PageUp◆
global research

TALENTED
Southeast Asia

Sylvia Vorhauser-Smith and Karen Cariss

BUSINESS SUCCESS THROUGH TALENT MANAGEMENT EXCELLENCE

All of the HRM and HR technology industry leaders, influencers and observers cite the importance of globalisation in talent management, but how many of us have really experienced TM beyond North America and Western Europe? With their unique perspective on the talent management landscape of Southeast Asia, PageUp's book is a welcome addition to our collective knowledge.

Naomi Bloom
Managing Partner, Bloom & Wallace

Young and ambitious, SEAs' population is ready to grapple the challenges of the 21st century. If you want to increase your chances of attracting, engaging and retaining this disparate group of young people, you must be aware of the cultural, political and economic differences you face. This is the first book to offer succinct and clear suggestions on how to overcome them. Highly recommended.

Kevin Wheeler
President, Global Learning Resources Inc.

Great talent management is a global endeavour. There is no greater catalyst for success than aligning the right talent with the right work.

Elaine Orler
Candidate Experience Awards Chair and President, Talent Function Group

Executives will always fail whenever they (often unintentionally) superimpose their Western values, business concepts, etc. on their non-Western business operations. While that's obvious, it's also human nature that people will do what they have been taught to do or repeated in their career. This book takes out a lot of the risk that strategists, executives and other business people will face when they look to expand their business' presence in one of the biggest and booming parts of the business world: Southeast Asia. The guidance here around talent is illuminating as it reminds us that this economic sector can be successfully navigated if a businessperson heeds its counsel.

Brian Sommer
President, TechVentive/ZDNet

As companies expand their global footprint, understanding the role of talent in various parts of the world is critical. This book provides organisations with the expertise, best practices and insight they need in order to implement talent management strategies in Southeast Asia.

Madeline Laurano
Research Director, Human Capital Management, Aberdeen

Each organisation has its own unique talent management fingerprint. There is a fully mature regional talent management culture in Southeast Asia. This book will help you develop yours.

John Sumser
Principal Analyst, HRxAnalysts

Little detail often exists for talent management data and best practices in Asia, let alone Southeast Asia. Talented Southeast Asia is a rare find with both the data and the stories that bring to life the real picture of what's required to up level the profession.

R "Ray" Wang
Principal Analyst & Founder , Constellation Research, Inc.

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Karen Cariss

Karen Cariss is one of the founders of the award-winning global talent management software provider, PageUp. A key driving force behind the company's success, she sets its strategic direction as well as ensures synergies across all its divisions. Cariss has been lauded as one of the HR technology industry's exceptional entrepreneurs, having raised $10M in growth equity for her company in 2012.

Cariss' extreme passion for the company is evident in her work and attitude, which has been publicly acknowledged by being listed as 28th on BRW's Top 50 Female Entrepreneurs in June 2006 and winning the Ernst and Young 'Young Entrepreneur of the Year' for 2008 and the Victorian Telstra Women's Business Award in 2009. She is formally qualified with a Bachelor of Applied Science and Honours in Science.

Born in Australia, Cariss experiences talented Southeast Asia first-hand. She currently resides in Singapore with her family.

Sylvia Vorhauser-Smith

Sylvia Vorhauser-Smith is Senior Vice President – Global Research at PageUp. With 25 years of experience as a senior talent management and human resources practitioner and consultant, her career has included corporate finance and HR roles at Citibank and Westpac. Prior to joining PageUp, Vorhauser-Smith was Founder and Chief Executive Officer of consulting firm Talent Edge, specialising in bespoke leadership development and talent management solutions.

Committed to thought leadership in the fields of neuroscience and cross-border talent management, she speaks internationally on these topics and has addressed audiences in the U.S., Asia and Australia. She is a featured contributor to *Forbes* Magazine and author of numerous white papers on talent management and applied neuroscience. Vorhauser-Smith holds a Bachelor of Business and Post-Graduate degrees in Psychology and Neuroscience.

Vorhauser-Smith resides in Sydney with her family and is a frequent visitor to Asia.

About PageUp

At PageUp we are passionate about building the world's best technology that underpins our client's ability to build strong employee-employer relationships and equip them to attract, develop and retain the talent needed to take their business forward. We partner with organisations to learn their business challenges and provide cutting-edge solutions and innovative technology to support their Talent Management initiatives.

Our state-of-the-art technology solutions unify Recruitment, Performance Management, Development, Career Planning, Succession Management and Workforce Analytics to help multinational employers overcome the talent management challenges inherent to operating across multiple geographies.

The PageUp teams in Singapore, Shanghai, Melbourne, Sydney, London and New York can help transform your company's global HR initiatives. Learn more about how PageUp can help at www.pageuppeople.com or follow us on twitter.com/pageuppeople.

Preface

As the CEO of PageUp, I have been leading the design of innovative software that has been underpinning the transformation of talent management since 1997. Over the course of the last almost 12 months, I have been asked many times, why are you writing a book and why is it focused on Southeast Asia?

PageUp is a recognised Visionary in the Gartner Magic Quadrant. Our innovative approach to software design delivers immense value to our clients around the globe. I believe that in order to maintain this visionary culture we must regularly be driving and contributing to thought leadership that in turn underpins the design of our software solutions. We have gained significant insights during the writing of Talented Southeast Asia that will allow us to continue to evolve our technology for the future.

Why Southeast Asia? I believe this region has the potential to transform talent management practices. With continuous strong growth, rich diversity and a vibrant workforce, Southeast Asia is already framing new approaches to solving problems such as talent scarcity. The region has the potential to shape fresh practices for how we engage and manage people that will flow across the global landscape. Personally, relocating to the region made complete sense so that I could be close to the design of these fresh practices and see them embedded into our software.

The book project really came to life in early 2013 when Sylvia and I attended one of the many HR conferences and heard what would be one of our future contributor's fascinating stories. In that moment we realised the importance of localised best practices. We decided to formalise our research, capturing and publishing some of these stories so they could be shared. That day I started recruiting speakers to be part of the project and the Talented Southeast Asia journey began. The project has been intense, we have learnt so much, had a lot of fun along the way and most importantly built some great relationships with HR and business people across the region. It is our pleasure to present their consolidated experiences and share some of their individual stories. Whilst we know we are only scratching the surface, there is already much to share in terms of the region's key challenges of developing, attracting and retaining talent.

We trust you find some useful insights, some opportunities to challenge your thinking and data to support business cases for your own initiatives as you shape and evolve talent management practices for the future.

Karen Cariss
February 2014

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Southeast Asia

Foreword

by Kwan Chee Wei

Chief Executive Officer
Human Capital Leadership Institute

*T*alented Southeast Asia makes a great point right in Chapter 1: the search term *talent management* throws up over 7,500 titles in Amazon.com, but returns no results when *Southeast Asia* is added to the search.

Yet, Southeast Asia is of tremendous interest to businesses. In the Human Capital Leadership Institute's (HCLI) work with clients, whether Western multinationals or Japanese corporations, we are frequently asked for our insights into this region. These organisations recognise that Asia is so much more than China and India, and are keen on Southeast Asia as their next frontier for growth. This should not come as a surprise – spanning ten 10 countries from Indonesia to Singapore to Myanmar, the region offers a rising middle class with purchasing power, rich natural resources, and economies intent on economic growth and value creation. The targeted 2015 economic integration of the Association of Southeast Asian Nations (ASEAN) can only accelerate the speed and scale of investments and economic activity, thereby creating huge potential for business opportunities.

The need for talent can only intensify against this context. Unfortunately, as all business leaders and HR practitioners operating in Southeast Asia can attest to,

there is simply a dearth of skilled talent and leadership capability within the region. As highlighted in the book, outside of Singapore, education standards are largely below what is required for roles within multinationals. The diversity of the region – be it in history, ideology, religion, language or outlook – also requires customised solutions for each country market. As emphasised, talent acquisition, development and retention by multinationals operating in Southeast Asia will benefit from combining global best practices with regional right practices – and suggested fresh practices.

The launch of *Talented Southeast Asia* is thus extremely timely. It is the aim of HCLI to help organisations accelerate human capital and leadership development in Asia, for a globalised Asia. With the dearth of research of Southeast Asia in particular, we are always keen to support work that can provide deeper insights on the region. In this regard, HCLI have funded research undertaken by Indonesian academics to explore the intercultural competencies of Indonesian talent vis-à-vis pan-Asian workgroups. Later this year, we will partner with IESE, one of the global top-ranked graduate business schools of the University of Navarra, to launch a Southeast Asian leg for its prestigious Global CEO Programme, where we will offer participants firsthand experience in Singapore and Indonesia, two contrasting markets in the region.

Talented Southeast Asia also highlights a recurring theme: the need for a collaborative approach by all stakeholders – government, academia, business – to resolve talent management challenges facing all ASEAN countries. This only augments HCLI's belief that talent solutions are best optimised when the different constituents in the ecosystem work together. With this in mind, we have evolved the ecosystem concept to be core to our *modus operandi*. As an example, in our annual flagship Singapore Business Leaders Programme, we seek out the best minds from business, academia, government and consulting to identify key trends and share insights on doing business in Asia,

and what this means for leadership and human capital strategies.

We believe readers of this book will come away with rich insights on a rarely researched region that is Southeast Asia. We also hope that these insights will lead to ideas that they can work on with others in their talent ecosystem, and work toward innovative and effective solutions to tackle the talent challenges in their path.

TALENTED
Southeast Asia

Chapter 1
Voices

Talent is always conscious of its own abundance and does not object to sharing.

– **Aleksandr Solzhenitsyn**

Show Me the Talent

It is actually quite a complex term, *talent manage-ment*, with multiple interpretations, depending on your audience. Not that long ago, the term *talent* was non-existent in organisational workplaces – you had staff or employees or workers, but you never referred to them as talent. Talent was associated with the arts – theatre, film and music. If you could act or sing or dance, then you could be said to have talent. But somehow, talent found its way into the corporate lexicon and simulta-neously replaced a term that everyone had by then become tired of hearing and using – mostly because they failed at performing it – *people management*.

At first, talent was used as a label to differentiate an organisation's average people from the exceptional – talented – ones. This high potential stock of employees was the equivalent of the best Hollywood talent; they were the organisation's singers and dancers and their capabilities exceeded those of the average worker.

Then, an egalitarian shift took place when organisa-tions realised that if you only had a talented few, then there left little to be said about the *not-so*-talented masses you employed. And besides, what if these masses also had unharnessed or hidden potential? They too could become talented.

This shift gained ready support from organisational leaders who, having been reminded that their work-force represented in most cases the largest single cost to their operations, felt that they had better start aiming for Hollywood-standard performances from everyone on their payroll. A new definition for talent emerged: It simply referred to all the human capital of the organisation. And it needed to be managed well to optimise its performance and productivity. Talent management.

Why Talented Southeast Asia?

Does the world really need another book on the subject of talent management?

The search term *talent management* yields over 7,500 titles in Amazon.com's library.

But add *Asia* to your search and the result becomes 17.

Add *Southeast* to Asia. The result is none.

It confirmed a suspicion we had. Just about everything that has been written about talent management has been written by the West for the West. The implied assumption is that talent management is the same, everywhere around the world.

But having lived and worked in the Asia-Pacific region, we knew that was wrong. We have experienced count-less discussions with executives of Western multina-tionals operating in the ASEAN sphere who cited any number of differences they encountered every day managing, motivating and rewarding their employ-ees in this region. Not better or worse, but frequently different. Similarly, our experience with business lead-ers and HR executives of large Asian multinationals has reinforced our view that there are distinct charac-teristics unique to the region, which you ignore only at your peril.

We wanted to put a voice to their experiences.

We wanted to share their insights.

What had they learnt about Eastern customs and culture that impacted their employees in the workplace?

How was managing performance and productivity different in an environment of high optimism and exponential growth?

What was similar and different about talent manage-ment in high-growth markets?

With regional growth attracting more and more multi-national corporations (MNCs) to ASEAN, what could these experienced practitioners share that could add to the body of knowledge and help newcomers learn

from others and avoid repeating mistakes?

Our passion for and engagement in the field of talent management drew us to invest in this exercise. This book consolidates the thinking of dozens of HR executives and business leaders with hundreds of years of accumulated experience in the region. Some indeed are thought leaders, while all are seasoned professionals with insightful, considered and, at times, humorous stories to tell. They shared these experiences and insights willingly and unreservedly. We were privileged to put them to paper.

Scope and Purpose of this Work

Our goal in this book is to combine global talent management thinking with its application in Southeast Asia to deliver to the reader a discourse that prompts reflection and insight as well as spurs action. In short, a pragmatic lens on regional best practices.

To do this, we combined three sources of material from the following:

- Current global best practice from a broad cross-section of talent management thought leaders in consulting, research and data firms
- Applied talent management practices from multinational corporations operating in the ASEAN 6 (Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines)
- Our own insights from over 25 years of experience and professional engagement in the talent management arena

As such, this work presents the state of talent management in Southeast Asia at this moment in time. By its evolving nature, we expect it will present very differently in five to ten years' time. Indeed, the core purpose of this work is to provide information and ideas for MNCs to implement that will accelerate their progress toward optimising their organisation's talent management practices and effecting this change.

That said, this book is not designed to be a prescriptive *how to* guide to regional *best practices*. After all, what is best for some may be underdone or over-engineered for others. So we do not purport to present answers here, but rather to explore options and consider them in the future context and present current approaches. Readers can determine their own *right practice* from this point.

The Contributors

During the course of 2013 we conducted more than 100 interviews with over 50 multinational corporations operating in the Southeast Asian region. To qualify for this research, contributing organisations were required to be global corporations with large workforces and a significant presence in 2 or more of the ASEAN 6 countries.

MNCs headquartered across 5 continents are represented in this study, the majority of which are based in the U.S., Asia and Europe. The average size of the workforce exceeds 10,000 employees.

A broad cross-section of industries was represented, as listed below. Contributors were all business leaders or senior HR executives. The majority were HR directors who led Southeast Asian regional teams.

Industries represented:

Consumer products	Manufacturing
Construction	Mining & Refining
Education	Not for profit
Energy	Pharmaceutical
Financial Services	Professional Services
Healthcare	Retail
Hospitality	Telecommunications
Information Technology	Transport

Headquarters of MNCs represented in this study
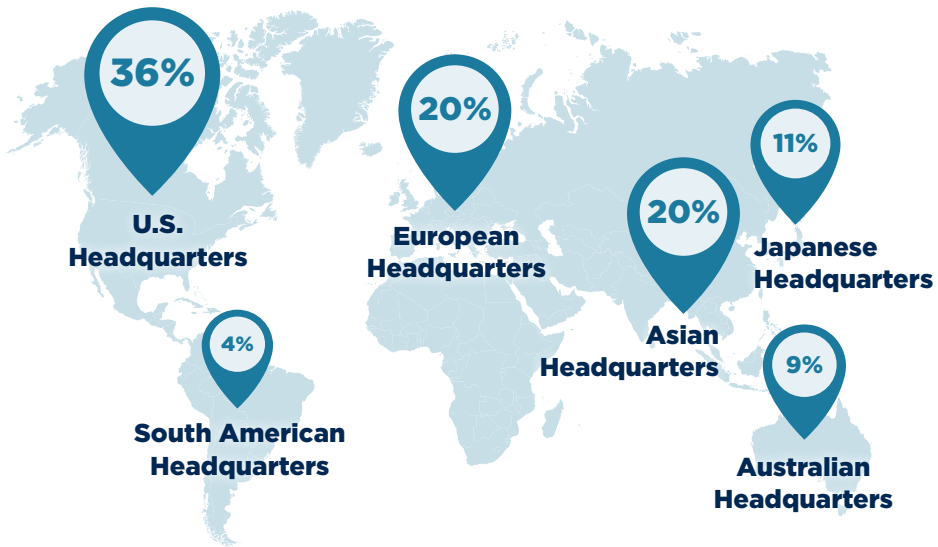
Many contributors provided detailed and commercially sensitive information and, as such, we refer to the contributors as a collective rather than as individuals or organisations, with the exception of case studies and quotes that were authorised to be attributed to their sources.

