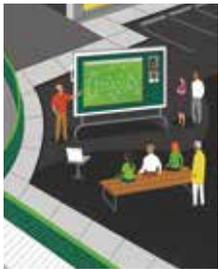


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Now in its fourth year, Deloitte's 2016 Global Human Capital Trends report is one of the largest longitudinal studies of talent, leadership, and HR challenges and readiness around the world. This Southeast Asia edition is a subset, reporting on the responses of 213 business and HR leaders in Southeast Asia, including Singapore, Malaysia, Indonesia and Thailand.

The 2016 Global Human Capital Trends research identified 10 important trends (in order of importance):



Organizational design: The rise of teams

Fast-moving global markets and digital disruption have forced companies to innovate rapidly. As companies strive to become more agile and customer-focused, organizations are shifting their structures from traditional, functional models toward interconnected, flexible teams.



Design thinking: Crafting the employee experience

To relieve the overwhelmed employee and develop HR applications that can help manage complexity, HR must adopt design thinking. This puts the employee experience at the center and moves HR's focus beyond building programs and processes to a new goal of designing a productive and meaningful employee experience.



Leadership awakened: Generations, teams, science

Organizations need to refocus on leadership as a whole to build versatile leaders earlier in their careers, form leadership teams that mix different generations and varieties of leaders, and develop leaders deeper in the organization.



HR capabilities: Growing momentum towards a new mandate

HR is under increasing pressure from business leaders to drive innovative talent solutions, improve alignment with business imperatives, and turn data into actionable insights. The good news is that HR leaders are adapting more quickly now to changing business demands and stronger skills requirements.



Shape culture: Drive strategy

Knowing that leadership behavioral and reward systems directly impact organizational performance, customer service, employee engagement, and retention, leading companies are using data and behavioral information to manage and influence their culture.



People analytics: Gaining speed

HR organizations are taking a major leap forward in analytic capabilities in terms of hiring people analytics staff, cleaning up their data, and developing models that help transform their businesses.



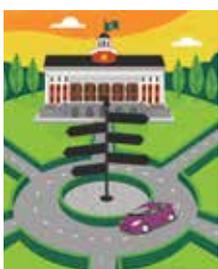
Engagement: Always on

Building a compelling and meaningful work environment is a complex process. At the same time, the world of employee engagement and feedback is exploding. Annual engagement surveys are being replaced by "employee listening" tools such as pulse surveys, anonymous social tools, and regular feedback check-ins by managers.



Digital HR: Revolution, not evolution

The digital world is changing how we live, how we work, and how business is organized and conducted. HR has the opportunity to revolutionise the entire employee experience by transforming HR processes, systems, and the HR organization via new digital platforms, apps, and ways of delivering HR services.



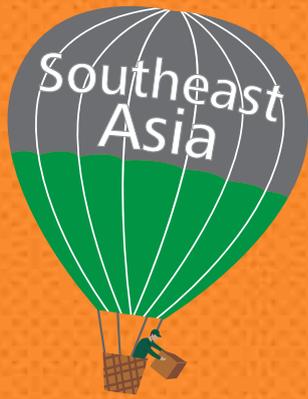
Learning: Employees take charge

There is intensifying pressure on companies to develop new ways to put employees in charge of the learning experience and foster a culture of learning throughout the organization, shifting beyond internal programs aimed at developing people to innovative platforms that enable people to develop themselves.



The gig economy: Distraction or disruption?

From the increasing use of contingent freelance workers to the growing role of robotics and smart machines, the corporate workforce is changing radically and rapidly. The gig economy poses significant questions and opportunities for organizations and their workforce talent strategies.



Foreword



The theme of Deloitte’s fourth annual Human Capital Trends report – “The new organization: Different by design” – reflects a major finding: After many years of struggling to drive employee engagement and retention, improve leadership, and build a meaningful culture, executives are now seeing the need to redesign the organization itself, with 92% of survey participants rating this as a critical priority.

Executives and business leaders in Southeast Asia face similar challenges. The Southeast Asia region comprises of different markets in different phases of maturity. Labor costs, governance and legislation, work practices, culture, and language differ markedly by country within this region.

The heterogeneous nature of the region means organizations will need to continue adapting human capital strategies to the unique characteristics in each country for success across Southeast Asia. There is no one-size-fits-all solution.

With this in mind, we have put together this regional report as a local supplement to the Deloitte Global Human Capital Trends 2016 report. Our regional supplement focuses on the most critical trends that emerged within Southeast Asia, infused with unique local flavor – observations and recommendations - specific to the region and to Thailand.

We hope you will find both the global report and this Southeast Asia edition insightful and look forward to discussing these trends further as you prepare to take on the human capital challenges pertinent to your organization.

Yours sincerely,

Nicky Wakefield

Executive Director and Leader,
Southeast Asia Human Capital Consulting

The Southeast Asia landscape

Southeast Asia is one of the fastest growing regions in the world today. When asked about the rate of business growth compared to the previous year, one out of five respondents indicated that they anticipate the rate of business growth to be more than 10% compared to the previous year. However, an overwhelming nine in 10 reported that growth was similar to or more than the previous year. In the context of the slowing global economic environment, this growth region represents significant business opportunities.

Organizations in Southeast Asia find themselves racing to adapt their organizations to respond to the regional growth in these markets. HR organizations are under increasing pressure from business leaders to drive innovative talent solutions, improve the employee experience through design thinking and digital solutions for better engagement and empowerment, improve HR capabilities to better alignment with business imperatives, and turn data into actionable insights.

In light of this context, an encouraging nine out of 10 respondents indicated they will continue to make similar or more investments in HR, with two in 10 planning a significant increase to take their organization's HR capabilities to the next level.

These statistics provide growing evidence that businesses are becoming increasingly aware of the impact human capital investment has on business growth and how an increased focus on growing HR capabilities contributes to winning in the marketplace.



