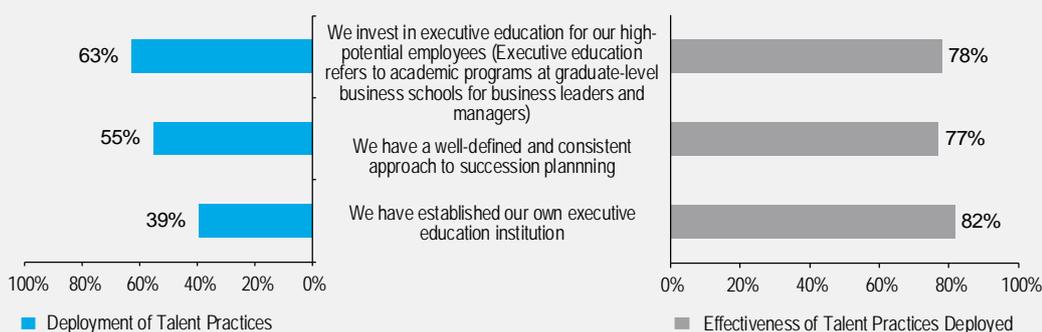
### Digging Deeper: “Accountability for talent retention moving beyond HR?”

While only 43% of the companies reported that their Line Managers have KPIs linked to staff retention, 73% of this group reported this practice to be effective. Depending on whom you ask, different respondents also give different perspectives. On average, 59% of Non-HR respondents found it effective to make staff retention a KPI of line managers. Surprisingly, only 35% of the HR respondents found this strategy effective. Perhaps greater awareness and deployment of this practice needs to be in place before a conclusion can be reached. Our survey findings reflect that the adoption rate is still generally low across all the countries surveyed.

### 4.3 Leadership development practices: in-house executive education institutions less popular due to cost considerations

Aligning with perceptions that leadership development in Asia does not lack external support infrastructure (refer section 3.2), the most common practice deployed by organisations to develop leaders is to send them for executive education. Organisations practising this generally find these executive development programmes effective, as agreed by 78% of them.

**Figure 13: Deployment of leadership development practices and their effectiveness**



However, in line with cost considerations increasingly faced in Asia, providing high-potentials with executive education does not frequently extend to the establishment of an institute in-house. Only 39% of respondents indicated that they have done so, although a high proportion of organisations that did so (82%) found such an initiative to be effective.



#### **Digging Deeper: “Executive education institutions most common with the Business Services industry”**

Our findings reveal that most respondents in the Business Services industry (70%) have established their own executive education institutions. By contrast, less than half of the respondents from other industries have reported doing so.

Recalling that the key challenge of leadership development lies with the upstream issue of talent retention (refer section 3.2), it is worth highlighting our findings on succession planning. They show that just over half (55%) of the respondent organisations have a well-defined and consistent approach towards this. Encouragingly, 77% of this group has found this initiative to be effective.



#### **Digging Deeper: “Deployment of a well-defined and consistent approach to succession planning less prevalent in India and China”**

Fewer respondents from India (48%) and China (53%) reported having a well-defined and consistent approach to succession planning. In comparison, most respondents from Malaysia (74%) and Singapore (61%) reported having a clear and consistent way of managing succession.

### **4.4 Strategic enabler of people practices: technology is key**

Across the aforementioned people practices, respondents in Asia allude to one strategic enabler - technology. Take the example of recruitment. The use of social media is becoming increasingly common as a channel to make visible the talent pool to employers, and for organisations to engage prospective candidates<sup>5</sup>. Technology-enabled engagement also extends to better communication with current employees, as cited by 78% of our respondents.

Next, considering the talent scarcity in Asia, global sourcing may still have to be the solution for many. Yet, cost considerations and regulatory restrictions disincentivise international assignments (refer section 4.1). In this respect, technology offers the benefit of accessing global talent without the costs and complexities of moving physical bodies across borders. Per survey findings, 76% of respondents agree that technology enables people to work in global virtual teams, and 82% of respondents agree that technology also helps leaders manage these geographically dispersed teams.

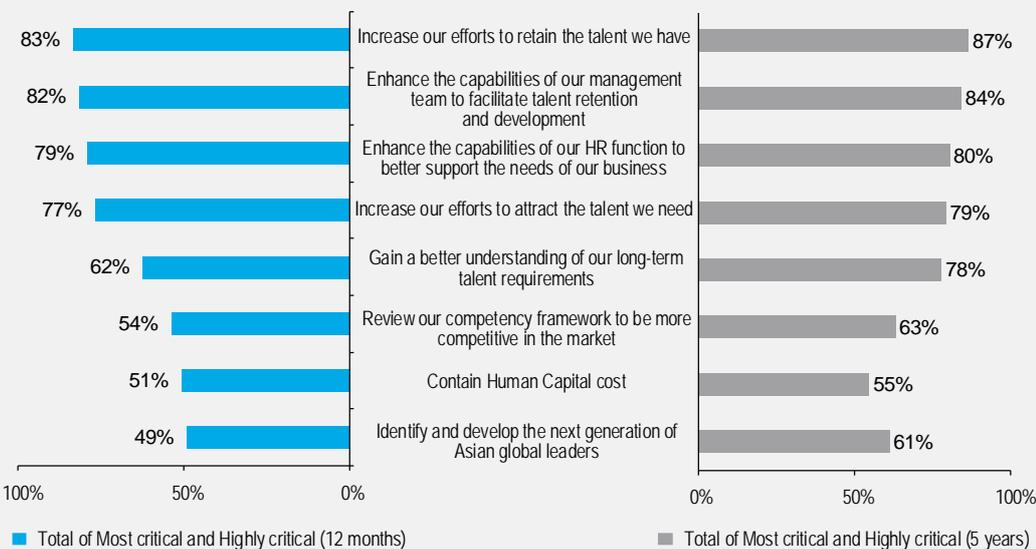
Finally, in aligning with employee expectations of work-life balance, technology can help retain talent. It enables flexible working arrangements, where staff can work from any location. This was cited by 70% of respondents who agree that technology is key to enabling the introduction of such practices in their organisations.

<sup>5</sup> “The impact of Social Media on Recruitment”, Nigel Wright, 2011

# 5. People management priorities

Organisations in Asia are aware of their people challenges. On a positive note, they are responding to them. On a less optimistic note, these challenges span talent attraction, retention, leadership development, and market scarcity in general. With much to be done, and against the rapid pace of business in Asia, how are organisations prioritising their people management initiatives? Are they focusing on the right priorities?

**Figure 14: People management priorities - short-term vs. longer-term**



In response to the acute pain point that is talent retention (refer section 2.3), it is unsurprising that critical priority is given to this area, whether in the short- or longer-term horizon (defined as the next 12 months and five years respectively). This is evidenced by more than 80% of respondents, who agree that their priority focus is on increasing efforts to retain talent, and enhancing management's capability to facilitate this.

Other findings worth noting:

- Priority accorded to talent attraction is not far behind that given to talent retention. Again, this is rightly a reflection of the talent attraction challenges in Asia (refer section 2.2).
- Containing human capital cost was given a priority ranking by fewer respondents in the short- and longer-term. Presumably, the war for talent has shifted the balance of negotiating power to employees, and employers are resigned to meeting expectations of better rewards (refer section 2.3). Hence, while cost pressure in the macro environment is a challenge to overcome, organisations appear resigned to paying for their human capital.

Due to their immediate criticality, organisations cannot be faulted for prioritising the above. However, we must caution that they balance the immediate and urgent with the strategic.

In particular, the development of next-gen Asian global leaders must be stressed. Our findings reveal that 81% of respondents expect their leaders to think with a global mindset. However, a much lower percentage (55%) felt that their leaders are equipped to lead across cultures. It appears that while cultural sensitivity and adaptability may not be the most difficult to find competency across Asia (refer section 3.1), there is still much room for improvement.



### **Digging Deeper: “Identification and development of next-generation Asian global leaders not considered a high priority”**

In particular, less than half of the respondents from Vietnam, Thailand and Indonesia reported identifying and developing the next generation of Asian global leaders as a priority focus area in the short-term. By contrast, more than half of the respondents from other countries surveyed reported this to be a priority focus area in the short-term.

In the longer-term, Vietnam again comes up short. Only a third of its respondents consider this a priority focus area then, in contrast to other countries where more than half of the respondents indicate likewise.

On the HR front, just over half (53%) of the respondents had reported that their HR function is able to think globally and work across borders. Hence, while it is encouraging to see the critical priority accorded to enhancing the capabilities of HR function to better support business needs (cited by about 80% of respondents in both the short- and longer-term), part of this initiative should focus efforts on the HR function improving its own global mindset.



### **Digging Deeper: “Business leaders feel that HR needs to improve its global mindset”**

Only 6% of Senior Business and Functional Leaders reported that their HR function is able to think globally and work across borders, versus a much higher percentage of the Senior HR Leaders (60%) who perceive themselves as being able to do so.

Additionally, this failing seems to be more pervasive among local organisations. 40% reported that their HR function is able to think globally and work across borders, in contrast to 60% of foreign multinationals reporting the same.

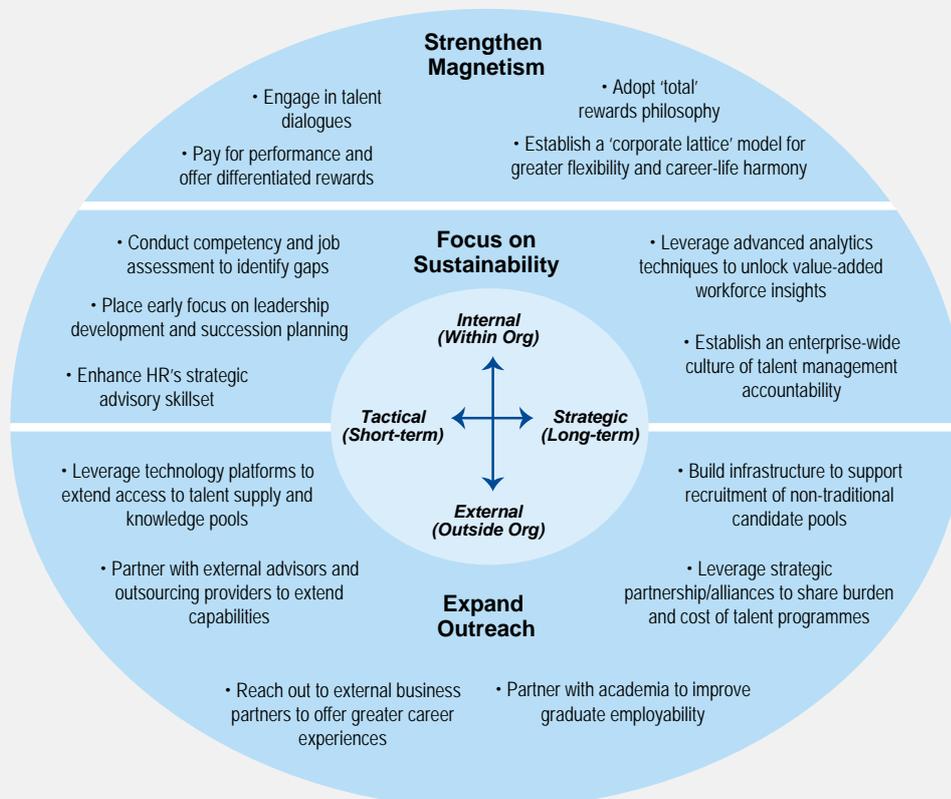
In general, our findings suggest that the more strategic priorities, such as understanding long-term talent requirements, reviewing competencies for competitiveness (refer section 2.4), and developing next-generation Asian global leaders, are more likely to be treated as priorities in the future, whereas more immediate and tactical issues remain the focus for the next 12 months. Such a delineation of priorities risks perpetuating a tactical and reactive approach to human capital issues, thereby keeping the business and HR in “firefighting” mode.

# 6. Key recommendations

From the earlier sections, we can conclude that the Asian story is no longer about easy gains, but about driving business growth amidst competition, costs pressures and operational inefficiencies in an increasingly unstable global economy. On the human capital front, there is a lack of talent supply with key competencies, leading to an intense competition for the same scarce talent. It is also more difficult to win over employees in their pursuit of a better employment experience. Organisations are also too preoccupied with urgent talent retention issues to focus on more strategic talent management priorities such as ensuring a sufficient pipeline of talent and leaders for the future.

This final section proposes some tangible recommendations for organisations to best tackle their talent challenges. Rather than make tradeoffs, it is increasingly clear that in order to add value to the business, it is critical to pursue both strategic and tactical people objectives. The integrated talent ecosystem optimises the “and” factor, by enabling organisations to tap both the internal and external infrastructure to pursue talent management synergies across all ecosystem dimensions. Evolutionary talent management programmes, new technologies, advanced analytics and external partnerships can all be harnessed to achieve greater talent management outcomes.

**Figure 15: The integrated talent ecosystem**



### 6.1 Strengthen magnetism: evolve the employee value proposition to attract talent and make them stay

Across Asia, organisations are intensifying their competition for the same scarce talent. With the balance of power tilted towards employees, employers need to look for a more attractive employee value proposition to strengthen their magnetism in attracting and retaining key talent. This includes looking at evolving their internal programmes to address the increasing expectations paradox, where employees are expecting higher rewards and career advancement opportunities, whilst also expecting greater work-life balance.

Organisations looking to improve their employee value proposition can make a start by actively **engaging employees through talent dialogues** to understand what they value best in terms of total rewards and career progression. In addition to demonstrating care and interest, it enables the organisation to offer a differentiated value proposition rather than a one-size-fits-all approach. Employee satisfaction and retention will also increase since the organisation is willing to offer them what they really want, taking into consideration gender, generational, cultural and life-stage preferences.



In line with evolving talent management programmes to deploy a more targeted approach, organisations can make further smart choices by being more discerning about where they invest their time and money. In every organisation, there is a segment of critical talent who drives a disproportionate share of revenue for the organisation, is often difficult to replace and is highly sought after<sup>6</sup>. In order to attract and retain these key contributors, it would be necessary to ensure that they are appropriately remunerated through **pay-for-performance incentives**, and are rewarded with top percentile market competitive pay and benefits. This means putting in place a fair and accurate performance assessment, which is linked to up-to-date benchmarking data. While it can sometimes make organisations uncomfortable with the idea of a non-egalitarian approach for pay, it is necessary to prioritise budget dollars on the talent who yield the most significant returns for the organisation<sup>6</sup>.

Beyond deploying shorter-term levers such as offering more monetary incentives (which can prove to be unsustainable in the longer-run), organisations are urged to start thinking more holistically about adopting a broader **'total' rewards philosophy**. A 'total' rewards programme delivers more than just tangible, monetised compensation and benefits. It also encompasses intangible elements such as providing a positive corporate culture, pleasant work environment, engaging social structure and meaningful career experience opportunities. Since employees spend much of their day at work, nurturing a sense of belonging and demonstrating care for employees' personal and professional fulfilment can prove to be a powerful attraction and retention incentive.

<sup>6</sup> "The Talent Paradox: Critical Skills, Recession and the Illusion of Plenitude", Deloitte, 2012



On the career front, organisations can pursue a more evolved career management offering by establishing a **'corporate lattice'<sup>7</sup> career model**. Unlike the linear and upward progression of a more traditional 'corporate ladder' model, the lattice model enables employees to continue with their career progression through more flexible career paths and based on personalised timelines. Employees can plan upward, lateral and diagonal career moves, as well as consider pauses or planned descents so that they can address life-stage priorities (e.g. family planning, retirement, etc.). A critical success factor is to ensure that the employees and their managers engage in open dialogue to mutually agree on how to dial-up/dial-down along the four dimensions of a career (i.e. Pace, Workload, Location/Schedule and Role). Hence, employees' career aspirations and current life circumstance can be balanced along with the organisation's business needs, resulting in greater personal and professional fulfilment.

## **6.2 Focus on sustainability: develop required competencies and establish an enterprise-wide culture of talent management accountability**

Furthering the focus on balancing tactical and strategic talent management priorities through optimisation of internal programmes, organisations are urged to take a look into the current and future competencies needed to drive sustainable business growth. Organisations can often get so caught up with driving business growth that they forget to pause and evaluate if their competency frameworks and job descriptions fully reflect how business and work can best be executed in the face of a changing business landscape. Undertaking a robust **competency analysis and job design assessment** can help the organisation quickly and effectively identify the talent, leadership and HR competencies that are missing, so that next steps can be taken to close the gaps.