Throughout this book, the voices you hear are predominantly those of these contributors. All quotations – assigned or otherwise – come from these sources. In addition, we invited industry and subject-matter thought leaders to contribute their thoughts on Southeast Asian talent management.
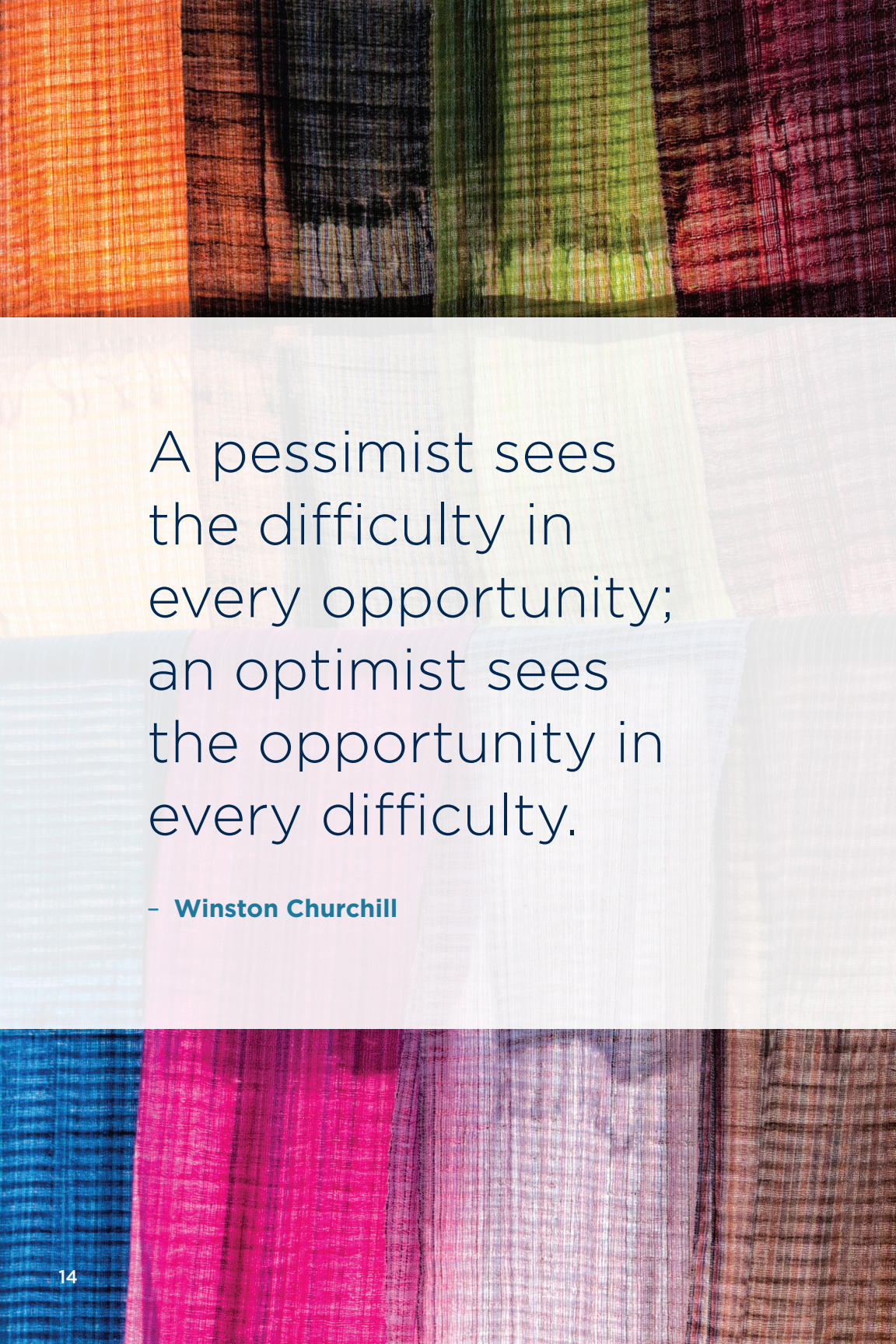
We trust you will find the contributors' insights as enlightening as we did. We hope their voices will resonate with your challenges and spark new ideas.

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Southeast Asia

Chapter 2
Opportunity Knocks

A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.

– **Winston Churchill**

ASEAN

Future Emerging

Growth economy

Business Global Population

Complexity

Asia Tiger Talent

Workforce Expansion

Key Points

Economic growth and business expansion will continue to drive significant opportunities and challenges for multinational corporations in Southeast Asia.

Western MNCs are dealing with ever-increasing threats arising from **managing complexity, finding and retaining adequate human capital** to resource their business needs and competition from local firms.

Asian-based MNCs are growing and expanding rapidly and have many competitive advantages over Western MNCs in the battle for top local and international talent.

Employers in Southeast Asia will continue to struggle against **talent shortages** and need to invest in the development of the region's human capital resources.

Skilled employees will enjoy choice and opportunity and be attracted to employers with well-constructed, relevant and competitive **employment value propositions**.

Talent management practices need to emerge to match the world and workplaces they are serving.

Opportunity Knocks for Business

Asia

In only the second decade of the Asian Century, this region is indeed living up to the prophecies that heralded its emergence as a global growth engine. Resilient through the global financial crisis and with consistent average annual GDP growth rates in the range of 5% to 8%, Asia is a shining star in the otherwise drab landscape of the economic stalwarts of our recent past.

GDP growth is aligned to population growth. By 2050 the world population is estimated to be 11.8 billion. Asia will account for 45%, or 5.3 billion people, an increase of 23% on the region's population in 2013.[1] According to Forbes, 9 of the 10 fastest growing mega-cities in the world[2] are in Asia. McKinsey research also places 63% of the world's 440 fastest emerging cities in this region (many previously unheard of). That will add a billion new consumers and a total purchasing power in excess of ten trillion dollars to the global economy.[3]

Asia will house one of the youngest and largest workforces, numbering around 3 billion and representing 52% of the global workforce. By comparison, North America, South America and Europe combined will account for only 21% of the world's workers.[4] Consequently, Asia will draw the attention of a broad range of industries seeking to resource their businesses with smart, knowledgeable, multi-lingual, digital natives.

45%
OF THE
GLOBAL POPULATION

52%
OF THE
GLOBAL WORKFORCE

9 OF THE **10**
FASTEST GROWING MEGA-CITIES

INCOME TO INCREASE BY
45%
BY 2016

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1   Population Reference Bureau (2013). *World Data Sheet*.
2   Forbes (2013). Fastest growing mega-cities – Karachi, Shenzen, Beijing, Bangkok, Dhaka, Guangzhou-Foshan, Shanghai, Dehli, Jakarta.
3   McKinsey Global Institute (2012). Urban world: Cities and the rise of the consuming class.
4   *Deloitte Review* (2012). Headwinds, tailwinds and the riddles of demographics.

At the same time, income levels are rising. In the 10-year period to 2010, incomes in emerging market countries rose on average by 96% and are forecast to rise a further 45% by 2016.[5] *The Economist* recently reported that a billion people in the world emerged from poverty between 1981 and 2010, 680 million of these in China alone.[6] The result will be a new consumer class, able to participate in and contribute to the economic wealth of their nations.

Rare is the multinational corporation that has not cast a discerning eye on the business possibilities in this region.

Southeast Asia

Dwarfed by the size and focus on China and India, the *tiger economies* of Southeast Asia have been quietly but unrelentingly gathering economic steam. Flying beneath the global radar until recently, Malaysia, Thailand, Vietnam, Indonesia and the Philippines have been etching their way into the competitive global business arena. Making up the ASEAN 6, Singapore has held a prominent role as a regional hub and gateway into Asia for decades, positioning itself firmly to create an attractive launch pad for multinational firms seeking proximity to the region from a stable and commercially sophisticated base.

The region is urbanising rapidly. The cities of Southeast Asia will support 81 million people by 2020, creating greater affluence through high workforce participation. Moreover, the population in the region is bucking the global trend toward demographic aging, with almost half below 30 years of age.[7] The capacity for the region to provide an ongoing and steady stream of talent – growing in experience and maturity each year – will be unparalleled.

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5   Deloitte University Press (2012). *Business trends 2013 – Adapt, evolve, transform*

6   Towards the end of poverty – The world's next great leap forward (1 June 2013). *The Economist.*

7   Accenture (2012). Catching the ASEAN wave.

In 2003 the ASEAN Economic Community (AEC) was conceptualised for launch in 2020. Designed to increase the community's global competitiveness, the 10 AEC member nations[8] will benefit from the removal of trade and investment barriers and increased intra-ASEAN trade. The roadmap for implementation of the AEC has been accelerated to 2015, heralding a new era of enhanced trade relations within the region.

The establishment of the AEC also holds significant implications for labour mobility across the region. Currently, of the ASEAN 6, Singapore and Malaysia are primary importers of labour, whilst Indonesia, the Philippines, Thailand and Vietnam are primary exporters. A common regional community will increase cross-border opportunities for labour migration and present both significant opportunities and challenges for member countries as the competition, especially for skilled labour, becomes even greater and the economic, social and political inequities more impactful. Labour migration challenges are amongst the key sticking points for achieving consensus amongst community members and threaten to delay the launch of the AEC.[9] Despite these difficulties, achieving the goal of creating a collective community is a key imperative in order to be competitive in the Asian region. Observers note that "if Southeast Asian countries do not operate as a bloc, some will be severely challenged in catching up with their peers across Asia. Even developed economies like Singapore will face challenges in competing with China and India to sustain its growth".[10]

Certainly, the ASEAN 6 are confronted with challenges. Vast differences in ethnicity, language, religion, culture, governing ideologies, and physical, legal and political infrastructure create great variability in consumer and commercial markets. With the exception of Singapore,

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8   ASEAN Economic Community (AEC) member nations: Singapore, Malaysia, Indonesia, Thailand, Vietnam, Philippines, Brunei, Laos, Cambodia and Myanmar.

9   Business Monitor International (2013). South-East Asia – a SEA of opportunities.

10 World Economic Forum (2012). Talent mobility good practices – Collaboration at the core of driving economic growth.

ASEAN 6

1 **Singapore**   4 **Thailand**

2 **Malaysia**   5 **Indonesia**

3 **Philippines**   6 **Vietnam**

81 MILLION CITY DWELLERS

2015 LAUNCH OF ASEAN ECONOMIC COMMUNITY (AEC)

49% OF THE POPULATION BELOW 30 YEARS OF AGE
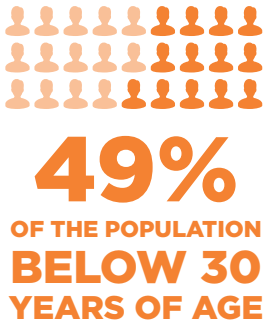
the region has a history of questionable business practices, is dogged by corruption and cronyism, and has historically been a challenging environment for foreign enterprises. The perception and the reality are changing, with strong commitment to economic and political reform, albeit most agree that the pace of implementation remains frustratingly slow.

Despite strong growth and an optimistic outlook, the Southeast Asian tigers, again excepting Singapore, are still very much emerging economies. World Bank estimates of the percentage of population living on $5 per day or less exceed 80% in Indonesia, the Philippines and Vietnam, 47% in Thailand and 25% in Malaysia. There remains much to be done to battle poverty, inequity, education standards, infrastructure needs and environmental protection. Notwithstanding the numerous challenges, opportunity knocks on the doors of Southeast Asia.

Challenges for MNCs in Southeast Asia

It seems all projections point to a continuous period of prosperous growth in Southeast Asia. A growing population with rising disposable incomes is driving domestic demand and fuelling regional GDP. With flat or falling growth expectations in key Western markets, most multinational corporations see their primary avenues for business growth in this and other emerging regions.

Seizing the opportunities and realising the potential, however, are fraught with difficulties. High variability exists for ease of doing business in Southeast Asia. The World Bank ranks 185 countries each year on a variety of factors necessary to facilitate effective commercial operations. Whilst Singapore takes the global lead (ahead of the U.S. at rank 4, the U.K. at rank 7 and Australia at rank 10), Vietnam, Indonesia and the Philippines pose some hefty challenges. Many international companies have over-estimated their potential

TABLE 2.1
Ease of Doing Business Rankings 2013

Singapore	1
Malaysia	12
Thailand	18
Vietnam	99
Indonesia	128
Philippines	138

Source: World Bank Doing Business 2013

success by under-estimating the challenges facing new and foreign entrants. A PwC survey of APEC leaders found that their top 3 barriers to growth in the region were inconsistent regulations and standards (89%), corruption (86%) and talent shortages (85%).[11] Further, despite targeting more and more of their revenue to be contributed by the emerging markets, Western MNCs continue to under-resource their operations in these locations and have insufficient leadership bench-strength on the ground where it is needed.[12]

Then there is the very real and growing threat posed by Asian multinationals, reversing the inbound business traffic by their expansion throughout and beyond the region, into traditional Western markets and emerging Africa and Eastern Europe. Locally based and rapidly expanding Asian businesses are taking on the iconic Western multinational brands – and competing very effectively. In fact, Asian based multinationals are amongst the fastest growing businesses in the world. In 2006, Asian multinationals represented 24% of the Global Fortune 500; by 2011, this had increased to 34%.[13]

When competing with Western-origin MNCs in Asia, local firms out-score foreigners on several counts. They create a more compelling organisational vision, are more innovative, execute strategy better and build more effective government relationships and business partnerships. Foreign MNCs in Asia are suffering, in McKinsey's words, a "globalisation penalty".[14] The penalty arises as a result of the challenges caused by the geographic spread of multinational operations, bringing with it the necessity to manage multiple risks, including political, cultural and competitive ones. MNCs on average perform less effectively due to these management complexities. For example,

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11   PwC (2011). Asia Pacific Economic Cooperation (APEC) CEO Summit.

12   McKinsey (2012). How Western multinationals can organize to win in emerging markets.

13   Towers Watson (2012). Asian trailblazers: The accelerating globalization of Asian companies.

14   *McKinsey Quarterly* (2011). Understanding your 'globalization penalty'.

McKinsey research shows that despite emerging markets contributing 36% of global GDP, leading MNCs will earn just 17% of their total revenues from these markets.[15]

Western multinationals once held the cards on brand appeal, global scale, unique products and services, and international career opportunities. No longer. In some cases, size and scale restrict agility and adaptability in markets that operate on different fundamentals. Transferring knowledge and expertise across borders can be slow and cumbersome. Unfamiliar risks, business practices and cultural nuances present themselves frequently. Consequently, local organisations play with a *home turf* advantage, and increasingly, this is providing a more attractive proposition for consumers and employees. A recent McKinsey study shows that fewer than 40% of executives in Western MNCs felt their company understood their market and customers better than local competitors.[16]

Opportunity Knocks for Talent Management

Talent management is a global work-in-progress, being reinvented as a result of fundamental changes in workforce demographics, attitudes and expectations of work, technology advancements, and the pace of change. Leading commentators note the sweeping shifts in how, where and when people will work, the advent of new forms of work such as crowd sourcing and open sourcing, the possibilities created by high speed cloud based and mobile technologies, and the increasing need for employers to become talent makers, not just talent takers.[17] HR and business leaders everywhere are on a journey not only to align human capital capabili-

TABLE 2.2

Global Talent Competitiveness Index Rankings 2013

Singapore	2
Malaysia	37
Thailand	72
Philippines	73
Vietnam	82
Indonesia	84

Source: Global Talent Competitiveness Index 2013

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15 *McKinsey Quarterly* (2012). Winning the $30 trillion decathlon: Going for gold in emerging markets.

16 *McKinsey Quarterly* (2012). The global company's challenge.

17 *Deloitte Review* (2013). Reframing the talent agenda, The shift, the race and the riddle.

ties to their organisation's business needs but also to understand and deploy to these new dimensions of the talent market.

In late 2013, INSEAD, together with the Human Capital Leadership Institute (HCLI) and the Adecco Group, launched the inaugural Global Talent Competitiveness Index (GTCI). Unique in its ranking of 105 countries by their ability to create competitive advantage through the quality of their national human capital, the GTCI develops the index on two core dimensions. *Inputs* that define a country's ability to attract, grow and retain talent within its regulatory, market and business landscape, and *outputs*, as defined by the knowledge capabilities and vocational skills these inputs produce. 48 factors are then analysed to produce the GTCI.[18]

The GTCI ranks Singapore second only to Switzerland in global talent competitiveness. In fact, Singapore and the U.S. (ranked 9th) represent the only two non-European countries in the top ten. Developers of the GTCI note a strong correlation between GDP per capita and talent competitiveness, exemplified in Singapore's high ranking. Malaysia ranks second only to Montenegro in the upper-middle income category and exceeds the ranking of all other Southeast Asian countries. The GTCI will be an important ongoing source of global comparative data as countries seek to position themselves competitively to attract and retain top talent.

In Southeast Asia, the challenge of talent management is exacerbated by economic growth, adding scale and urgency to the drive for skills and experience. Ten years ago, securing a job with one of the world's leading multinationals in the region was the epitome of prestige and revered with pride by family, friends and one's social community. More recently, organisational restructuring and retrenchments, prompted by the 2007 global financial crisis,

18 INSEAD (2013). The Global Talent Competitiveness Index 2013.

together with cross-cultural frustrations, pressure to conform to global business models and perceptions of limited career growth, have taken some of the gloss off foreign MNCs as leading employers in the region.

Local companies (headquartered in Asia) are fast emerging as equal and, in some cases, superior employer prospects for top talent in the region. Driven by their own need to diversify operations and expand internationally, local MNCs have adopted and adapted many best practices introduced by their Western competitors and are able to present a value proposition to potential and current employees that competes favourably with these Western icons. Asian MNCs have been found to be better at securing and retaining local talent, developing global mindsets and capabilities, and effectively managing cross-cultural interactions.[19]

More than ever, young, aspiring and talented Asians are taking charge of their careers. *Job-hopping* has become synonymous with talent management in the region and many well-educated, technology-savvy professionals consider themselves to be free agents in a buoyant labour market that cannot fulfil its quota. Employers are grappling to present compelling employment value propositions and, if successful, retain the talent they attract. With a definitive mismatch between the organisational demand for talent and its supply, this is a seller's market and the power rests squarely with employees who hold highly sought technical, sales and leadership skills and experience.

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19 Accenture Outlook (2013). The human touch behind Asia Inc's global push.

Looking through the Employer's Lens

Employers in Southeast Asia, as in the broader Asian region, are looking to the future and being confronted with a large and concerning talent deficit. Even today, most admit that sourcing the quality and quantity of talent they need is hard, and projections say it will get even harder. Some researchers place the talent shortfall as high as 61% on average in the APAC region, compared to 45% in the Americas and 31% in EMEA. The largest gaps are in operations, procurement and supply chain, risk and regulatory areas, strategy, customer service and sales, with substantial short-falls also in IT, executive leadership, human resources, marketing and finance.[20]

Looking through the Employees' Lens

Employees in the 21st century have high expectations of their workplaces. They want challenges, inspiration, empowerment, meaning, professional development, career opportunities, relationships, recognition and reward. A Deloitte study highlights the importance of engaging talent by recognising, utilising and further developing their skills, providing authentic leadership and fostering environments with frequent and trans-parent communication.[21]

Engagement is everything. Once considered just a component of a comprehensive talent management strategy and manifested through an annual employee satisfaction survey, engagement is fast becoming a centrepiece and acknowledged as the root cause behind a multitude of organisational success factors. Engagement can be correlated to attracting new talent, discretionary performance, high productivity, proactive innovation and, ultimately, employee reten-tion. Connecting the employee to the vision of the

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20 Deloitte University Press (2012). *Business trends 2013 – Adapt, evolve, transform.*

21 Deloitte University Press (2012). *Talent 2020 – Surveying the talent paradox from the employ-ees perspective.*

organisation, the meaning of their work, their bonds with colleagues and their inspiration by leadership are as important as competitive remuneration.

