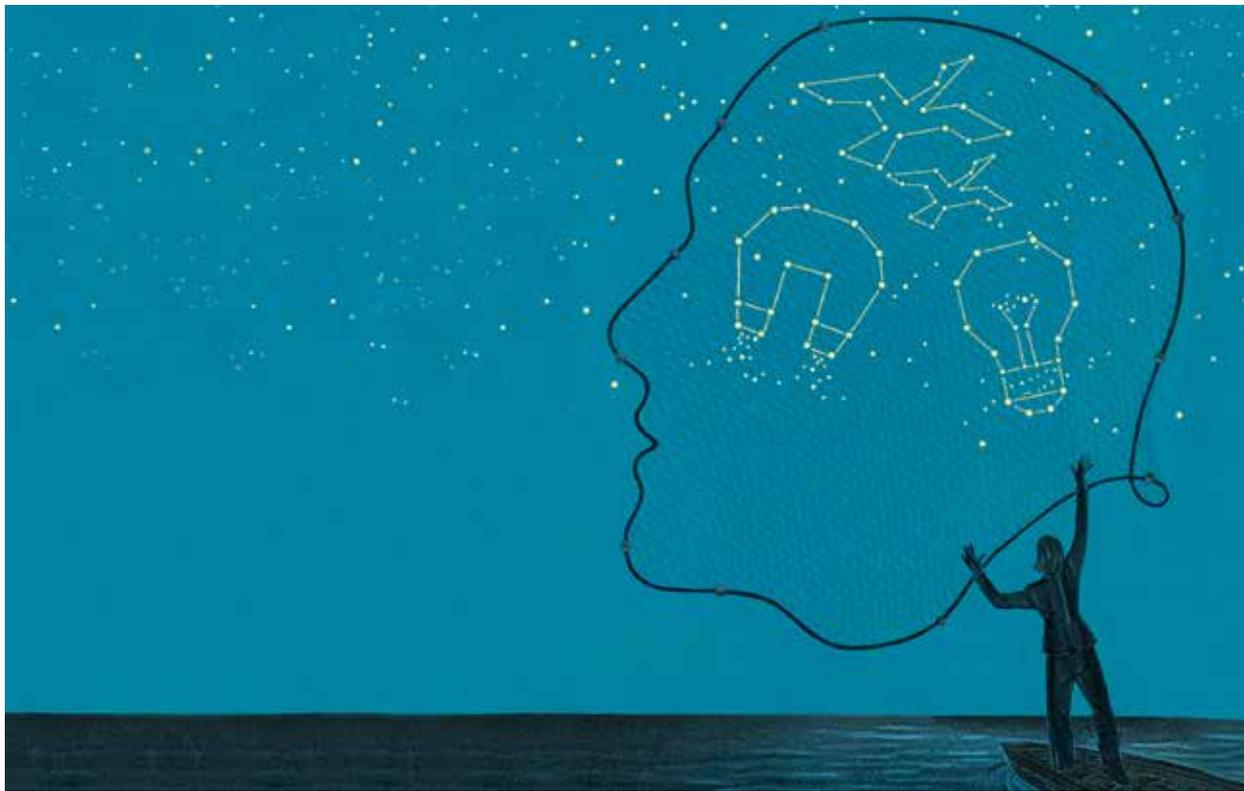


Engaging the 21st century workforce
Global Human Capital Trends 2014



Engaging the 21st century workforce

Global Human Capital Trends 2014

CEOs and HR leaders see talent as a major challenge to growth. Where should you focus? Our survey of 2,500+ organisations in 90+ countries reveals 12 critical trends shaping the human capital agenda. www.deloitte.com/HCTrends2014, www.deloitte.com/HCDashboard



Lead and develop

Develop leaders at all levels: Close the gap between leadership hype and readiness

Leadership remains the top human capital concern — and the largest “readiness gap” in our survey. The need: develop new leaders faster, globalise leadership programmes, and build deeper bench strength.

www.deloitte.com/leadersatalllevels



Attract and engage

Talent acquisition revisited: Deploy new approaches for the new battlefield

Talent acquisition and recruiting are undergoing rapid disruption, challenging companies to leverage social networks, aggressively market their employment brand, and re-recruit employees every day.