Based on our survey findings, one notable gap is in the quantity and quality of leaders in the Asian market. This is not surprising, as the development of next generational leaders is often pushed to the back burner in favour of more pressing talent attraction and retention activities. However, as it often takes time to groom and nurture a pipeline of leaders and successors for the future, organisations are advised to **place early focus on leadership development and succession planning efforts**. To gain greater insights on what types of requisite experiences can help better prepare successors for their future leadership roles, organisations can look into assessing the key success profiles of current leaders. However, it is important to bear in mind that the 'inventory' of skills and experiences that have led to success in the past may not be what will lead to success in the future. Hence, it is important to continually revisit leadership competency requirements to ensure it is current and aligned accurately to business needs.

On the HR competency development front, the HR team is encouraged to enhance its **strategic advisory knowledge and skillset** to more effectively advise the business on the people dimension of strategy execution. Updating their capabilities and knowledge in areas such as global business orientation, strategic execution, workforce planning, outsource vendor management and change management will enable HR to partner more effectively with the business to advise them on defining critical competencies and determine "build vs. buy" strategies required to drive short- and long-term business execution. In addition, building competence on **advanced analytics techniques** can help HR establish further

<sup>7</sup> "Mass Career Customisation: Building the Corporate Lattice Organisation", Deloitte, 2008

credibility in providing data-driven, value-added workforce insights to give business leaders a competitive edge. For example, advanced analytics can be used to help predict turnover risks<sup>8</sup>, so organisations can understand which key talent is at risk, why he/she might leave and provide sufficient lead time to proactively determine actions to minimise the attrition.

In addition to focusing on competency development, sustainable talent management will require the establishment of an **enterprise-wide culture of talent management accountability**. The talent agenda cannot remain the sole accountability of HR alone, but must entail the critical involvement and accountability of business as well. Business managers can increase their accountability by dedicating more time and effort to developing their people. Per survey findings, most organisations agree that people management skills are low. To incentivise development in this direction, formalised line manager KPIs can be implemented. Research studies show that companies that excel at talent management tend to achieve better earnings than their peers<sup>9</sup>. In fact, 70% of companies in Hewitt's report on "Top Companies for Leaders" noted that they hold their managers formally accountable for developing talent, expecting that they spend at least 20% of their time focused on talent development activities<sup>10</sup>.



### **6.3 Expand outreach: tap into the broader ecosystem to extend access, capabilities and capacity**

If organisations limit themselves to working only within the means of their own capacity, they may face difficulties in balancing both tactical and strategic talent management priorities due to internal constraints. Hence, organisations are encouraged to look beyond to the existing external talent ecosystem as well, so that new technologies, alternative talent pools and collaborative partnerships can be further leveraged to promote greater synergies for sustainable and successful talent strategy execution.

**Technology platforms** such as LinkedIn, Facebook, Twitter and various communities of practice forums can help organisations expand access to a global candidate supply and facilitate knowledge/ideas exchange. Further, these social media tools can be harnessed to keep in touch with the employee alumni group, especially women, who may have exited the workplace due to family obligations. Keeping them continuously engaged with periodic organisation updates can encourage re-connection once their children become older and the women are ready to re-enter the workforce. In addition to women, organisations can also further **tap into alternative non-traditional talent pools** such as elderly and disabled workers to address the talent supply shortage. However, investments will need to be made to create the appropriate work environment such as building crèche facilities and disability-friendly infrastructure, as well as adjusting workplace policies to suit the needs of such personnel.

<sup>8</sup> "Human Capital Trends 2012: Leap Ahead", Deloitte, 2012

<sup>9</sup> "Talent management - the profit driver your line managers forget", The WITS Business School Journal, August 2012

<sup>10</sup> "Top Companies for Leaders 2007", Aon Hewitt, 2007

Beyond leveraging technology, organisations can extend capabilities and capacity by **partnering with external consulting advisors and outsource providers**. Even as the HR team continues to make strides in equipping themselves with new knowledge, systems and tools, there will still remain resource capacity and capabilities issues that challenge their ability to balance both tactical and strategic priorities effectively. The HR team can supplement resources and accelerate capability development by leveraging external consulting advisors to guide them through more complex talent strategies such as organisation and cultural transformation, cloud-based application implementations, workforce planning and advanced predictive analytics. In addition, outsource vendors can be utilised to free up capacity by supporting the HR team with tactical activities such as payroll administration, benefits policy clarifications and basic HR transactions.

In a world of increasing employee expectations where employees are keen on employers to provide increased career progression and broader cross-functional experiences, some local-based organisations tend to feel disadvantaged. Their larger internationally-based competitors tend to have the organisational structure and economies of scale to offer greater career opportunities and experiences. However, rather than despair regarding their limited internal capacity to provide more exciting cross-functional and cross-border experiences, these local organisations can consider **reaching out to external business partners** such as suppliers, corporate majority shareholders, joint venture partners and non-profit organisations to discuss arrangements for staff exchange and secondment assignments. Policies will of course need to be put in place to govern the success of the knowledge and experience exchange, in order to ensure clarity in responsibilities, accountabilities, learning objectives and mutual benefit for all related parties.

Further opportunities to extend capacity with fewer resources can be achieved through

**leveraging strategic partnership and alliances**. Aggregators such as the Human Capital Leadership Institute (Singapore), serve to connect like-minded corporations. Its Consortium executive development programmes, for instance, bring together five non-competing organisations to learn and network. Sharing fixed costs and leveraging the synergy of peer learning, participating companies will magnify the impact of their leadership development investment. Within industries, businesses can also participate more actively in industry consortiums, work together with the government to pursue joint investments in technology and infrastructure, and discuss workforce policies to ensure the adequate supply of talent to meet business demands. Finally, proactive **partnership with educational institutions** to co-shape learning curriculums and provide internship opportunities can help improve graduate employability to enhance the quality of talent supply for the future.

## 6.4 Conclusion

The landscape in Asia has its challenges - increased competition, costs and operational inefficiencies among them. To fuel their Asian growth engine, we believe organisations should strive to integrate the tactical and strategic talent priorities. There are many different practices that organisations can undertake to achieve this. Moving forward with an optimal talent strategy will require making an informed decision from a basis of self-knowledge. There are multiple levers and synergies available across the talent ecosystem, so it is important to identify and prioritise solutions based on your organisation's specific needs, capabilities and capacity. The best path forward would be to invest in the few key talent practices that are likely to make the greatest contribution to the current and future strategic priorities of the organisation.



# Country Insights: China

## 1. Business in China: competition remains high even as growth cools

China is the one of the world's fastest growing major economies with a population of 1.3 billion<sup>11</sup>. Amid the recent signs of economic slowdown, even as China's growth cools, the country remains one of the most competitive markets for attracting and retaining employees in the world<sup>12</sup>. Companies are continuing to expand their workforce and wages are up. Going forward, China faces challenges in sustaining its rapid growth to date, as its old model of export-led growth may not be sustainable. Further, higher input costs in property and infrastructure development, as well as labour issues result in a higher cost of doing business in China.

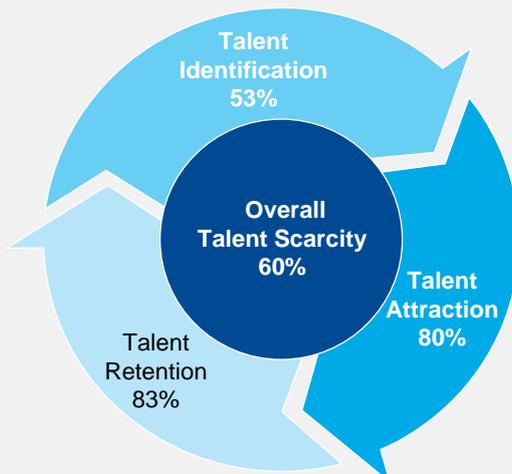
Against such a context, our study of organisations in China shows that the three most challenging business priorities are:

- Driving business growth (97%)
- Dealing with increased competition (87%)
- Dealing with cost pressures (80%)

In particular, respondents highlighted that competitive pressures pose some downstream effects, such as increased focus on quality and value-add, increased focus on enhancement of the employer brand and upward pressure on wages (noted by 87% of respondents for each).

## 2. The talent landscape: intense competition for top talent leads to talent attraction and retention woes

Figure 1: Talent Landscape



Rising competition and cost pressures have led to challenges on the talent management front as well. Across the talent cycle, of the three stages, talent retention appears to pose challenges for the greatest majority of the responding organisations (83%). This is followed by talent attraction (80%), whilst talent identification appears to present a challenge for just over half of respondent organisations (53%).

<sup>11</sup> "China Demographics Profile 2012", Index Mundi, 2012

<sup>12</sup> "China's HR Talent War Heats Up", Wharton, University of Pennsylvania, 2012

### 3. The picture of leadership: a weak leadership pipeline compounded by retention woes

The leadership pipeline in China appears weak due to the inadequate quality and availability of leaders (noted by 90% and 80% of respondents respectively). This is further compounded by challenges to retain talent with leadership potential (93%), as well as a lack of available systems and processes to identify high-potential individuals (73%).

The most critical leadership competency valued by respondents currently and in the next 5 years is “strategic thinking”. Other top key competencies rated by respondents include “innovation and creativity”, “ability to manage change”, “ability to drive results” and “ability to foster a collaborative culture”. Of the set of leadership competencies, respondents indicated that, “strategic thinking” is the most difficult to find, followed by “innovation and creativity”, “ability to manage change” and “ability to develop self and others”. Hence, it is important for organisations to focus more efforts on developing and retaining leaders with competencies critical for the present and future, especially since the lack of a healthy leadership pipeline was noted as a challenge by 87% of the survey respondents.

### 4. Current people practices: diversified recruitment channels and branding deployed to address talent and leadership challenges

In response to these challenges, respondent organisations in China are adopting various approaches. The most popular and effective practices deployed include:

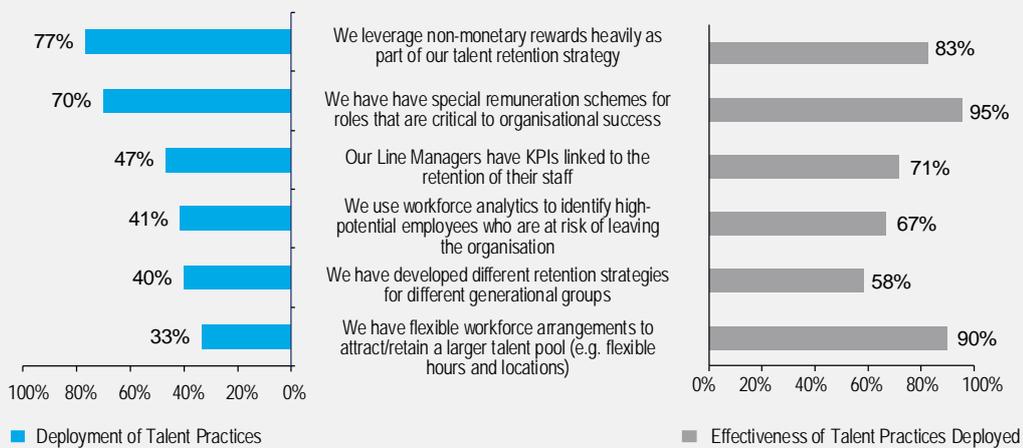
- Diversifying recruitment channels to reach out to more suitable candidates
- Leveraging employer brand heavily as part of the recruitment strategy
- Moving employees across borders to meet business/staffing needs
- Leveraging non-monetary rewards heavily as part of talent strategy
- Investing in graduate/entry level recruitment programmes to build a talent pipeline
- Having special remuneration schemes for roles critical to organisational success

While the adoption rate for flexible workforce arrangements, succession planning and establishing an executive education institution are relatively lower, it is worth noting that respondents reported high effectiveness rates of greater than 90%.



Note: The following set of graphs reflects the survey responses regarding deployment and effectiveness of the talent practices. The blue bars on the left represent the percentage of organisations that “agreed” or “strongly agreed” to deployment of the talent strategy. The percentage of this group that reported the practice to be “extremely effective” or “effective” is reflected on the right.

**Figure 2: Talent retention practices**



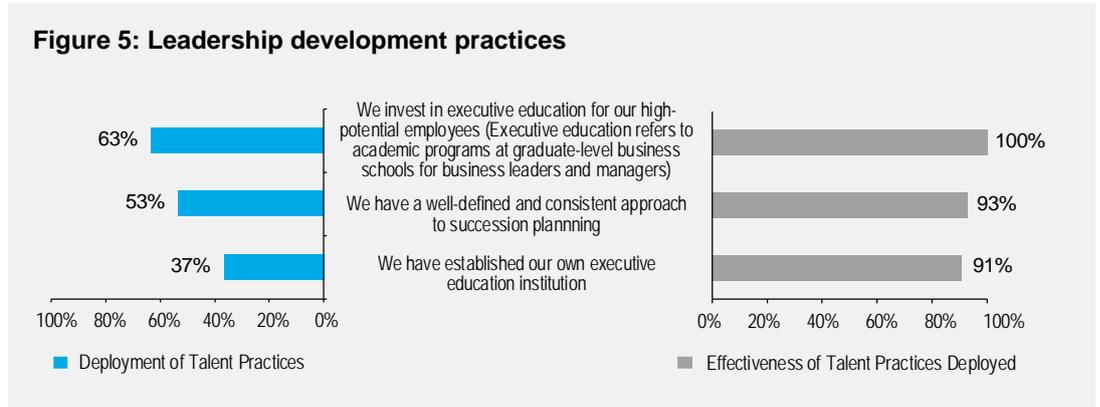
**Figure 3: Talent recruitment practices**



**Figure 4: Global sourcing practices**



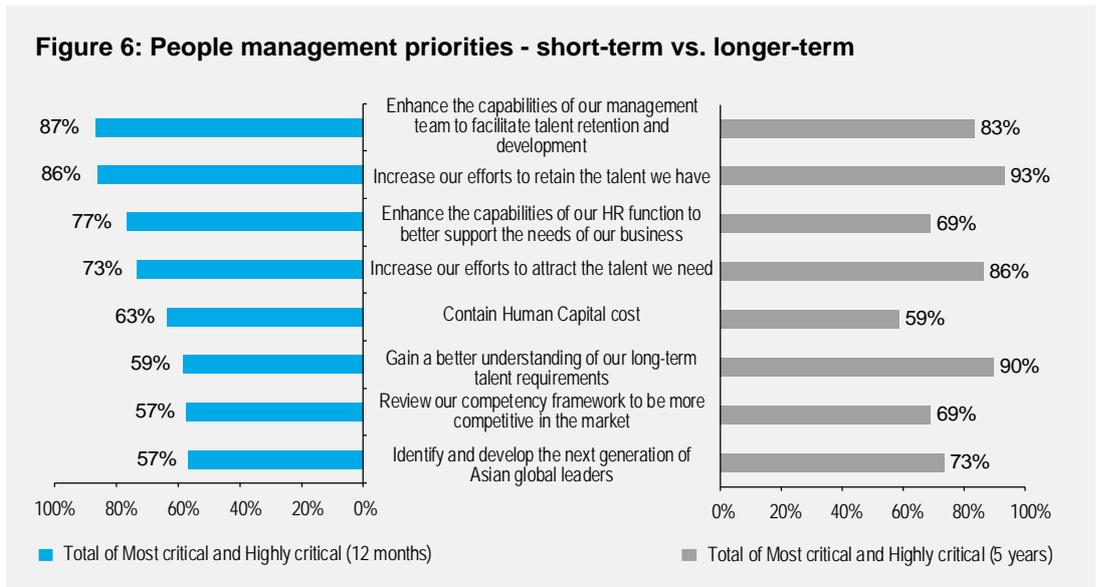
**Figure 5: Leadership development practices**



## 5. People management priorities: simultaneous emphasis indicated on short-term tactical priorities as well as longer-term strategic initiatives

The survey findings suggest that the majority of respondents are concurrently focused on both immediate tactical priorities (e.g. increasing efforts to retain and attract current talent), as well as on future-oriented strategies (e.g. enhancing management and HR capabilities to enhance talent management). However, further strategic focus such as gaining a better understanding of long-term talent requirements and developing next generation leaders are afforded relatively lower focus in the short-term, but do tend to be emphasised much greater in the longer-term.