Emerging Talent Management for Emerging Markets

Workplaces, especially in Asia, will soon be populated by employees who do not recall a world without 24/7 Internet and telecommunications, do not draw a hard line between work and home life, and gravitate toward organisations that are connected to their employees, socially responsible and good global corporate citizens.

As the minds, abilities and aspirations of employees emerge in this new landscape, how can talent management practices, rooted in the industrial era, remain the same? How can process-centric, short-term, linear approaches create engaging workspaces that connect virtual teams and individuals to overcome the tyrannies of distance, language, time zones, infrastructure and knowledge management? They cannot.
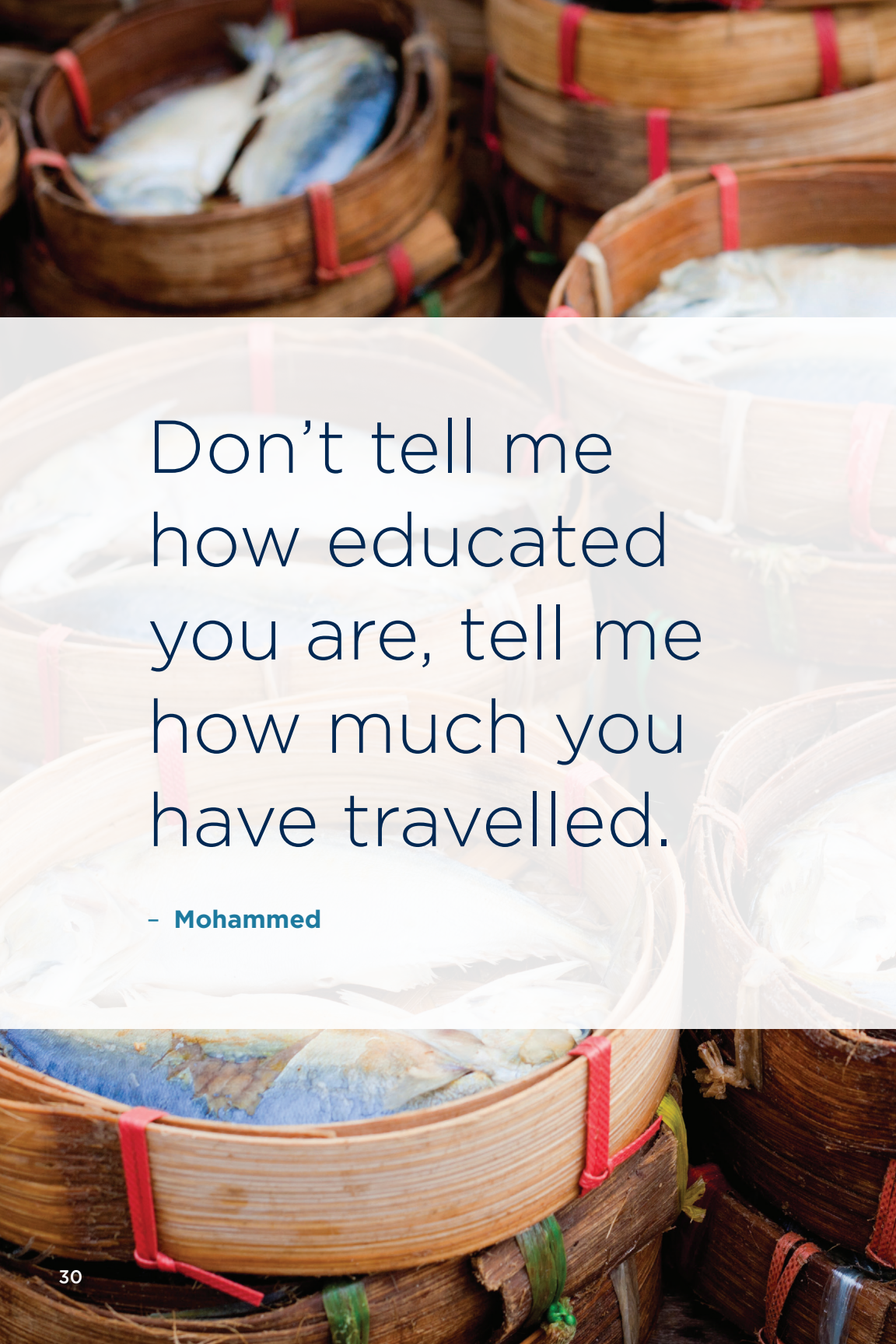
The emerging world brings with it the opportunity to rethink, reframe and reinvigorate talent management. New ideas and approaches will emerge. They are already emerging. And opportunity continues to knock.

TALENTED
Southeast Asia

Chapter 3
Southeast Asian Country Characteristics

Don't tell me how educated you are, tell me how much you have travelled.

– **Mohammed**

Indonesia

Malaysia Laos

Singapore

Philippines Cambodia

Brunei

Myanmar Thailand

Vietnam

Key Points

Southeast Asia has significant diversity across the region, which has implications of creating a diverse range of talent management challenges and practices.

Outside of Singapore, education standards are largely below what is required for skilled roles within MNCs.

Once again, Singapore aside, the average length of schooling in the region is low by Western standards, with the average ranging from just 5.5 years through to 9.5 years.

Singapore's population and workforce is aging, unlike the rest of the ASEAN 6, which have a youthful population with the average age ranging between 23.3 years – 35.1 years.

Technology infrastructure is strong or rapidly improving across the region and mobile device penetration is high at an average of greater than one device per head in most countries.

Business etiquette is diverse with variations in each country.

Supply of skilled labour across the whole region is in shortfall.

Southeast Asia

If you have had the opportunity to travel to at least some of the countries of Southeast Asia you would most likely have come to appreciate that this regional grouping is more a matter of referencing convenience than a reflection of homogeneity. In fact, the 10 countries grouped under this banner are more notable for their diversity than their similarities.

Over the past few centuries, their colonial masters have included the Dutch, the Spanish, the French and the English. The region is home to 630 million people who speak hundreds of languages and dialects and follow almost every known religion. It includes one of the world's most advanced economies and others at varying stages of emergence. Yet they co-exist in a regional cluster known as ASEAN and their futures are likely to become even more entwined.

This book addresses the challenges and opportunities of talent management in only 6 of the 10 ASEAN countries, namely, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam to whom we refer as the ASEAN 6. These *tiger* economies have emerged in the past 2 decades and attracted substantial foreign direct investment. Multinational corporations continue to grow their presence in these markets.

Many volumes have been and will continue to be written about these countries, individually and as a collective. This chapter provides a basic outline of the ASEAN 6 and serves to give any reader unfamiliar with the region, or some of the countries in it, a simple snapshot to provide context for the discussions on talent management in this book.

Following an overview of each ASEAN 6 country, this chapter includes an Industry Perspective on human capital from work completed by Mercer and The World Economic Forum to produce the Global Human Capital Index, which has been filtered for insights specific to the Southeast Asian region.

FIGURE 3.1
Map of Southeast Asia
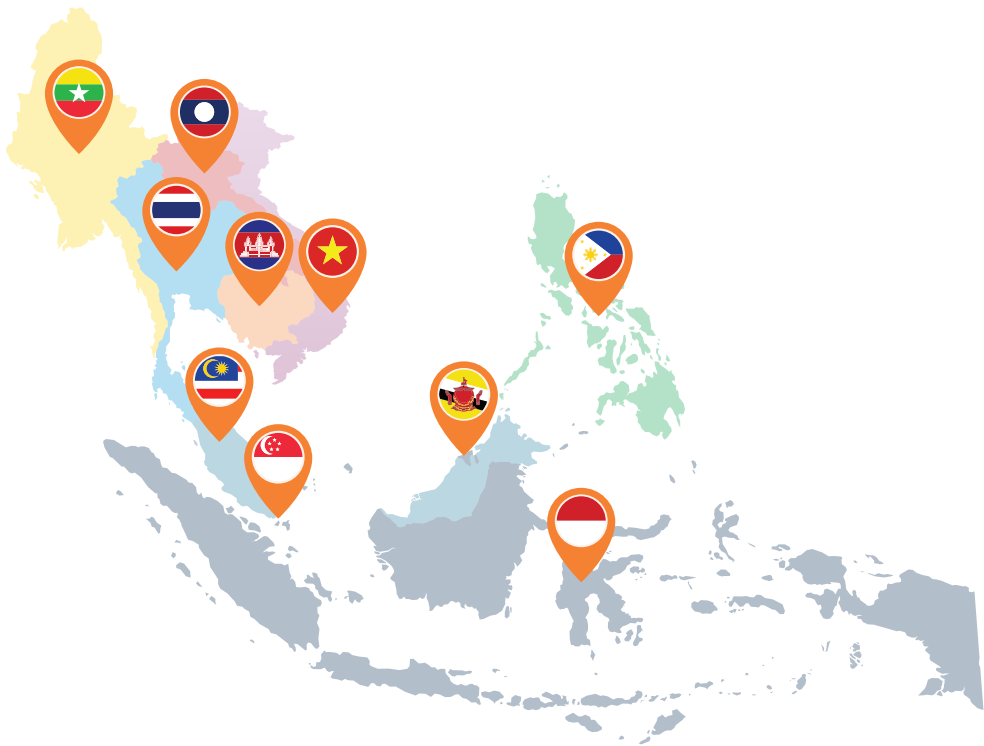
| Brunei | Cambodia | Myanmar | Indonesia | Laos |

| Malaysia | Philippines | Singapore | Thailand | Vietnam |

Singapore

Founded as a British trading colony in 1819, Singapore briefly joined the Malaysian Federation in 1963 before becoming an independent nation in 1965, now celebrating its National Day on 9 August each year. Surrounded on all fronts by the emerging world, Singapore stands unique, having achieved economic, social and political outcomes that make it comparable more to Western nations than its Eastern neighbours.

Singapore is a democracy and the ruling People's Action Party has been in power throughout the country's entire, but short, democratic history. The country has thrived under stable leadership and sits amongst the world's lowest sovereign and corruption-risk countries. Two years of conscripted military service await males reaching age 18.

With a total landmass of only 697 square kilometres, most of which is urbanised, the Singapore economy relies heavily on international trade, especially the export of electronic goods, information technology and pharmaceuticals and is a major international hub for financial services. As at 2013, its per capita income was the 7ᵗʰ highest in the world.
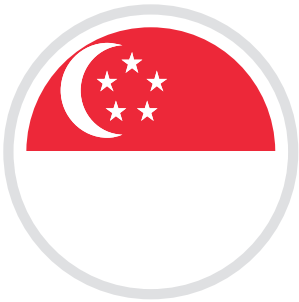
Key Data	
Population	5.5 million (2013) 6.4 million (2025 est.), increase of 16% 7.1 million (2050 est.), increase of 29%
Capital	Singapore
Labour force	3.6 million Industry: 20% Services: 80%
Ethnic groups	Chinese: 77% Malay: 14% Indian: 8%
Median age	33.6 years
Languages	Mandarin English Malay
Government	Parliamentary republic
Economy	GDP US$331.9 billion (world ranking: 41) GDP growth rate: 1.3% GDP per capita: $61,400 Unemployment: 1.9% Inflation rate: 4.6%
Urbanisation	100%
Legal system	English common law Not a signatory to International law (ICJ / ICCt)
Religion	Buddhist: 43% Muslim: 15% Taoist: 9%

Source: CIA FactBook 2013; Population Reference Bureau 2013

The Ministry of Manpower overseas the labour force and workplace relations. Overall, organisations are relatively free to manage their workforce by their own corporate policies, although the Ministry of Manpower does monitor and restrict the hiring of international workers via a ceiling on the ratio of local to foreign workers a company can employ and charging a monthly levy for each foreign worker. Approximately 25% of workers have joined a union and Singapore enjoys a stable industrial-relations environment with strike action recorded only once in the last three decades.

Characteristics of the Singaporean Workforce

1. Education

Literacy rates in Singapore are high with a strong educational emphasis on STEM (science, technology, engineering and mathematics) subjects. Many believe this has been taken to the extreme and have criticised Singapore's education system for driving a rote learning mindset that encourages students to focus on passing examinations rather than developing critical and conceptual thinking abilities. In response, the Ministry of Education launched a programme titled Teach Less, Learn More, focusing on quality education over quantity and transforming the syllabus to encourage creativity, innovation, entrepreneurship and individual needs. This will broaden the skills of future graduates. However, the current labour force is still a product of the previous education paradigm.

2. Demographics

Unlike many of its Southeast Asian neighbours, Singapore's population and workforce is aging, in line with the demographic characteristics of Western nations. Statistics released by the Ministry of Manpower in 2012[1] show the following workforce aging trends:

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1   Ministry of Manpower, Manpower Research & Statistics Department (November 2012).

- 31% aged 50+ years (20% in 2002)
- 34% aged 25–39 years (42% in 2002)
- 25% aged 40–49 years (28% in 2002)
- Median age of the workforce is 42 years, up from 39 in 2002

This means that Singapore's appetite for skilled young labour will continue to increase over the next decade, making it an active competitor for Southeast Asia's talent. Chinese and Malay backgrounds are the most popular but Singapore is a multicultural and well-integrated international society.

3. Language

British colonisation brought with it the English language and this has long since been adopted as an official language in Singapore (together with Malay, Chinese and Tamil) and is the primary language of business and government. Following independence in 1965, English was retained to reinforce Singapore's international standing and multicultural society. The school curriculum is delivered in English, although a bilingual emphasis also encourages students to learn in their mother tongue. The spelling protocol follows British rather than American standards. *Singlish*, a colloquial derivation of English and local languages, has mainstream popularity but is considered low prestige and discouraged by the government.

4. Technology

Strong government support for the telecommunications sector has seen Singapore develop an excellent infrastructure and services in this area. Singapore was one of the first countries in the world to implement a fully digital telephone network and local providers run fast and reliable 3G and 4G networks. Consequently, mobile devices, including smartphones and tablets, are very popular, with mobile phone penetration reaching 150% in 2012. There were over 4 million Internet users in Singapore, representing a penetration rate of 75%, and Facebook subscription exceeded 3 million in 2012.

Singapore continues to lead the region in technology infrastructure and uptake and boasts a highly tech-savvy population.[2]

5. Business etiquette

The multicultural make-up of Singapore's workforce means you are likely to encounter business associates from a variety of ethnic backgrounds, including Malays, Chinese, Indians as well as a variety of Westerners, including Americans, British and Australians. Taking a slightly more formal and conservative approach in business until you get to know your counterpart better is probably the best strategy.

Some business etiquette considerations include:

- Treat business cards (referred to as name cards) with respect; exchange them with both hands, pay attention to them and place them before you in a meeting
- Make meetings at least 2 weeks in advance and be punctual
- Avoid meetings at or around various national holidays, including Chinese New Year
- Expect tough negotiations on price and deadlines
- Harmony is important, so avoid aggressive or confrontational approaches
- Saving face is important, so avoid open criticism or disagreement
- Hierarchy is important, so recognise the seniority of your counterparts
- Observe non-verbal communication, as Singaporeans may adopt an indirect approach

Implications for Talent Management in Singapore

Very low unemployment levels and aggressive competition for skilled labour has created a supply deficit of talent in Singapore. In lower-skilled roles, job-hopping proliferates and throughout all levels, talent

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2   Internet World Stats.

retention is a top priority for most organisations. To tackle the problem of rampant turnover, a variety of responses have been mobilised, including the use of non-monetary rewards, flexible work arrangements, tailored remuneration for critical-role incumbents and differentiating retention strategies to target the different generations. In addition, one of the most effective methods to stem the outward flow of talent in Singapore has been the introduction of key performance indicators (KPIs) linked to staff retention for managers.[3]

Singapore is a hub for multinational corporations in the region, especially in the finance, pharmaceutical and engineering sectors. With most MNCs actively seeking to reduce their expatriate employee numbers in favour of hiring and developing local talent, the quest to attract and retain skilled workers is exacerbated. The acute shortage of leadership talent necessitates that MNCs continue to import offshore talent as well as invest heavily in developing a local leadership pipeline.

Many MNCs still cite the relative lack of innovation and conceptual-thinking abilities in the local workforce as an issue. Cultural factors combine with this to make Singaporeans appear to be less forthright and more conservative than their Western peers. In response, MNCs invest heavily in development programmes and on-the-job learning initiatives, and there is a significant focus on increasing workforce performance and productivity. National workforce productivity has been declining, which is a key threat to Singapore retaining its high GDP per capita ranking.[4]

Singapore is well poised as a business and talent hub and maintains an attractive environment for MNCs. Viewed by many as an icon of regional best practices, Singapore will continue to play a pivotal role in the future of Southeast Asia.

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3   Deloitte & Human Capital Leadership Institute (2012). *Fuelling the Asian growth engine – Talent challenges, strategies and trends.*

4   Business Monitor International, Singapore Business Forecast Report, Q3 2013.

Malaysia

British colonial expansion in the 18th century included the Malay Kingdoms, which achieved independence as the Federation of Malaya in 1957 and was renamed Malaysia after North Borneo, Singapore and Sarawak joined it in 1963. Singapore left the Federation in 1965. Since then, an active rivalry between Malaysia and Singapore has remained, notably in the competition for resources, foreign investment and skilled labour.

Bordering Brunei, Indonesia and Thailand, Malaysia is strategically located along the Strait of Malacca and South China Sea.