www.deloitte.com/Talentacquisitionrevisited



Transform and reinvent

Reskill the HR team: Accelerate the development of HR professionals into skilled business consultants

HR professionals need an increasingly wide range of skills, not only in talent areas but also in understanding how the business works, makes money, and competes. How are HR teams staying current and viable?

www.deloitte.com/reskillingHR



Corporate learning redefined: Prepare for a revolution

It's a new age for Learning & Development. Online content, MOOCs, collaboration tools, and social media now fuel a training model where employees own their skills and experts share knowledge freely.

www.deloitte.com/learningredefined



Move beyond retention: Build passion and purpose in the workforce

Survey respondents say retention and engagement is the second biggest human capital challenge they face (after leadership gaps). What's the secret to becoming a “talent magnet” in the coming years?

www.deloitte.com/beyondretention



Implement talent analytics: Go from talking to delivering on Big Data

Analytics is an exciting and fast-growing areas of human resources, but many companies are lagging. How can they address this game-changing area of HR to move quickly and methodically into the future?

www.deloitte.com/talentanalyticsinpractice



Performance management is widely broken: Replace “rank and yank” with coaching and development

Companies worldwide are questioning their forced ranking, rigid rating systems, and once a year appraisal process. This is the year a new model of performance management will likely sweep through HR.

www.deloitte.com/PMisbroken



Shift from diversity to inclusion: Move from compliance to diversity as a business strategy

The world has become highly diverse, but many companies have not — especially when it comes to combining diversity with the inclusive culture needed to truly drive value.

www.deloitte.com/diversitytoinclusion



Race to the cloud: Integrate talent, HR, and business technologies

Cloud-based HR technology promises to integrate people systems, enable learning and talent management, and reengineer recruiting. But massive adoption of new software is harder than it seems.

www.deloitte.com/racetothecloud



The quest for workforce capability: Create a global skills supply chain

Organisations now compete globally for scarce technical and professional skills. How can you locate and develop this talent when it takes years to develop expertise?

www.deloitte.com/Workforcecapability



Rescue the overwhelmed employee: Simplify the work environment to improve life and work

Technology and too much access have turned us into “overwhelmed” employees. Nearly every company sees this as a challenge to individual productivity and overall performance, but struggles to handle it.

www.deloitte.com/overwhelmedemployee



Globalise and localise the HR function: Balance scale and agility

A new model of “high-impact” HR blends globalised talent practices for consistency and mobility with localised flexibility to attract, retain, and manage people appropriately.

www.deloitte.com/globalandlocalHR

Foreword

I am pleased to share with you a summary of the key human capital trends and priorities that are driving human capital decisions across Southeast Asia, according to the annual Deloitte 2014 Global Human Capital Trends survey. This report is a special excerpt for Southeast Asia and is designed to complement the Deloitte 2014 Global Human Capital Trends report.

The Deloitte 2014 Global Human Capital Trends survey represents the views of over 2500 business and HR executives in 90 countries, who answered a wide range of questions about their human capital challenges, capabilities, and key priorities for the year. Southeast Asia was well represented, with 54 respondents.

This year, our global report focuses on 12 critical human capital trends, organised into three broad areas: attracting and engaging; leading and developing; and transforming and reengineering the HR function.

The business landscape in Southeast Asia is changing, influenced by economic realignment, advances in technology, globalisation of markets, changing demographic trends, new customer needs and increased competition. This is radically altering how companies operate across the region. Therefore, applying existing methods to new and emerging human capital trends will not be enough. Organisations, and specifically HR leaders, will need to apply the same rigor, effort and sophistication to human capital planning as is provided to designing business strategy.

We look forward to discussing these insights further and we hope that this report will help you understand and address the implications of these trends for your business and HR operations.

Yours sincerely,
Nicky Wakefield
Leader, Southeast Asia Human Capital

Business outlook

Southeast Asia is still firmly in a positive growth mode, with almost 60% of the respondents looking forward to a moderate to strong growth in 2014, after years of persistent economic shocks across much of the developed world.

The region comprises of different markets that are in different phases of maturity. Labour costs, technology infrastructure, governance and legislation, organisational decision-making processes, work practices, culture, and language differ markedly from country to country within this region. Organisations of all types, from

multinationals to state-owned enterprises and family-based conglomerates, are competing for the same talent in their race to become regional or global players.