Nine out of 10 will continue to make similar or more investments in HR

Two out of 10 plan to significantly increase investments to take HR capabilities to the next level

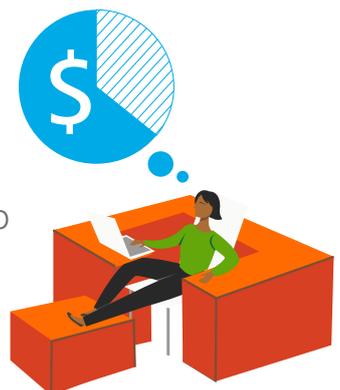
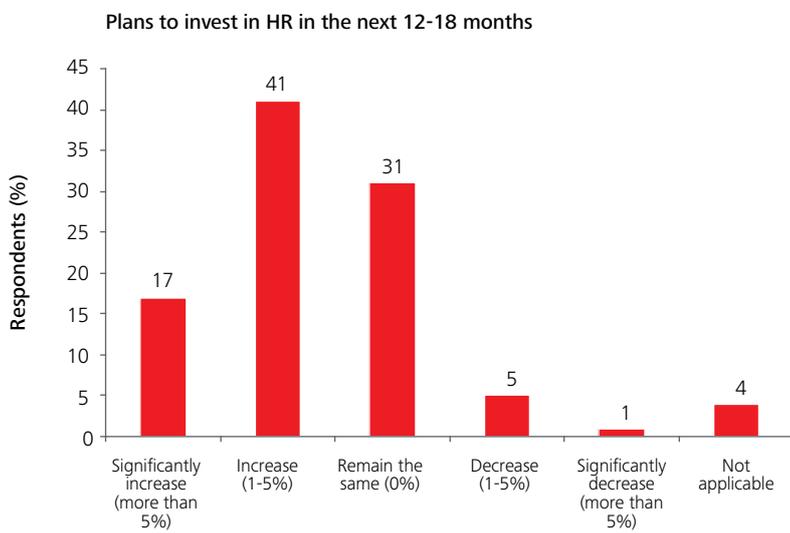
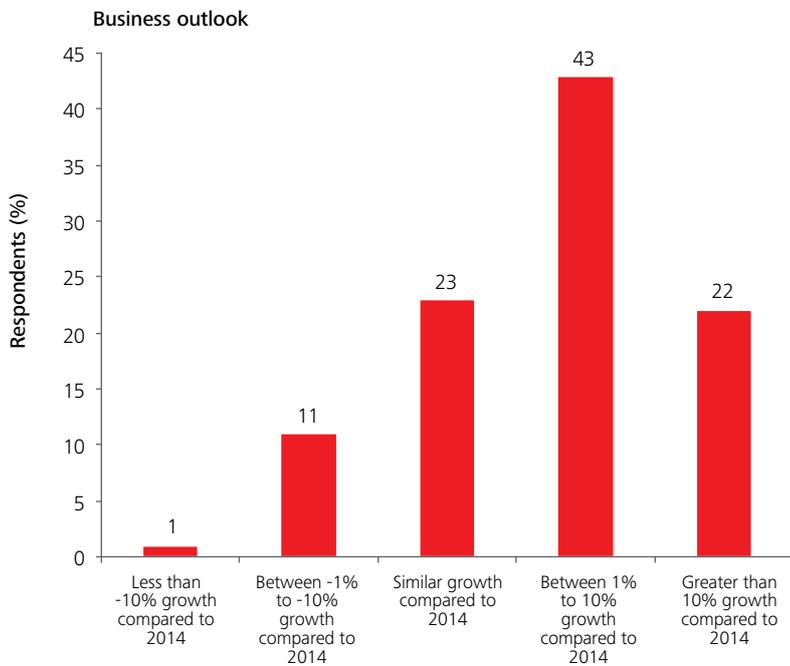


Figure 1: Overview of Southeast Asia



What are the most important issues for Southeast Asia?

The top five concerns for businesses in Southeast Asia are in line with global trends, but vary in order of importance.

The top five trends for Southeast Asia in order of importance are:

- Leadership awakened
- Engagement
- Organizational design
- Learning
- Culture

Figure 2a shows the top human capital trends in Southeast Asia ranked in order of importance. Figure 2b shows a comparison of Southeast Asia and global trends.

Interesting to note is that business and HR leaders both globally and in Southeast Asia rated the importance of all trends higher this year, more than they had the previous year (where comparable data was available). This is an indication of the growing acknowledgement of the direct link between strong HR capabilities in an organization and strong business performance. Table 1 shows this data.

