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It is our pleasure to present to you the findings of our third Deloitte Southeast Asia CFO survey, designed exclusively for CFOs to have an opportunity to have their say on the latest hot topics in the market and share the challenges they face in the role.

The focus for this survey was to explore the performance and capability gaps of the talent in the Finance functions, as well as in the overall organisations in Southeast Asia, and how well the CFO and talent leaders have cooperated to recruit and retain the necessary talent to drive their corporate strategies.

Across companies of all sizes and industries, it is found that CFOs are less than convinced that their organisations have the talent required to meet the business goals and strategies. Coupled with the market uncertainties of recent months and the fierce competition in sourcing for the talent needed to deliver business’ objectives, our study shows that there is a need to align the goals and priorities of the C-level executives and the Human Resources (HR) function, and build towards a common talent agenda for the organisation.

We hope that you will find the insights from this report valuable, and a big thank you to the CFOs who participated in this study, for sharing their perspective on the topic with us.

Ng Jiak See
Executive Director, Head of Corporate Finance Advisory
SEA CFO Program Leader
Executive Summary

The CFO’s traditional role to just manage the in-flows and out-flows of the organisation’s finances and control costs is a thing of the past. Today’s CFOs are expected to take on more challenging roles to help shape the overall business strategy and direction, and instill a financial approach and mindset throughout the organisation to help other parts of the business perform better.

Consequently, with so much going on, securing high-performing talent may be the most critical factor to the success of a CFO and attaining the overall goals of the organisation, whether or not the executive is new to the role. In today’s world, the talent agenda has become a top priority for CFOs.

Drawing on research and over 1,000 Deloitte CFO Labs conducted globally, there are four main pillars to a robust talent agenda¹:

1. Getting the right people in the right seats to deliver top priorities;
2. Creating a sustainable organisation that develops the next generation of leadership;
3. Building an engaged high performance team that outperforms the competition; and
4. Framing organisation models and policies to efficiently deliver the future.

That being said, what do CFOs really think about the performance of the talent in their organisations? Does the capability of the individuals in the Finance function really affect the business performance?

Key Highlights:

• The key differentiators in talent practices between leading performing companies and the rest of the organisations are having proper mentoring and coaching programs for all levels in the firm, as well as having senior leadership involvement in leadership development efforts.

• CFOs in Southeast Asia are becoming less optimistic as compared to three months ago, reflecting a diminishing confidence in the financial outlook as a result of the deteriorating economic conditions.

• Despite an increase in hiring expected in the coming year, 64% of CFOs surveyed are not very confident that they have the talent required to meet business objectives.

• “Drive for results” is ranked as the most important skill for talent in the organisation in the next five years, while, somewhat surprisingly, “Influencing stakeholders” and “Operational management” are a few of the least important traits that business leaders are looking for.

• The most common talent practice in Southeast Asia is the implementation of the performance management process, to drive feedback, development, and business values.

• Aligning talent practices to the changing needs of business is critical in achieving the business priorities, and CFOs are increasingly partnering with their HR organisation to take a more strategic approach to ensure the talent programs drive business performance.

¹ Deloitte CFO Insights: Defining – and delivering – your talent agenda. Dr. Ajit Kambil, Global Research Director, CFO Program
In the findings of our global CFO Signals survey in the early half of 2015, it was suggested that despite growing concerns about global economic health and continued geopolitical volatility, CFOs’ sentiments and expectations were still holding up fairly well across all industries. The sentiments of CFOs in the region this quarter, however, appear to reflect rising concerns. This comes as no surprise judging by the faltering performances of major economic zones – decline in oil prices, worsening condition of the Eurozone debt crisis, pummeling of Chinese equity prices and, of course, the devaluation of the yuan earlier in August which rocked the global economy.

Consistent with the global opinion, the 2015 Southeast Asia CFO Survey findings seem to suggest that more and more CFOs are feeling less optimistic of their businesses’ financial prospects over the past years. Less than 40% of the CFOs in Southeast Asia are optimistic about the financial prospects of their companies, which is balanced with the 36% of CFOs who feel doubtful about their companies’ prospects as compared to three months ago.