The capital Kuala Lumpur is a vibrant metropolis, centre of economic activity, the seat of parliament and residence of its king. As a constitutional monarchy, Malaysia is governed by an elected parliament and has as its head of state a king (Yang di-Pertuan Agong) who is elected every 5 years. Malaysia is notable for successfully combining democratic and Islamic ideologies and achieving steady economic growth in a diverse landscape.

The Malaysian economy has historically had a strong reliance on raw materials extraction, notably in oil and gas, fuelling consistent economic growth for the past few decades. Malaysia

Key Data	
Population	29.6 million (2013) 34.3 million (2025 est.), increase of 16% 41.3 million (2050 est.), increase of 40%
Capital	Kuala Lumpur (1.5 million)
Labour force	3.6 million Industry: 20% Services: 80%
Ethnic groups	12.9 million Agriculture: 11% Industry: 36% Services: 54%
Median age	27.4 years
Languages	Bahasa Malaysia (official) English, Chinese
Government	Constitutional monarchy
Economy	GDP US$507 billion (world ranking: 30) GDP growth rate: 5.6% GDP per capita: $17,200 Unemployment: 3.0% Inflation rate: 1.7%
Urbanisation	72.8% (increasing at 2.5% per annum)
Legal system	Mixed – English common law, Islamic law and customary law. Not a signatory to International law (ICJ / ICCt)
Religion	Muslim: 60% Buddhist: 19% Christian: 9%

Source: CIA FactBook 2013; Population Reference Bureau 2013

is also the world's second largest producer of palm oil, behind Indonesia. Despite the continuing importance of natural resources, Malaysia is actively pursuing more diversified and high-value industries for its future growth. Science, tourism, Islamic banking and medical tourism are receiving strong government support and are destined to establish Malaysia's reputation as an advanced services economy. The country has also made significant progress on infrastructure development. Malaysia is multicultural and welcomes MNCs and foreign labour, which are supported by generous government subsidies.

Malaysia's goal to become a high-income nation by 2020 is necessarily dependent on the strength and utilisation of its human capital base. Concerns about the country's brain drain emanate from the large exodus of students and professionals who leave Malaysian shores each year to study and work overseas. In 2011, the government established Talentcorp Malaysia to "facilitate initiatives to address the availability of talent in line with the needs of the country's economic transformation".[5] TalentCorp provides assistance and programmes to encourage the return of skilled Malaysians from abroad and to encourage the retention of foreign skilled talent in the country.

Characteristics of the Malaysian Workforce

1. Education

The Malaysian government recognises the importance and urgency of improving the country's education system and is implementing many education initiatives. Between 1980 and 2012, the average number of years of schooling had increased from 5.1 years to 9.5 years. 16% of the total government budget went to education in 2011 and 2012, representing nearly 4% of Malaysia's total GDP. This exceeds the OECD average spending (8.7% of budget; 3.4% of GDP) and is on par with Singapore, Japan and South Korea. Both

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5   TalentCorp (2013), www.talentcorp.com.my

youth and adult literacy have increased phenomenally over the past 30 years, to 99% and 92% respectively. Notwithstanding that, when international benchmarks such as PISA (Programme for International Student Assessment) are applied, Malaysian students significantly under-perform, ranking in the bottom third of the 74 countries participating in the programme.[6] Malaysians entering the workforce often require significant employer-sponsored training and development to acquire workplace skills. Whilst attracting significant attention and government resourcing, the education legacy in recent generations of Malaysians will remain a challenge for some years to come.

2. Demographics

Malaysia has a youthful population: 29% are under 15 years of age and 46% are under 25. This makes Malaysia a rich source of potential talent. Almost three-quarters of Malaysia's population now live in its urban centres, with a further 750,000 moving from rural areas to its cities each year. The Malay population of 50% is seen to receive favouritism over the 2 large ethnic minorities, Chinese and Indian, leading to ethnic tensions at times. Whilst Malaysia is a moderate Islamic state, hard-line factions do exist, stimulating social tensions.[7]

3. Language

Whilst Bahasa Malaysian is the official language, English is popular and a key language for business. A policy to use English as the language of instruction for primary and secondary school students of science and mathematics was initiated in 2003. However, its implementation was inconsistent and the programme ultimately failed, especially in the rural areas. As is the case with *Singlish* in Singapore, Malaysians have evolved *Manglish*, a derivation of English with heavy Malay, Chinese and Tamil influences.

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6   Ministry of Education (2012). *Preliminary Report – Malaysian Education Blueprint 2013-2025.*

7   Business Monitor International (2013). *Malaysia Business Forecast Report – Includes 10-year forecast to 2022.*

4. Technology

Malaysia's telecommunications network is second only to Singapore in the Southeast Asian region. Consequently, usage is high, with 135.3 fixed and mobile telephone subscribers per 100 people. Malaysians are very active online, with 17 million Internet users representing a country penetration rate of nearly 61%, and of these, 80% are Facebook subscribers.

5. Business etiquette

Malaysia is a multicultural society but Muslim religion and customs dominate and should be respected in business dealings. Malaysians are friendly, yet a somewhat formal and conservative approach is appropriate, particularly in the early stages of establishing relationships.

Some business etiquette considerations include:

- Recognise the importance of building trust and be patient when establishing new relationships
- Islam expects women to dress conservatively in public, thus revealing clothing should be avoided
- Greet businessmen with a firm handshake; a nod or bow is standard for businesswomen unless they initiate a handshake
- Gifts may be perceived as a bribe and are best avoided
- Social conversations, often shared over a meal, are common in business interactions
- Laughter is often used to mask true feelings, hide nervousness or disapproval
- Personal questions are common and Westerners should not take offence
- Patience and politeness are essential
- Contracts may not carry the same weight as they do in the West and negotiations often continue after signing

Implications for Talent Management in Malaysia

MNCs report significant challenges in finding local talent at the standards required to be effective in their organisations. Whilst English-language proficiency is improving, there is still some way to go. Tertiary and technical skills are in high demand.

Government support for the education system will steadily improve the quality of talent graduating from Malaysian schools and universities. Similarly, initiatives such as TalentCorp are designed to proactively address the skills gap by drawing expertise back into the country. These initiatives will need to be sustained to ensure their intent is achieved.

In the meantime, MNCs will need to supplement local talent with expatriated skills from other markets. Corporate training and development programmes, both technical and leadership, will be essential to support the learning needs of employees. Support for further education should also be included in the menu of development options.

With a youthful workforce, the role of technology and work-life balance initiatives should not be underestimated. Malaysians are highly connected via mobile technologies and this lends itself to several talent management applications, from attracting new hires to engaging them in development activities.

Malaysia has yet to reach its potential in Southeast Asia. Already a significant contributor to the region, government reforms and support for international and domestic trade are improving the economic prospects of Malaysia. The continuing development of human capital in the country over the next decade is essential and will assist both MNCs and local organisations to maximise the considerable opportunities available.

Thailand

Thailand stands unique amongst its Southeast Asian neighbours for never having been colonised by a Western power. In 1932, a bloodless revolution led by the military overthrew the reigning monarch to establish modern-day Thailand. Previously known as Siam, the Kingdom of Thailand took its name in 1939 and a new constitutional monarchy was formed. King Phumiphon Adunyadet is the current monarch and has held this position since 1946, making him the world's longest established monarch. Thailand's recent political history has been marred by unrest. In 2006, Prime Minister Thaksin Shinawatra was ousted and political protests and upheavals have continued to plague the political stability of the country since that incident.

Thailand shares its borders with Burma, Cambodia, Laos and Malaysia. The country's economic output comes predominantly from agricultural and manufacturing sources. The Thai economy had experienced high growth from 1985 but suffered significant setbacks during the global financial crisis beginning in 2007, as the acute reduction in global demand had significant ramifications for Thailand's manufacturing exports. Economic activity is shifting

Key Data	
Population	67.5 million (2013) 67.1 million (2025 est.), decrease of 0.1% 61.0 million (2050 est.), decrease of 9%
Capital	Bangkok (6.9 million)
Labour force	39.4 million Agriculture: 38% Industry: 14% Services: 48%
Ethnic groups	Thai: 75% Chinese: 14%
Median age	35.1 years
Languages	Thai English
Government	Constitutional monarchy
Economy	GDP US$662.6 billion (world ranking: 25) GDP growth rate: 6.4% GDP per capita: $10,300 Unemployment: 0.7% Inflation rate: 3.0%
Urbanisation	34.1% (increasing at 1.6% per annum)
Legal system	Civil law, influenced by common law. Not a signatory to International law (ICJ / ICCt)
Religion	Buddhist: 95% Muslim: 5%

Source: CIA FactBook 2013; Population Reference Bureau 2013

toward petrochemicals, auto manufacturing, generic-drugs manufacturing and food processing. Growth is still forecasted but at a significantly lower rate.[8]

Agriculture still predominates in Thailand and absorbs nearly half the Thai workforce. Youth are attracted to its cities in search of employment and higher incomes but many have under-developed skills for urban workplace opportunities. Workplace training is an essential invest-ment for employers of local labour. Still, Thailand enjoys one of the lowest unemployment rates in the world, although this has put an upward pressure on wages. The labour market is not highly regulated, although some restrictions on foreigners and foreign companies apply. Trade union representation is less than 2%.

Characteristics of the Thai Workforce

1. Education

The Thai education system makes 12 years of schooling available to its youth: 6 years of compulsory primary school and 6 years of secondary school. Since 2002, 3 years of secondary school have become compulsory, so a minimum of 9 years schooling is now in place. This will lift the attendance average, which has fallen behind to 6.6 years. With a high proportion (38%) of the population still engaged in the agricultural sector, education has often taken a secondary position to the physical labour requirements of the land. However, a renewed focus on education has created a significant uplift: in 2011, 82% of secondary-school-aged children were enrolled in secondary school and 53% of tertiary-aged youth were enrolled in tertiary courses.

2. Demographics

The average age of Thais is higher than its Southeast Asian neighbours, at 35.1 years. Approximately 20% of the population are children aged below 15 years, and 34% of the population is under 25 years of age. Thai-land is part of the northern pocket of Southeast Asia

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8 Business Monitor International (2013). *Thailand Business Forecast Report to 2022.*

where the Buddhist religion predominates. Together with its neighbours Myanmar, Laos and Cambodia, the vast majority (95%) of Thais follow Buddhism and worship at one of over 40,000 Buddhist temples across the country. Its king is required to be a Buddhist by the constitution. Other than that, there is no official religion and religious freedom prevails. Together, Vietnam and Thailand have the lowest rates of urbanisation of the ASEAN 6, at 31% and 34% respectively. Whilst increasing, relatively low levels of urbanisation will continue to shape the population characteristics.

3. Language

Thai is the official language, with English considered a secondary language of the elite. Increasing numbers of jobs in the services sectors, especially tourism, hospitality and retail has elevated the demand for English-language skills and English is now a mandatory subject at school.

4. Technology

Investments in telecommunications have given Thailand a high-quality fixed-line infrastructure, especially in and around Bangkok, and wireless services are expanding rapidly. There are approximately 1.2 cellular phone subscribers for every head of population. Internet usage is also on the rise, although the low penetration rate of 30% highlights a significant upside in the years to come.[9]

5. Business etiquette

Thais are renowned for their friendly and accommodating dispositions. This carries into most business interactions and Thais will most likely be respectful, collegial and somewhat conservative, especially in initial dealings.

Some business etiquette considerations include:
- Use *Khun* (pronounced *koon* as in *cook*) to address others in business settings in place of Mr, Mrs, Miss or Ms, followed by their given name, not surname

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9   Internet World Stats (2011).

- Thais may use the traditional *wai* greeting (placing palms together to the forehead at eye level and nodding slightly). Returning the *wai* is optional for foreigners; a smile or nod will also suffice
- Informal conversation, personal exchanges of information and relationship building are expected before business discussions are entered into
- Thais generally avoid confrontation or disagreement and may indicate they understand an idea or suggestion when they do not
- Seniority is important and needs to be respected
- Thais prefer flexibility and enjoy negotiating and bargaining
- Small gifts are frequently exchanged and should be opened in private

Implications for Talent Management in Thailand

Despite economic challenges and political instability, the Thai workforce needs more talent than it can readily access. One study revealed that 95% of Thai organisations struggle to source the labour they need and 85% said that talent retention was also a serious issue.[10] Clearly, organisations that find talent hard to attract are unable to meet their recruitment needs. If they are concurrently losing talent they already have, the situation becomes dire.

The severe shortage of technical skills, particularly in engineering and management, remains an inhibitor to business growth. Notwithstanding that, Thailand is an attractive business environment and still has relatively competitive labour rates and will continue to attract MNCs, especially in the manufacturing and services sectors.

As is the case with the other emerging markets in the region, MNCs will continue to play a crucial role in furthering the education and skill development of the workforce.

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10 Deloitte & Human Capital Leadership Institute (2012). *Fuelling the Asian growth engine – Talent challenges, strategies and trends.*

Vietnam

Vietnam was colonised by the French in 1887. This occupation brought Catholicism, Western education and modern agricultural methods that established coffee, tea and tobacco plantations. Vietnam gained its independence after forces led by Ho Chi Minh overthrew the French in 1954, after which the country was divided into the communist North Vietnam and the anti-communist South Vietnam. 20 years of war ensued as competing ideologies fought to reunite the country under a single rule, North Vietnam supported by China and Russia and South Vietnam by the U.S. and its allies. 2 years after the withdrawal of the U.S. from Vietnam in 1973, Northern forces defeated the South and Vietnam was united as a communist state.

Bordered by Cambodia, China and Laos, Vietnam's strong agricultural heritage still contributes over 20% of its GDP and more than half the population of 92 million is employed in this sector. Plans to modernise the economy into higher-yielding production industries is shifting labour toward manufacturing, which now accounts for over 40% of its GDP.

Its harsh recent history has left Vietnam economically devastated. Politically isolated from the West, it is only since the 1986 enact-

Key Data	
Population	92.5 million (2013) 100.1 million (2025 est.), increase of 8% 108.9 million (2050 est.), increase of 18%
Capital	Hanoi (2.7 million)
Labour force	49.2 million Agriculture: 48% Industry: 21% Services: 31%
Ethnic groups	Vietnamese (Kinh): 86%
Median age	28.7 years
Languages	Vietnamese (official) English
Government	Communist state
Economy	GDP US$326 billion (world ranking: 42) GDP growth rate: 5% GDP per capita: $3,600 Unemployment: 4.3% Inflation rate: 9.1%
Urbanisation	31% (increasing at 3.0% per annum)
Legal system	Civil law Not a signatory to International law (ICJ / ICCt)
Religion	Buddhist: 9% Catholic: 7%

Source: CIA FactBook 2013; Population Reference Bureau 2013

ment of the *doi moi* (renovation) policy that Vietnam has taken a more progressive role in the Southeast Asian region. Since then, regional and global relations have been re-established and Vietnam joined the World Trade Organisation in 2007. Increased economic liberalisation has seen many MNCs enter the country and establish operations over the past decade. However, complex foreign investment laws, the absence of a comprehensive and transparent legal system, and corruption continue to be challenges for effective trade and investment.

The Vietnamese workforce is highly skilled and attractive to both local and MNC employers. However, significant shortages exist and although historically MNCs have attracted the best labour by paying a substantial premium, local competitors are now closing this gap. Government controls and imposts on the labour market remain, despite having been somewhat eased over the past decade. Foreign companies are required to use local recruitment agencies and provide labour registers to government departments. A 15% social-insurance contribution is mandatory for each worker and employers must establish labour unions within 6 months and become a member of the Vietnam General Confederation of Labour.[11]

Characteristics of the Vietnamese Workforce

1. Education

Generation Y is the first of several generations of Vietnamese not to have first-hand exposure to war and acute civil unrest. Underlying the turmoil of Vietnam's recent history and agricultural concentration is poor education, leaving the country with a young but under-skilled workforce. Since 1999, 9 years of compulsory education has been made compulsory, increasing reading and writing literacy to 93%. However, the average length of school attendance is still only 5.5 years. Public expenditure on education represents a high

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11   Business Monitor International (2013). *Vietnam Business Forecast Report to 2022.*

5.3% of GDP but the inconsistent quality of education and issues of access for ethnic minorities, girls and disabled children continue to hamper the realisation of better education outcomes.[12]

2. Demographics

One-quarter of Vietnam's population is aged under 15 years and 43% are aged under 25 years, giving Vietnam one of the most youthful demographic profiles in Southeast Asia. The Vietnamese are not followers of any one religion. At about 10% of the population, Buddhism has the highest following, but the Catholic, Hoa Hao, Cao Dai, Protestant and Muslim faiths are also followed. Urbanisation is low – 70% of Vietnamese still live in rural centres and remote villages. That said, migration to urban centres is high, with nearly 3 million people each year flocking to Vietnam's rapidly expanding cities in search of employment and better living conditions.

3. Language

Vietnamese is the official language and, despite its French colonial past, English is gaining traction as a favoured second language. However, government officials and leaders in state-owned enterprises may not speak English and the use of interpreters is common. Considerable differences in accent and pronunciation exist between the north and south, so it is wise to choose interpreters accordingly. Whilst most speak Vietnamese, the country's complex history has left a legacy of languages, including French, Russian, German, Czech and Polish.

4. Technology

Mobile handsets are enormously popular and, like other countries in the region, outnumber the population by a factor of about 1.4 to 1. An Internet penetration of 34% shows considerable growth potential in Vietnam, which is expected as smartphones replace feature phones and tablets increase in popularity and

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12 UNICEF (2013). www.unicef.org

affordability. Social media is popular and Vietnam has nearly 11 million Facebook subscribers. Government involvement in the broadcast media is high, with Vietnam Television (VTV) and radio broadcaster Voice of Vietnam fully in government control. Restrictions exist for satellite TV and foreign programming.

5. Business etiquette

Vietnam is an emerging market still carrying many formal and Eastern practices into commercial dealings. Making an effort to understand local customs and behaviours is critical to building effective business relationships. High levels of bureaucracy prevail and establishing new connections is best facilitated via personal introductions or exiting trusted networks.