Figure 2a: Top human capital trends in Southeast Asia in order of importance

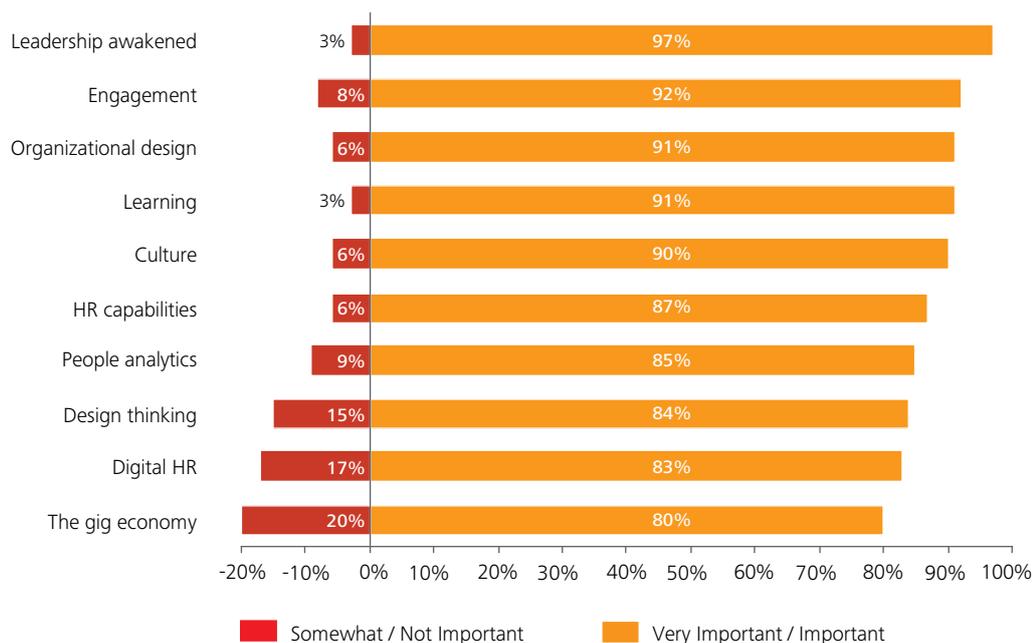


Figure 2b: A comparison of Southeast Asia and global human capital trends

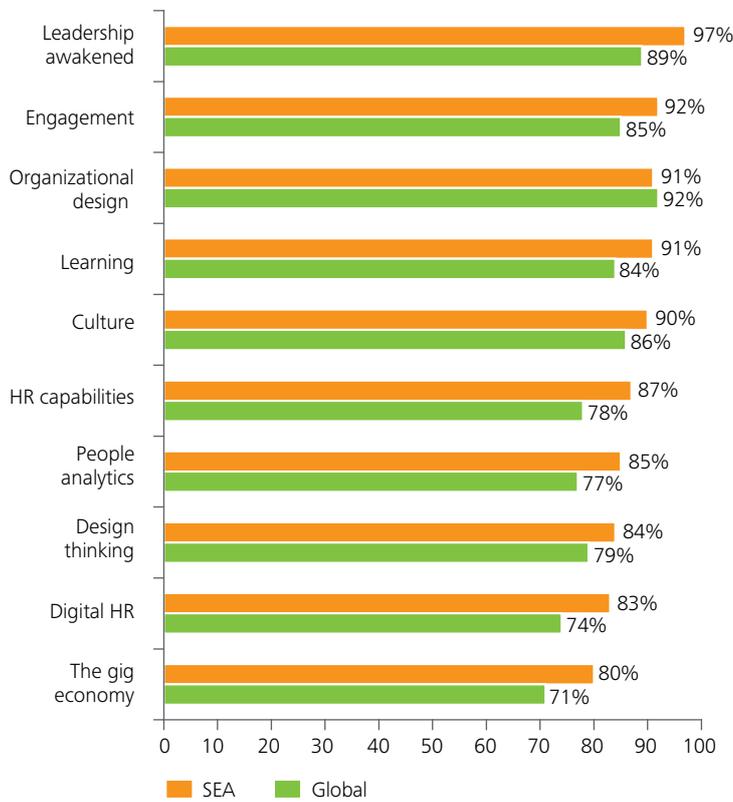


Table 1- Human capital trends level of importance 2015 and 2016 comparisons

Human capital trends	2016		2015	
	SEA (%)	Global (%)	SEA (%)	Global (%)
Leadership awakened	97	89	82	78
Engagement	92	85	79	78
Organizational design	91	92	-	-
Learning	91	84	77	74
Culture	90	86	79	78
People analytics	85	77	71	66
HR capabilities	87	78	75	71
Design thinking	84	79	-	-
Digital HR	83	74	-	-
The gig economy	80	71	-	-

Note: Organizational design, Digital HR, Design thinking and The gig economy are new trends for 2016

- Leadership remains a top priority for business leaders and C-suites worldwide as organizations look to build leaders of different generations and varieties. In Southeast Asia, Leadership ranks first in order of importance, compared with second globally.
- Engagement is a new standalone trend for 2016, having been a subset of Culture in 2015, and comes in second in ranking for Southeast Asia. Last year, Culture and Engagement as a combined trend was ranked third.
- Learning increases in importance with a higher ranking compared to last year, as business leaders become increasingly aware of the need to empower employees to take ownership of their development through innovative platforms.
- Organizational design is an exciting new addition to the 2016 trends and has become a hot topic, topping the rankings globally and moving into the top five for Southeast Asia. The need to adapt to rapidly changing market conditions and staying relevant to local customers has brought this issue to the fore.
- Culture remains in the top five in Southeast Asia, ranking fifth in the table standings. CEOs and HR leaders now recognize that it drives people’s behavior, innovation and customer service, and continue to view culture as a major contributor to business success.

Capability gap: Organizations are not adapting fast enough?



While survey respondents are able to articulate the importance of these trends, what is concerning is their ability to address them. The perceived readiness of their organization, according to business and HR leaders to address these trends is worryingly inadequate.

Figure 3a illustrates the perceived readiness levels to manage the top human capital issues. As we can see, for each trend, at least one out of every two respondents indicate their organizations are not ready. This is especially acute in the areas of HR capabilities, People analytics and Digital HR.

Figure 3b shows a “capability gap” comparison between 2016 and last year. A “capability gap” is defined as the difference between the importance of a trend and the perceived readiness of the organization to deal with it – a measure of how prepared organizations are to respond to the most urgent human capital issues.

Based on the results, it appears that in spite of their importance, the top five trends (excluding Organizational design) show an increasing capability gap compared to 2015. HR capabilities experienced the largest spike in capability gap from 2015 - 20% higher, increasing in importance as an issue yet decreasing in readiness to deal with it. This is likely to be driving the increase in HR spending this year as indicated by six out of 10 respondents.

These results indicate an urgent need for HR to bridge the increasing capability gaps in Southeast Asia in 2016.

Figure 3a: Southeast Asia's readiness to address the top trends

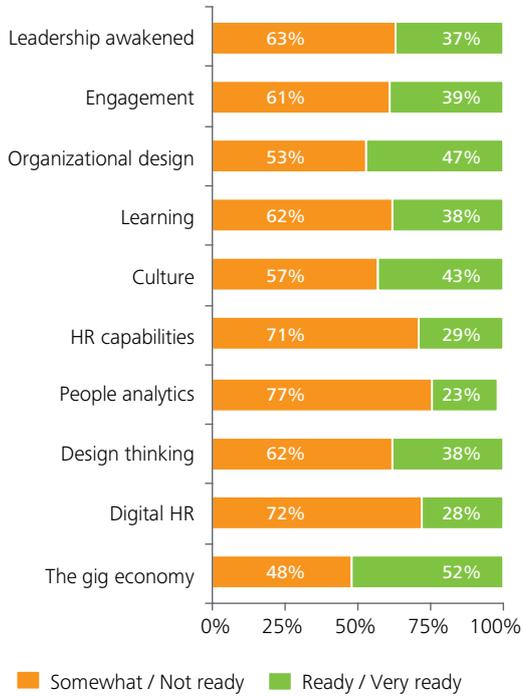
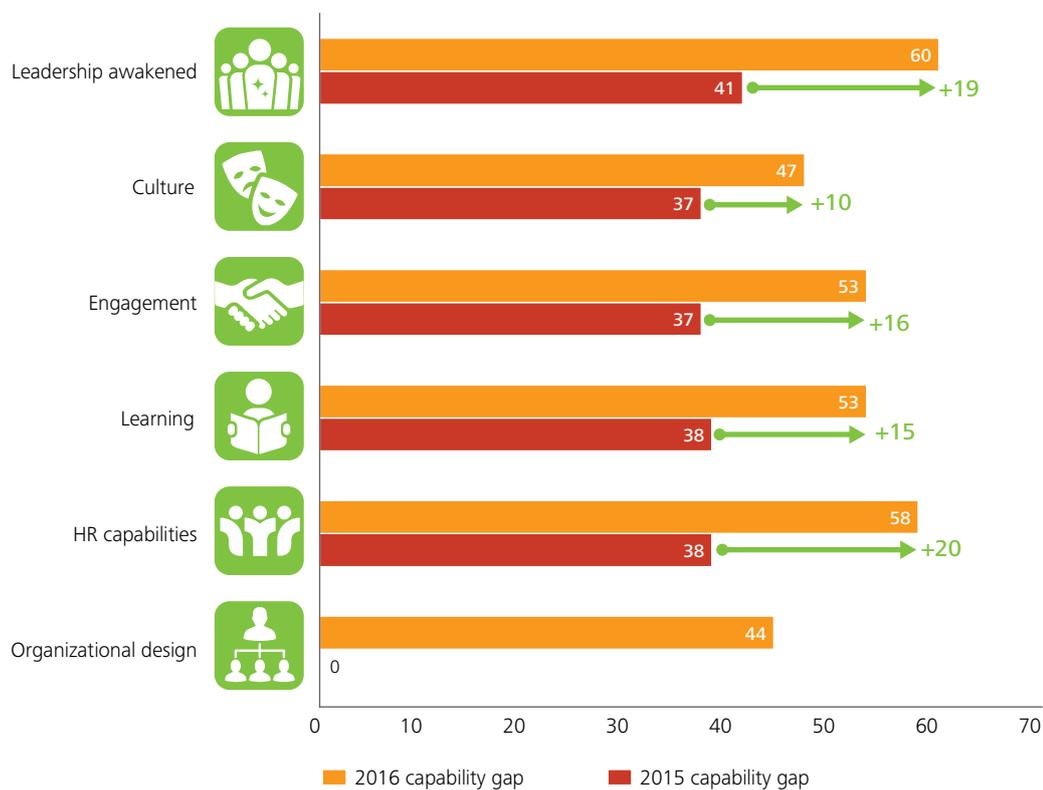