**Figure 6: People management priorities - short-term vs. longer-term**



## 6. Key recommendations: focus on emerging leaders, people managers and non-monetary incentives

Organisations in China face many business challenges such as pressures to drive business growth, address increasing competition and manage costs. On the talent landscape front, the leadership pipeline is weak, and talent retention and attraction challenges prevail as well. Some practical suggestions to address these challenges are as below:

### **Identify emerging leaders early through programmes and tools**

Survey findings highlight the lack of available systems and processes to identify high-potential leaders. In order to ensure critical roles are secured and have a slate of ready successors for the future, organisations should look into implementing a formal succession management programme. The programme helps to formalise the process for early identification of leaders, takes a rigorous approach to addressing competency and experience gaps, and follows through with initiatives that ensure a smoother leadership transition (e.g. mentoring by senior leaders to guide young leaders in transitioning from middle to top management<sup>13</sup>). Advanced analytics tools can also be used to predict potential for leadership success and identify emerging high-potentials with strong leadership attributes early on. Further, data analytic enables the assessment of real-world effectiveness and return on investment of leadership development programmes by mapping them against actual career progression<sup>14</sup>.

### **Develop a healthy pipeline of people managers**

China's rapid growth has led to the quick promotion of managers, who often times lack the business experience and maturity to be good people managers<sup>15</sup>. This is resonant per survey findings, where only one out of every five respondents agreed that their managerial or supervisor staff have adequate "people management" skills. Thus, organisations are advised to invest in talent management programmes (e.g. new manager training, manager discussion boards, line manager KPIs linked to talent management, etc.) that can help reinforce people management capabilities. As the age-old adage denotes, "people don't leave the company, they leave their managers". Hence, enhancing managerial capabilities will also help to mitigate the broader retention challenge. The speed of China's economic growth does not tend to allow sufficient time for young managers to build the appropriate experience and tenure in role. Accelerated learning programmes can be put in place to more quickly build the requisite competencies and experience required for current and future business success.

### **Bidding war is unsustainable - go beyond wages to retain talent**

In light of rising inflation, tough competition and increasing employee expectations, organisations may have little choice but to stay in the bidding war to keep up with market wages. However, this strategy is not sustainable. Sustainability would require targeting special remuneration schemes for critical workforce, so that investments are prioritised on the workforce segment that contributes the highest returns to the business. Further, in line with survey findings reflecting the high effectiveness of non-monetary rewards, organisations can achieve greater employee satisfaction through improving work-life balance and providing greater career progression opportunities. Leveraging technology tools to provide greater flexibility on where, how and when work gets done can further help with talent attraction and retention challenges, especially since China's workforce is valuing work-life fit and flexibility more these days<sup>16</sup>.

<sup>13</sup> "Time to develop Chinese managers", Korn/Ferry Leadership and Talent Consulting, October 2010

<sup>14</sup> "Human Capital Trends 2012: Leap Ahead", Deloitte, 2012

<sup>15</sup> "Business Leaders' Top Talent Challenges", Mercer, 2012

<sup>16</sup> "Expanding Work-Life Perspectives: Talent Management in China", Catalyst, 2012



# Country Insights: India

## 1. Business in India: Declining growth, unfulfilled potential and rising competition

In 2010, India was the world's fourth largest economy and touted to be the world's No.1 by 2050<sup>17</sup>. However, in spite of its globally competitive services sector and availability of a large, young, English-speaking population, 2012 presented a picture of declining growth and unfulfilled potential. India's saving grace has been its high savings rate, rapidly growing population, burgeoning middle class and recent policy announcements by the government lifting restrictions on foreign investment.

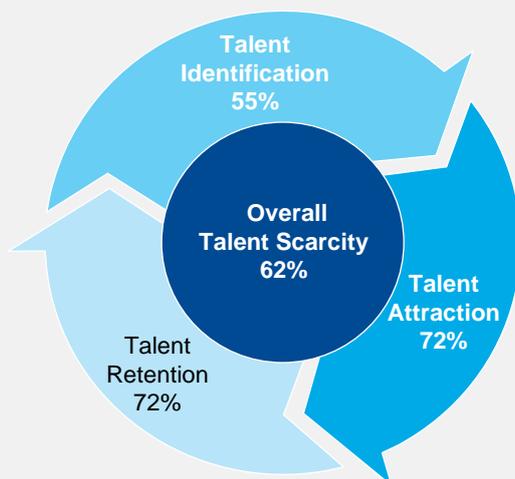
Against such a context, our study of organisations in India shows that the top three most challenging business priorities are:

- Driving business growth (93%)
- Dealing with increased competition (79%)
- Dealing with cost pressures (76%)

Further, in response to competitive pressures, respondents revealed that their organisations are turning to "innovation" (93%) and "focusing resources on quality and value-add" (79%).

## 2. The talent landscape: rising competition leads to talent attraction and retention challenges

Figure 1: Talent Landscape



Competitive pressures have led to challenges in the talent management front as well. A look at India's talent cycle shows that challenges are experienced the most at the talent attraction and retention stages for most of the responding organisations (72%).

<sup>17</sup> "The Wealth Report 2012", Knight Frank and Citi Private Bank, 2012

### 3. The picture of leadership: leadership pipeline is weak

The leadership pipeline in some organisations in India appears weak, where 69% of survey respondents indicated having challenges with the availability of a healthy leadership pipeline. This reflects challenges with a lack of systems and processes to identify high-potential leaders, as well as inability of current leaders to develop people (59% for both respectively). Almost half of the respondents acknowledged that they struggle with the insufficient availability of leaders and lack of quality leaders in the market.

The most critical leadership competency valued by respondents currently is “ability to drive results”. Other top key competencies rated by respondents include “vision”, “ability to develop self and others”, and “ability to manage change”. Also, “vision”, “strategic thinking” and “ability to manage change” showed a marked rise in importance for the next five years. The ability to drive results (along with strategic thinking) is also rated as the most difficult to find by a majority of respondents. Hence, it is important for organisations to find effective strategies to develop and retain leaders with such key competencies, especially since 79% of survey respondents acknowledged that retaining individuals with leadership potential is a challenge.

### 4. Current people practices: employer branding and diversified recruitment channels deployed to address talent and leadership challenges

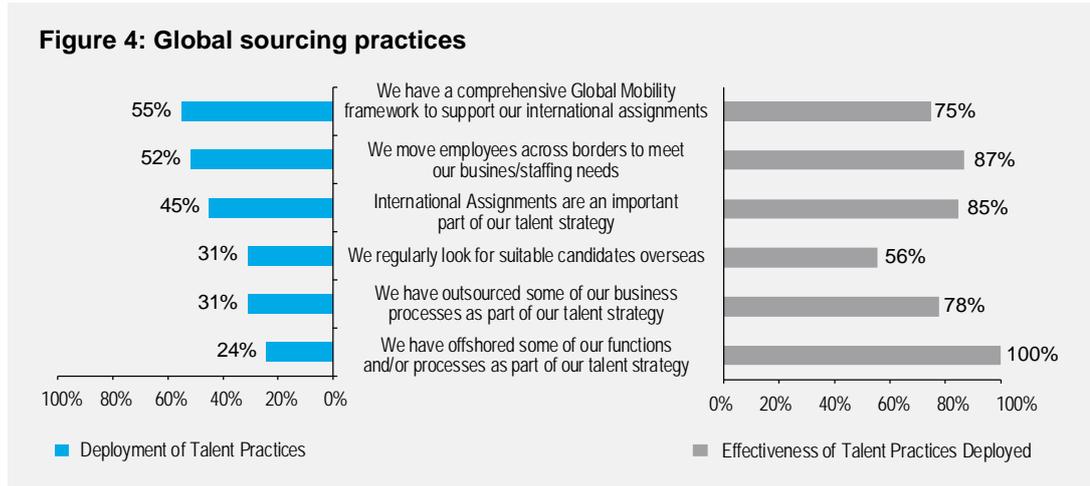
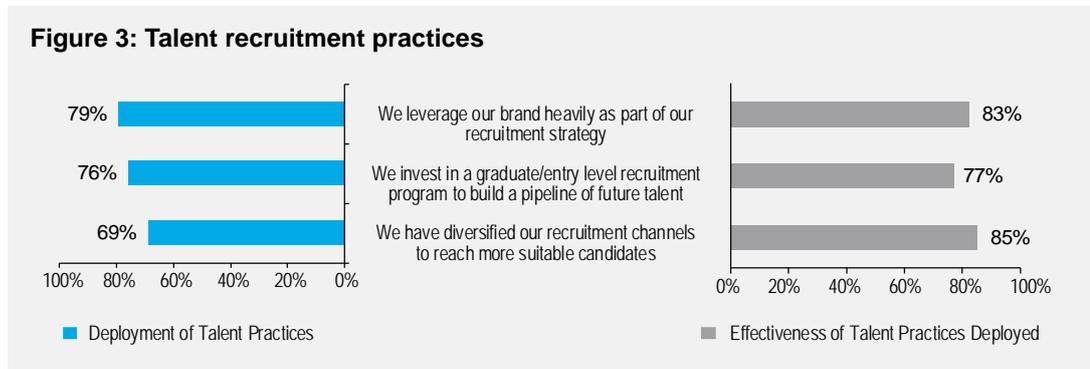
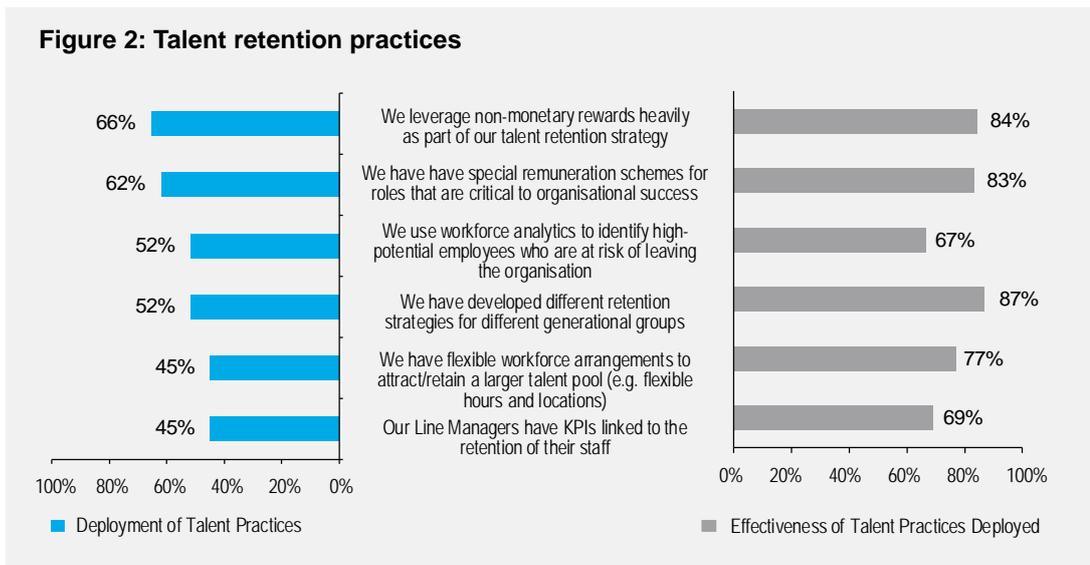
In the face of these challenges, respondent organisations in India are deploying various talent strategies. The most popular and effective talent strategies deployed are:

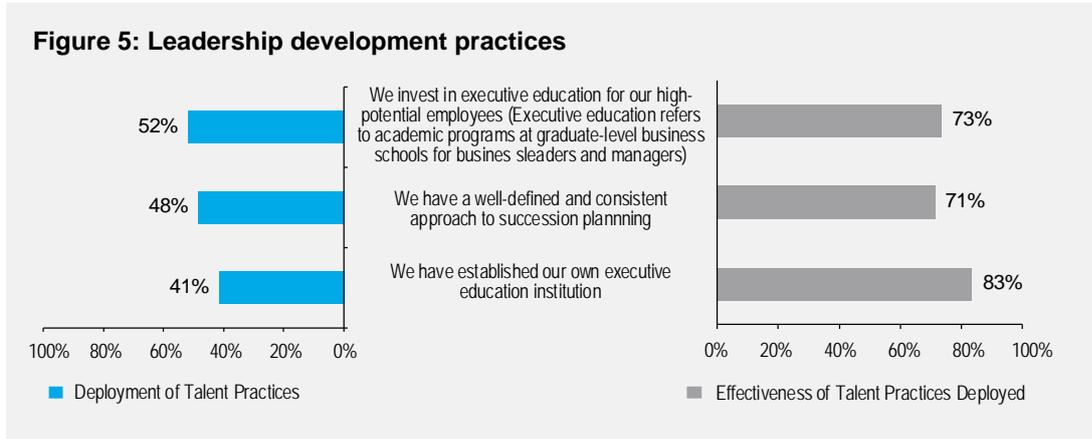
- Leveraging employer brand heavily as a part of recruitment strategy
- Investing in graduate/entry level recruitment program to build a pipeline of future talent
- Diversifying recruitment channels to reach more suitable candidates
- Leveraging non-monetary rewards heavily as a part of talent retention strategy

While the adoption rates for offshoring and outsourcing were relatively lower, it is worth noting that respondents reported high effectiveness rates. Also, about half of the surveyed organisations invest in executive education for high-potential employees, and have a well-defined approach to succession planning. Of this group, approximately 70% assessed these practices as effective.



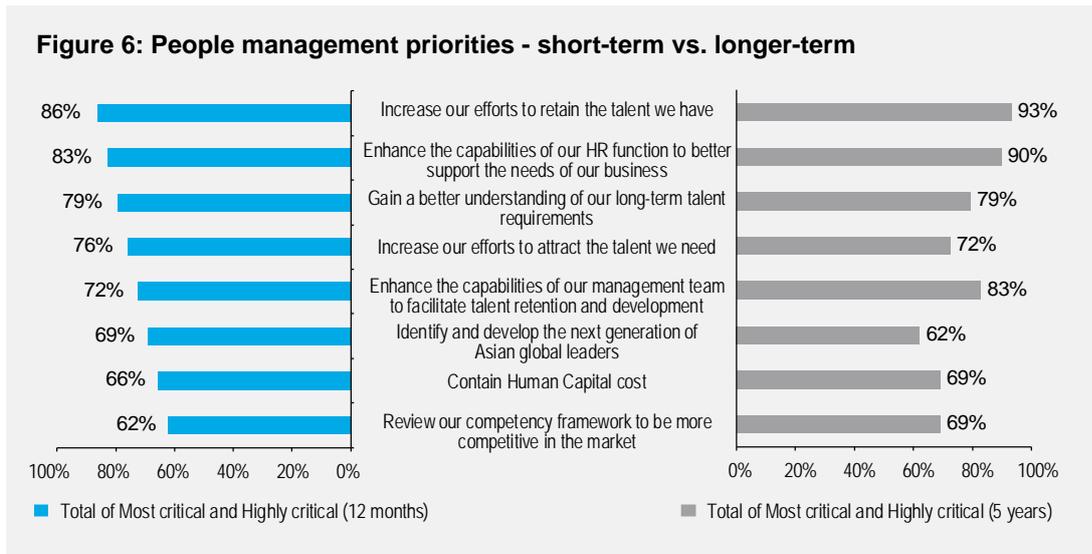
Note: The following set of graphs reflects the survey responses regarding deployment and effectiveness of the talent practices. The blue bars on the left represent the percentage of organisations that “agreed” or “strongly agreed” to deployment of the talent strategy. The percentage of this group that reported the practice to be “extremely effective” or “effective” is reflected on the right.





**5. People management priorities: short-term tactical priorities go hand in hand with longer-term strategic initiatives**

The survey findings suggest that most of the talent efforts are focused not just on immediate, tactical priorities, but also on future-oriented strategies. The majority of respondents indicated that their organisation’s priorities in the short- and longer-term are concentrated on “retaining talent” and “enhancement of HR capabilities to support the needs of the business”. However, forward-looking strategies such as “gaining a better understanding of future talent requirements” and “identifying/developing the next generation of Asian global leaders” were also rated as critical priority focus areas by a majority of respondents, both in the short- and longer-term (i.e. within the next twelve months and next five years respectively).