Organisations will need to adopt different strategies for success in each Southeast Asian market, given its unique characteristics. Underpinning the formulation and execution of these strategies will be the quest for talent and leadership. Human capital issues are now widely recognised by Southeast Asian leaders as being critical to business sustainability, competitiveness and success.

Southeast Asia
Total: 54

Global
Total: 2532

Figure 1.a – Business Outlook – Southeast Asia

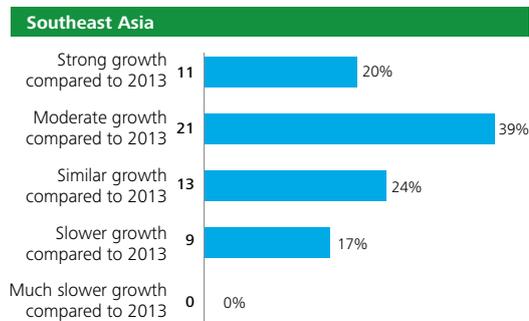
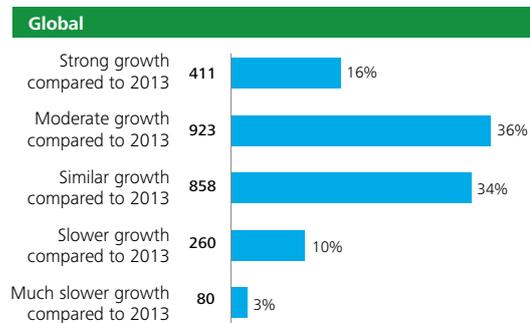


Figure 1.b – Business Outlook – Global



Top trends by Human Capital Challenges

Workforce capability is the top human capital challenge facing organisations in Southeast Asia, with 74% leaders seeing it as a challenge over the next 12 to 18 months (Figure 2.a).

All industries are undergoing rapid technological, demographic or regulatory changes— driving a need for new technical and professional skills. Hence the challenge goes beyond finding and building skills—it is now a game of deep specialisation. Businesses strive to acquire deeper specialisations and better skillsets than their competitors in order to be successful. Adding to the challenge, organisations compete for a relatively small talent pool in this region.

To make organisations more effective in the face of sweeping business changes, 21st century HR leaders will need to rethink their techniques for managing talent and ensure the current and future capability needs are aligned with the strategic objectives of their organisation. Increasingly they will need to develop more evidence-based approaches to managing talent, such as making better use of analytic techniques to identify talent segments and gaps, optimising resource allocation and developing workforce plans. Companies should look at Talent Management in unique and innovative ways - tapping into new skill pools in new places; building a local employment brand that is relevant, valued, and authentic; developing a customised set of practices, approaches and policies depending on the location.

Figure 2.a – Top 5 Human Capital Challenges – Southeast Asia

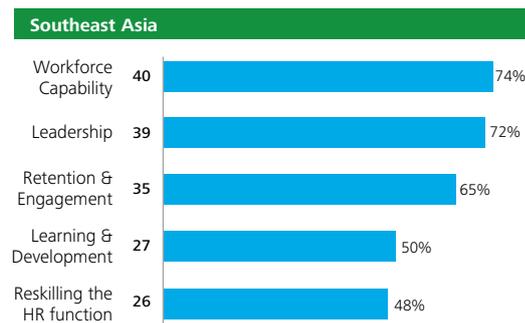
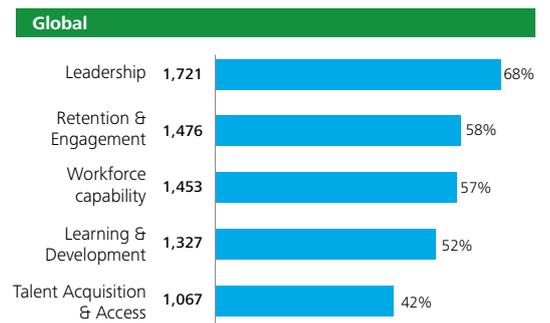


Figure 2.b – Top 5 Human Capital Challenges – Global



Top trends by Human Capital Challenges

Given the growth expectations of many businesses in Asia, it is not surprising that leadership was rated as a critical issue by 76% of Southeast Asian organisations (Figure 3.a). However, only 38% of respondents believe they are organisationally ready to develop leaders at all levels. This makes leadership one of the most challenging issues for Southeast Asian organisations (72% of responses), second only to the challenges of building workforce capabilities (74% - Figure 2.a).