Some business etiquette considerations include:

- Vietnamese names are presented with surname first, then middle and given names. Use Mr, Mrs or Ms before the given name when addressing a business partner
- In order to address you appropriately, Vietnamese business partners may ask for your age at the beginning of a meeting to determine whether you are older or younger than they
- Business lunches and dinners are popular and a standard way for business partners to build relationships
- Patience is essential; negotiations may be slow and outward displays of frustration or anger can only be detrimental to discussions and outcomes
- Vietnamese are price-sensitive and prefer to buy proven, well-supported products and services. Contracts may continue to be negotiated beyond their execution and this level of flexibility is expected

Implications for Talent Management in Vietnam

The scarcity of skilled resources continues to drive up the cost of labour in Vietnam, although it is still regionally and globally competitive. At leadership levels, many MNCs find that they simply cannot source the right calibre of people from the local market and instead bring in expatriates on fixed-term contracts. This is the reverse for local enterprises, who are almost universally led by Vietnamese locals. The scarcity of human resources management skills also means that many MNCs support their Vietnamese operations with HR services centralised in Singapore or Hong Kong, with HR administrators and/or HR business partners in-country.

Corruption is a significant issue in Vietnam and MNCs need to retain high levels of business ethics and standards. Government involvement in work practices and bureaucratic reporting is also significantly higher than that required in other Southeast Asian countries.

Although the transition to local staff and management is the ideal for most MNCs, this will take longer in Vietnam and ongoing reliance on expatriated senior and technical leaders should be anticipated for some time. That said, Vietnam has one of the highest economic growth rates in the region and, with ongoing reforms increasing its appeal, will play an ever-increasing role in the expansion plans of MNCs.
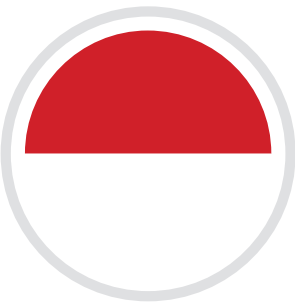
Indonesia

With more than 17,000 islands, Indonesia is the largest archipelago in the world, home to the third most populous democracy (behind India and the U.S.) and the country with the largest Muslim population. Its capital, Jakarta, ranks as the world's 12th largest city.

Colonised by the Dutch in the early 17th century, Indonesia claimed its independence in 1945 and celebrates National Independence Day each year on 17 August. Decades of military and autocratic rule have more recently been replaced with a democratically elected government. However, the legacy of under-investment in infrastructure, health and education systems remains and are the key impediments to Indonesia's growth prospects.

Indonesia's economy is buoyant, with a consistent GDP growth of around 6% per annum. Indonesia is resource-rich and the world's largest producer of palm oil. Indonesia's strategic location between the Pacific and Indian Oceans puts it directly in the path of the East-West trade.[13] Yet doing business is still fraught with bureaucracy and corruption. Despite efforts at government reform, Indonesia's ranking in the Global

Key Data	
Population	251.2 million (2013) 290.6 million (2025 est.), increase of 16% 366.2 million (2050 est.), increase of 46%
Capital	Jakarta (9.1 million)
Labour force	118.1 million Agriculture: 39% Industry: 22% Services: 48%
Ethnic groups	Javanese: 41% Sundanese: 15% Madurese: 3%
Median age	29.5 years
Languages	Bahasa Indonesia English
Government	Democratic republic
Economy	GDP US$1.2 trillion (world ranking: 16) GDP growth rate: 6.2% GDP per capita: $5,100 Unemployment: 6.1% Inflation rate: 4.3%
Urbanisation	50.7% (increasing at 2.5% per annum)
Legal system	Civil law (Roman-Dutch model) influenced by customary law Not a signatory to International law (ICJ / ICCt)
Religion	Muslim: 86.1%

Source: CIA FactBook 2013; Population Reference Bureau 2013

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13 Business Monitor International (2013). *Indonesia Business Forecast Report – Including 10-year forecast to 2022.*

Corruption Perception Index has deteriorated, falling to 118 in 2012, down from 100 in 2011. The country's growth continues to outstrip its physical infrastructure and significant investments need to be made continuously.

Labour-market reforms have met with mixed success. The workforce participation rate is 68% and although there is a low percentage of unionisation, relations between employers and unions are tense. Wage reform has increased the base salaries of Indonesians generally and, although still low by global standards, has made Indonesian labour less competitive in the Southeast Asian region.[14]

Characteristics of the Indonesian Workforce

1. Education

Attempts to improve education standards in Indonesia still fall significantly short of furnishing the country with the quality and quantity of educated labour it needs. Indonesia falls well below OECD literacy benchmarks and the progression of students from junior to higher levels of education is poor. Every year, the education system releases 3.3 million young Indonesians into the workforce, of which only 60% will have completed secondary school and 20% completed a university education.[15] Consequently, unemployment rates for unskilled youth exceed 22% whilst significant shortages for skilled labour remain.

2. Demographics

Indonesia dwarfs the other ASEAN countries in population size – 2.4 times the size of the Philippines, 2.7 times that of Vietnam, 3.7 times that of Thailand, 8.4 times that of Malaysia and 42 times that of Singapore. There are 94 million children under 15 years of age in Indonesia and 44% (or 110 million) are aged under 25 years. Indonesia has the highest Islamic concentration in the world, with 60% of the population devout Muslims. Whether they are Muslim, Christian, Buddhist or Hindu, Indonesians on the

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14 Business Monitor International (2013). *Indonesia Business Forecast Report – Including 10-year forecast to 2022.*

15 World Bank (2012). *Indonesia – Preparing Indonesian Youth for Transition.*

whole are deeply religious, and find atheism difficult to comprehend and confronting. About half the population lives in urban centres with the capital Jakarta being one of the largest cities in the world.

3. Language

The official language, Bahasa Indonesia, is spoken widely (albeit many local dialects exist). English is prevalent in professional spheres, especially in the service industries. However, MNCs employing workers in mining, refining, manufacturing and other labour intensive fields will need to communicate in the local tongue.

4. Technology

Indonesians are embracing the Internet, especially social media, at a rapid pace. Commercial Internet was introduced only in 1995 and since then subscriptions have grown to an estimated 55 million by 2013, of which nearly 52 million are Facebook subscribers. Technology infrastructure has been boosted via the rapid rollout of wireless broadband services, enabling mobile devices. In the 5 years to 2013, mobile-phone ownership grew from 39% to 84% of the population and in the 12 months from March 2012 to 2013, smartphone ownership doubled, from 12% to 24%[16]. The continued adoption of mobile technologies is expected to be exponential, making Indonesia potentially one of the most connected and active online nations in the world.

5. Business etiquette

Whilst religion is not a hindrance to business, Westerners should understand the daily rituals all Muslims are required to practise. This includes attending 5 prayer sessions throughout the day, which workplaces must accommodate. The month of Ramadan requires daily fasting and adherence to religious ceremonies, which may affect workplace productivity and absenteeism during this time.

Some business etiquette considerations include:
- Use a softer grip when shaking hands

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16 Roy Morgan Research (2 July 2013). Smarter phones and dumber people. *Jakarta Post.*

- Muslim custom requires one to give and receive items only with the right hand
- Print business cards with your title and qualifications, and preferably in English and Chinese (there are many Chinese-Indonesians in business)
- Present your business card with your right or both hands
- Arrive for meetings on time, but do not expect your Indonesian counterpart to do so
- Offer refreshments at meetings (water, tea or coffee)
- Dress in business attire (casual wear is rarely worn)
- *Bapak* means *father* and is a term ascribed to leaders and holders of positional power in organisations, government and the community
- Gifts are not expected but if you receive one, accept it graciously and do not open it in front of a group

Implications for Talent Management in Indonesia

The importance of hierarchy should not be underestimated in managing Indonesian talent. By nature, employees will defer to the hierarchy to guide their actions, so seniority and age will typically trump youth, irrespective of levels of expertise.

Indonesians' relationship with time leans toward *event time* rather than *clock time*, that is, a meeting is deemed to begin when everyone has arrived for the event rather than by what the clock may say. Western managers should factor this cultural difference into their management approach, clarifying the importance of timeliness but also showing some flexibility.

As is the case with all Eastern cultures, the concept of face (saving face, giving face) is crucial to self-perception and the perception of others. Consequently, disciplinary actions or performance critiques should be done in private to preserve the dignity of employees amongst their colleagues. Overall, Indonesian workers will look to their leaders to build and retain harmonious relations amongst work teams and promote a community spirit that recognises and rewards group effort and outcomes.

Philippines

Colonised by the Spanish in the 16th century, the Philippine islands were ceded to the U.S. in 1898, following the Spanish-American war. The country ultimately gained independence in 1946. Since then, the Philippines has had a somewhat chequered political history in which various presidents have been installed and later overthrown by *people power*, often as a result of corruption allegations.

This archipelago of over 7,000 islands sits close to the Equator and is in the Pacific *Ring of Fire*, a volatile basin of deep ocean cavities and volcanoes, prone to earthquakes and typhoons. As a collection of islands, it has no direct borders with its Southeast Asian neighbours but sovereignty disputes continue over Scarborough Reef and the Spratly Islands.

The Philippines is a democratic country with an elected president serving a 6-year term, 2 of which have been women in the past 30 years. Economically, the country has performed very well, with strong continuous growth, and was relatively unharmed by the global financial crisis. Strong domestic consumption, a thriving business-process outsourcing industry and an investment-grade global credit rating have global economists bullish about the Philippines' expansion

Key Data	
Population	105.7 million (2013) 115.8 million (2025 est.) – increase 10%
Capital	Manila (11.5 million)
Labour force	40.4 million Agriculture: 32% Industry: 31% Services: 57%
Ethnic groups	Tagalog: 28% Cebuano: 13%
Median age	23.3 years
Languages	Filipino English
Government	Republic
Economy	GDP US$431.3 billion (world rank 32) GDP Growth Rate: 6.6% GDP per capita: $4,500 Unemployment: 7.0% Inflation Rate: 3.1%
Urbanisation	48.8% (increasing at 2.2% per annum)
Legal system	Mixed – civil, common, Islamic and customary law.. Is a signatory to International law (ICJ / ICCt)
Religion	Catholic: 83% Muslim: 5%

Source: CIA FactBook 2013; Population Reference Bureau 2013

prospects.[17] Major industries include automotive, electronics, textiles and food processing. Ongoing GDP growth between 6% and 7% is expected.

The Philippines remains a challenging business environment for foreign companies, although government reforms and anti-corruption initiatives are improving. The Philippines' ranking in the Global Corruption Perception Index improved from 129 to 105 out of 185 countries in 2012.

As at December 2012, 10.5 million Filipinos were working abroad, where they can attain higher salaries, which they remit home to family. International remittances are a significant contribution to the Philippine GDP (8%–10%) and exported labour has become a key industry for the country, so much so that the Office of the President established a Commission on Filipinos Overseas to monitor it.

For MNCs operating in the Philippines, labour shortage at the skilled and semi-skilled levels is a problem. Vacancy rates of 25% and higher exist for clerical-level roles and over 15% for professionals. Engineers and accountants are in the highest demand.[18]

Characteristics of the Filipino Workforce

1. Education

6 years of schooling are compulsory for Filipino children, although the average number of years completed is currently around 9. Government expenditure on education has been below OECD averages, at 2.7% of its GDP. However, basic literacy is fairly high, at 95%. The Philippines Department of Education has recently implemented significant reforms to the education sector, improving access to and quality of basic education. In 2011, a 3-component initiative was launched to enhance the school curriculum, provide the system with adequate resources and improve the quality of teachers and teaching.[19] Improvements in the education sector have

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17   Business Monitor International (2013). *Philippines Business Forecast Report – Includes 10 year forecast to 2022.*

18   The Economist Intelligence Unit (2013). *Labour market shortages in SEA.*

19   www.deped.gov.ph

been met with increased enrolments, which are high in disciplines such as business administration, teaching and health but low in disciplines such as information technology and engineering, which are the most sought-after skills in the workplace.

2. Demographics

The Philippines has the youngest demographic profile in ASEAN, with an average age of just 23.3 years. One-third of the population is under the age of 15 years and 53% under the age of 25 years. Consequently, youth unemployment is quite high, at around 18%. Approximately half the Philippine population live in urban centres, with an annual rate of increase of just over 2%, or approximately 2 million people. Of all the ASEAN countries, the Philippines stands out with a 10% population decrease forecast to 2025, largely reflective of the entrenched labour-export industry. Spanish missionaries brought Catholicism to the Philippines and it remains the dominant religion today.

3. Language

Both Filipino (or Tagalog) and English are the official languages in the Philippines and many in the workforce are highly fluent speakers of English.

4. Technology

There are over 103 million cellular phone subscribers in the Philippines, making mobile phones the device of choice. Internet subscription is approximately 34 million, representing a 33% penetration rate. Telecommunications infrastructure is good and improving, especially with the expansion of wireless networks.

5. Business etiquette

Eastern values and characteristics are clearly visible in interactions with Filipinos and should be respected to facilitate the establishment of effective business relationships. Business in the Philippines is relatively formal, especially in the early stages of a working relationship. Bureaucracy and corruption in the form of facilitation payments can also be expected from time to time.

Some business etiquette considerations include:

- Expect layers of hierarchy to be followed, which may delay decision-making as each level of the hierarchy is consulted
- Filipinos use a formal address for initial meetings, with title and surname
- Short names are common and may be used when business colleagues and partners have established a good relationship
- Face-to-face meetings and other personal interactions are essential to build solid working relationships
- Filipinos can be light-hearted, enjoy humour and may have a relaxed approach to time
- Filipinos do not like to say *no* – their amenable disposition may not therefore always be an accurate reflection of their intent and body language should be observed for additional cues

Implications for Talent Management in the Philippines

The common regional thread continues – skilled people are hard to find and challenging to keep. A key paradox that the Philippines must manage as a country is the support for and economic reliance on exported Filipino workers, on the one hand, against the need for talent to stay in the country to resource the workforce there, on the other. Many Filipinos find better-paid work outside their homeland and a culture of supporting families back home from foreign workplaces has become highly normalised.

MNCs feel the consequences of the brain drain from the Philippines directly and need to factor this into their talent management strategies. A young workforce keen for careers exists, but it lacks training, especially leadership skills. Substantial development investments are necessary to release the potential of the Philippines' human capital. Good economic prospects and the country's competitive positioning in the Southeast Asian region means that such investments are likely to yield good returns.

MERCER

Benchmarking the Human Capital of Southeast Asia

It is well established that the income and wealth of nations are strongly driven by human capital – the skills and capabilities that reside in people and that are put to productive use. A nation's human capital endowment can be a more important determinant of its long-term economic success than virtually any other resource. And yet human capital is one of the most wasted resources on this planet.

A confluence of demographic, environmental and economic shifts has created both pressing challenges as well as new opportunities in recent years, particularly in Asia. Despite high unemployment in many economies, nations are entering an era of talent scarcity that, if left unaddressed, will hinder economic growth worldwide. It is therefore critical that countries and organisations alike embrace a strategic, sustainable approach to understanding and addressing human capital development and deployment challenges for short-term stability as well as long-term growth.

The Human Capital Index (HCI), recently launched by the World Economic Forum in collaboration with Mercer, is a holistic benchmarking tool to measure how efficiently economies are attracting, developing, retaining and deploying their human capital endowment. It ranks 122 countries against 4 pillars containing 3 core elements of human capital (education, experience and health) plus a measure of enablers.

Historically, studies in human capital have concentrated only on education and experience (training and learning by doing). In recent years, health has come to be seen as an additional component of human capital, as not just physical ability but also mental well-being and cognitive function are all crucial factors that contribute to or hinder human capital development. However, the endowment, or stock of human capital, cannot be the only determinant; the environment or ecosystem that helps translate the investments in talent into returns is equally significant. The meteoric rise of the Asian Tiger nations is testament to the impact that a multi-pronged approach that includes a sound education policy and holistic workforce planning can have on a nation's development, and yet these examples are still rare.

The Human Capital Index takes a long-term approach to human capital and includes education and health indicators that measure practices and policy decisions impacting children, who will shape the future workforce. The quality of childhood is a strong indicator of not just the health prospects of the individual but also the

competitive capacity of tomorrow's economy. Through this long-term approach, this index seeks to understand – from the day people are born to the day they die – how well they are being invested in and how well this investment yields returns.

When looking at the demographic context of talent development, it should be considered across the lifespan and reach further than the traditional measures like the working-age population. In Asia, the opportunity for business growth is impacted not only by the sheer number of potential employees but also by demographic trends, such as the youthful populations in emerging economies like Indonesia and the ageing population in Japan. Thus companies in Asia need to maintain a sharp focus on the enabling of human capital development, since the region exhibits great variables in terms of talent competitiveness.

The population dynamics play an important role in determining the choices that a government or business will make. Countries with aged populations tend to focus on issues of a shrinking workforce and the financial and social burdens of elderly care, while countries with a large youth population have a window of opportunity whereby they can realise a demographic dividend – high returns from their productive workforce in relation to the old and young dependent populations. This demographic dividend is credited with propelling the East Asian Tiger nations to their rapid economic success.

The population structure of each of the 122 economies is depicted through pyramids in the Index. For some countries, the issues lie at the bottom of the pyramid, for example, in Thailand and the Philippines, more than 1 child in 10 children do not attend primary school. In Cambodia, a child has about a 38%-chance of making it into secondary school. Not only do these figures represent considerable losses to an individual but also, when multiplied by millions, to the society and the country as a whole. Although not a phenomenon to affect Southeast Asia at present, other countries on the continent do have significant issues at the top of the pyramid, such as Japan, where current aged dependency is at 36% (that is, 458 million over the age of 65), and that figure is rising.