## 6. Key recommendations: focus on retention strategy, leadership pipeline and leadership development

The key business and people challenges in India are driving growth amidst slowing conditions and increased competition, retaining talent, and developing the leadership pipeline. Some practical suggestions to address these challenges are as below:

### *Fix talent retention, focus on gender as well as generational strategies*

Retention strategy in India should cater to both gender and generational aspirations. According to a recent study which surveyed six Asian nations<sup>18</sup>, India has the lowest participation rates for women in the workforce. Hence, flexible work arrangements, part-time work options and even the provision of crèches in the workplace can help encourage women to stay on in the workforce, alleviating the talent retention and scarcity issue at the same time. Further, given the prevalence of Gen Y on the workforce, companies should invest in Gen Y-oriented human capital strategies. For instance, while life-long employment might have appealed to the older generation who valued security, today's workers seem to value flexibility, new experiences (whether industry, company or market), and a faster pace of progression and responsibilities.

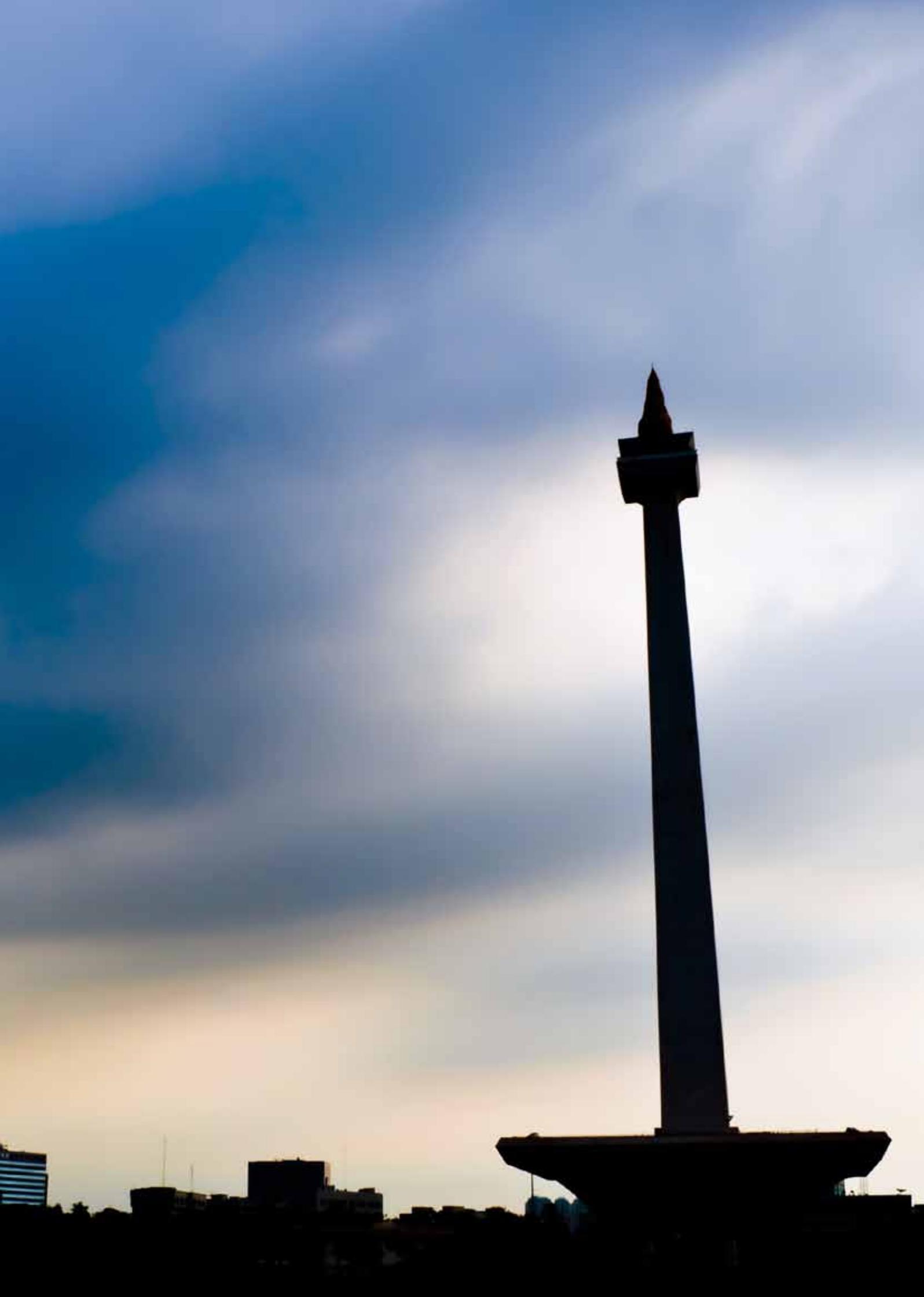
### *Build the leadership pipeline*

Organisations in India should start focusing on building the next-gen leadership, especially given that 7 out of 10 respondent organisations have a challenge with having a healthy pipeline of potential leaders. However, building the leadership pipeline cannot remain as a strategy discussion on paper. It must also be realised with tangible processes and systems that can support the execution of the strategy, such as investing in executive education for high-potentials and succession planning. Succession planning can not only help the organisation identify the future leaders of the company, it also encourages talent retention by helping employees make sense of potential career paths with their employer and where they fit.

### *Lower the cost hurdle of leadership development*

Given the macro business environment of slowing growth, increased (foreign) competition, and rising costs in India, it is perhaps understandable that the majority of respondents find the costs of leadership development programmes high. An alternative option can be to collaborate with peers to co-invest and co-learn. Potentially, companies can also join hands with industry associations to create training consortiums that can help to up-skill workers. This reduces the cost burden faced by the lone organisation in having to fund and develop its own suite of executive development programmes or corporate university.

<sup>18</sup> "Gender Diversity Benchmark for Asia 2011", Community Business, 2011



# Country Insights: Indonesia

## 1. Business in Indonesia: an emerging giant with huge untapped potential

Indonesia holds the distinction of being Southeast Asia's largest economy, with the potential to become one of the world's biggest economies. Unfazed by the sluggish growth being experienced by some of the world's major economies, Indonesia has been resiliently growing at a fast pace, although pervasive poverty, income inequality, rampant corruption and excessive bureaucracy are some of the ills that are hindering its progress.

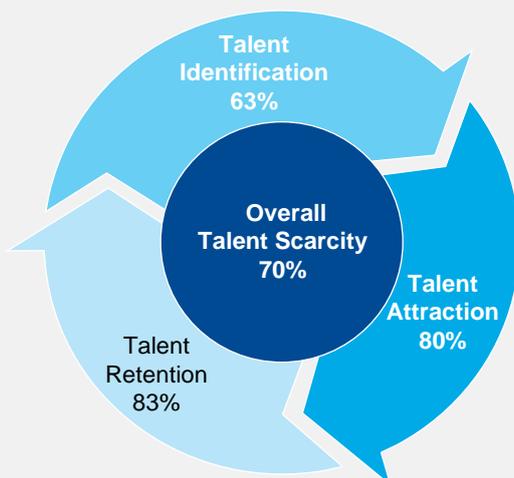
Against this macroeconomic landscape, survey respondents cited that the top three most challenging business priorities are:

- Dealing with increased competition (90%)
- Driving business growth (87%)
- Achieving better operational efficiency (87%)

Further, in response to competitive pressures, respondents revealed that their organisations are focusing on quality and value-add (90%), enhancing the employer brand (87%) and promoting innovation for product/service differentiation (87%), even while it is putting upward pressure on wages (87%).

## 2. The talent landscape: intense competition for scarce talent challenges business growth

Figure 1: Talent Landscape



Indonesia's rapid pace of growth and resulting competitive pressures have led to challenges on the talent management front as well. A look at Indonesia's talent cycle shows that talent retention poses a critical problem for a large majority of respondent organisations (83%). Four out of five organisations reported that they face a challenge with talent attraction and 63% face a problem with talent identification.

### 3. The picture of leadership: lack of leadership development strategies and programmes result in weak pipeline

Indonesia faces the insufficient availability and low quality of leaders in the market. Survey respondents indicated that they struggle with the insufficient availability of leaders (63%) and lack of quality leaders (50%).

The most critical leadership competencies valued by respondents currently and in the next 5 years are “ability to drive results”, “vision”, “ability to manage change” and “strategic thinking”. These competencies were also rated as the most difficult to find by a majority of respondents, along with “ability to develop self & others”. Hence, it is important for organisations to find effective strategies to develop and retain leaders with such key competencies, while at the same time strengthening the leadership pipeline by developing future leaders. However, the lack of leadership development practices, strategies and processes (reported by 60% of respondents) must first be addressed in order to effectively build a healthy pipeline of future leaders.

### 4. Current people practices: high recruitment focus to tackle talent attraction challenges

In response to these challenges, respondent organisations in Indonesia are adopting various approaches. The most popular and effective practices deployed include:

- Leveraging multiple recruitment channels
- Providing special remuneration schemes for critical workforce
- Investing in graduate/entry-level programmes for greater outreach to the pool of suitable candidates
- Leveraging employer brand heavily as part of the recruitment strategy

While the adoption rate for workforce analytics, flexible workforce arrangements, generational strategies, cross border movement of employees, establishment of executive education institutions and succession planning were relatively lower, it is worth noting that respondents reported high effectiveness rates.



Note: The following set of graphs reflects the survey responses regarding deployment and effectiveness of the talent practices. The blue bars on the left represent the percentage of organisations that “agreed” or “strongly agreed” to deployment of the talent strategy. The percentage of this group that reported the practice to be “extremely effective” or “effective” is reflected on the right.

**Figure 2: Talent retention practices**



**Figure 3: Talent recruitment practices**



**Figure 4: Global sourcing practices**



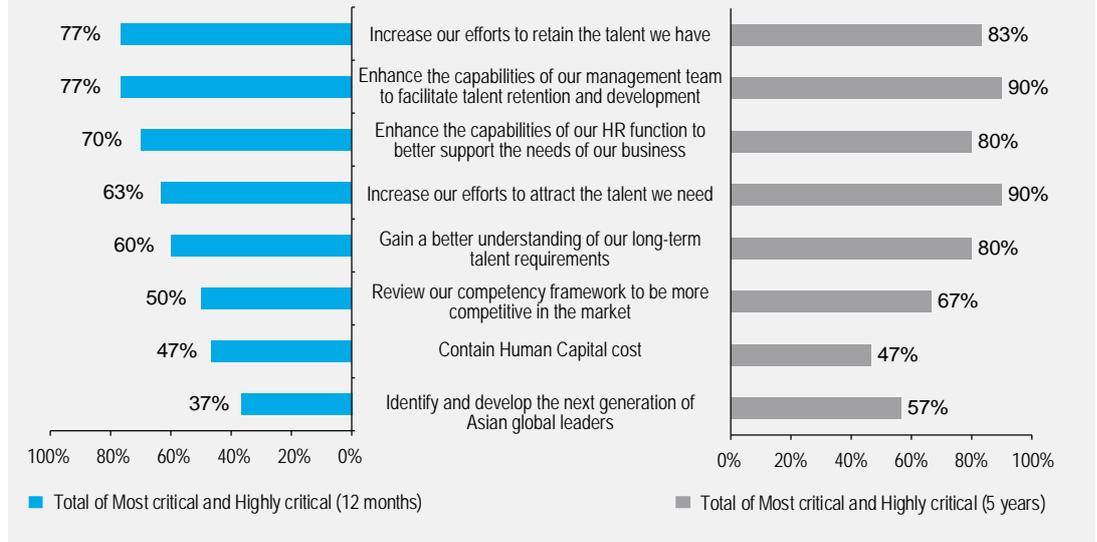
**Figure 5: Leadership development practices**



## 5. People management priorities: retention efforts occupy top priority, while leadership development relegated to the back burner

Survey findings suggest that most respondents are adopting priorities that appear to be aligned with their current pressing challenges of talent attraction and retention. In addition, most respondents seem to recognise an increasing importance to establish co-accountability of business and HR to better optimise talent management effectiveness, reflecting increasingly high priority focus to enhance both management and HR capabilities in talent management. However, one key strategic talent management area seems to take the backseat in both the short- and longer-term – relatively fewer respondents noted that identifying and developing the next generation of leaders to be a priority.

**Figure 6: People management priorities - short-term vs. longer-term**



## 6. Key recommendations: enhance processes and systems, localise programmes and nurture leadership capabilities

Organisations in Indonesia face many business and people challenges such as increased competition, challenges in attracting, retaining and developing talent, as well as competency gaps. Some practical suggestions to address these challenges are as below:

### *Implement more robust talent management processes and systems*

Our survey findings unearthed several areas of improvement with regard to implementation of more robust HR systems and processes in Indonesia: more than half reported inadequacies in their talent identification and development processes/systems while a third felt the recruitment systems and processes are inadequate for their needs. Thus organisations in Indonesia stand to reap easy gains by enhancing current talent management processes and systems. Leading organisations are able to achieve greater success with talent attraction and retention by leveraging programmes such as utilising workforce analytics to identify high-potentials at the risk of leaving, adopting succession management programmes to formally identify and develop the leadership pipeline, and leveraging internal and external executive education programmes to close leadership competency gaps. However, organisations must first understand their existing HR capability along the HR maturity continuum, and implement the basics first, before deploying more advanced talent practices (e.g. succession planning and workforce analytics).

### *Deploy best practices but customise locally, bearing in mind cultural preferences*

It must be cautioned that adopting best practices blindly and in haste will not be effective. It is important for organisations to understand their employees' expectations and motivations. For instance, while a knee-jerk reaction to talent retention may be to offer better rewards, key reasons for talent attrition may be employee expectations of better work-life balance. Understanding employees' mindset is key to designing and implementing practices that work.

Moreover, Indonesia's pluralistic and multicultural society<sup>19</sup> brings with it its own set of unique challenges, particularly for foreign MNCs entering the market. For instance, recent studies suggest that Indonesians view work as but one aspect of their life and are much less task-focused than their Chinese counterparts<sup>20</sup>. This study corroborates our own research findings, which indicate that there appears to be a differential in employee expectations of work-life balance versus flexible work arrangements. Hence, organisations should bear in mind Indonesia's cultural values and behaviours, to avoid implementing "western-centric" programmes that may not appeal to local talent needs.

### *Nurture leadership capabilities*

It must be recognised that the best talent practices will be ineffective unless there is a human element to support them. Especially in the Indonesian culture which emphasises deference to authority<sup>21</sup> and relationship building, reinforcing a nurturing aspect such as mentoring and coaching could serve as a more effective way to develop high-potentials and emerging leaders, rather than relying on executive education alone. In addition to ensuring more proactive engagement and commitment from senior leaders to take a more hands-on role in people development, it can also help achieve greater retention through more personalised development.

<sup>19</sup> "Advances in Global Leadership", Volume 7, Emerald, 2012

<sup>20</sup> "Asian Expats in Asia: Neighbours and Strangers", HQ Asia, Issue 01/2011

<sup>21</sup> "Asian Expats in Asia: Neighbours and Strangers", HQ Asia, Issue 01/2011



# Country Insights: Malaysia

## 1. Business in Malaysia: soaring aspirations tempered by resource and infrastructural constraints

Malaysia has made tremendous strides in the past few decades, moving from a factor-driven to an efficiency-driven economy, with private consumption and investment spending being the main drivers of economic activity. The country has ambitious plans to move from its current status as an upper-middle income country to that of a high income nation by 2020. However, to move to a higher rung in the economic order, it needs to close some gaps in workforce competency, infrastructural development, and technological adoption.

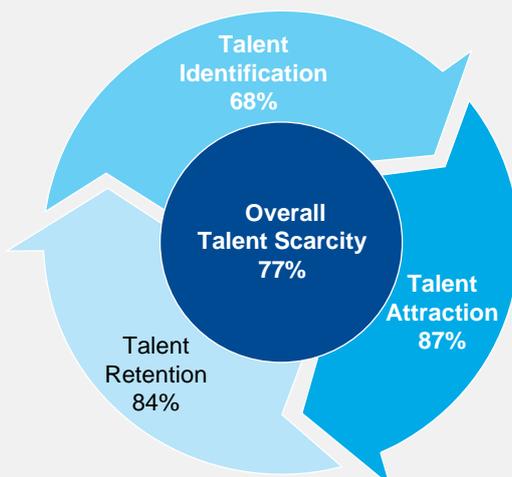
In the face of these economic pressures, survey respondents cited that the top three most challenging business priorities are:

- Driving business growth (94%)
- Dealing with increased competition (84%)
- Dealing with cost pressures (81%)

Further, in response to competitive pressures, respondents revealed that their organisations are increasingly using innovation as a means to achieving product/service differentiation (94% of respondents), increasing focus on quality and value add (84%) and enhancing employer brand (84%).