Finding good leaders has always been a critical issue for all organisations. But “21st-century leadership” is different and there are some unique nuances for Southeast Asia. The presence of several emerging markets, the prevalence of a young and ambitious workforce, evolving regulation and significant generational differences is making it difficult to find, develop, deploy and retain leaders in this region. Also, due to cost pressures and intense competition for talent, many companies are struggling to retain and develop an adequate leadership pipeline with the critical capabilities and skills required to succeed in the future.

A key part of the solution is for organisations to develop leadership pipeline at all levels and build programmes and tools to reflect the diverse perspectives of the region. Today’s business environment places a premium on speed, flexibility and the ability to lead in uncertain situations. To be successful in this region, the 21st century leader needs to build competencies to be prepared to lead complexity, diversity, sustainability, regulation and changing expectations of the workforce. Despite the emergence of accelerated development programmes, there are no effective shortcuts to upgrading the capabilities of current leaders and to building broader and deeper leadership bench strength.

Talent retention and engagement is likely to become an issue for many organisations, with 65% (Figure 2.a) of the respondents in Southeast Asia facing this challenge and yet, only about 45% (Figure 3.a) of respondents feeling ready to adequately address it.

Information overload and the “always on” 24/7 work environment are overwhelming employees, undermining productivity and contributing to low employee engagement. Organisations need to shift from strategies of “holding people” to “engaging people” because employees, especially millennials are increasingly looking for work that inspires passion and allows them to fulfil their professional, personal and social goals.

This region is characterised by the prevalence of a younger workforce, creating a highly competitive labour market for skilled people. The expectations of this emerging workforce are also changing, encompassing a more diverse and more holistic definition of “reward”. There is an increasing expectation of doing meaningful work, and more focus on the working environment, workforce flexibility and corporate culture. These non-monetary and intangible considerations will play an increasingly important role in employee engagement and retention.

It follows that organisations in Southeast Asia need to adopt different and more holistic approaches to addressing this challenge, recognising the need for a multi-pronged strategy to create a highly engaged workforce. The strategy needs to focus on a tailored management approach to providing better career opportunities, a collaborative working environment, effective leadership, and an inspiring mission and brand.

Additionally, leaders need to find innovative ways to provide employees with the workforce flexibility they demand and the personal and professional development they need to grow and succeed. They need to focus on finding ways to develop a “high-performance culture” where employees feel recognised and valued.

Top trends by Human Capital Challenges

Learning and Development is the fourth biggest human capital challenge facing Southeast Asian organisations in the next 12 to 18 months, with 50% of respondents reporting facing this challenge (Figure 2.a). Historically, most training programmes have followed a “push” model: employees were invited to a training session in a classroom at a specified time, listened to a series of lectures, and were sent back to work. Today employees typically have different expectations of how to acquire and develop skills. Younger generation workers expect training and support to be readily and rapidly accessible 24/7 online and on-demand. In this “pull” model, learning and development is a continuous process, with training pulled seamlessly through computers or mobile devices anywhere, anytime.

Developing leaders and functional experts can take several years and cannot be achieved by focusing solely on short-term training. The objective should be in building a “supply chain of skills”, spotting technical and leadership gaps before they appear and developing people over time to deepen their skills where needed. This implies being good at tactical training, as well as long-term skills assessment and planning.

Thus, it is important to establish HR as curators of content and facilitators of experiences, not merely content archivists. Further, there is a need to standardise, simplify, and integrate learning technology - employees want a single place to access content, share experiences, and find formal programmes.

Corporate learning today requires content, context, and deep expertise. Companies should rationalise their HR spending, and shift the focus from “delivering training” to “developing capability.” Effective corporate learning encourages a culture of growth, empowering employees and driving performance, engagement, and career development.