Deep Dive: SEA Country Rankings and a Comparison with India and China

With so much attention in recent years surrounding the emergence of India and China as economic forces, we take a look at how Southeast Asia performs against these 2 countries, through an assessment of the state of human capital in the workforce today and for the workforce of tomorrow. Below is a summary of the region's rankings overall and across the 4 pillars. Singapore's exceptional top 5 scores in all pillars – except for health – demonstrates that the country's aggregate levels of human capital are held back by health-related challenges.

INDUSTRY PERSPECTIVE

INDUSTRY PERSPECTIVE

Male
- Total population
- Labour force participation
- Primary and secondary enrolment

Female
- Total population
- Labour force participation
- Primary and secondary enrolment

Additional indicators
Aged dependency: 12.4%
Youth dependency: 26.5%
Male labour force participation, age 65+: 1.3%
Female labour force participation, age 65+: 0.5%

Percent of total population

TABLE 3.1

	Overall	Education	Health & wellness	Workforce & experience	Enabling environment
Singapore	3	3	13	2	5
Malaysia	22	34	39	18	22
China	43	58	65	26	47
Thailand	44	79	40	27	48
Indonesia	53	61	84	32	58
Philippines	66	65	96	38	78
Vietnam	70	73	88	57	73
India	78	63	112	49	67

Rankings of Southeast Asia nations, plus India and China.
Source: World Economic Forum, Human Capital Report, 2013.

HEALTH AND WELLNESS

With the exception of Thailand, the health and wellness pillar is the weakest performer for each of the Southeast Asian countries in the index, demonstrating the negative impact that the overall state of health and provision of health care has on its human capital endowment. Despite Singapore's clear strengths in several health indicators, the business impact of communicable diseases and reported levels of stress in the population are areas of concern. For mental health, we see huge variations in the region, with Indonesia posting some of the highest scores globally and the Philippines some of the lowest. Despite innate geographical and environmental challenges, the countries in the region scored lower on the non-communicable disease (NCD) indicators than on the communicable diseases, with 4 out of the 7 countries ranking in excess of 100 for the former.

A key element of effective talent management is having a healthy, productive workforce. Increasingly, this involves not just investment in prevention but also a change in the employer and employee mindset regarding overall well-being, energy and resilience.

As a simple measure of the impact of health on the overall index, Table 3.2 looks at the current overall rank taking an average of the 4 pillars, and the 3-pillar rank (with the health factors removed for only the 8 countries).

TABLE 3.2

	HCI rank	3-pillar rank*	Change in rank
Singapore	3	3	0
Malaysia	22	21	1
China	43	40	3
Thailand	44	46	-2
Indonesia	53	50	3
Philippines	66	58	8
Vietnam	70	69	1
India	78	61	17

Unweighted average of education, workforce and employment and enabling environment.

Source: World Economic Forum, Human Capital Report, 2013, and author's own calculations.

INDUSTRY PERSPECTIVE

Thailand's human capital is being boosted by its overall population's health – when its health advantage is not included, the country drops in rankings behind Kazakhstan and Croatia. However, if health were to improve in Singapore, it would virtually close the gap between itself and second-placed Finland. Similarly, Malaysia would overtake France; China would leapfrog Bahrain, Oman and Panama; Indonesia would push past Jordan, Russia and Sri Lanka. The Philippines would overtake 8 countries, including Mexico and Argentina, to lay a fraction behind Brazil in the rankings. Vietnam would pass Jamaica and India would make a vast leap of 17 places into the top half of the global rankings.

Given the impact that health rating makes on a country, a collaborative effort between organisations, governments, insurers, health care providers and other employers is needed to drive systematic changes designed to enhance the health and wellness of the population. There are significant shortcomings (and hence, opportunities) in organisations' efforts to develop and execute comprehensive health management strategies. In fact, our research has shown that in the region, only the most basic elements of a health management programme are typically in place, such as ensuring a healthy workplace and establishing health-related policies and procedures. Strategic planning, leadership support and active measurement efforts are lacking.

EDUCATION

To deliver top value, a workforce must have the skills and knowledge necessary for the role, as well as the broader creative and critical-thinking skills that can elevate organisational performance to its highest level. Despite high unemployment in many regions of the world, organisations today face a shortfall of qualified talent to fill their critical roles.

Tertiary enrolment is a strong indicator of the prevalence of high-end human capital amongst the future workforce. Tertiary attainment of the population over the age of 25 years represents the prevalence of higher education amongst the workforce today. Some of the enrolment figures are encouraging, for example, Indonesia has a quarter of its youth enrolled in tertiary education compared to a tertiary attainment rate of just 7.5% amongst its adult population. However, it is clear that although the number of those entering tertiary education is increasing substantially, the rankings are not. For example, other countries are advancing their tertiary education programmes at a faster pace and, more often than not, the East Asian countries are falling behind in access to higher education. The Philippines currently has 24% (ranked 30th) of its adult population over the age of 25 years with a tertiary education. The enrolment rate today is 28% , representing a slight improvement, but based

on the overall ranking for the two, (enrolment ranks 72nd), the Philippines faces a huge drop in the talent pipeline with higher education.

The qualitative indicators show how the region as a whole and the individual countries compare on various quality measures of education. Thailand and Vietnam have weak scores in these categories, meaning that even those children who have access to schools may be receiving an inadequate or sub-standard level of teaching and thus will be ill-prepared to equip themselves with the skills and knowledge required to stimulate social mobility or contribute to a growing economy. India has made substantial progress in specialist and higher education, partly due to strong private-sector interventions. Malaysia has also benefited from a similar programme.

TABLE 3.3

	Quality of educational system	Rank /122	Quality of primary education	Rank /122	Quality of math & science education	Rank /122	Quality of management schools	Rank /122	Internet access in schools	Rank /122
China	4.02	43	4.26	47	4.42	43	4.11	72	5.32	31
India	4.40	28	3.65	69	4.71	27	5.03	29	4.09	67
Southeast Asia average	**4.33**		**4.24**		**4.47**		**4.53**		**4.82**	
Indonesia	4.33	30	4.27	46	4.66	29	4.45	47	4.77	46
Malaysia	5.00	18	4.83	27	4.86	23	4.85	33	5.17	32
Philippines	4.28	33	3.80	63	3.74	81	4.75	35	4.15	65
Singapore	5.77	3	6.03	3	6.29	1	5.75	6	6.30	4
Thailand	3.57	66	3.64	71	3.98	70	4.50	45	4.40	59
Vietnam	3.39	81	3.39	81	3.95	74	3.32	109	5.05	37

Note: Scores on a scale of 1 to 7 (1 being the lowest, 7 being the highest).
Source: World Economic Forum, Human Capital Report, 2013.

Some organisations are also filling the gaps in the educational system by partnering with educational institutions or specifically designing programmes to target students. Older students are the group most frequently targeted. Very few employers are partnering with educators to reach students at the early childhood or primary levels, which will hopefully change in the near future, given the evolution of roles in the job market and the industry-specific needs.

INDUSTRY PERSPECTIVE

INDUSTRY PERSPECTIVE

WORKFORCE AND EMPLOYMENT

A labour force needs high levels of experience to be effective and one of the ways to measure experience is participation rates, which means the proportion of the population that is actively involved in the workforce and therefore maintains, develops and shares skills and productive knowledge. Thailand performs well on these variables, with very low levels of unemployment; Malaysia, Singapore and Vietnam report a similar pattern. Indonesia and the Philippines are a particular concern, however, as they also have the highest youth unemployment figures in the region.

TABLE 3.4

	Labour force participation (15-64) – %	Rank /122	Labour force participation (65+) – %	Rank /122	Unemployment rate – %	Rank /122	Youth unemployment – %	Rank /122
China	80.4	14	19.4	56	4.1	16	—	—
India	57.7	105	28.6	42	9.3	74	10.5	22
Southeast Asia average	**71.6**		**30.2**		**4.4**		**12.1**	
Indonesia	69.7	61	39.7	25	7.14	46	22.2	70
Malaysia	62.8	97	29.9	38	3.3	6	10.9	24
Philippines	65.9	83	37.2	28	7.3	50	17.4	54
Singapore	72.8	47	18	59	3.1	4	12.9	31
Thailand	77.1	27	29	40	1.04	2	4.3	5
Vietnam	81.2	11	27.5	44	4.65	24	4.6	6

Source: World Economic Forum, Human Capital Report, 2013.

It is important to note that the relationship between labour-force participation and unemployment rates is not absolute, as there is a third element to consider – the working-age population that is neither working nor actively seeking work. Therefore, a country can score well on labour force participation but poorly on youth unemployment and vice versa. For example, Malaysia ranks 97th in labour-force participation but ranks 6th in the unemployment indicator, with just 3.3% unemployment. Based on this, an important question to ask is who these hidden people are and what cultural or structural situations are barring them from being economically active.

The availability of talent

As the economies in Asia continue to grow, the search for talent is expected to intensify. China's acute talent shortage is in part

due to considerable human-capital flight, whereas Indonesia's poor ranking in ease of finding skilled employees is due to factors other than emigrational. Malaysia's educational advances, targeted migration policy and fluid labour market contribute to strong scores in this set of variables. Malaysia and Thailand are stronger than India in all 3 indicators: capacity to attract talent, capacity to retain talent and ease of finding skilled employees. India, nevertheless, ranks above the regional average. China's weak scores in this set of data point toward a talent crunch and a starved labour market, which may impact on the nation's growth trajectory. In recruiting talent, innovative companies across the region are reaching out beyond urban centres and are looking for workers in second- and third-tier institutions and in rural and suburban communities. Talent from such sources tends to be less expensive and more loyal, but new labour sources also bring various challenges, such as a lack of social and communication skills and inconsistent quality. Much of this can be overcome by investment in training and development.

Established companies with a clear, strategic long-term workforce plan linked to total rewards and pay-for-performance programmes will enjoy a competitive advantage, develop an employee brand and obtain a leadership role.

TABLE 3.5

	Country capacity to attract talent	Rank /122	Country capacity to retain talent	Rank /122	Ease of finding skilled employees	Rank /122
China	3.50	55	3.03	80	3.52	90
India	4.39	21	4.28	28	4.68	22
Southeast Asia average	**4.34**		**4.23**		**4.47**	
Indonesia	4.11	26	4.33	25	3.82	71
Malaysia	6.01	2	5.14	7	4.85	16
Philippines	4.31	22	4.07	35	4.31	39
Singapore	3.24	69	3.43	61	4.30	40
Thailand	4.63	18	4.63	18	4.91	12
Vietnam	3.72	45	3.78	45	4.62	24

Note: Scores on a scale of 1 to 7 (1 being lowest, 7 being the highest).
Source: World Economic Forum, Human Capital Report, 2013.

INDUSTRY PERSPECTIVE

High-end human capital

Malaysia is the cerebral powerhouse within this group, outperforming the other regional countries, as well as India and China, on each of the above indicators with the exception of capacity for innovation, where Thailand ranks marginally better. With the possible exception of the Philippines and Singapore, Southeast Asian countries have a good level of productive knowledge inferred in the Index as the economic complexity variable (which seeks to measure the productive knowledge of a nation through the diversity and quantity of good exported).

TABLE 3.6

	Country capacity for innovation*	Rank /122	Economic Complexity Index	Rank /122	Firm level tech absorption	Rank /122	Scientific & Tech journals published per capita
China	3.37	75	–0.211	63	3.76	116	0.004
India	4.19	27	0.892	26	4.69	63	0.055
Southeast Asia average	**4.16**		**0.381**		**5.18**		**0.155**
Indonesia	3.36	76	0.814	28	5.02	47	0.030
Malaysia	4.78	18	1.673	7	5.83	12	0.847
Philippines	4.39	23	–0.032	57	5.08	43	0.001
Singapore	3.76	44	0.006	55	5.22	37	0.002
Thailand	4.87	15	0.760	31	5.46	30	0.048
Vietnam	3.96	37	0.230	47	5.05	45	0.016

Note: Scores on a scale of 1 to 7 (1 being the lowest, 7 being the highest).
Source: World Economic Forum, Human Capital Report, 2013.

ENABLING ENVIRONMENT

Clusters are human capital concentrates – as they develop, they create a virtuous cycle of organic knowledge growth and attract talent. Centres of excellence foster efficient knowledge-sharing channels and competition incentivises development efforts, innovation and scalability. Outside the core industries, ancillary businesses spring up: the upstream and downstream industries that service the hubs flourish in this fertile environment.

INDUSTRY PERSPECTIVE

The maturity of clusters is indicative of the dynamism of the human capital ecosystem but this energy eventually needs order and a framework. The World Bank's Doing Business rankings are indicators of the regulatory and legal environment of a nation. This index reveals a very diverse set of results between these 2 variables. The poor rankings of India, Indonesia, the Philippines and Vietnam in the Doing Business Index contrast to the stellar results from Singapore, Malaysia and Thailand. The low scores in the Doing Business Index do not systematically track the state of cluster development. Nevertheless, concerns may be raised by foreign investors that see high-energy clusters but with opaque or disorderly rules in doing business. This may in turn affect the opportunities for developing and deploying human capital.

Cluster development is highly advanced for Singapore and Malaysia (more so than in the manufacturing giants like India and China). Weaker scores from the Philippines and Vietnam are congruent with low scores for the university-industry collaboration in research and development. The collaborative environment in these countries is still in its infancy. Nevertheless, this immaturity is one of the contributing factors to slowing down the mechanisms for the accelerating human capital growth and yielding quick investment returns.

TABLE 3.7

	Doing Business Index	Rank /122	State of cluster development	Rank /122
China	91	73	4.61	22
India	132	98	4.88	14
Southeast Asia average	**80**		**4.45**	
Indonesia	128	94	4.43	26
Malaysia	12	11	5.04	12
Philippines	138	103	4.03	50
Singapore	1	1	5.20	7
Thailand	18	16	4.34	30
Vietnam	99	76	3.88	61

Note: Scores on a scale of 1 to 7 (1 being the lowest, 7 being the highest).
Source: World Economic Forum, Human Capital Report, 2013.

INDUSTRY PERSPECTIVE

INDUSTRY PERSPECTIVE

Conclusion

The economies that excel are the ones that make the right choices in both teaching and learning as well as health and well-being. Through carefully planned incentives and opportunities, they develop a diverse workforce, covering the skills spectrum to serve the needs of a competitive nation and ensure protection against exogenous shocks. These economies use all their available human capital, operating at full gender parity and creatively engaging the silver workforce. Partnerships and collaboration between government, business and academia is extensive, and the seams between education, training, lifelong learning and R&D are invisible. Their government facilitates business and industry through effective legal frameworks, efficient infrastructure and sound social policy.

Each country, however, makes different choices and has different priorities based on their stage of development and growth. There is no magic bullet to developing human capital and even though Singapore and South Korea's metamorphosis as knowledge economies took place in over just a generation, the geographical, cultural and a variety of both internal and external effects play a considerable role in determining the nature and rate of human capital growth. The countries that succeed will be the ones that make choices based on a thorough understanding of their full human capital landscape. And these countries will have to be willing to commit to the chosen investments, championing progress across political tenures and business horizons. There is always scope for quick wins and short-term remedies but the deep-seated systemic development in human capital is a long-term commitment. Southeast Asia has its role models: best-practice examples to inform and emulate in policy and in business. The talent landscape in this geography has the rare potential to: (a) develop rapidly through demographic advantages; (b) quickly scale up access to, and quality of, basic health and education; and (c) leverage regional agreements specifically aimed at facilitating business development and effective talent mobility. With the right choices, the exclusive Asian Tiger group will become a regional norm.

Charlotte Harding
Senior Associate, Mercer (Seconded to World Economic Forum 2012-2014)

Rasika Thapa
Principal, Talent Marketing – AMEA, Mercer

FIGURE 3.1

Relationship between HCI scores by pillar and GDP per capita

Source: World Economic Forum, Human Capital Report, 2013.

INDUSTRY PERSPECTIVE
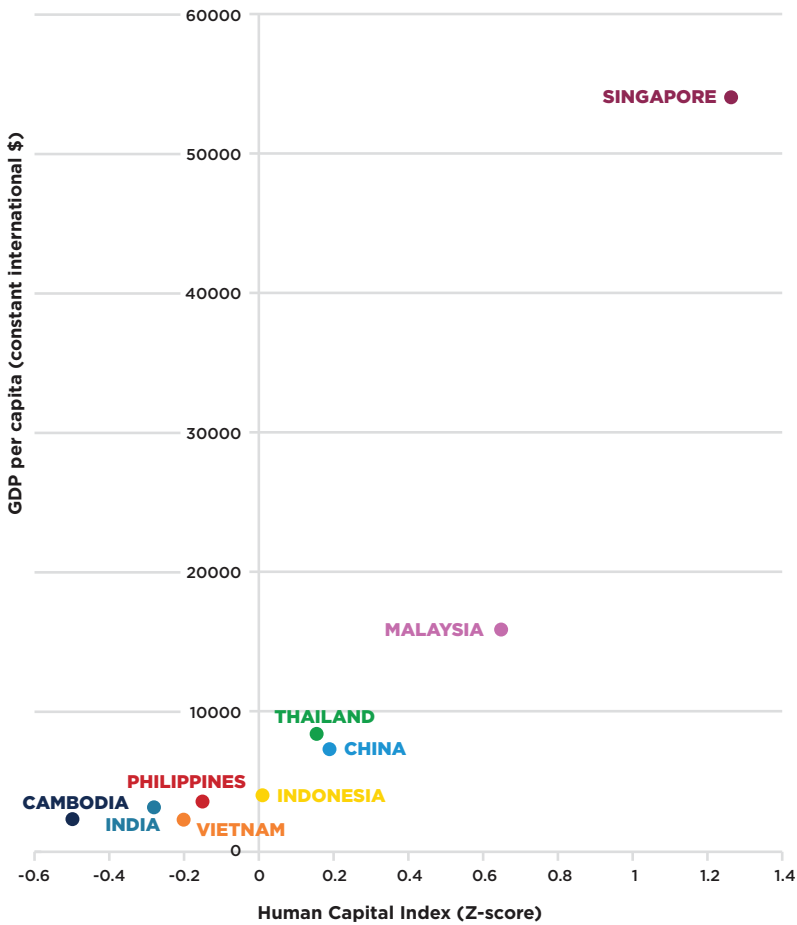
TALENTED
Southeast Asia

Chapter 4

Top 10 Priorities in Talent Management

The key strategic challenge we face is creating the high performing organisation that has the capabilities to deliver on the roadmap.