Not surprisingly, more than three-quarters of those who feel less optimistic this quarter point to external factors as the cause of their concerns. The region was also faced with difficulties – the fall of the Malaysian ringgit to its lowest level against the dollar in 18 years since the Asian financial crisis in 1997, and the recent terrorist attacks at the Erawan shrine in Bangkok, to name just two – so it is no wonder 75% of CFOs surveyed feel that the pressure of external uncertainties facing their businesses is high, as seen in Figure 2.

Figure 1. CFO optimism relative to the last quarter

Figure 2. CFO sentiments on level of external financial and economic uncertainties facing their business
Revenue
Contradicting the dwindling optimism, CFOs are still relatively positive on their expectations for revenue growth. 68% estimate an increase in their revenues in the coming year.

Operating margin
Interestingly, 34% of CFOs expect operating margins to decrease in the next 12 months, which seems to either indicate an anticipation of higher costs, or companies’ intentions to leverage on the economic slowdown to grow their business.

Capital expenditure
49% of CFOs in the region envisage M&A activity to increase in the coming 12 months, of which 30% are businesses in the Financial Services industry. This further indicates that companies are increasing their capital expenditure activities and are investing when equity prices are at their low.

Hiring
Hiring is also expected to increase, with 46% of CFOs looking to increase their headcount in the next year. Again, the companies in the Financial Services industry are seeking to increase their employee numbers.

According to the findings of our North American Q3 CFO Signals survey, CFOs mention expected shortages of leaders, innovators (engineers, researchers, developers and designers), and business developers.

To combat potential shortages, many CFOs surveyed say they are working to better compete for young professionals and top graduates through enhancing their employer value propositions, better development opportunities, and even a revamp of their HR departments and talent management approaches.
Against the backdrop of high uncertainty, we see CFOs also lacking confidence in their organisations’ talent with 64% saying that they are less than confident that they have the talent needed to meet business objectives. These findings are aligned with Deloitte’s 2015 Southeast Asia Human Capital Trends survey where 81% of respondents indicated that workforce capability was a critical issue. That survey further found that the vast majority of organisations are not ready to address this issue.

We also asked CFOs around Southeast Asia to rate how important various skills will be to building their businesses over the next five years. The top five most important skills are: drive for results, strategic management, innovation, people leadership, and collaboration. The relative importance of these skills over others, such as operational management and functional expertise, reflects a realisation that “business as usual” is no longer an option. Strong functional expertise (technical skills) and operational management are no longer enough to drive sustainable growth in Southeast Asia. Growth will require talent with more advanced skills in driving results, strategy, innovation, and leading people.

Finally, given the need to attract, develop and retain talent with the skills necessary to drive sustainable growth, we asked our CFO respondents to share with us some of their key talent initiatives, which included focused performance management processes, formal Learning and Development (L&D) programs, and mentoring and coaching structures.

Figure 3. Importance of skills in the next five years in the overall organisation and the Finance function

Scores are based on a scale from 2 of high importance to -2 of low importance.
For a CFO, it is necessary to assemble a team that ensures they have the necessary talent to support them in their operator and steward roles and can thus give the necessary time to their catalyst and strategist roles too.
How Top-Performing Businesses Lead Through Talent

As much as leaders and CFOs are important in the strategy and decision-making, they cannot do everything alone: they rely on the talent within their organisation to execute on a day-to-day basis and make the company successful. Having ineffective individuals and teams can be a drain on the energy and time of the business leaders, and in turn affecting business performance.

According to the recent article of the Deloitte University Press Executive Transition series, business leaders should assess the talent in the organisation and understand the key drivers of team performance and interventions, to deal with sticky situations, improve performance and upgrade the organisation’s brand.3

In this survey, we have sifted out the top business performers and compared their talent perspective with the rest of the organisations.

We have defined “performance leaders” as the 46% of CFO respondents who rated their three-year business performance as “successful” or “very successful” over the past three years. “The rest” are the remaining 54% of CFOs who have rated their performance as “somewhat successful” or “not very successful”.