## 2. The talent landscape: staffing challenges compounded by 'brain drain'

Figure 1: Talent Landscape



Competitive pressures are compounding challenges experienced on the talent management front as well. A look at Malaysia's talent cycle shows that talent attraction poses a critical problem for a large majority of respondent organisations (87%), followed closely by talent retention (84%). Staffing challenges are exacerbated by the 'brain drain' phenomenon, where highly skilled Malaysians leave local shores for greener pastures abroad.

### **3. The picture of leadership: upstream talent challenges culminate in leadership pipeline challenges**

Malaysia's brain drain situation has resulted in overall talent scarcity and also adversely impacted the availability and quality of leadership talent as well. Survey respondents indicated that they struggle with the insufficient availability and lack of quality leaders in the market (cited by 81% and 65% respectively).

The most critical leadership competencies valued by respondents currently and in the next 5 years are "ability to manage change", "strategic thinking", "ability to drive results", "vision" and "global mindset". These competencies were also rated as the most difficult to find by a majority of respondents, along with "ability to develop self and others" and "innovation and creativity". Hence, it is important for organisations to find effective strategies to develop and retain leaders with such key competencies, especially since 81% of survey respondents acknowledged that retaining individuals with leadership potential is a challenge. The dearth of leaders is further compounded by a weak leadership pipeline, as noted by 71% of respondents.

### **4. Current people practices: companies counter talent crunch by enhancing their employer brand and deploying multiple recruitment channels**

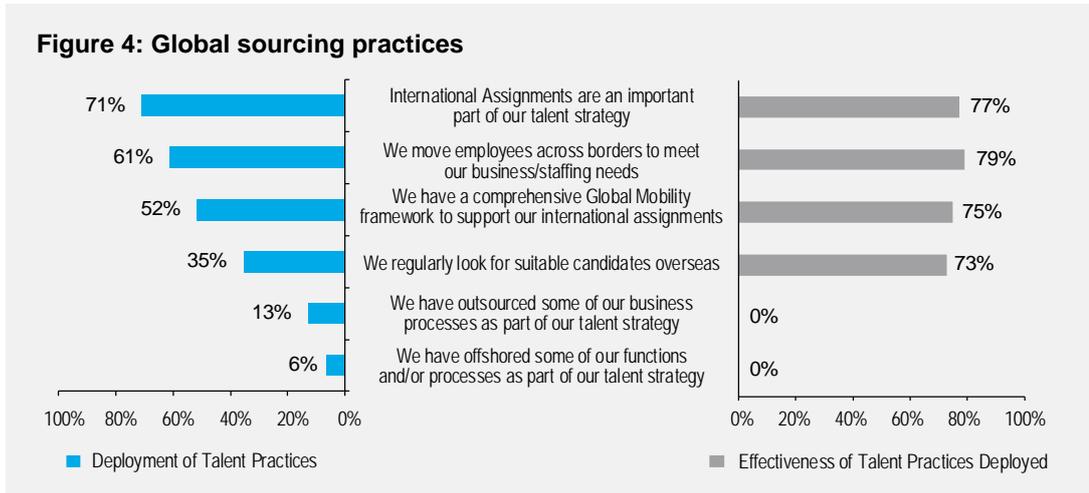
In response to these challenges, respondent organisations in Malaysia are adopting various approaches. The most popular and effective practices deployed include:

- Leveraging employer brand heavily as part of the recruitment strategy
- Leveraging multiple recruitment channels and graduate/entry-level programmes for greater outreach to the pool of suitable candidates
- Provision of international assignments
- Investing in succession planning

While the adoption rate for overseas sourcing of candidates, provision of flexible workforce arrangements and establishment of executive education institutions were relatively lower, it is worth noting that respondents reported high effectiveness rates.



Note: The following set of graphs reflects the survey responses regarding deployment and effectiveness of the talent practices. The blue bars on the left represent the percentage of organisations that “agreed” or “strongly agreed” to deployment of the talent strategy. The percentage of this group that reported the practice to be “extremely effective” or “effective” is reflected on the right.



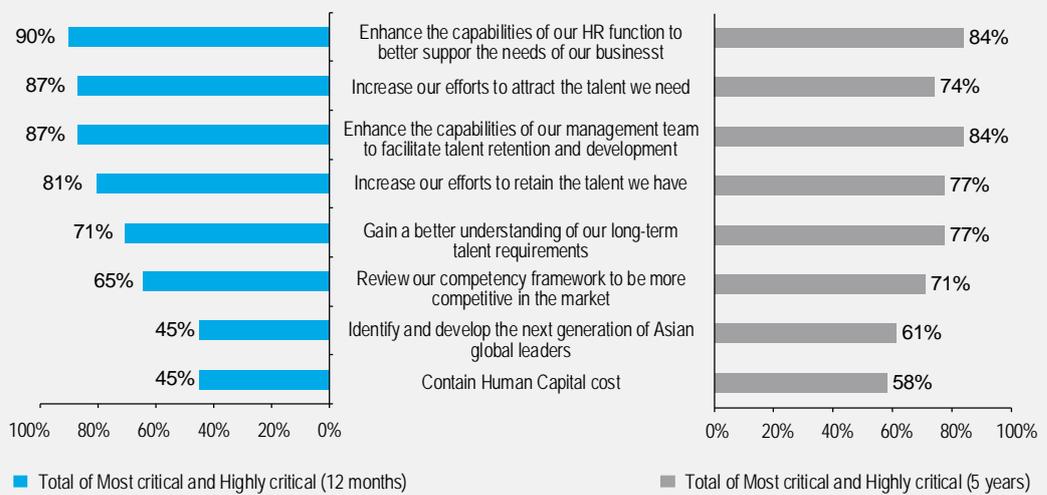
**Figure 5: Leadership development practices**



## 5. People management priorities: organisations recognise the need for concerted teamwork (between HR and business) to tackle talent challenges

Survey findings reflect that the top priority for respondent organisations in the short- and longer-term is to enhance HR capabilities to better support the needs of the business. Another high focus area is to enhance the management team’s capabilities to facilitate talent retention and development. This is heartening, as it demonstrates that respondent organisations in Malaysia realise that talent management is not solely the responsibility of HR, and they are keen on a greater partnership between HR and business to tackle talent challenges ahead. While for the most parts, survey respondents indicated that they do focus on more strategic areas such as gaining a better understanding of long-term talent requirements and enhancing the competency framework for greater competitiveness, leadership development efforts seem to be put on the back burner as a future priority.

**Figure 6: People management priorities - short-term vs. longer-term**



## 6. Key recommendations: focus on talent management, symbiotic relationships and cost-effective leadership development

Organisations in Malaysia face many business and people challenges such as increased competition, challenges in attracting and retaining talent, coping with cost pressures and competency gaps. Some practical suggestions to address these challenges are as below:

### *Attract, engage and retain with a variety of hooks*

Survey findings reflect that competition for talent is intense and key factors attributing to attrition centre around employees expectations for faster career progression, flexible work arrangements, better work-life balance and better rewards. To provide faster career progression and broaden experiences, organisations can provide employees with various opportunities for job enrichment and non-traditional learning experiences, such as rotational assignments across functions, or secondment/transfer opportunities with external partners. Aside from aligning with employee expectations and retaining talent, this will also help with competency development. On the work-life harmonisation front, technology enablers can facilitate greater flexibility and options on where, when and how work gets done. This will be especially appealing to the Gen Y workforce, who constitutes approximately 49% of the workforce. These younger employees tend to be more technologically savvy and keen on using collaborative and social media tools.

### *Collaborate to counter brain drain and talent scarcity*

While organisations can do their utmost to attract and retain, there will always be a cap to the effectiveness of their efforts if the brain drain problem in Malaysia is not reversed, and/or the existing talent pool not expanded. On this, there needs to be concerted efforts between industry players, the government (e.g. TalentCorp Malaysia), as well as educational institutions in the country to work in tandem to make Malaysia a global talent hub. Collaborations can range from policy advocacy to engagement of top talent<sup>22</sup>. In order to attract talent currently residing on foreign shores, businesses can consider jointly participating in overseas recruitment missions, conferences and other networking-cum-information sessions. The communication effort, prospects of lucrative jobs and government incentives may even galvanise non-resident Malaysians to return home, thus helping to reverse the 'brain drain' trend. Moreover, industry players can work to improve the employability of Malaysia's youths by tying up with secondary/tertiary institutions to offer stipendiary internships and/or industrial attachments, which may perhaps be co-funded by the government.

### *Develop a healthy pipeline of leaders through value-for-money ways*

Many organisations in Malaysia currently put leadership development on the backburner, presumably since most companies have reported facing cost pressures. A possibility is to collaborate with aggregators such as the Human Capital Leadership Institute (Singapore), that serve to connect like-minded corporations. Its Consortium executive development programmes, for instance, bring together five non-competing organisations to learn and network. Sharing fixed costs and leveraging the synergy of peer learning, participating companies will magnify the impact of their leadership development investment. In addition, organisations can also facilitate mentoring relationships between their current senior leaders and the identified high-potentials, such that young talent in the organisation can get requisite advice and guidance that will hone their leadership potential.

<sup>22</sup> "Talent Roadmap 2020", TalentCorp Malaysia, 2012



# Country Insights: Singapore

## 1. Business in Singapore: rapid economic growth hurt by global slowdown

Singapore is a developed and free-market economy, generally applauded for its acceleration to economic success in a few decades. Aside from the recessionary years, its real economic growth rate for the last twenty years has been at least 7%<sup>23</sup>. In 2012, Singapore has been ranked as the most competitive city in Asia by the Economist Intelligence Unit, primarily due to its physical capital, financial maturity and global appeal. Fundamental to its competitiveness has been its openness to the rest of the world. However, uncertainties in Europe, sluggish growth in the United States, and a slowdown in China have been weighing down on Singapore's economic prospects.

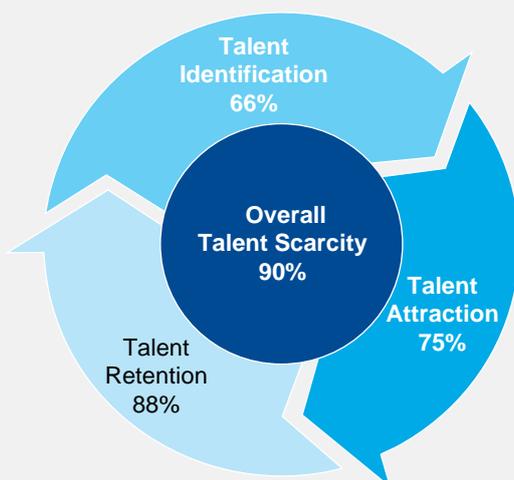
Against such a context, our study of organisations in Singapore shows that respondents rated the top three most challenging business priorities as:

- Dealing with cost pressures (88%)
- Driving business growth (84%)
- Dealing with increased competition (80%)

In particular, respondents highlighted that competition has some downstream effects, such as increased focus on quality and value-add (85%), and promotion of innovation (81%).

## 2. The talent landscape: cost pressures and rising competition exacerbate talent woes

Figure 1: Talent Landscape



Rising costs and competitive pressures have exacerbated challenges on the talent management front as well. A look at Singapore's talent cycle shows that talent retention poses a critical problem for a large majority of respondent organisations (88%), followed by talent attraction (75%). The talent attraction problem in Singapore appears to be more due the market supply: 90% of organisations reported challenges due to overall scarcity of talent.

<sup>23</sup> "Time Series on GDP at 2005 Market Prices and Real Economic Growth", Department of Statistics Singapore, 2012

### **3. The picture of leadership: a poor leadership pipeline due to insufficient availability and lack of quality leaders**

The leadership pipeline in organisations in Singapore appears weak, where 85% reported challenges on account of poor leadership pipeline. 73% of the respondents acknowledged that they struggle with the insufficient availability of leaders while 77% reported lack of quality leaders in the market. At the same time, intrinsic factors such as inability of current leaders to develop people (indicated by 71% of the respondents) exacerbate the leadership pipeline problem.

The most critical leadership competency valued by respondents, both in the immediate and the longer term are “ability to drive results”, “strategic thinking”, “ability to manage change”, “ability to develop self and others” and “ability to foster a collaborative culture”. Interestingly, the most critical leadership competency, “ability to drive results” does not appear to be difficult to find. This is possibly a reflection of Singapore’s long-ingrained focus on delivery. Three of the other key competencies i.e. “ability to manage change”, “ability to foster a collaborative culture” and “strategic thinking” are rated as some of the most difficult to find in Singapore. Hence, it is important for organisations to find effective strategies to develop and retain leaders with such key competencies, especially since 73% of survey respondents acknowledged that retaining individuals with leadership potential is a challenge.

### **4. Current people practices: investment in graduate/entry level recruitment programmes and brand to address talent and leadership challenges**

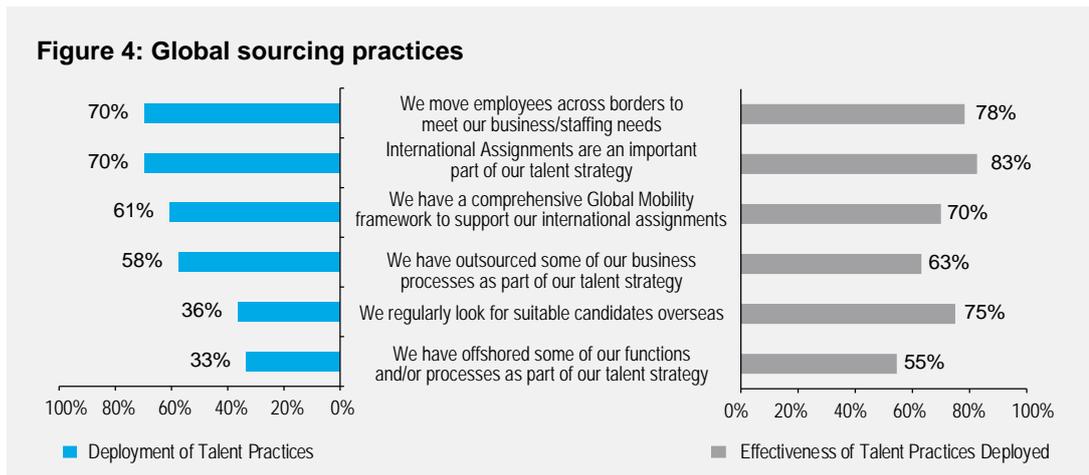
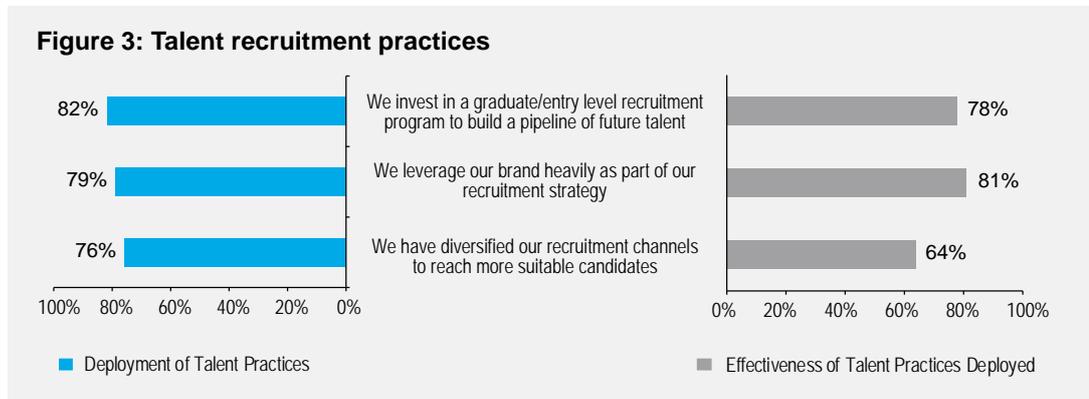
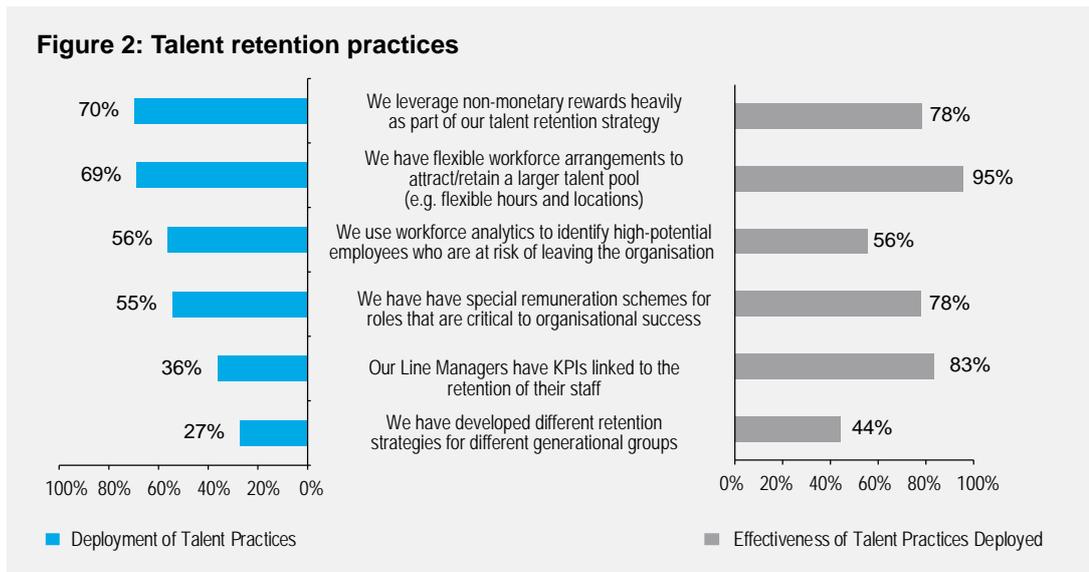
In the face of these challenges, respondent organisations in Singapore are deploying various talent strategies. The most popular and effective talent strategies deployed are:

- Investing in graduate/entry level recruitment programmes to build a talent pipeline
- Leveraging employer brand heavily as a part of recruitment strategy
- Diversifying recruitment channels to reach more suitable candidates
- Leveraging non-monetary rewards heavily as a part of talent retention strategy
- Provision of International Assignments

While the adoption rate for linking of line managers’ KPIs to staff retention, overseas sourcing and establishment of executive education institutions were relatively lower, it is worth noting that respondents reported high effectiveness rates.