– Ramon B. Segismundo
SVP & Head Human Resources & Corporate Services, Meralco

Development

Diversity **Career Management**

Engagement Compensation

Mobility

Leadership Pipeline

Technology Efficiency Performance

Culture Fit **Workforce Planning**

Cross Cultures Attraction

Succession **Change** Compliance

Retention **Competencies**

HR Transformation

Key Points

The top 10 talent management priorities for MNCs in Southeast Asia reflect the **urgency and importance of human capital** to the successful implementation of organisational business plans.

The need for **leadership** identification, assessment, development and succession management is the most frequently cited challenge in talent management.

The need to **attract, develop and retain** organisational talent accounts for 75% of the top priorities for HR executives and business leaders in Southeast Asia.

Top 10 Priorities in Talent Management

What are the top priorities for HR executives and business leaders in Southeast Asia in the coming years?

Consistent growth and the pace of change are the dynamic factors impacting the labour markets of Southeast Asia. Unlike many Western markets, in which unemployment rates are increasing and business revenues continue to be flat or even falling, Southeast Asia is a focal point for business expansion, with the associated demand for increased skilled labour.

The top 10 rankings of talent management priorities for multinational corporations in Southeast Asia reflect the urgent drive to find, develop and keep enough adequately skilled employees to execute regional business plans and ensure that organisations can optimise current and future opportunities available in this market.

The top 10 reflect the percentage of MNCs in our study that had each priority in their critical top 3. For exam-

ple, 47% of the organisations we interviewed listed the *development of the capabilities of their talent pool* as one of their top 3 talent management priorities. The rankings also highlight the talent management aspects MNCs in Southeast Asia most plan to resource in the coming 12 months.

This chapter summarises each of the top 10 talent management priorities and the key challenges organisations face in each case. It also points to additional chapters in the book that will explore these facets in detail.

This chapter closes with an Industry Perspective from the Human Capital Leadership Institute (HCLI) on best practices emerging from recent collaborative research conducted by HCLI and Egon Zhender.

TABLE 4.1
Southeast Asian top 10 priorities in talent management

Rank	Talent management priority
1	**Developing** the capabilities of our talent
2	**Attracting** quality candidates
3	**Retaining** key talent
4	Building the **leadership pipeline**
5	Increasing **performance and productivity**
6	Increasing employee **engagement**
7	Improving **HR technology** infrastructure
8	Improving **workforce planning**
9	**Transforming HR** to align to the business
10	**Critical role succession** management

FIGURE 4.1
Rank Order of Top 10 Talent Management Priorities
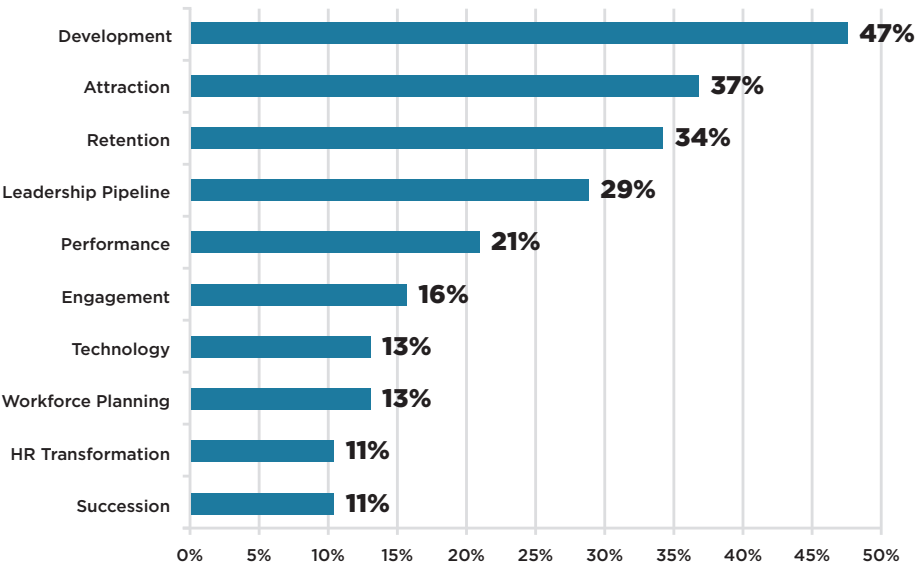
① DEVELOPING THE CAPABILITIES OF OUR TALENT

How can we fast track the skills development required to deliver the capabilities we need in our talent?

The most consistently repeated talent management priority amongst the survey group was the critical need to develop the capabilities of their existing workforce. 47% of all organisations interviewed rated this in their top 3 priorities in the coming year. Why?

Much has been written of the *paradox of labour* in the region – large national populations, which suggest that the available pool of labour should be sufficient to meet industry demand. After all, the combined population of the ASEAN 6 exceeds 550 million. But this is not the case in Southeast Asia. Insufficient educational infrastructure, social expectations and poverty mean that the vast majority of the region's youth have received less education than their Western peers, and uniform education benchmarks are lacking. As a result, Southeast Asia has a significantly higher ratio of unskilled to skilled labour.

Consequently, the demand and therefore competition for skilled labour remains high. It is acute in some sectors and professions. This deficit has put significant responsibility for developing workplace skills back to the organisations that are hiring them. But this alone will not solve the problem. Many of the under-developed skills in the region require not only education and learning programmes but also solid life and workplace experiences. As one HR executive has noted, "What I have learnt is that some experiences you can accelerate, and some experiences you can't."

In addition to education standards, several factors also drive the importance of the development of existing employees as an organisational talent management initiative:

- The pace of business growth and change exceeding the pace at which talent can be developed
- The need for managerial and leadership skills

What I have learnt is that some experiences you can accelerate, and some experiences you can't.

exceeding the quantity of experienced managers and leaders available

- The *brain drain* from country to country and industry to industry accelerating the need for development
- New technologies and approaches that require altogether new skills

We explore the challenges of talent development further in Chapter 9 and provide insights into how successful organisations are tackling this critical area.

② ATTRACTING QUALITY CANDIDATES

How do we source the quality and quantity of skilled talent that we need to operate our business effectively?

We were somewhat surprised that *talent attraction* did not rank as the top priority for most organisations, given the strong focus on talent sourcing in the past few years. By way of explanation, HR executives with whom we spoke certainly believed *attraction* still to be extremely important. However, given that the percentage of new hires each year is vastly overshadowed by the volume of existing employees who need to be developed, the latter priority was deemed to be higher. Put into this perspective, ranking attraction at number 2 made sense.

Notwithstanding that, a full 37% of all organisations surveyed still ranked *attracting quality candidates* in their top 3 priorities for the next 12 months. Amongst the challenges of attraction, MNCs listed the following:

- Intra-industry poaching as a *quick fix* to obtaining directly relevant skills and experience
- Business growth and regional expansion driving an unrelenting list of vacancies
- Growing expectations from candidates for not only competitive salaries but also competitive working conditions and benefits
- The organisational need for mobility often going unmatched by employee willingness and ability to be mobile

The more experience I get in Asia, the more I realise that recruitment is essentially a local proposition.

Many employers in Southeast Asia are putting their efforts and resources firmly toward building their employment value proposition (EVP). Of all the aspects of talent management, sourcing and attracting candidates was seen to require a highly compelling EVP, directly targeting the sought-after candidate demographic. The EVP is closely aligned to the corporate brand image and should work to communicate employment features, benefits and values to potential employees similar to the way in which brand image communicates the features, benefits and values of the company to potential customers. Localised tailoring of employment offerings was seen as essential to attract local talent. One contributor reflecting on this challenge noted, "The more experience I get in Asia, the more I realise that recruitment is essentially a local proposition."

We explore talent attraction and selection strategies in Chapter 7 and how organisations in Southeast Asia are approaching talent acquisition.

③ RETAINING KEY TALENT

How do we keep our experienced top talent in a market where job-hopping and poaching run rampant?

Building out the top 3 most frequently cited talent management priorities for MNCs in Southeast Asia was talent retention, at 34%. Retaining talent represents one of the most frustrating topics for HR and business leaders alike. Contributors reflected painfully on the ease with which employees move between employers, the aggressive sourcing campaigns of competitors and a general acceptance that *two years seems to be a long time in a job*. Overall, low levels of organisational commitment resulting in high unwanted turnover remains a major issue in the region.

Many organisations experienced high levels of turnover predominantly at junior or operational levels. At this level, salaries are lower and extrinsic factors such as proximity of work to home are important. Having friends and family working in the same organisation

also has a significant impact on the intention to stay. However, at senior management levels, organisations reported that they were able to offer better career opportunities and more leadership development to create a *stickier* environment for employees who were successfully progressing through the organisational ranks. Most employers in our survey reported turnover rates of well below 10% at senior levels, some as low as 3%. However, middle management (supervisors, junior leaders, line and operational managers) had significantly higher turnover rates and were consistently a challenge to retain.

Many MNCs could point to multi-dimensional retention strategies that they had put in place in recent years, leading to reduced turnover of at-risk employee categories. Notwithstanding that, one contributor cautioned that "there is no secret sauce to talent retention – and it varies from individual to individual". Such initiatives included the following:

- Competitive benchmarking of compensation and rewards
- Personal and professional development programmes to enhance employees' technical and leadership skills
- Proactive career planning and management tools and conversations
- Work-life balance and flexibility initiatives
- Corporate social responsibility (CSR) initiatives to increase social and community engagement

In Chapter 10 we explore how MNCs use their talent management frameworks to support employee engagement and retention efforts.

④ BUILDING THE LEADERSHIP PIPELINE

Who are our emerging and future leaders, where are they, and what do we need to do to accelerate their development?

The scarcity of good leadership talent is a challenge globally. In Southeast Asia it is a challenge not only

> There is no secret sauce to talent retention – and the recipe varies for each individual.

of quality but also of quantity. Whilst the standards of leadership around the world still leave much to be desired, in the emerging world, even sub-standard leaders are in short supply. 29% of the organisations in our study held amongst their top 3 priorities initiatives to improve their overall leadership capabilities and capacity, enhancing organisational *bench strength* by continuing to build their leadership pipelines.

Strategies to develop the pipeline fell into three categories:

- **Build**: Accelerate the development of existing potential leaders
- **Borrow**: Tap into the organisation's global or regional talent pool and temporarily augment local management with expatriated talent
- **Steal**: Headhunt specific expertise through proactive sourcing strategies

You're planting seeds and fully understanding that some of them will harvest and some of them won't – but you have to keep at it.

Most commonly, MNCs used a combination of these methods. In efforts to build future leaders, corporate academies or universities with campus facilities are becoming increasingly popular. Cutting-edge programmes designed and/or implemented by academics, lecturers or specialist consultants from affiliated business schools, universities and consulting firms are almost mainstream. Even without such elaborate corporate learning infrastructure, MNCs in Southeast Asia are showing global initiative in developing leadership talent. There was strong evidence of comprehensive leadership development programmes in every organisation we interviewed, some outsourced but most run programmes internally through a global leadership framework. A committed investment in development was clearly evident. One contributor said, "You're planting seeds and fully understand that some of them will harvest and some of them won't – but you have to keep at it."

MNCs are also thinking differently about the role of expatriate employees in their Southeast Asian operations. Many are using expatriate assignments as strategic

components of leadership development programmes, providing learning diversity and international experience for the expatriate, as well as sharing knowledge and transferring critical skills into the region.

In Chapters 9 and 10 we explore how organisations are using diversified strategies to build their leadership pipelines and retain the top leaders.

5 INCREASING PERFORMANCE AND PRODUCTIVITY

How do we facilitate high performance across the region and raise productivity to international standards?

Western standards and expectations of achieving high performance were highly prevalent in the MNCs in our study. 21% of contributors put *performance* in their top 3 priorities. Whilst there was evidence that the interpretation of *high performance* was not uniform across the region, all contributors cited having in place structured performance management processes, including goal setting, standardised review periods, performance feedback and linkages to development, compensation and rewards, or both.

In the majority of cases, performance management processes and systems were globally driven, with cascading objectives from global to regional to country to business units and, ultimately, to the individual. Process consistency appears to be paramount. Many MNCs rely on their performance management process as a critical information source to identify high-performing and high-potential individuals and then use this information to drive talent reviews, succession discussions, development gap analyses and incentive and reward structures. Flexibility, however, was evident in the implementation of performance processes at the regional and country levels.

Numerous contributors identified the need to increase employee performance levels, most notably at junior and entry levels, where education and

Young graduates are employable but not deployable – you can't just put them to work.

limited experience often meant productivity levels were low and required a significant development investment. Issues of speed to competence were common and whilst university campus recruitment was popular amongst MNCs, the performance of these new recruits was generally below Western standards, with one contributor noting that "young graduates are employable but not deployable – you can't just put them to work".

In addition to increasing productivity, other notable factors regarding workplace performance were as follows:

- How to motivate cross-generational and cross-cultural teams
- Refocusing the performance effort from process compliance to the facilitation of meaningful discussions
- Variability in the capability of supervisors, managers and leaders to drive performance outcomes
- Customising the global approach to be locally relevant and culturally effective

In Chapter 8 we explore the topic of increasing performance and productivity in MNCs in Southeast Asia.

6 INCREASING EMPLOYEE ENGAGEMENT

How do we embed a connection between our organisation and its current and future talent to increase employee satisfaction and retention?

All contributors emphasised the need to create an engaging work environment, interesting jobs and open prospects for career advancement. Consequently, 16% of contributors listed employee engagement amongst their top 3 talent management priorities.

Whilst most organisations believed their engagement strategies to be a work-in-progress (as well as an unending and ever-changing challenge), all contributors reported the existence of either global or local

engagement programmes, or both. Consistently, organisations reinforced the central importance of engagement. The factors most reported relating to employee engagement were the following:

- The need for leaders to understand what drives the motivation and behaviour of Generation Y employees
- The need for organisations to have vision and purpose beyond financial results to connect with the *heartware* of their workforce
- The multi-faceted dimensions of engagement in which one size does not fit all
- How cultural differences – between regions and even between countries – require localised approaches and implementation of engagement initiatives

Organisational initiatives that were seen to be most effective at engaging employees in Southeast Asia were these:

- Social activities, which enable employees to get to know their colleagues more personally
- Family activities, which allow employees to share their workplace directly with their families
- Community activities, including corporate social responsibility programmes, which allow employees to give back to their local and the broader communities

Most importantly, leadership was consistently cited as the most direct and impactful way to connect or disconnect employees from their organisation. Contributors with Asian backgrounds acknowledged this with ease, whereas those from Western origins reported that this emphasis on the leader required an advanced-level emotional intelligence and cultural sensitivity. "In a high context culture", one HR Director noted, "you do actually have to listen with your eyes, not just your ears."

In Chapter 10 we explore employee engagement and its close connection with retention in Southeast Asia.

> In a high context society, you do actually have to listen with your eyes, not just your ears.

7 IMPROVING HR TECHNOLOGY INFRASTRUCTURE

How do we align our global and local technology platforms to improve our talent management capabilities?

Executives in the majority of organisations in our study felt that the technology systems supporting their talent management processes were sub-optimal. All organisations had in place, as a minimum, functional HR information systems with basic employment tracking, payroll and employee data management capabilities. Most had access to some talent management software, such as applicant tracking or recruitment systems, performance management or learning management systems. A minority reported having integration between some components of their systems, and many utilised the global enterprise applications of their parent companies. Almost all the contributors interviewed, however, were in the process of improving their talent management infrastructure, or felt they needed to. Consequently, 13% had this as one of their top 3 priorities for the coming year.

Several organisations were in the process of implementing full-suite talent management technologies, including recruitment, performance, development, succession, career management and reward systems. In most cases, these represented the regional implementation of global talent management systems.

Concerns by employers related to their technology capabilities included the following:

- A lack of integration between existing software, such that systems "just don't talk to each other"
- The absence of technology supporting some parts of talent management altogether, most notably in workforce planning, succession management and career management
- The inability to generate meaningful data and reports for workforce decision-making due to

We do have some excellent technologies – they just don't talk to each other.

inadequate, cumbersome or disconnected systems

- Technology roll-outs driven by global pressures that failed to recognise or accommodate regional limitations or cultural requirements
- Resistance from HR, business and/or IT stakeholders to the implementation of new technologies

In Chapter 11 we explore the challenges and possibilities related to the talent management technology infrastructure.

8 IMPROVING WORKFORCE PLANNING

How can we better forecast our future talent needs to ensure the skills we need are available and ready where and when we need them?

Our exploration of workforce planning efforts in Southeast Asia drew very diverse responses. At one end of the spectrum, organisations pointed to the hectic pace of business growth and expansion, making analytical workforce forecasts obsolete well before they could be implemented. At the other end of the spectrum, organisations saw workforce planning as the key strategic input of HR and the most sought-after business requirement. In the case of the latter category, 13% of participants in our study had elevated improving their workforce planning capabilities to be amongst their top 3 priorities.

Only a minority of organisations in Southeast Asia are tapping into the capabilities of sophisticated HR analytics and planning tools. Some had access to and utilised the capabilities of dedicated HR analytics teams situated in their parent headquarters, but these were in the minority. However, the vast majority of contributors saw workforce planning as a key component of the regional and country business planning process and were actively involved with business stakeholders in this regard.