Figure 4. Defining “performance leaders” based on 3-year company performance

3 Deloitte University Press Executive Transitions series: Drivers of team performance – Do you have a team? Do you want a team? Dr. Ajit Kambil, Global Research Director, CFO Program
Overall, market-leading companies (“Performance Leaders”) were much more confident that their organisations have the talent needed to meet business objectives. In fact, 50% of performance leaders were either “confident” or “very confident” in their talent compared to only 25% of the rest. This is a strong indication that the level of talent within an organisation is strongly correlated to the organisation’s success and business outlook.

Figure 5. Confidence in talent between performance leaders and the rest

These performance leaders also have a more optimistic outlook on their future 12-month performance on revenue, operating margin and hiring than the rest of the companies surveyed (see Figure 6).

Figure 6. 12-months performance outlook between performance leaders and the rest

Scores are based on a scale from -2 for low performance to 2 for high performance.
Looking more closely at what drives confidence in talent, we found that performance leaders reported stronger talent in every skill area included in the survey. Interestingly, the greatest difference between performance leaders and the rest were reported in the areas of strategic management, drive for results, and people leadership (three of the areas noted as most important for supporting sustainable growth).

Figure 7. Performance of talent between performance leaders and the rest

Scores are based on a scale from 1 to 5, with 5 being the highest rating of performance.

We can clearly see that more successful companies have stronger talent, especially in those areas critical for business performance. So what are these companies doing differently to attract, develop, and retain top talent?
Figure 8 summarises the comparison of talent practices utilised by performance leaders and other respondents. Overall, a majority of performance leaders have already implemented 11 out of 12 talent practices covered in our survey. The more popular talent practices implemented among performance leaders are: driving feedback, development, and business value through performance management, formal learning and development programs, mentoring and coaching, and senior leadership involvement and ownership of leadership development. While these programs are popular among performance leaders, only some of these are differentiating factors. There are six talent practices where adoption rates are at least 15% higher with performance leaders. We will take a closer look at each of these to uncover how these practices impact business performance.

Mentoring and Coaching

The difference in adoption rates for this area was the largest amongst the talent practices in our survey. While 69% of performance leaders practise mentoring and coaching, only 43% of the rest of the organisations have implemented this practice (yielding a large difference of 26%). Bersin by Deloitte advocates mentorship programs for business of all sizes to help workers advance their careers. Their research found that mentorship helped improve engagement and retention of top talents, as well as providing developmental opportunities for mentees.

Senior leadership involvement in leadership development
This has the second largest disparity between performance leaders and the rest of the organisations surveyed (a difference of 22%), and is also the fifth most popular talent practice amongst performance leaders (69% adoption rate). While top management support is important for any initiative, senior leader involvement is critical for leadership development efforts. To be truly effective, involvement by senior leaders must go beyond simply showing support by kicking off and helping to communicate an initiative. Real involvement means “leaders teaching leaders,” by playing an active role in the design, delivery, and syndication of leadership programs (modeling leadership after the formal program ends). Our experience has shown that involvement by senior leaders, including CFOs, throughout the program process significantly increases retention and application of learning, as well as participant satisfaction.

Providing leadership programs for all levels
While not one of the more popular talent strategies for performance leaders, it is practised by a large majority, and is a key point of differentiation from the rest (60% for performance leaders versus 39% for the rest). Most organisations focus only on top leadership, but mid-level and first-level leaders actually operate the company and are the future leaders of the organisation. Thus, leaders at lower levels are actually in a better position to drive performance, foster engagement, and increase retention.

The Leadership Pipeline Model (see Figure 9) shows that organisations should focus on leadership programs at key career transition points, to improve manager performance at all levels and strengthen the overall leadership pipeline for the future.

Succession planning
Succession planning has only now begun to be implemented in Southeast Asia (despite starting in the 1970s). About half of the performance leaders (52%) report “maintaining clear and coherent succession plans and programs,” compared to only 37% of the rest of the organisations surveyed.