Figure 3b: Southeast Asia's capability gap comparison (2016 versus 2015)



Note: Organizational design is a new trend for 2016

The top five trends in Southeast Asia: Bringing into focus

Leadership awakened

Leadership remains a top priority for business leaders and C-suites worldwide as organizations look to build leaders faster and deeper into the organization. In Southeast Asia, Leadership ranks first in order of importance, compared with second globally.

As many as 97% of Southeast Asian executives in this year's survey rated the need to strengthen, reengineer, and improve organizational leadership as a top priority. However, while the leadership challenge is urgent and growing in importance, it is alarming to find an even larger increase in the capability gap of organizations to meet leadership needs. At a Southeast Asia regional level, organizations report to be less ready than the year before to implement a comprehensive solution around leadership that addresses the leadership gap systemically.

One of the reasons organizations feel ill-equipped to deal with leadership development might be that the traditional, pyramid leadership development model is not producing leaders fast enough to cater to the rapid regional growth. Second, the quality, rigor and investment in leadership programs have continued to increase in recent years but continue to be sporadic and uneven across the region. Yet another reason could be limited leadership opportunities for younger employees at companies where senior leaders have a "positional leadership" mindset or hold on to their roles and responsibilities instead of opening opportunities to the next generation of leaders.

Organizations in Southeast Asia need to develop fundamental leadership capabilities among critical individuals and teams—capabilities that include the ability to collaborate across boundaries, lead in ambiguity, conceptualize new solutions, motivate diverse teams, and develop the next generation of diverse and global leaders.

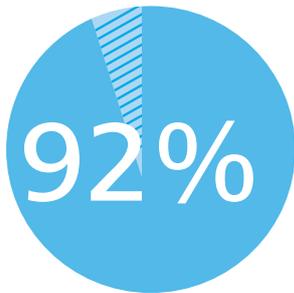
Developing leaders requires an unwavering long term management focus of time and resource even during difficult times. In a "ready made" leader-scarce Southeast Asia market, organizations have to invest in building their own leadership bench. Fortunately, this process is now a well codified one and with the right level of organizational customization, they can accelerate this process.

Organizations need to keep in the mind that they need to build leaders with a future focus, which means leaders having the capabilities relevant to the future, for example, a keen digital understanding and agility. These leaders also need to be front and center of all efforts. Given that the consumers and the workforce is rapidly changing, leadership development efforts need to keep pace.

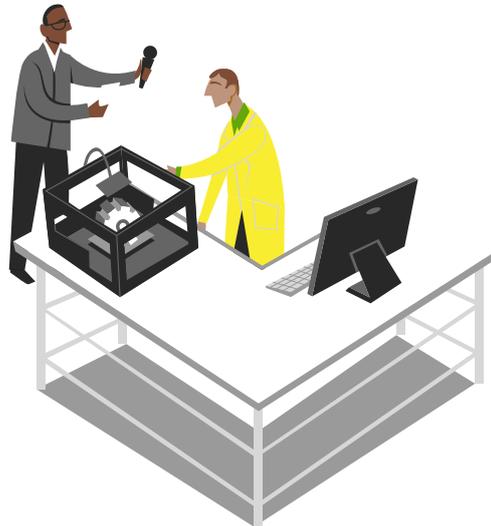


97% feel that leadership
is a top priority





92% feel that employee engagement is critical



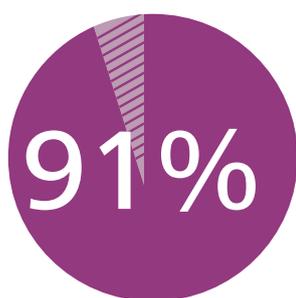
Engagement

Engagement is a new standalone trend for 2016 (a subset of Culture in 2015) and comes in second in ranking for Southeast Asia. It describes “how employees feel about the way things are done here”. This trend is a critical issue for business leaders, with a staggering 92% of respondents in Southeast Asia indicating it as important. While engagement is a pertinent issue, respondents report an increasing capability gap in their ability to address engagement challenges.

Within Southeast Asia, traditional engagement practices (such as annual employee engagement measures, non-existent or outdated performance tools & traditional communications channels) are often still prevalent in organizations who employ Millennials and others who are heavy users of modern, innovative technologies and platforms. These include technologies such as social media and other digital platforms as “employee listening tools”. In this “always on” digital world, Southeast Asian organizations have to take immediate action to modernize their practices and address employees’ growing “need for meaning and engagement”. For example, action in basic things like treating all staff with equity and respect, recognizing individuals for going above and beyond work required, and busy line managers taking the time out from their schedule to dialogue with employees on their career development.

Organizational design

As companies strive to become more agile and customer-focused in response to the region's strong economic growth, organizations are shifting their structures from traditional functional models toward interconnected, flexible teams. Organizational design, a new addition to the 2016 trends, ranked top in importance globally (92%). In Southeast Asia, more than nine out of 10 respondents (91%) rate it as a top priority. However, half of the respondents claim that they are not ready to meet the challenge of having a "network of teams" - whereby teams are formed and empowered to work on specific business projects and issues.