The rapid transformation and growth of businesses in Asia have put enormous pressure on the HR function to “catch-up” and support the transformation and expansion of businesses. Hence the biggest readiness gap in Southeast Asia is in **Reskilling the HR function**, with 48% of the respondents stating it as a challenge (Figure 2.a), whilst only 30% respondents felt that their HR function has the skills needed to meet the challenges of today’s business environment (Figure 3.a).

It is worth mentioning that, historically, a great proportion of the largest organisations in Southeast Asia have been either privately owned or government-linked. This resulted in many of the strategic “people decisions” being made at the business/government level, leaving HR in a largely operational role. Thus, organisations in Southeast Asia today believe their HR teams need significant reskilling. In today’s environment, HR strategies and operations need to be closely and constantly aligned to business imperatives and the HR function’s value is being measured by its ability to source, attract, retain, and build talent—not simply in its ability to deliver service to employees.

The HR function needs to be nimble enough to adapt to the business imperatives, provide workforce insights to help grow business performance; drive the employer brand by fostering and connecting with social communities within/outside the organisation and find and retain the best talent. Today’s HR professional must understand the new practices, technologies, workforce changes along with the differences in culture, language and regulations in order to add value.

We see this new high-impact “21st century HR function” as the steward of the “talent system” in the company, who are focused on sponsoring and architecting leadership development programmes, managing data and information about people, and acting as skilled consultants equipped with business critical capabilities that go beyond the remit of traditional HR. In this optimised role, HR function becomes a highly strategic contributor to business success and not just a centre for cost reduction and improvement in service delivery efficiency.

Top trends by Importance & Readiness Index vs. Capability Gap

Figure 3.a – Top Trends by Importance and Readiness – Southeast Asia

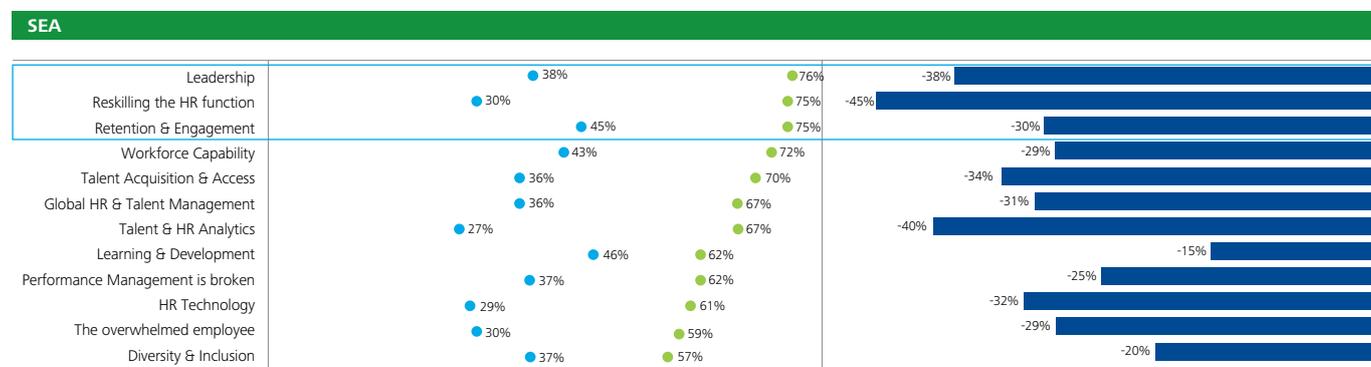
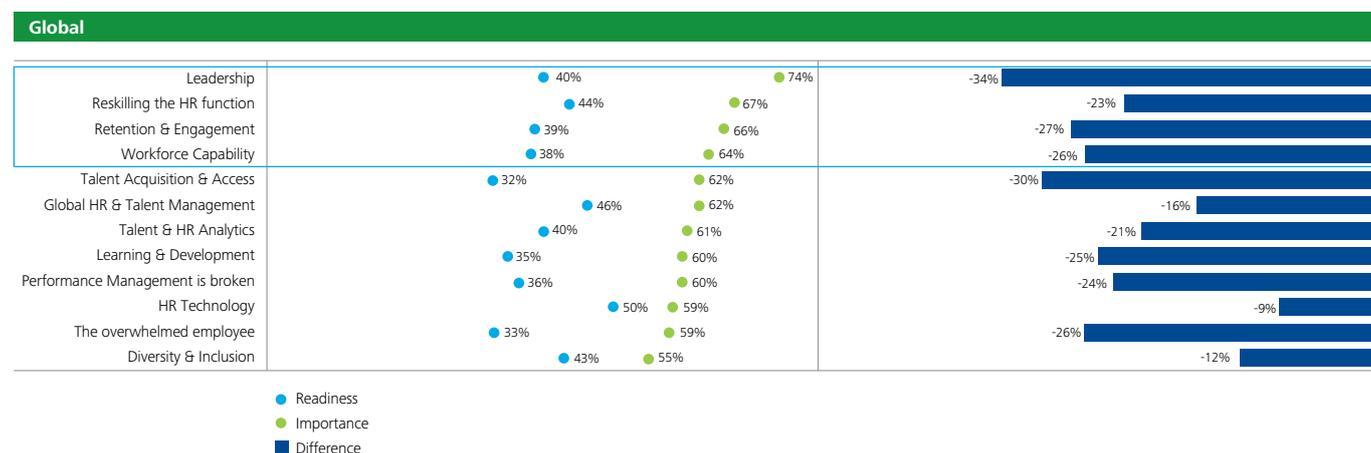