Note: The following set of graphs reflects the survey responses regarding deployment and effectiveness of the talent practices. The blue bars on the left represent the percentage of organisations that “agreed” or “strongly agreed” to deployment of the talent strategy. The percentage of this group that reported the practice to be “extremely effective” or “effective” is reflected on the right.



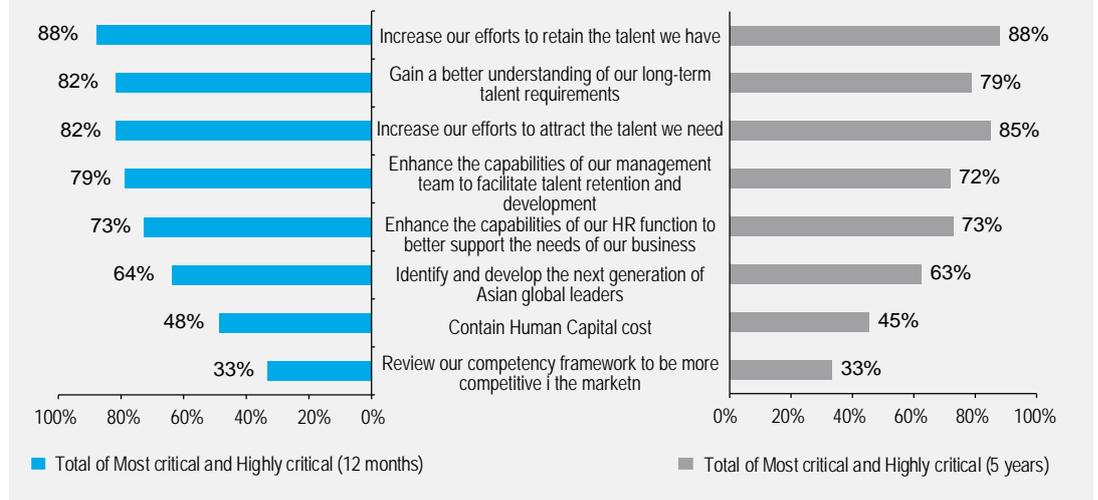
**Figure 5: Leadership development practices**



## 5. People management priorities: balancing short-term tactical priorities with long-term strategic priorities

According to our survey findings, it is reassuring to note that organisations in Singapore are currently focused on both immediate short-term priorities, as well as more future oriented people management priorities. Whilst concentrating on efforts to retain existing talent and attract the talent needed, respondents also noted that gaining a better understanding of their long-term talent requirements is a key priority. Identifying and developing the next-gen Asian global leaders is also not too far below on the agenda. However, review of the competency frameworks to be more competitive in the market is deemed a low priority focus area in the short- and longer-term, which can be concerning. Without clear identification of required competencies, organisations will be challenged to gain a better understanding of long-term talent requirements and identify/develop next generation Asian global leaders.

**Figure 6: People management priorities - short-term vs. longer-term**



## **6. Key recommendations: focus on collaborating to grow talent pool, dangling carrots to retain talent and developing leaders for business results**

In Singapore, companies are reporting challenges in attracting and retaining scarce talent, and developing competent leaders in sufficient quantities. Some practical suggestions to address these challenges are as below:

### ***Collaborate to grow the talent pool***

Leveraging technology, organisations can set up cross-border communities of practice and tap on capabilities beyond Singapore for organisational projects (e.g. offshoring of work). Businesses should work with industry, government and education stakeholders to find collective solutions towards managing the talent crisis. The government-industry collaborative relationship can provide a mechanism to bring perspectives, equity and knowledge together for pursuing a common agenda (e.g. competency development initiatives for immigrant talent, and mentoring programmes for developing leaders). Finally, partnering with educational institutions and co-shaping the curriculum will ensure graduates enter the workforce with 'employability skills'.

### ***Dangle carrots that will retain talent***

Our findings indicate that for many employees, work-life harmony is an important expectation that can be effectively met with flexible work arrangements. Technology is an enabler that organisations can use to implement schemes enabling virtual working, telecommuting and flexible working hours. Organisations should also assess their 'total' rewards package, which should encompass more than just base compensation, bonus and benefits. To get the highest return on investment, it is usually advisable to focus total rewards investments on the critical workforce segments, high-potential employees and the next-generation of leaders.

### ***Develop leaders for the business results***

Organisations in Singapore require sufficient quantities of leaders, who can drive results, think strategically, manage change, develop self and others, and foster a collaborative culture. Executive education programmes can be improved by tailoring to individual needs and growth, in concert with the needs of the organisation. Other research<sup>24</sup> findings indicate one of the best ways of accelerating leadership development is to have high-potentials learn by doing, and providing stretch assignments. Finally, organisations can also provide formal mentoring programmes, whereby senior leaders themselves act as mentors to future leaders.

<sup>2</sup> "Developing Top Leaders for a Globalized Asia", Human Capital Leadership Institute & Center for Creative Leadership, March 2012



# Country Insights: Thailand

## 1. Business in Thailand: global upheavals and political instability pose headwinds for economic trek

Thailand has been working hard to bounce back from the impact of the severe floods in 2011, and per the Economist Intelligence Unit, should have expanded its economy by 6% in 2012. However, the uncertain global environment, decreasing global trade and lower levels of foreign direct investment have contributed to an increasingly challenging business landscape, especially since the economy is heavily trade dependent. On the domestic front, the country is further impacted by political instability/ coups, corruption and security threats, resulting in a higher cost of doing business. In an effort to improve global competitiveness, the Thai government is taking steps to transform the country into a knowledge economy by implementing successive National Education Reform plans. However, the inadequacy of workforce skills and the challenge with talent scarcity may hinder Thailand's transformation aspirations.

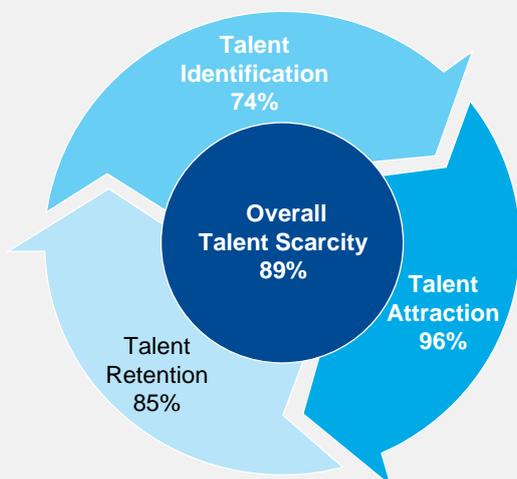
In the face of these economic, social and political challenges, survey respondents cited that the top three most challenging business priorities are:

- Achieving better operational efficiency (96%)
- Driving business growth (93%)
- Dealing with cost pressures (85%)

Further, in response to competitive pressures, survey respondents revealed that they are focusing on improving quality and value-add (reported by 89%), enhancing the employer brand and innovation (reported by 70% each). Due to competitive pressures, respondents also reported upward pressure on wages and the need to reward staff based on results.

## 2. The talent landscape: intensifying competition for limited resources leads to a war for talent

Figure 1: Talent Landscape



Competitive pressures and scarcity of talent in the market have led to challenges on the talent identification, attraction and management front as well. A look at Thailand's talent cycle shows that talent attraction poses a critical problem for a large majority of respondent organisations (96%).

At least four out of five organisations reported that they face a challenge with talent retention and 74% face a problem with talent identification.

### 3. The picture of leadership: staff in leadership roles lack “people management” skills

According to survey findings, only 37% of organisations agreed that their staff in managerial or supervisory roles have adequate “people management” skills. Thailand faces insufficient availability and low quality of leaders in the market. Survey respondents indicated that they struggle with the lack of quality leaders (78%) and insufficient availability of leaders (70%).

The most critical leadership competency valued by respondents currently is “ability to drive results”, and in the next 5 years, “strategic thinking”. Other key competencies rated by respondents as critical now and in the next 5 years include “vision”, “ability to manage change”, “ability to develop self and others” and “global mindset”. Most of the above competencies, such as “strategic thinking”, “ability to manage change” and “global mindset” are also rated as the most difficult to find by respondents in Thailand. Hence it is important for organisations to find effective strategies to develop and retain leaders with such key competencies, especially since 89% of survey respondents acknowledged that retaining individuals with leadership potential is a challenge.

### 4. Current people practices: special remunerations schemes and branding recruitment strategies effective in addressing people challenges

Respondent organisations in Thailand noted that they are adopting various approaches to tackle these looming talent and leadership challenges. The most popular and effective practices deployed include:

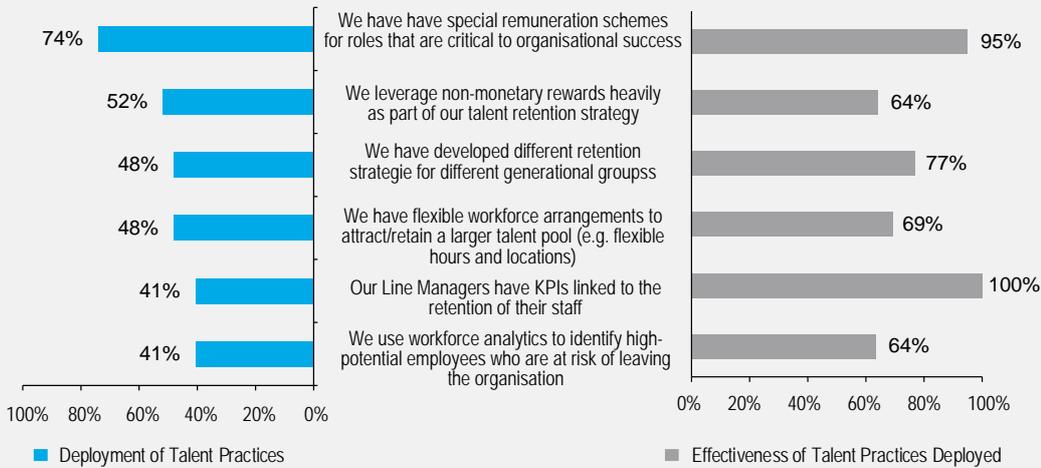
- Providing special remuneration schemes for critical workforce
- Leveraging the brand heavily as part of the recruitment strategy
- Leveraging multiple recruitment channels and graduate/entry-level programmes for greater outreach to the pool of suitable candidates

While the adoption rate for linking of Line Managers' KPIs to staff retention, establishment of own executive education institutions, and differential retention strategies (based on generational segmentation) were relatively lower, it is worth noting that respondents reported high effectiveness rates.



Note: The following set of graphs reflects the survey responses regarding deployment and effectiveness of the talent practices. The blue bars on the left represent the percentage of organisations that “agreed” or “strongly agreed” to deployment of the talent strategy. The percentage of this group that reported the practice to be “extremely effective” or “effective” is reflected on the right.

**Figure 2: Talent retention practices**



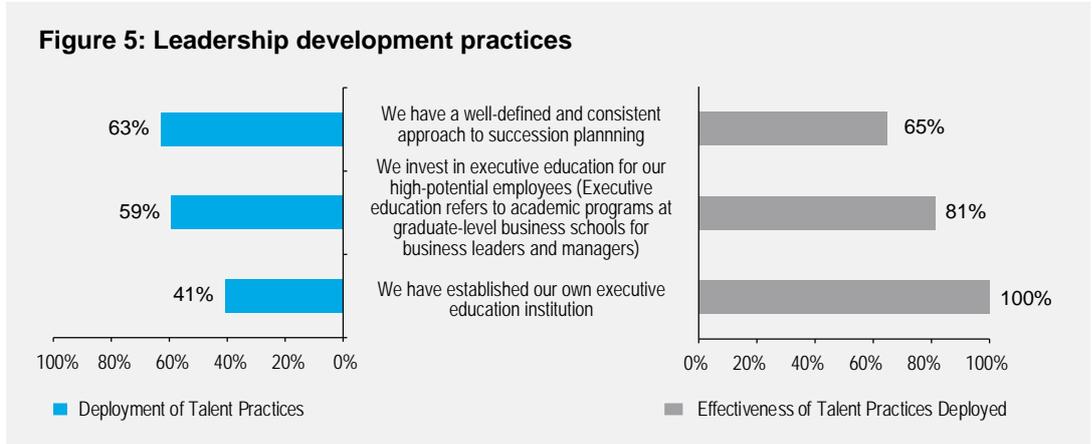
**Figure 3: Talent recruitment practices**



**Figure 4: Global sourcing practices**



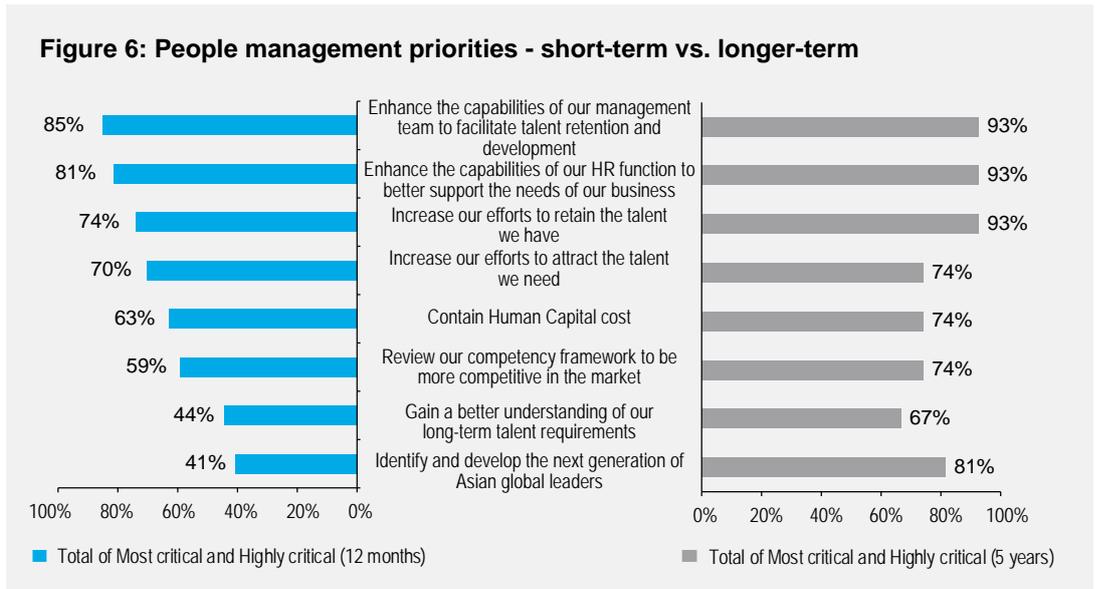
**Figure 5: Leadership development practices**



## 5. People Management Priorities: HR and management capabilities enhancement initiatives overshadow longer-term development priorities

Most survey respondents indicated that enhancing management and HR capabilities are key priorities, both in the short- and longer-term. These initiatives seem to overshadow longer-term strategic initiatives such as “identifying/developing the next generation of Asian global leaders,” which was rated as a critical priority only by a minority of respondents in the short-term. More of the survey respondents seem to put this off as a longer-term key priority, highlighting that leadership development initiatives tend to be put on the back burner whilst efforts are focused on attracting and retaining current talent.