91% recognizes
Organizational design
as a top priority

Organizational design is a new
addition in this year's trends



Many of the organizations based in this region are currently undergoing or plan to undergo some level of business transformation, but surprisingly still operate in silos or in a functional structure. As traditional work shifts to becoming more project and/or team based, Southeast Asian organizations need to think about how to create and empower cross-domain teams enabled by information and communications to achieve specific goals around product, market, customer or project needs.

Learning

Today's employees have a more 'consumer-like' demand - wanting self-directed, dynamic, continuous learning opportunities through innovation platforms that tailor to their individual needs and schedules.

Although business leaders are increasingly aware that their organizations' learning systems must adapt, global findings show that nearly every business leader, CEO and CHRO included, report that their companies are not developing skills fast enough to support the rapid growth of the organization¹. This is also reflected in the Southeast Asia findings - where a vast majority (91%) of respondents state that learning is important but feel that their organizations are inadequately prepared to deal with this issue.

An important driver is the fast-paced growth environment in Southeast Asia that requires employees to develop key capabilities at speed to keep pace with the changing needs of the markets. The use of outdated platforms and static learning approaches as well as the slow uptake in integrating external platforms as part of their employee learning also continue to hinder the timely development of these required capabilities in many Southeast Asia-based organizations. Southeast Asia-based corporate learning and development organizations will need to very quickly adapt to the evolving learning needs of the employees. Corporate training departments must become "learning experience architects and curators", building a compelling and dynamic experience for employees and helping employees "learn how to learn".

Instead of the traditional content-centric "push" approach, the new learning system should be reconfigured to enable employees to "pull" their own desired content from a variety of internal and external content sources such as articles, video tutorials, MOOCs, podcasts, webinars, online eBooks, external course offerings and recommended search engines. These need to be accessible via mobile, social and web-based platforms, as employees want ease-of-use and accessibility to the learning content at any time.

In addition to a new platform delivering on-demand learning content, there has been an increased interest amongst Southeast Asia-based organizations to explore Learning Academies and interactive lab-style approaches for focused and accelerated development. Functional leaders are starting to work with HR and external partners to develop targeted immersive programs to build up current and future capabilities, as evidenced by corporate undertakings in designing and implementing in-house Finance, HR and Digital Academies. Lab-style learning delivery has also piqued the interest of organizations, as it offers a more dynamic learning experience for the learner by broadening the participant’s thinking through exposure to best practices and interactive dialogue with subject matter experts. Learning is further reinforced through action-oriented follow-through assignments and follow-up mentoring / coaching sessions with internal and external subject matter experts.

¹The Conference Board, "The Conference Board, CEO Challenge 2016,"<https://www.conferenceboard.org/publications/publicationdetail.cfm?publicationid=6071>.

Culture

Culture describes the way organizations operate or “the way things work around here”. It includes the values, beliefs, behaviors and reward systems that influence people’s behavior on a day-to-day basis.

This trend continues to be an important one in Southeast Asia (90%). However, we see an increase from last year in the perceived capability gap reported by Southeast Asia respondents.

The rapid external economic growth in the region combined with the pervasive internal organizational change through various business transformations might be driving the fall in perceived readiness by Southeast Asian respondents in dealing with cultural challenges. Organizations need to proactively define, consciously cultivate and manage their culture to turn it into a competitive advantage in the marketplace. Internally, as we move to a structure of “networks of teams,” culture will also serve to bind people together and help people communicate and collaborate.

As organizations try to understand and improve their culture, HR’s role is to improve the ability to curate and shape culture actively. Deloitte’s latest research on culture reflects the fact that cultural vision must be translated into specific behaviors across levels and functions and then integrated into talent and business processes to drive business outcomes.





Moving forward

Our Southeast Asia report tells us that leadership is still viewed as the most important human capital challenge for regional business leaders today. The traditional, hierarchical Asian mindset is slowly changing but may still be inhibiting leadership effectiveness in organizations. In order to develop a stronger pipeline of future ready leaders, senior leaders need to be committed to the ongoing investment and development of talent.

These leaders will also need to use innovative, digital platforms to engage their employees to ensure that they regularly stay connected and seen as providing “a listening ear”. These platforms should also be applied to learning and development as employees increasingly demand self-directed, dynamic, continuous learning opportunities that tailor to their individual needs and schedules.

Organizations will also need to continue to proactively define, consciously cultivate and manage their culture. Combined with exciting learning opportunities and effective engagement, Southeast Asian organizations can create a compelling value proposition for existing as well as potential employees.

Finally, organizations in this fast growing region find themselves playing catch-up in adapting their organizations to respond to growth. Organizational design has become a significant consideration this year as companies continually try to transform themselves into becoming more agile and customer-focused. The importance of being able to work effectively in teams has never been greater as Hollywood production-style project teams become a common feature in current organizations.

The most forward looking companies will continue to invest in human capital to build HR capabilities that will help them to win in this challenging regional marketplace. HR and business leaders must provide structured and scientific approaches to improving leadership effectiveness, use innovative platforms to engage employees as well as develop them, attract new talent with an employee-centric culture and constantly ensure that their organization structures can deliver business results in the fast-paced growth environment. There remains many opportunities for significant improvement.



Spotlight on Thailand

Thailand shares its top five trends with Southeast Asia, with Leadership coming in at the top of the ranking. However, there is a slight difference in the order of importance – Culture and Learning are third and fifth most important trend for Thailand respectively, whereas their ranking is reversed in the region:

1. Leadership awakened
2. Engagement
3. Culture
4. Organizational design
5. Learning

Figure 4a: Top human capital trends in Thailand

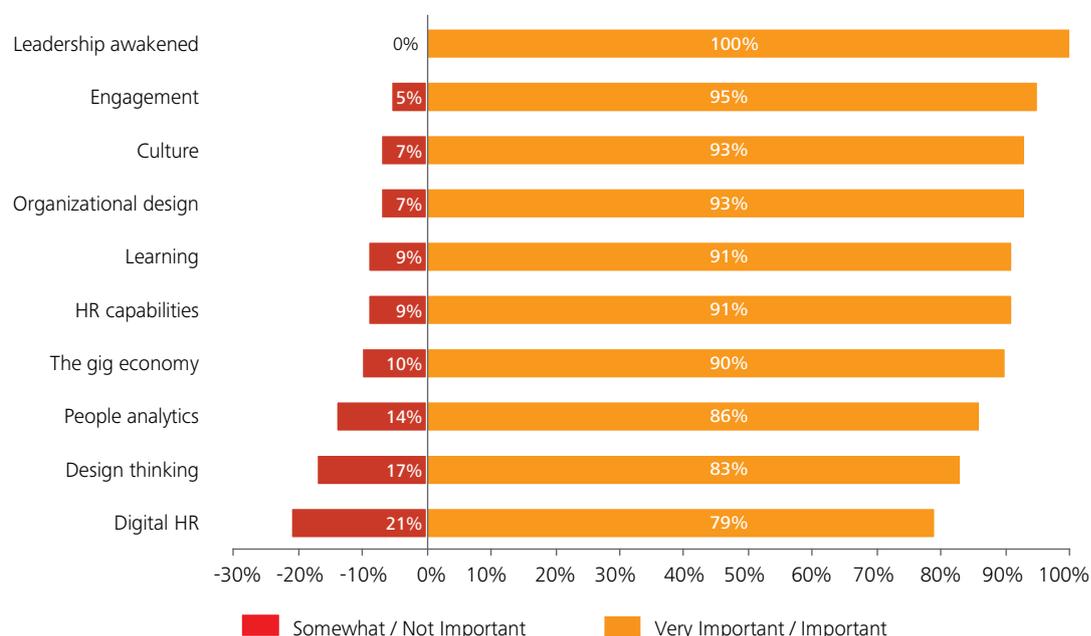


Figure 4b: A comparison of Thailand, Southeast Asia and global human capital trends

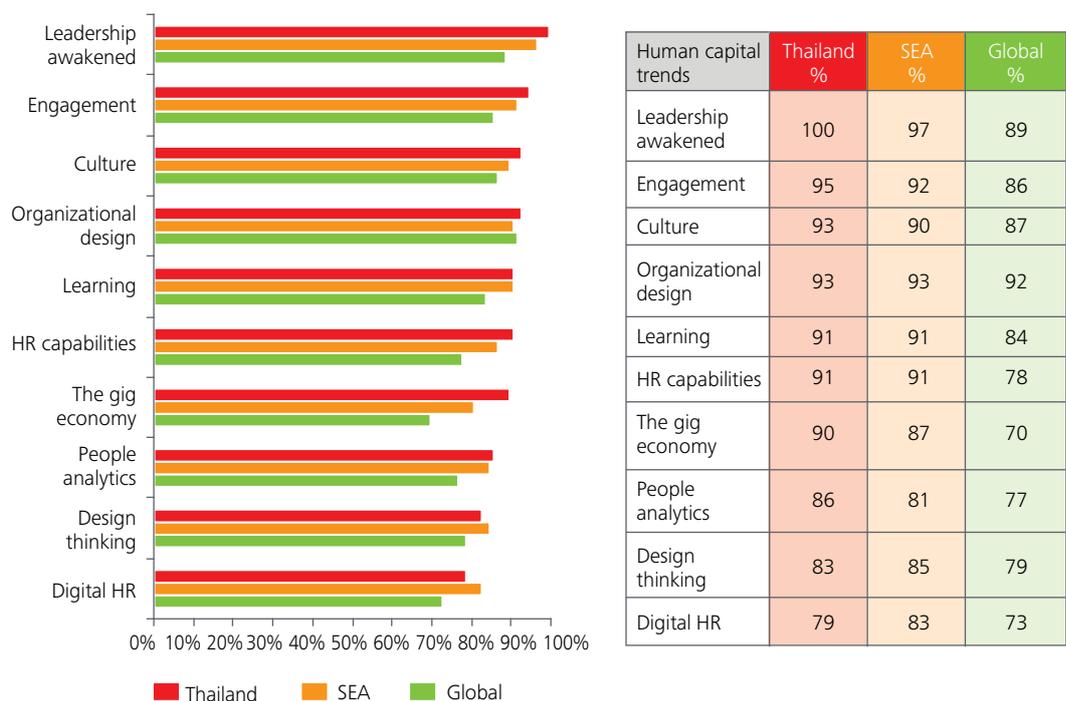
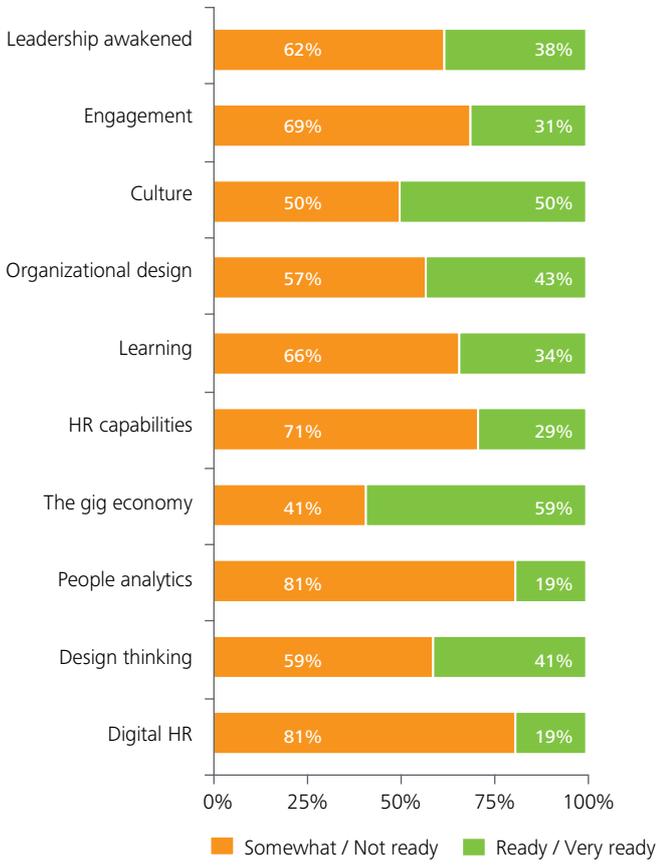


Figure 5: Thailand's readiness analysis across the top trends



Zooming in on Thailand's top five trends

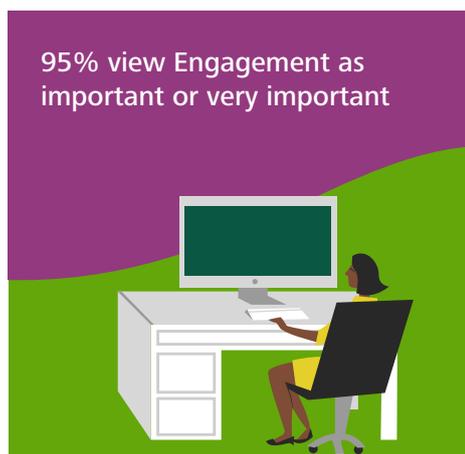


Leadership awakened

Year on year, Leadership continues to be a pervasive concern and has grown in importance for respondents globally and in Southeast Asia. For Thailand, 100% of the respondents have indicated that Leadership is their key priority. This is more than the global result (89%) and that of Southeast Asia (97%).