While succession planning isn’t one of the top strategies of performance leaders, it is one of the main factors differentiating performance leaders and the rest, and it is an essential process for all companies to ensure talent is recruited and developed to fill key roles. The Bersin by Deloitte research found that for nearly three-fourths of companies surveyed, succession management is seen as a HR exercise without input from the business or any expectation that the resulting plans are actually used. It is encouraging here to see that CFOs are reporting maintenance of succession plans in the current survey.

One of the hallmarks of mature succession planning programs is broad integration and alignment with business strategy. Companies with mature succession management are more effective at retaining, developing, and deploying top talent to drive business results.

Figure 9. The Leadership Pipeline Model

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6 Leadership pipeline (2007). Rum Charan, Stephen Drotter and James Noel
7 Bersin by Deloitte (2014). High Impact Succession Management: Key Findings and Maturity Model.
Understanding current skills and capability gaps
With the strong economic growth in Southeast Asia, business leaders increasingly see skill shortages as a major barrier to executing business strategy. It is not uncommon for necessary jobs to be vacant for long periods of time. Understanding the capability gaps is one of the practices differentiating performance leaders from the rest. The majority of performance leaders (64%) understand the need to engage in workforce planning to understand current skill needs and capability gaps, as compared to only 49% of the rest who understand the importance. Proactively assessing the current talent needs is now a key step towards recruiting and developing the talent required, to remain competitive in the business.

Driving feedback and development through performance management process
One of the most significant differentiators in talent practices between performance leaders and the rest of the organisations (difference of 15%), is also the most popular talent practice among performance leaders. Over 75% of performance leaders responded that they drive feedback and development via performance management, compared to only 61% of the rest.

One interesting observation is that performance leaders primarily saw the performance management process as a feedback and development mechanism, while the rest primarily saw the process as a way to drive business performance. With reference to Figure 8, 67% of the rest endorse the performance management process to drive business value, compared to 61% using the talent practice for driving feedback and development. These findings are somewhat ironic – they align with other studies showing traditional performance management systems are not effective.8

While performance leaders also look to drive business results via performance management, their greater focus on feedback and development is what’s truly distinctive. These findings are in line with Deloitte’s 2015 Global Human Capital Trends survey showing a shift in emphasis from performance measurement to performance coaching. This shift requires managers at all levels to learn how to coach and develop their teams. Thus, it is imperative that organisations must provide training and support for leaders at all levels to be able to successfully implement this practice, for better business performance.

“I’d like HR to anticipate the organisation’s need for talent in the different functionalities, given the expansion and growth objectives of the company.”

CFO, Global food processing company
In fact, our survey found that aligning talent practices to business needs was the key differentiator at performance leading companies. Interestingly, not much difference was found in the area of allocating resources between performance leaders and the rest. These results compliment the findings from the Deloitte 2015 Southeast Asia Human Capital Trends survey. The findings show that HR has largely accomplished most of the operational efficiencies and cost savings that are possible. According to the findings of this survey, it is suggested that there is a need to focus on talent issues, such as leadership, workforce development, and redesigning performance management, to drive sustainable top line growth.

Figure 10. Performance of HR between performance leaders and the rest

Scores are based on a scale from 1 to 5, with 5 being the highest rating of performance

As everyone expects, the HR organisation should be the natural partner to deliver the talent agenda. However, many of the CFOs we surveyed said that they find the support from HR not sufficient at this time.

“HR effectiveness,” “Talent management” and “Strategic HR” were overwhelmingly popular themes that surfaced when we asked our CFO respondents what is the one thing they would ask from their HR organisation. These results reinforce an overall trend towards high-impact human resources operating models which are more aligned with business strategy and focused on driving results.
In some organisations, the CFO - as the “numbers” person in their Operator or Steward roles - are seen as the antithesis of the HR function, which is often seen as the “Champion” of the employees.

In some organisations, the HR function and CFO can experience friction as HR sees the CFO as too concerned with expense management to the detriment of staff morale and engagement. Meanwhile, many CFOs are concerned that HR is not focused enough on the financial impact of their programs on business performance.