Figure 3.b – Top Trends by Importance and Readiness – Global



The dots on the graph depict the importance index, the readiness index and the capability gap index. And the difference between the indexes is defined as the gap.

Importance index is a weighted average of all the scale options defined for importance of HC Talent Trends (Urgent: 100%, Important: 66.66%, Somewhat Important: 33.33 %, Not Important: 0%)

Readiness index is a weighted average of all the scale options defined for readiness of HC Talent Trends (Ready: 100 %, Somewhat Ready:50 %, Not Ready: 0%)

The Human Capital Capability Gap Index. The Deloitte Human Capital Capability Gap Index is a research-based index that shows HR’s relative capability gap in addressing a given talent or HR-related problem. It is computed by taking an organisation’s self-rated readiness and subtracting its urgency, normalised to a 0–100 scale. For example, if an organisation feels that an issue is 100 percent urgent and it also rates itself 100 percent capable and ready to address the issue, the capability gap would be zero. These gaps, which are almost always negative, can be compared against each other.

Region	Total
Southeast Asia	54
Global	2,532

HR report card and investments

HR and talent programmes in Southeast Asia have been given a C-minus for overall performance and this number is line with the overall global score. This shows that businesses are becoming more sophisticated consumers of HR services and therefore expect more out of HR.

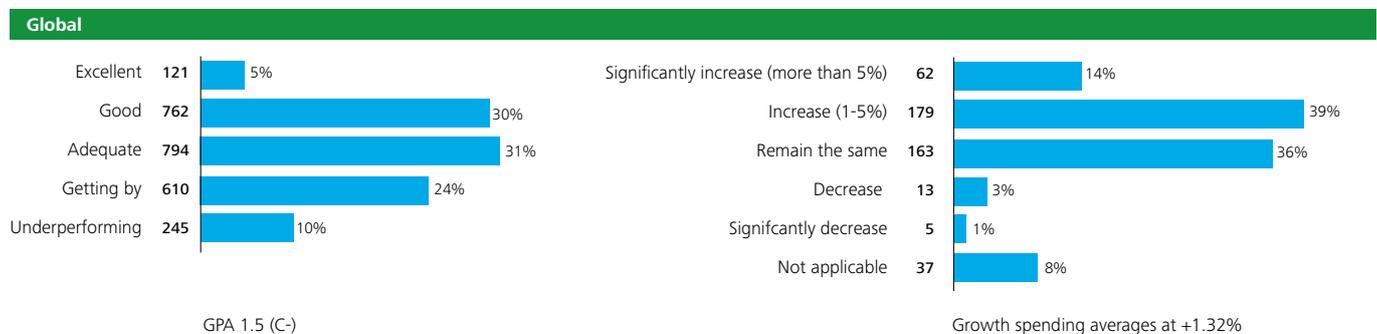
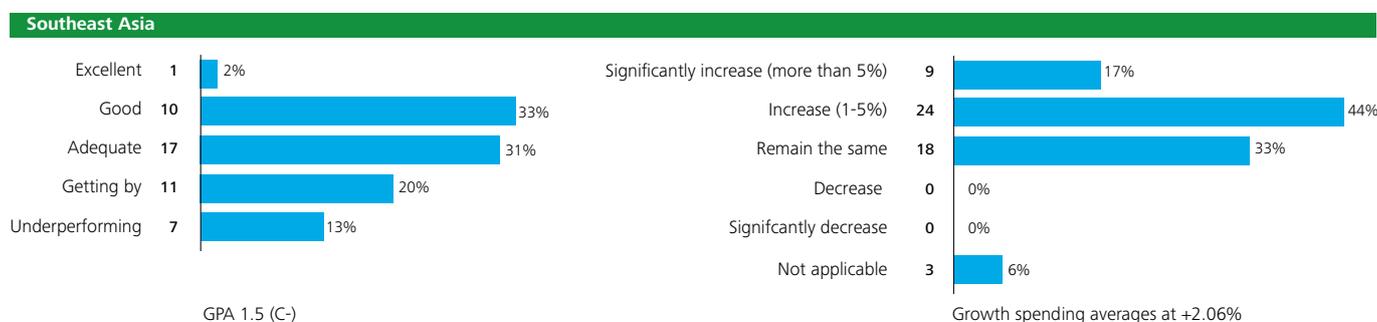
The solution, is investing appropriately in HR professional development. The heavy investment in developing capabilities for the general employee