However, in spite of the importance, only 38% of the respondents feel ready or very ready to tackle this issue.

Thailand regards Leadership as a matter of utmost importance. This suggests that there is a very strong demand in Thailand for people who can lead at all levels of the company, but building the leadership pipeline is an issue of concern. Organizations in this environment are coming to realize that they must identify potential leaders much earlier in their career and accelerate their development and movement up the leadership ranks through proper succession planning.



Engagement

The demands and expectations of today's diverse, multi-generational and mobile workforce require a more flexible, employee-centric work environment – one that companies in Thailand are starting to learn to develop. Not surprisingly, Engagement is the second most important trend in Thailand with 95% of the respondents reporting it as important or very important. This is compared to 92% in Southeast Asia and 86% globally. However, only 31% of the respondents in Thailand expressed their readiness to embrace changes in employee engagement.

The results for Thailand indicate that employee engagement has become a business imperative for leaders at all levels, including C-suite leaders, and it is no longer something to be measured just once a year.

This results shows an acknowledgment from companies in Thailand of the link between engagement and productivity or business performance, and a recognition that engaged employees are most likely to give discretionary effort. Employee engagement is something that Thai based companies can not only measure but also manage to great effect on the growth and performance of their organization.



Culture

Ranked number three (jointly with Organizational design), 93% of respondents in Thailand view Culture as important or very important. This is compared to 90% in Southeast Asia and 86% globally. Culture is also the issue that the respondents are more ready for, with 50% reported being ready or very ready to address this trend.

Culture is another trend that is of perennial importance and it comes as no surprise that companies in Thailand hold this trend in high regard. Senior business leaders in Thailand must continue to work with HR to align culture to business goals so as to maximise and capitalize on the benefits.

Culture is often regarded as one of the only competitive advantages that is extremely difficult to copy from a company. It is very pleasing to see Thai based companies score themselves at 50% confidence on their readiness to tackle this complex issue.

Organizational design

This new perspective with regard to Organizational design is not lost to business leaders in Thailand, with 93% of the respondents recognizing its importance - tied for third place with Culture. This is compared to 91% in Southeast Asia and 92% globally. Only 43% of the Thai respondents, however, feel that they are ready or very ready to tackle this issue.

This trend highlights that the days of the top-down hierarchical organization is slowly coming to an end, with a "network of teams" replacing it to deliver more effective and efficient results.

Learning

Learning is ranked fifth in Thailand with 91% of the respondents seeing it as an important or very important issue. This is compared to 91% in Southeast Asia and 84% globally. 34% of the respondents reported being ready or very ready to manage the Learning challenge.

Despite the strong shift in terms of importance towards employee-centric learning, many Learning & Development (L&D) departments are still struggling with internally-focused and outdated platforms, and static learning approaches.

Observations with regard to Learning in Thailand show that most organizations in the country are just beginning this learning transformation. It is important for companies who have not embarked on this journey to start now in order to stay competitive.

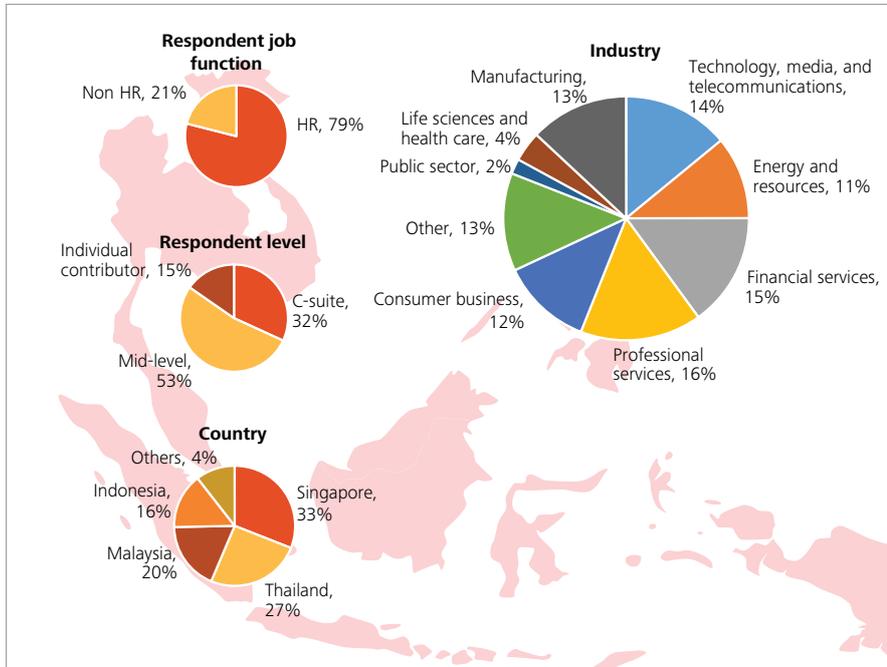


We encourage you to read the full Global report at www.deloitte.com/hctrends to learn more about the leading trends in this fascinating and challenging new world of work. Dive in to the chapters that are of particular concern to your firm or industry and also take time to reflect on the broader, longer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