**Figure 6: People management priorities - short-term vs. longer-term**



## **6. Key recommendations: focus on talent programmes, HR processes/ infrastructure and management co-accountability**

From the earlier sections, it is evident that organisations in Thailand face many business and people challenges such as improving operational efficiencies, driving growth and dealing with cost pressures, while trying to attract, develop and retain talent. Some practical suggestions to address these challenges are as below:

### ***Use different strokes for different folks***

In order to attract and retain the kind of talent they need, organisations should understand and control intermediate factors that link rewards to business value. On top of special remuneration schemes for the critical segment of an organisation's workforce, rewards ROI can be improved further by engaging in employee dialogues to provide total rewards based on different employee group preferences and expectations (e.g. differentiation by generation or gender). In addition, employers can help employees better manage work-life harmony by offering increased flexibility and more choices for when, how and where they do their work. Some leading organisations have pushed the envelope further by enabling employees to customise their careers based on life-stage priorities, resulting in greater career satisfaction and loyalty.

### ***Develop HR capabilities for talent and leadership selection***

Our findings reveal that core competencies necessary for delivering key business priorities are often lacking. One imperative is for HR to adopt the mature and consistent talent systems and processes that are currently lacking, so that the competency gaps can be effectively addressed. These systems and processes span the spectrum of selection tools (such as competency tests and behavioural interview guides) and workforce analytics (retention risk analytics and leadership development and succession planning analytics).

### ***Increase management accountability to develop and retain talent, while upskilling HR***

Talent development and retention needs to be a whole-team effort in order to achieve successful, sustainable outcomes. It should not solely be just the responsibility and accountability of HR. HR ought to actively engage and advise the senior executive team in talent management and development initiatives, such that talent issues get the attention that they deserve. In order to play this business partner role effectively, HR may also need to upskill its own team by updating capabilities and knowledge accordingly.



# Country Insights: Vietnam

## 1. Business in Vietnam: inflation and competitive pressures on the rise

For more than a decade, Vietnam's economy has experienced tremendous growth, largely as a result of a shift in focus towards higher tiers of the economic value chain, a young workforce and productivity growth within sectors. However, inflationary pressure and lower levels of foreign direct investment (FDI) amidst an uncertain global environment have resulted in an increasingly challenging business landscape.

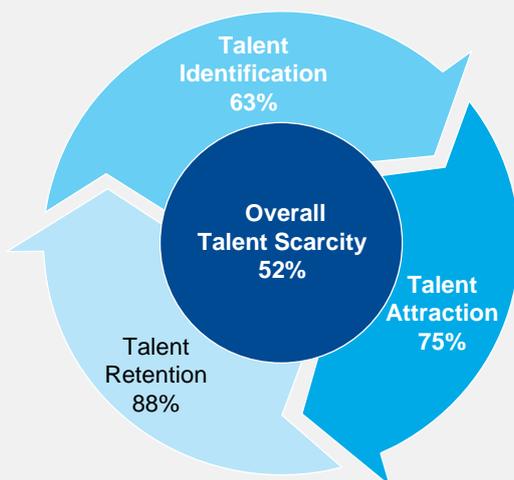
In the face of these economic pressures, survey respondents cited that the top three most challenging business priorities are:

- Dealing with increased competition (94%)
- Driving business growth (84%)
- Expanding into new markets (69%)

Further, in response to competitive pressures, respondents revealed that their organisations are "focusing resources on quality and value-add" (84%), "experiencing downward pressure on cost" (73%), and "promoting innovation to differentiate products/services" (70%).

## 2. The talent landscape: intensifying competition leads to war to retain top talent

Figure 1: Talent Landscape



Competitive pressures and increasing inflation have led to challenges on the talent management front as well. A look at Vietnam's talent cycle shows that talent retention poses a critical problem for a large majority of respondent organisations (88%). Three out of four organisations reported that they face a challenge with talent attraction and over 60% face a problem with talent identification.

### 3. The picture of leadership: need to develop and retain quality leaders

Vietnam faces the insufficient availability and low quality of leaders in the market. Survey respondents indicated that they struggle with the insufficient availability of leaders (56%) and lack of quality leaders (66%).

The most critical leadership competency valued by respondents currently and in the next 5 years is “ability to drive results”. Other top key competencies rated by respondents include “ability to develop self and others”, “vision”, “cultural sensitivity and adaptability” and “strategic thinking”. These competencies were also rated as the most difficult to find by a majority of respondents. Hence, it is important for organisations to find effective strategies to develop and retain leaders with such key competencies, especially since 85% of survey respondents acknowledged that retaining individuals with leadership potential is a challenge.

### 4. Current people practices: targeted strategies effective in addressing talent and leadership challenges

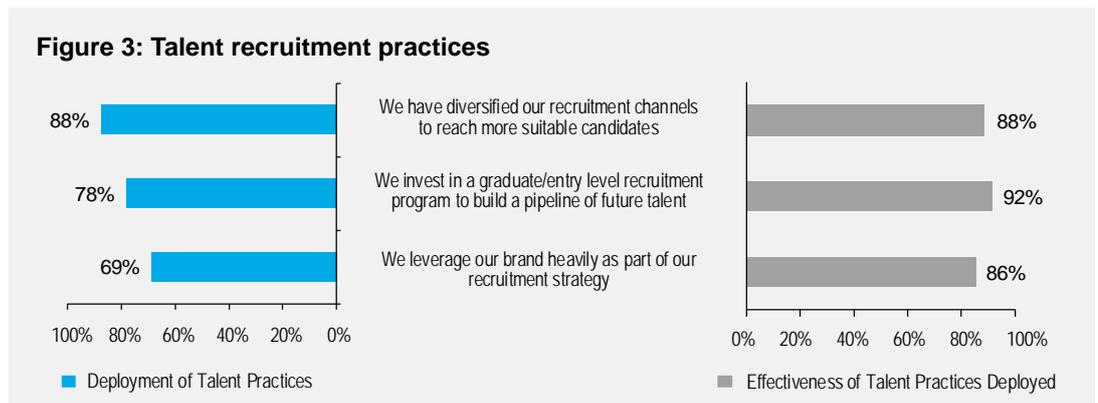
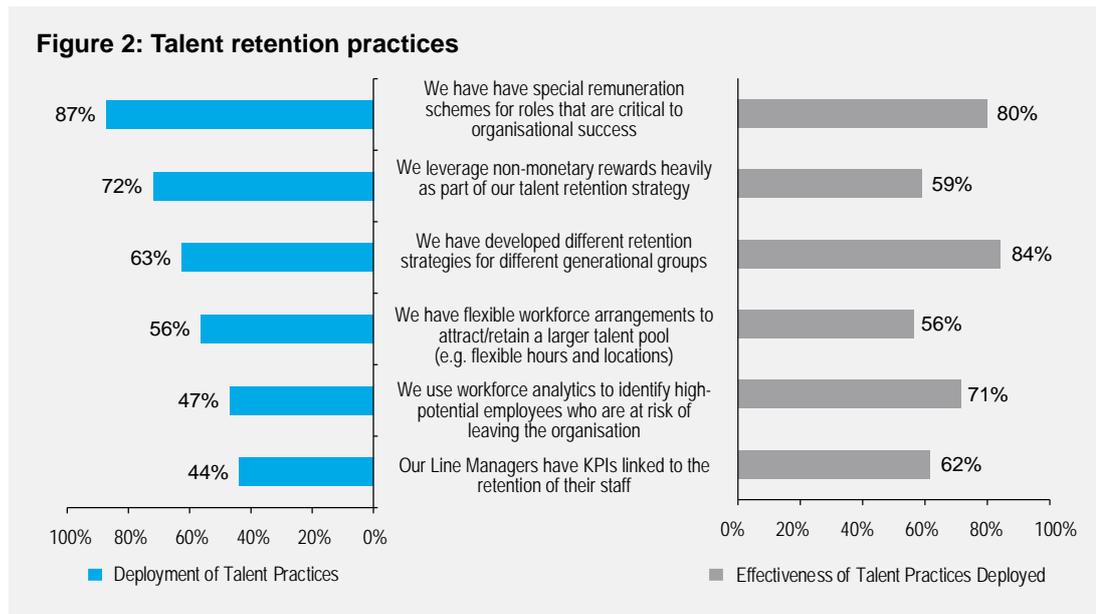
In response to these challenges, respondent organisations in Vietnam are adopting various approaches. The most popular and effective practices deployed include:

- Providing special remuneration schemes for critical workforce
- Leveraging multiple recruitment channels and graduate/entry-level programmes for greater outreach to the pool of suitable candidates
- Investing in executive education for high-potential employees

While the adoption rate for workforce analytics and succession planning were relatively lower, it is worth noting that respondents reported high effectiveness rates.



Note: The following set of graphs reflects the survey responses regarding deployment and effectiveness of the talent practices. The blue bars on the left represent the percentage of organisations that “agreed” or “strongly agreed” to deployment of the talent strategy. The percentage of this group that reported the practice to be “extremely effective” or “effective” is reflected on the right.



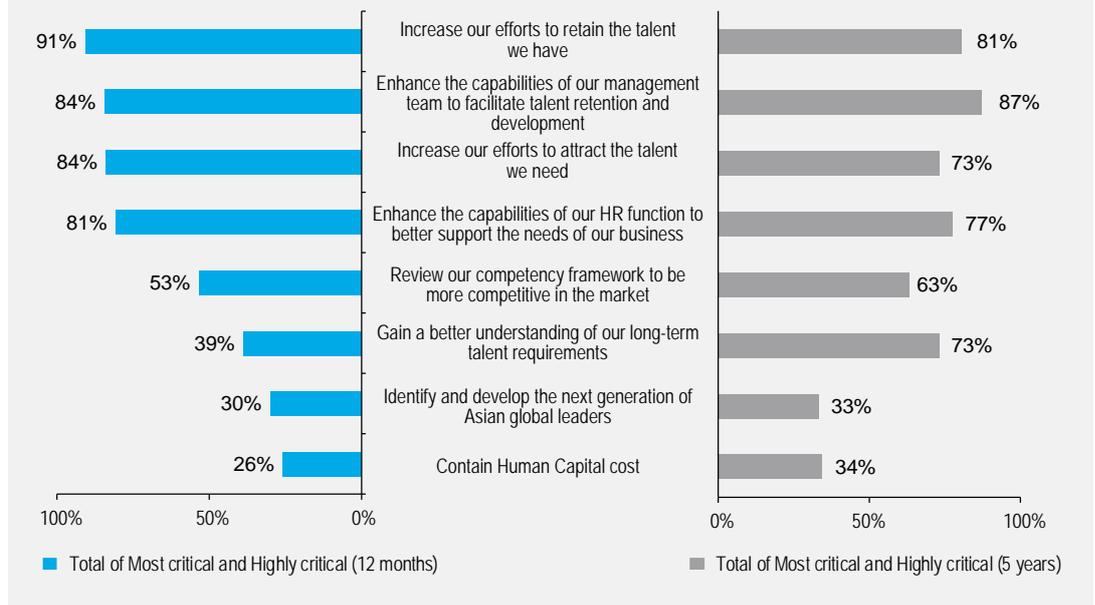
**Figure 5: Leadership development practices**



## 5. People management priorities: tactical priorities to address talent retention overshadow longer-term strategic leadership development initiatives

Survey findings suggest that most of the talent efforts seem to be focused on immediate, tactical priorities rather than future-oriented strategies. Respondents indicated that increasing efforts to retain and attract current talent are top priorities, as well as building HR and Manager capabilities on the talent front. However, longer-term strategic initiatives to sustain talent management effectiveness lack priority. Only about a third of respondents ranked “identifying & developing the next generation of Asian global leaders” as a priority in both the short- and longer-term. This lack of prioritisation will continue to pose a challenge to address the lack of quality and quantity of leaders in the market.

**Figure 6: People management priorities - short-term vs. longer-term**



## **6. Key recommendations: focus on total rewards, business-aligned competencies and HR service delivery**

Organisations in Vietnam face many business and people challenges such as increased competition, challenges in attracting and retaining talent, coping with wage spikes and competency gaps. Some practical suggestions to address these challenges are as below:

### ***Pay to attract and retain – but not always, and not forever***

In light of rising inflation, tough competition and increasing employee expectations, organisations may have little choice but to stay in the bidding war to keep up with market wages, at least in the short-term. However, it is clear that such a strategy will not be sustainable or effective in the long-run. Employers should firstly consider targeted rewards for specific critical workforce and generational segments (e.g. survey respondents have noted the effectiveness of these). In addition, explore additional non-monetary incentives such as providing greater career development opportunities, rotational/cross-functional experience, secondment assignments and flexible work arrangements.

### ***Develop competencies to support business priorities***

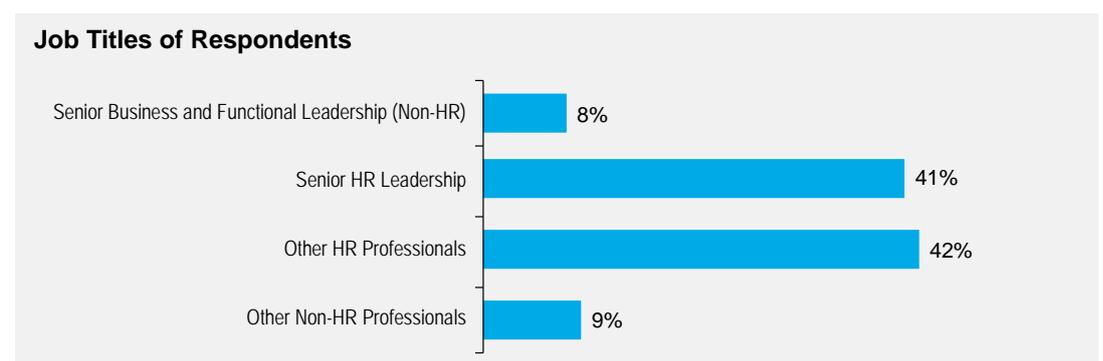
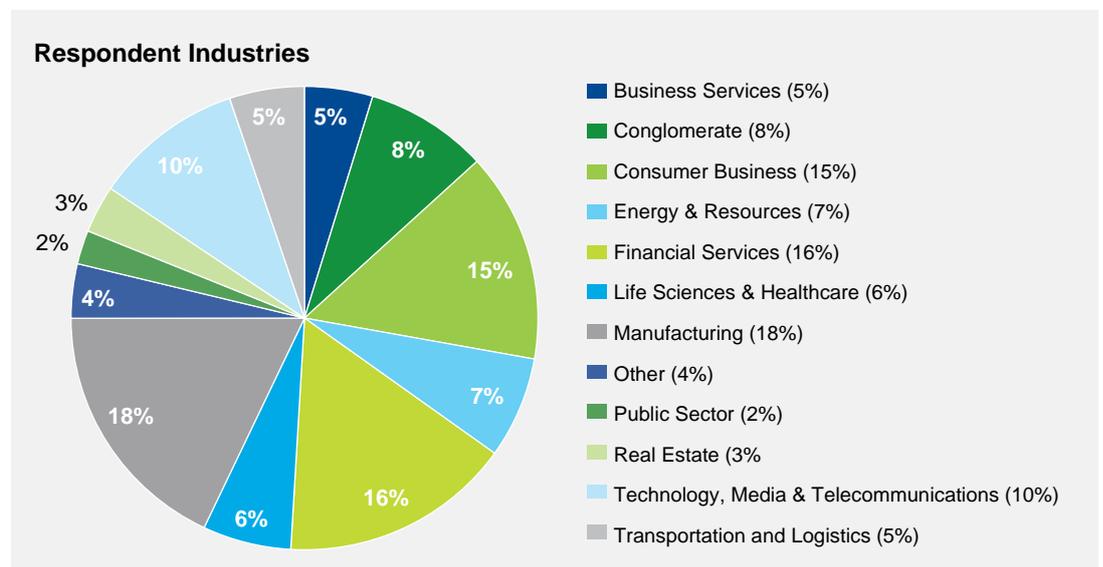
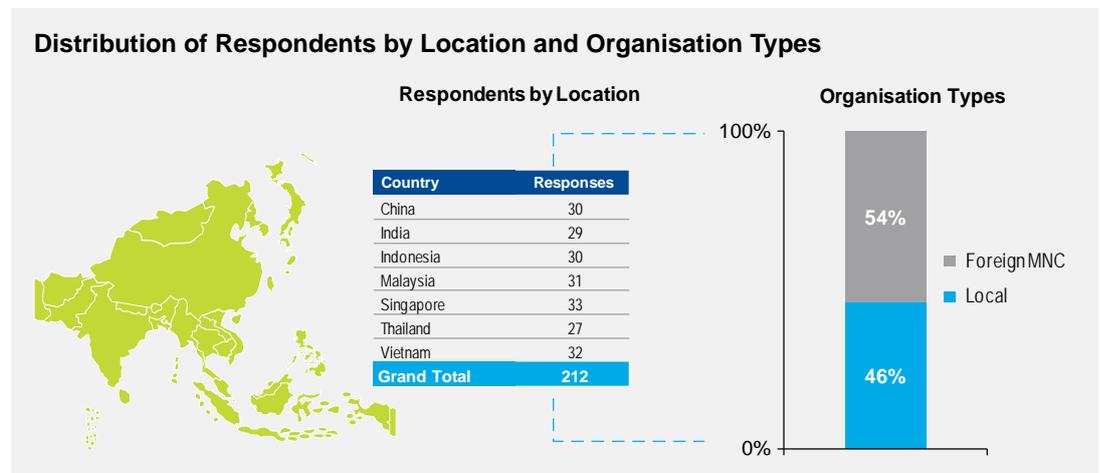
The ultimate objective of talent attraction and retention strategies should be to acquire and retain the competencies required to achieve business priorities. Currently, these competencies are not readily available. Developing competency frameworks and cultivating competencies among employees should be made an immediate focus, as it impacts the organisation's ability to compete effectively and fulfil key business priorities. Organisations should also focus more on leadership development and succession planning. With capable leaders in place and more available in the pipeline, Vietnam's people story will then be fully complete and an effective driver to deliver on business priorities.