population needs to be replicated for the HR function too, in order to enable HR professionals to meet the evolving business expectations.

About 60% respondents estimate that their HR investment will increase in the next 12-18 months, reflecting the fact that businesses are investing heavily in the region and part of this investment is going into building a more effective HR Function.

HR and Talent programmes report card

HR investment in next 12-18 months



- A: Excellent
- B: Good
- C: Adequate
- D: Getting by
- E: Underperforming

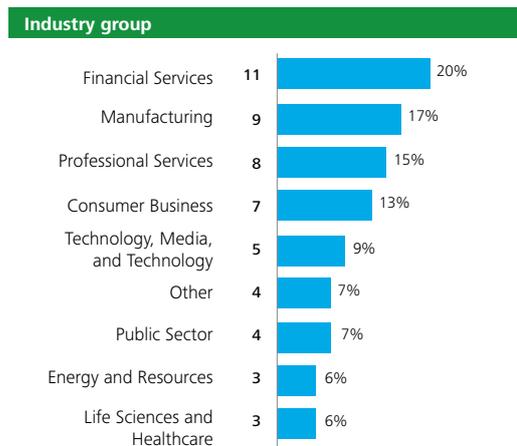
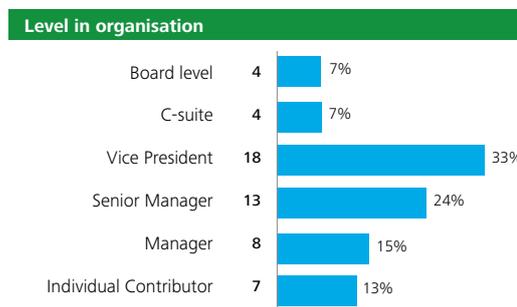
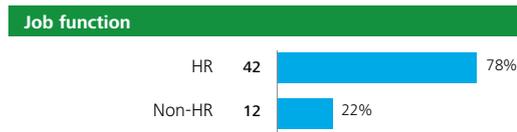
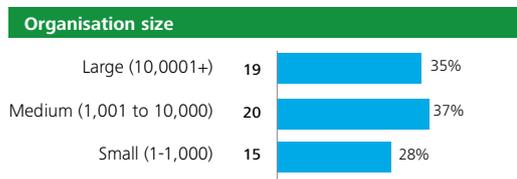
Demographics – Southeast Asia

Organisation Size: 37% of the organisations were medium sized, while 35% were large sized.

Job Function: Majority of the respondents were from the HR function.

Level in the organisation: The largest percentage of respondents were Vice Presidents, accounting for 33%, closely followed by senior managers which comprised of 24%.

Industry Group: 20% of the respondents were from financial services, closely followed by 17% from manufacturing.



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