As a starting point, it is important for CFOs to reach out and establish a close partnership with the Chief Human Resources Officer (CHRO) – seeking his or her support and aligning the priorities across the talent agenda of the organisation. If both CFOs and CHROs function at the more strategic levels, they will find common ground and work more collaboratively with one another.

It is also important for CFOs to assess and better understand the talent in their teams, define the goals and purpose, and implement a practical approach for their team to work towards the priorities.

As a business leader, getting the support to execute the talent agenda is vital, and it is best to quickly determine where the HR organisation does not have the capabilities to support the agenda. If HR fails to rise to the occasion, it may be time to determine what type of HR organisation the company needs to succeed in the future.

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9 Deloitte CFO Insights: Defining – and delivering – your talent agenda. Dr. Ajit Kambil, Global Research Director, CFO Program
Survey respondent profile

Role immediately prior to current CFO role (n=89)

- Business partner: 13%
- Business unit leader: 5%
- CFO of another organisation: 3%
- Consultant: 24%
- Controller: 13%
- Finance Head: 6%
- Public accounting professional: 11%
- Treasurer: 7%
- Other: 1%

Years of CFO experience

- Less than 3: 30%
- 3 to 5: 21%
- 6 to 10: 28%
- 11 to 20: 17%
- More than 20: 4%

Organisation type

- Public: 33%
  - Holding company: 11%
  - MNC Subsidiary: 10%
  - Regional organisation of MNC: 10%
  - Others: 22%
- Private: 66%
  - Holding company: 20%
  - MNC Subsidiary: 19%
  - Regional organisation of MNC: 22%
  - Others: 1%
- Government: 1%
**Revenue and industry of participating companies**

**Participating Industries**

- **Consumer Business**: 25%
- **Energy & Resources**: 12%
- **Financial Services**: 24%
- **Life Sciences & Healthcare**: 5%
- **Manufacturing**: 21%
- **Public sector**: 2%
- **Technology, Media & Telecommunications**: 11%

**Headquarter Countries**

**EMEA**
- France (10%)
- Switzerland (14%)
- Finland (14%)
- United Kingdom (28%)
- Germany (10%)
- South Africa (10%)

**Asia Pacific**
- Brunei (7%)
- China (5%)
- India (2%)
- Indonesia (2%)
- Japan (18%)
- Korea (4%)
- Malaysia (17%)
- Philippines (7%)
- Singapore (28%)
- Taiwan (2%)
- Thailand (4%)
- Vietnam (4%)

**Americas**
- Canada (14%)
- United States (86%)

**Annual revenue**

- Less than US$100m: 39%
- Between US$100m to US$300m: 12%
- Between US$300m to US$500m: 10%
- Between US$500m to US$1b: 7%
- More than US$1b: 32%
About the SEA CFO Program
The CFO Program brings together a multidisciplinary team of Deloitte leaders to help CFOs stay ahead in the face of growing challenges and demands. The Program harnesses our organisation’s broad capabilities to deliver forward thinking and fresh insights for every stage of a CFO’s career — helping CFOs manage the complexities of their roles, tackle their company’s most compelling challenges, and adapt to strategic shifts in the market.

About the survey
The Deloitte SEA CFO Survey targets the CFOs of major companies in Southeast Asia. This is the third CFO survey conducted in this region. The survey was open for one month commencing 13 July 2015 and was completed by 91 CFOs, representing a wide range of industries.

All participating CFOs have agreed to have their responses aggregated and presented.

Please note that this is a “pulse survey” intended to provide CFOs with bi-yearly information regarding their peers’ thinking across a variety of topics. It is not, nor it is intended to be, scientific in any way. This report summarises findings for the surveyed population but does not necessarily indicate economy- or industry-wide perceptions or trends.

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Survey data collated and analysed by the Deloitte SEA Human Capital team and Lee Shu Ling.

Report designed by Josephine Yeo.

For more information about the survey, please contact the SEA CFO Program team at cfoprogramsea@deloitte.com.