### ***Build processes and systems, and continue to evolve HR***

Our study reveals that the lack of systems and processes is a commonly cited challenge to talent and leadership identification for organisations in Vietnam. Going forward, it is imperative for HR functions to adopt mature and consistent talent processes. In addition, HR should further challenge itself and evolve its service model to be more strategic. This includes increasing its knowledge and capabilities in areas such as global business orientation, strategic advisory, workforce analytics, change management and organisation design.

# Appendix A: Methodology

“Fuelling the Asian Growth Engine – Talent Challenges, Strategies and Trends” is a research study focused on exploring how organisations in seven Asian countries (China, India, Indonesia, Malaysia, Singapore, Thailand and Vietnam) are addressing their leadership and talent management challenges. Via a structured survey questionnaire, data collection was conducted from January through August 2012, and includes the responses of 212 organisations across different countries, organisation types and various industries.



# Appendix B: Explanation of key terms

## Classification of respondent by job titles

Group category	Definition
Senior Business and Functional Leadership (Non-HR)	Includes CEO, CFO, COO, CIO, Managing Director, Country Head, etc.
Other Non-HR Professionals	Includes other non-HR respondents who do not fall under the category of senior business and functional leadership
Senior HR Leadership	Includes CHRO, Regional HR Head, Country HR Head, CP HR, etc.
Other HR Professionals	Includes HR Manager, Talent Management, Compensation Manager, Learning & Development Head, other HR Center of Excellence Heads/Managers, etc.

## Classification of respondent by industry sectors

Industry sectors	Definition
Business Services	Providers of business services such as payroll, consulting, typesetting, process outsourcing, pest control etc.
Conglomerate	A multi-industry company with operations in diverse and seemingly unrelated industry sectors
Consumer Business	Producers and sellers of goods such as foods, beverages, groceries, personal care etc. and pure retailing companies
Energy & Resources	Exploration, refining and supply of oil, gas, coal, power and utilities
Financial Services	Banking and non-banking financial services
Life Sciences & Health Care	Pharmaceuticals, healthcare providers
Manufacturing	Durable/Hard goods, appliances, capital goods
Other	Misc. (Hotels, diversified trading companies etc.)
Public Sector	Government entities
Real Estate	Real estate developers, construction and related services
Technology, Media & Telecommunications	IT & IT enabled services, telecom, media (print and TV), internet service providers
Transportation and Logistics	Customer, business and commercial logistics providers, public transport providers

## Classification of respondent by organisation types

Organisation type	Definition
Local	Organisations with a locally established headquarters and operate either only within the country or have expanded operations to other countries/regions
Foreign MNC	Organisations with a non-locally established headquarters and operate in various countries globally

# Appendix C: List of participating organisations



## China

arvato Systems China  
Bank of America Merrill Lynch  
Broadway Industrial Group Ltd  
China Hewlett-Packard Co., Ltd.  
China Sunshine Paper Holdings Co., Ltd.  
China Ocean Shipping (Group) Company  
Cigna International  
ConocoPhillips China Inc.  
DBS Bank (Hong Kong) Ltd.  
DHL Global Forwarding  
Digital China Holdings Ltd.  
Evergrande Real Estate Group  
Far East Consortium International Ltd.  
Guangxi Nanning East Asia Sugar Corporation  
GuocoLand China  
GuoSen Securities Co., Ltd.  
HSBC China  
ICBC (Industrial and Commercial Bank of China)  
iSoftStone  
Jabil Circuit China  
Johnson and Johnson Medical (China) Ltd.  
Midea Group  
Novo Nordisk (China) Pharmaceutical Co., Ltd.  
Panasonic Semiconductor (Suzhou) Co., Ltd.  
Pfizer China  
Sany Heavy Industry Co., Ltd.  
Siemens China  
Standard Chartered Bank (China) Ltd.  
Tsingtao Brewery Co., Ltd.  
United Parcel Service (UPS)



## India

3M India Ltd.  
Apollo Hospital Enterprise Ltd.  
Aptara  
Berger Paints India Ltd. - British Paints Division  
Bharti Enterprises  
Flipkart  
Franklin Templeton India  
Genpact India Pvt. Ltd.  
Global Logic India Pvt. Ltd.  
ICICI Prudential Life Insurance Co. Ltd.  
IFCI Ltd.  
ITC Ltd. - LifeStyle Retailing Business Division  
Jabil Circuit India  
Kelly Services India Pvt. Ltd.  
Metzeler Automotive Profiles India Pvt. Ltd.  
Next Retail India Ltd.  
The Oberoi Group  
Pearson Education India  
Rane Holdings Ltd.  
Sapient  
Schneider Electric India  
Siemens Ltd.  
SKF India Ltd.  
SMC Global Securities Ltd.  
TATA Motors  
The Tinsplate Company of India Ltd.  
United Parcel Service (UPS) SCS (India) Pvt. Ltd.  
Visteon Automotive System India Pvt. Ltd.  
Wells Fargo India Solutions



## Indonesia

PT Anugerah Pharmindo Lestari (APL)  
PT Asuransi AXA Indonesia  
PT Bank Ekonomi Raharja Tbk.  
PT Carrefour Indonesia  
PT Coca-Cola Amatil Indonesia  
Cigna Indonesia  
PT Daya Sakti Unggul Corporindo Tbk.  
PT Krakatau Steel (Persero) Tbk.  
PT Matahari Department Store Tbk.  
PT Bank ANZ Indonesia  
PT Freeport Indonesia  
PT Gramedia  
PT Indika Energy Tbk.  
PT Medco Energi International Tbk.  
PT Muliakeramik Indahraya Tbk.  
PT Salim Ivomas Pratama Tbk.  
PT Trada Maritim Tbk.  
PT Trakindo Utama Tbk.  
PT Triputra Investindo Arya (Triputra Group)  
PT Ultrajaya Milk Industry Tbk.  
PT Asuransi Jiwa Manulife Indonesia  
PT Bakrie Sumatera Plantations Tbk.  
PT Indonesia Epson Industry  
PT Mitra Adiperkasa Tbk.  
PT Nutrifood Indonesia Tbk.  
PT SMART Tbk. (downstream div.)  
PT Smartfren Telecom Tbk.  
PT XL Axiata Tbk.  
PT Siemens Indonesia  
PT South Pacific Viscose Tbk.



## Malaysia

3M Malaysia Sdn. Bhd.  
Allianz Malaysia Berhad  
AmBank (M) Berhad  
Axiata Group Berhad  
Bank Islam Malaysia Berhad  
Bank Simpanan Nasional Berhad  
Bata (Malaysia) Sdn. Bhd.  
Citibank Berhad  
DHL Global Business Services  
Digi Telecommunications Sdn. Bhd.  
DRB-Hicom Berhad  
Elken Sdn. Bhd.  
Fraser & Neave Holdings Berhad  
General Electric Malaysia  
Guinness Anchor Berhad  
Hap Seng Consolidated Berhad  
IJM Corporation Berhad  
Lafarge Malayan Cement Berhad  
Malakoff Corporation Berhad  
Malayan Banking Berhad  
Nestle Malaysia Berhad  
Pfizer Malaysia Sdn. Bhd.  
Public Bank Berhad  
Rentokil Initial Sdn. Bhd.  
Siemens Malaysia Sdn. Bhd.  
Sime Darby Holdings Berhad  
Standard Chartered Bank Malaysia Berhad  
Star Publications (M) Berhad  
Syarikat Bekalan Air Selangor Sdn. Bhd.  
Texchem Corporation Sdn. Bhd.  
YTL Corporation Berhad



## Singapore

Aon Hewitt  
BHP Billiton  
Credit Suisse (Singapore) Ltd.  
DBS Bank Ltd.  
DHL Global Forwarding Management (Asia Pacific) Pte. Ltd.  
Economic Development Board (EDB)  
ExxonMobil Asia Pacific Pte. Ltd.  
GuocoLand Ltd.  
HCL Singapore Pte. Ltd.  
Johnson and Johnson Pte. Ltd.  
Keppel Corporation Ltd.  
Kraft Foods Singapore Pte. Ltd.  
Levi Strauss & Co.  
Makino Asia Pte. Ltd.  
Merck Pte. Ltd. (Singapore)  
Ministry of Community Development, Youth and Sports  
Ministry of Manpower (MOM)  
Mitsubishi Corporation Singapore Branch  
NetApp APAC  
NTUC Administration and Research Unit HQ  
Pfizer Singapore  
Shell Eastern Petroleum Pte. Ltd.  
Siemens Singapore  
Singapore Press Holdings Ltd.  
Singapore Technologies Engineering Ltd.  
SMRT Corporation Ltd.  
SPRING Singapore  
Standard Chartered Bank Singapore  
StarHub Ltd.  
UL International-Singapore Pte. Ltd.  
Vital  
Volvo Singapore  
Wipro Ltd. (Singapore Branch)



## Thailand

3M Thailand Ltd.  
Advanced Info Service Plc.  
Bangkok Komatsu Sales Co., Ltd.  
Banpu PCL  
Boonthavorn Ceramic Co., Ltd.  
Cigna Thailand  
Diageo Moet Hennessy (Thailand) Ltd.  
DKSH Healthcare Thailand  
GlaxoSmithKline (Thailand) Ltd.  
Government Saving Bank  
Gulf JP Co., Ltd.  
Index Living Mall Co., Ltd.  
Marriott Thailand  
Mitsubishi Motors (Thailand) Co., Ltd.  
MKS Jewelry International Co., Ltd.  
Nissan Motor (Thailand) Co., Ltd.  
Pruksa Real Estate PCL  
PTT Global Chemical PCL  
Repcor Corporation Co., Ltd.  
Thai Industries Development Co., Ltd.  
Thai Union Frozen Products PCL  
The Shell Company of Thailand Ltd.  
The Westin Grande Sukhumvit Hotel  
Thoresen Thai Agencies PLC  
TOA Paint (Thailand) Co., Ltd.  
Total Way Image Co., Ltd.  
United Overseas Bank (Thai) PCL



## Vietnam

3M Vietnam Ltd.  
American International Assurance (AIA) Insurance (Vietnam)  
An Binh Bank  
Beiersdorf Vietnam Ltd.  
Cargill Vietnam Ltd.  
Circle-K Vietnam  
Clipsal Vietnam Co., Ltd.  
Coca Cola Vietnam Ltd.  
DHL Supply Chain Vietnam  
DKSH Vietnam  
DongA Joint Stock Commercial Bank (DongA Bank)  
Duy Tan Plastics Co., Ltd.  
Golden Hope Nha Be Co. Ltd.  
HPT Vietnam Corporation  
IBM Vietnam Co., Ltd.  
Intel Vietnam  
Interfood Shareholding Company  
Kinh Do Corporation  
Long Thanh Plastic Co., Ltd.  
Maritime Bank  
Microsoft Vietnam LLC  
Nestle Vietnam Ltd.  
Phu Nhuan Jewelry JSC  
Saigon General Service Corporation  
Siemens Ltd.  
Sino-Pacific Construction Consultancy Co. Ltd.  
Theodore Alexander Vietnam  
Total Vietnam Ltd.  
Trung Nguyen  
Truong Hai Auto Corporation  
Vietnam Bank for Agriculture and Rural Development (Agribank)  
Vietnam Technological and Commercial Joint-stock Bank (Techcombank)



# Appendix D: Contact list

## **Deloitte Southeast Asia Ltd**

### **Mario Ferraro**

Regional Human Capital Consulting Leader  
+65 6232 7122  
[maferraro@deloitte.com](mailto:maferraro@deloitte.com)

### **Karina Kuok**

Regional Strategic Change and Organisation  
Transformation Leader  
+65 6232 7233  
[kkuok@deloitte.com](mailto:kkuok@deloitte.com)

### **Martin Ng**

Regional Talent, Performance and Rewards  
Leader  
+ 603 7495 3867  
[martinng@deloitte.com](mailto:martinng@deloitte.com)

## **Deloitte China**

### **Jungle Wong**

Human Capital Consulting Leader, China  
Deloitte Touche Tohmatsu CPA Ltd  
+ 86 10 8520 7807  
[junglewong@deloitte.com.cn](mailto:junglewong@deloitte.com.cn)

## **Deloitte India**

### **Dr. Vishalli Dongrie**

Human Capital Advisory Services Leader,  
India  
Deloitte Touche Tohmatsu India Pvt. Ltd.  
+91 22 6185 4280  
[vdongrie@deloitte.com](mailto:vdongrie@deloitte.com)

## **Deloitte Global**

### **Lisa Barry**

Global Talent, Performance and Rewards  
Leader  
Deloitte Consulting LLP Australia  
+61 3 9671 7248  
[lisabarry@deloitte.com.au](mailto:lisabarry@deloitte.com.au)

## **Human Capital Leadership Institute**

### **Catherine Mudford**

Head, Strategic Alliances & Client Services  
+65 6872 9829  
[cmudford@hcli.org](mailto:cmudford@hcli.org)

### **Saumya Sindhwani**

Senior Manager, Strategic Alliances & Client Services  
+65 6872 9822  
[saumyas@hcli.org](mailto:saumyas@hcli.org)

### **Rebecca Siow**

Manager, Research & Solutions Development  
+65 6872 9842  
[rebeccasiow@hcli.org](mailto:rebeccasiow@hcli.org)

## **HCLI China**

### **Vincent Lu**

Manager, Strategic Alliances & Client Services  
+65 6872 9843  
[vincentlu@hcli.org](mailto:vincentlu@hcli.org)

## **HCLI India**

### **Floicy Joseph**

Senior Manager, Strategic Alliances & Client Services  
+65 6908 0457  
[floicyjoseph@hcli.org](mailto:floicyjoseph@hcli.org)

## **Special thanks to research report contributors:**

Nidhi Shah and Jasmeet Kaur

\*Note: Deloitte and HCLI collaborated and contributed equally to this research study and report.



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