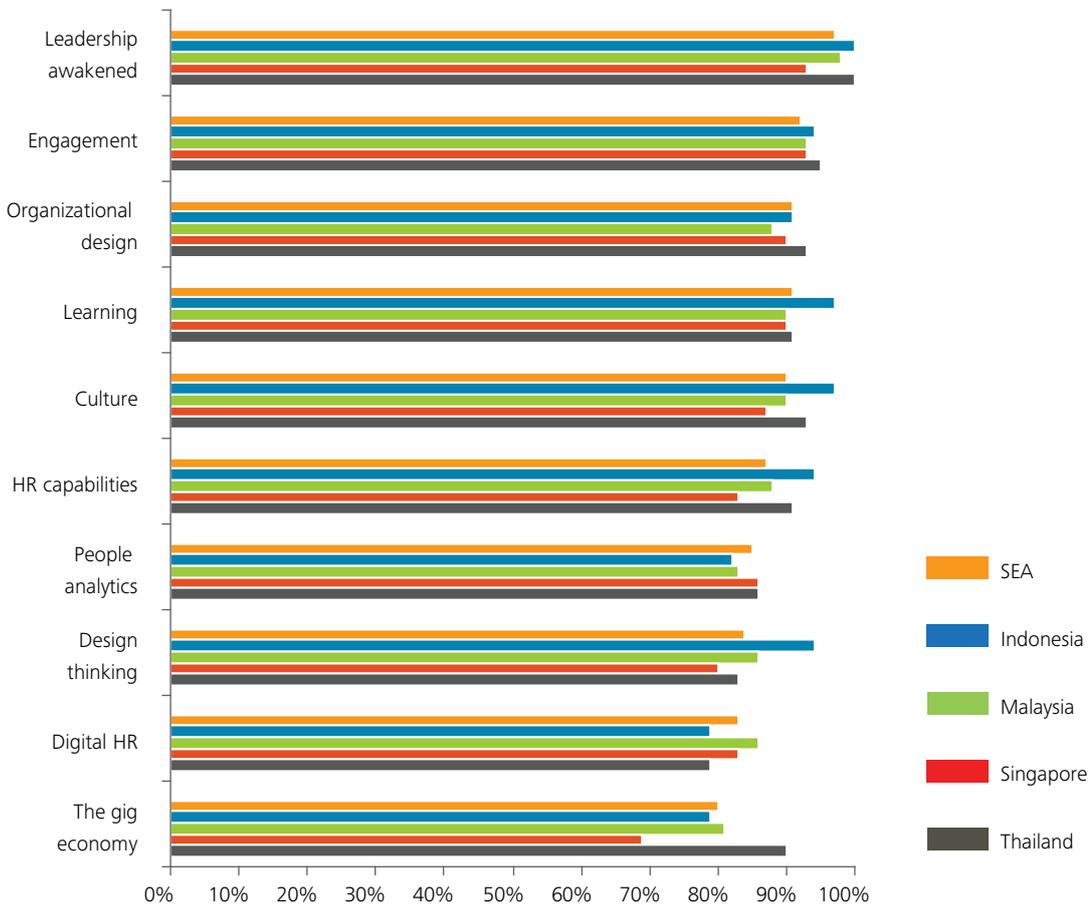


Appendix

Survey demographics—Southeast Asia



The comparison of importance of human capital trends across Southeast Asia and globally

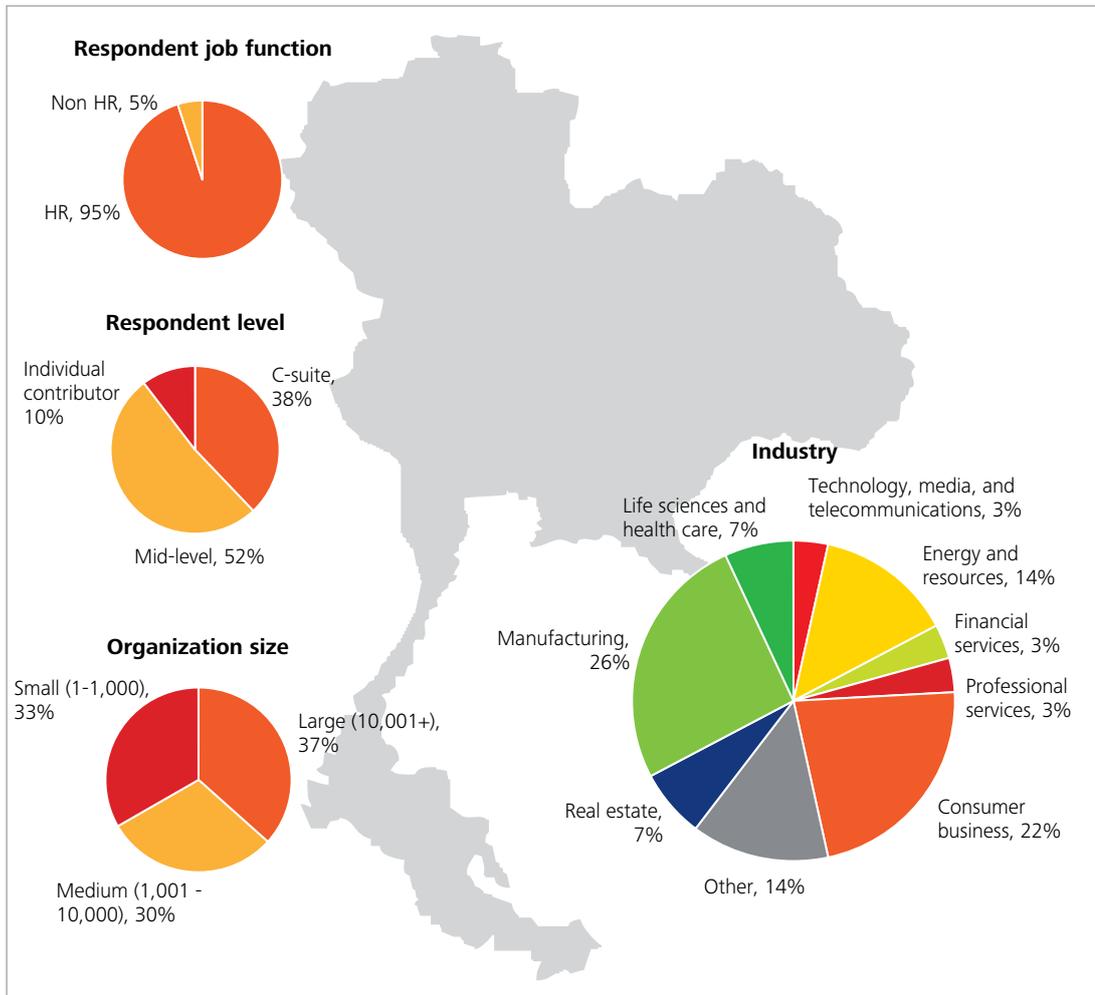


Human capital trends level of importance for Southeast Asia

Human capital trends	SEA %	Indonesia %	Malaysia %	Singapore %	Thailand %
Leadership awakened	97	100	98	93	100
Engagement	92	94	93	93	95
Organizational design	91	91	88	90	93
Learning	91	97	90	90	91
Culture	90	97	90	87	93
HR capabilities	87	94	88	83	91
People analytics	85	82	83	86	86
Design thinking	84	94	86	80	83
Digital HR	83	79	86	83	79
The gig economy	80	79	81	69	90



Survey demographics – Thailand





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