The main challenges confronting HR executives in relation to workforce planning were the following:

- Short time scales due to the speed of business growth impacting data accuracy in forecasting

There is a real need for HR Scientists – people with the analytics skills to improve workforce planning with objective and accurate data.

- Poor or insufficient data sources and lack of integration between them
- A lack of workforce planning tools and systems to easily facilitate the gathering and analysis of workforce data
- High employee turnover, forcing reactive approaches to filling vacancies

Workforce planning in Southeast Asia certainly calls for agility and the ability to continuously adapt forecasts and needs in response to changing business dynamics. This creates an even stronger case for the adoption of analytics technologies now available as well as business analytics capabilities that can put data to work and provide business decision-making information.

In Chapter 6 we explore how MNCs in Southeast Asia can better tap into the information possibilities provided by world-class workforce planning approaches.

9 TRANSFORMING HR TO ALIGN TO THE BUSINESS

How can we re-think HR to better align to the business drivers and priorities and reflect its importance at the executive level?

An introspective reflection on the HR function itself and its contribution to the business came in as a top 3 priority for 11% of the organisations in our study.

85% of contributing organisations reported that their top HR role is a C-level position: that is, one of the top executive team reporting to the Chief Executive Officer (CEO) and equivalent to the Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Marketing Officer (CMO) and Chief Information Officer (CIO), and likely to hold the title of Chief Human Resources Officer (CHRO) or similar. That said, most contributors felt that in Southeast Asia especially, human resources as a function was still emerging from administrative and policing origins, with variable progress, depending on industry, country and local leadership.

Without exception, contributors believed the HR function to be business critical, with human capital management pitched at equivalent organisational importance to corporate governance, risk management and financial management. To fulfil the desired and necessary contribution of HR to the business, many contributors based in Southeast Asia believed that a transformation of the function was required. The need for HR to look and act like a business function was also one of the most common themes and trends identified as impacting HR in the coming years.

Specifically, contributors pointed to the following factors when discussing the importance of HR transformation:

- The need for heightened business acumen and analytical capabilities amongst HR professionals in the region
- A focus on business drivers and metrics informing the priority of HR initiatives
- Shifting from reactive and administrative tasks to strategic business imperatives
- The need for HR to be valued consultants to business managers and leaders
- Outsourcing, re-engineering or eliminating non-strategic HR functions

HR should not just have a seat at the table, it should be setting the table.

In Chapter 12, we challenge contemporary thinking on HR and its role within the business and suggest ways HR can enhance relevance and credibility.

10 CRITICAL ROLE SUCCESSION MANAGEMENT

Closing out the top 10 most cited talent management priorities for the next 12 months was the need to identify and develop successors for critical roles. This priority is partially aligned with items 1 (Development) and 4 (Leadership Pipelines). However, 11% of contributors singled out targeted succession planning for critical roles as a key priority. Some organisations highlighted a need to focus specific development activities on critical talent, although others saw this need in terms of broader leadership development.

Every organisation has critical roles and these can vary widely, as listed below:

- Senior leadership roles held by highly experienced leaders
- Technical specialist roles with unique, rare and in-demand skills
- Subject matter expert roles with deep industry, organisational or product knowledge
- International roles requiring frequent mobility and relocation

In each case, these critical roles tend to represent a small percentage of the organisation's workforce but have an inversely high impact on business success. Losing such employees without adequate succession plans can be a significant human capital risk.

Many MNCs operating in Southeast Asia have broadened their operations beyond the manufacturing and distribution functions that may have attracted them to the region a decade or more ago. Value-added industries such as engineering, information technology and environmental sciences as well as functions such as design, research and development, solution selling and consulting services are becoming more prevalent. These require advanced skills and experience and are typically more rare in the region. Consequently, identifying potential internal and external successors and developing a ready, willing and able back-up bench represent an important priority in many MNCs.

The key challenges faced by MNCs in managing their critical role requirements include the following:

- The scarcity of individuals who are able to fill critical roles in Southeast Asia
- Variable success with expatriates and their families adapting to living and working in a foreign environment (having the capability, but not the cope-ability)
- Developing identified successors quickly enough to meet the needs

We explore the challenges of attracting, developing and retaining talent for critical roles in Chapters 7 and 10.

> For mobility, we select on capability and cope-ability. Many companies skip the second one.

⊕ ADDITIONAL TALENT MANAGEMENT PRIORITIES

In addition to the top 10 talent management priorities outlined in this chapter, a number of others were cited as key focus areas and made the top 3 priorities of some of the contributors.

CAREER MANAGEMENT

The need to provide better enterprise processes and employee self-service tools for the proactive management of regional and global career opportunities

REWARDS AND COMPENSATION

The need to design competitive rewards for local market conditions and total compensation frameworks featuring monetary and non-monetary rewards and compensation

INTERNATIONAL MOBILITY

Improving programmes to leverage global talent resources and increasing the visibility and access paths for employees to pursue international opportunities

CHANGE MANAGEMENT

Designing and implementing programmes to support the effective execution significant change initiatives in the business and manage change risk

CULTURAL CONSIDERATIONS

Implementing programmes to enhance cross-cultural awareness, increase communication and overcome obstacles at regional and global levels

DIVERSITY AND INCLUSION

Focused approaches to addressing identified gaps in gender, ethnic and generational participation and making leadership development and progression more inclusive

EMPLOYMENT VALUE PROPOSITION

Improving brand visibility, recognition or reputation as an employer of choice as a means of competitive advantage in attracting and retaining top regional talent

A Matter of Focus

How do the top 10 talent management priorities in Southeast Asia compare with those elsewhere around the world?

In many respects, HR professionals and business leaders around the world share similar challenges when it comes to finding, nurturing and keeping the right talent. A key contrast, however, can be seen by the influence of differences in the economic environment and market maturity.

Particularly in the Western world, organisational efforts to recover from the global financial crisis continue. Whilst many large corporations have survived the economic turbulence and are in fact resting on very healthy balance sheets, the experience has changed outlooks and approaches. Some organisations that have shed businesses and employees are reluctant to rebuild their resource infrastructure to prior levels. Instead, they seek to adapt their business models to leaner, more efficient formats that are more productive and less resource-intensive, by up-scaling technology, outsourcing and offshoring to cost-effective markets, partnering and streamlining their operations.

Consequently, in their Western domiciles, the central themes around talent management for MNCs relate to coping with and managing organisational change, increasing performance and productivity and ensuring HR metrics are in place to quantify and align the contribution of human capital.[1] Organisational change leadership is consistently reported at the top of the list and reflects the need to curb employee fatigue and disengagement after years of continual change implementation.

In contrast to the West, where organisations are aiming to achieve more with less, Southeast Asian workplaces are trying to achieve more with more. Performance is also crucially important. However, attracting and

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1   Institute for Corporate Productivity (i4cp) (2013). *The critical human capital issues of 2013.*
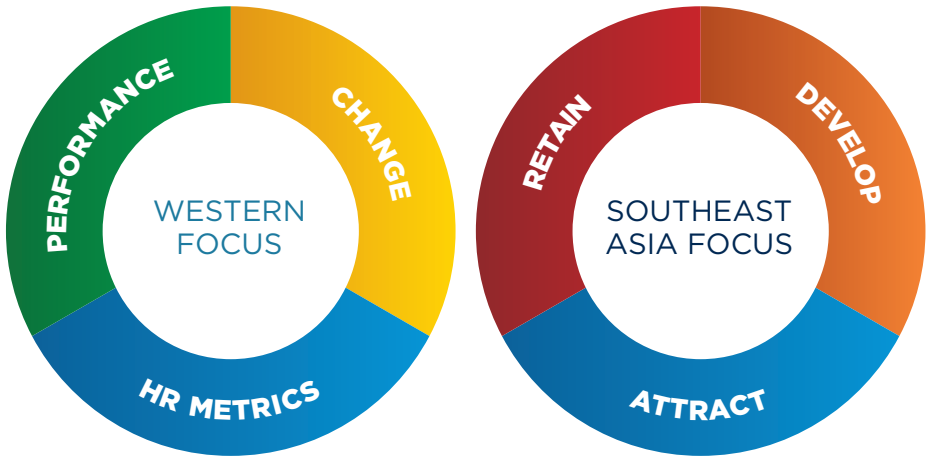
retaining talent are fundamentally requirements underpinning the drive for business performance. As we see from our research, the development of existing and emerging talent is equally paramount.

Talent management is top of mind in business everywhere around the world. Variations in market context drive the focal direction of talent management priorities.

human
capital
leadership
institute

The Human Capital Leadership Institute

The Human Capital Leadership Institute (HCLI), in partnership with global executive search firm Egon Zehnder International (EZI), recently conducted 25 in-depth interviews with CEOs and regional presidents on human capital best practices as well as practices that they need to avoid. Mano Ramakrishnan summarises the findings below.

Best practice 1: Retention vs. attraction

The HR leaders at our roundtable believed it was more important to focus on talent retention than talent attraction. Whilst the latter remained a pertinent issue, the HR leaders agreed that it was more important to focus on retaining the talent that you already have. This would avoid a disruptive *lose-lose* situation, where rival organisations poach from each other's key talent pools. Instead, they recommended focusing on developing and retaining existing talent, as this was an area that organisations had greater control over.

Best practice 2: Focus on rehires

The HR leaders confirmed that high turnover remained a large problem in Asia. At the same time, this fact could also prove to be an opportunity. Organisations that rehire can benefit greatly from the returning employees' accumulated experience and existing understanding of the company. As an example, an organisation at the roundtable discussed how they created an alumni programme that was designed to encourage former employees to remain connected with the company. The objectives of this programme were to foster mutual learning and – most importantly – to make it easier for alumni to return.

Best practice 3: Measure and reward talent retention

Upon agreeing on the strategic importance of talent retention, it is logical to measure and reward managers who are best able to retain their top talent. A number of the roundtable participants discussed how they had built in retention as a key performance indicator for business unit managers. This helped reinforce managerial accountability.

Best practice 4: Build supportive HR systems

Another best practice highlighted by our HR leaders was the role of HR systems support in augmenting a culture of empowerment.

Performance management systems, leave management systems and flexible benefits systems could be designed to reinforce the message of employee empowerment, with the first allowing each employee latitude on how he or she would go about attaining his or her end objectives.

Best practice 5: Encourage risk-taking

Our HR leaders agreed that the most important action businesses could undertake in order to encourage employee empowerment was to create and sustain a culture of risk-taking. This is highly important in much of Asia, where there is a strong fear of failure, and a need to preserve face. A common assumption in the region is that it is better to be silent than to be wrong. However, there is a growing realisation that making mistakes and learning from them is critical for leadership growth. It is, therefore, important for organisations to encourage a culture where risk-taking is rewarded, and learning from mistakes is encouraged.

Practices to be revisited

Heavy emphasis on communication skills

Whilst our HR respondents agreed that strong communication skills were desirable, they also pointed out that there was a risk that communication skills had been over-emphasised by many organisations. The danger is that leaders are judged more on what they say, rather than what they do. Unilever, for example, has worked hard to de-emphasise communication skills. Instead, it emphasises that business leaders be judged on two aspects: the ability to deliver business results and the ability to develop and retain talent.

Strong leadership

Our participants raised an interesting paradox about strong leaders. Whilst there are many benefits of having strong, intelligent and confident leaders, this could inadvertently foster passivity amongst their followers. Their followers might feel that decisions made by these leaders were so much better than decisions they could make for themselves. Hence, it is critical for strong leaders to send a message about the importance of developing the capability of making great decisions (rather than simply relying on current leaders to make the right decisions).

Mano Ramakrishnan
Head of Research, HCLI

INDUSTRY PERSPECTIVE

TALENTED
Southeast Asia

Chapter 5
Regional Themes

I describe the differences in the region by focusing on the commonalities first. Do you see the glass as half empty or half full?

– **Dick Van Motman**
Chairman & CEO, Dentsu Aegis Network/Southeast Asia

Regulations Employment
Gen Y Autonomy
Scale Complexity
Culture Leadership
Multiplicity Work Region
Languages
Timezones
Paradox
Distance

Key Points

MNC executives in Southeast Asia are continuously balancing the drive for global consistency and the need for **regional autonomy**.

The number and diversity of countries, cultures, languages and the sheer scale of the region present considerable **complexities**.

Eastern **values, culture and tradition** have profound implications for effective talent management.

Shifting **mindsets** are combining with the changing nature of work to create the **future workforce** of Southeast Asia.

The dynamic Southeast Asian market requires **agile leadership** that can crystallise opportunities and mitigate risks with the right head, heart and hands approach.

What are the characteristics of Southeast Asia that exemplify its unique qualities and set the tone for the topic of talent management in the region?

We found that MNCs with large and small workforces across the ASEAN countries felt they were impacted by the regional context in which they were operating. Many with Western parentage found themselves with very different market challenges to their colleagues elsewhere in the world. To some extent, this requires autonomy to flex with the local and regional conditions, yet leveraging global brand and corporate capabilities is a key strength of being a multinational.

The diversity and complexity of Southeast Asia was a consistent theme and was overlaid with the challenges of exponential growth and turbulent change. All this requires the best leadership capabilities available and finding, developing and keeping such leaders is at the centre of many MNCs talent management efforts.

In summary, these 5 regional themes have emerged:

1. Balancing global consistency with regional autonomy
2. Embracing the complexities of the region
3. Respecting Eastern values and culture
4. Changing mindsets change the workforce
5. Leaders with agile heads, hearts and hands

① BALANCING GLOBAL CONSISTENCY WITH REGIONAL AUTONOMY

Every large organisation eventually faces the challenges that come with its sheer size. *Where should we be headquartered? How do we replicate our business model in multiple geographies? What functions and capabilities should be centralised? Decentralised? How much decision-making authority should be delegated?*

Of course, there are no right or wrong answers to these questions and the answers will vary from one organisation to another. This is true of large organisations everywhere – whether they are multinational or national and whether they span only one country or region, or several. Most organisations face considerable internal obstacles, challenges and frustrations in managing who and where autonomy and decision-making lie. Complex organisational hierarchies and matrix structures have evolved, largely to deal with just such challenges.

How much autonomy to give to regional branch operations is at the core of organisational control and decision-making and not treated lightly by MNCs. Whilst few would dispute the importance of understanding local markets and business environments, what many MNCs would deem to be the essence of their business model would require that considerable uniformity be exercised

around the world in order to protect the global franchise.

Frequently coupled with autonomy is accountability. How much local autonomy is necessary to ensure that the local leadership remains accountable for business performance?

The contributors to our study were all based in-region. Some were expatriated from other global locations and others were local executives. Either way, they lived and worked in one of the ASEAN 6 countries and their lens was often both a local and a global one. Each of them had to deal with the reality of being part of a global organisation and needing to run a local operation, and the associated autonomy issues.

Whilst 63% of contributors felt that having regional autonomy for talent management decisions and processes was business critical, they also recognised the importance and benefits of global frameworks and consistency. Whether the purpose was to avoid *reinventing the wheel* or to ensure that common methodologies were upheld, executives in-region were prepared to temper full local control to take advantage of core global practices. Consequently, one-third of contributors

REGIONAL AUTONOMY

IMPORTANCE

Business Critical	High importance	Low importance
63%	34%	3%

EFFECTIVENESS

Currently optimal	Work in progress	Far from effective
37%	58%	5%

DEFINITIONS

Business critical	Directly impacts the ability of the organisation to deliver on strategic and operational goals.
High importance	A key priority for HR that is aligned to business success and may become critical if uncontrolled.
Low importance	Not currently directly impacting business success; nice to have but not essential.
Currently optimal	Our current approaches have us where we need to be on this dimension.
Work in progress	We are falling short of where we need to be but have plans in place over the next 12 months.
Far from effective	We are aware that we lag on this dimension and need to implement substantial changes to our current approach.

felt that whilst local autonomy was important, access to sound global talent management infrastructure was also important. This meant that full local autonomy was not a critical factor in their regional operations.

A high proportion of contributors also felt that their organisations were very good at providing the level of autonomy they needed in-region, or were at least partially effective and increasingly becoming more accommodating. Many commented that increased autonomy came with a longer presence in the local market, a stronger leadership team and an increased depth in leadership bench strength.

In fact, MNCs are rethinking their senior leadership resource distribution around the world. There is evidence of a shift toward moving decision-making, emerging market strategy development and execution into the region. In 2008, only 20 North American and European companies had board members located in Asia; by 2012, this had doubled and more than 50 plan to have at least one Asian-based board member by 2017.[1]

Most executives were quite pragmatic in their views about regional autonomy. One of them noted that "it is good to have a global philosophy, but if it becomes an elephant it is impossible to use". Regional HR and business leaders viewed themselves very much as part of a global corporate network and mostly sought local autonomy only to the extent that flexibility was required to adapt to local conditions and regulations, and ultimately, that it made good business sense.

> It's good to have a global philosophy, but if becomes an elephant it is impossible to use.

❷ EMBRACING THE COMPLEXITIES OF THE REGION

One very consistent theme and cautionary note advanced by the study contributors was not to under-estimate the complexities of the region. In many respects, the grouping of ASEAN 6 into a region labelled Southeast Asia is more a matter of convenience and simplicity than a reflec-

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1   Baker & McKenzie (2013). *From Silks and Spices to Dollar and Devices.*

tion of commonality across its members. Not unlike the European Union, the communities of the ASEAN 6 reside in a complex neighbourhood where the residents have vastly different histories, ideologies, religions, languages and outlooks. Cross-country tensions abound on matters such as immigration, environment, sovereignty and land and maritime boundaries. The complexities are real and many are long-standing and highly sensitive.

Having operations in Southeast Asia can add very significant challenges to business operations for MNCs, such as these:

- Distance: Thousands of miles of land and sea separate Southeast Asia from MNCs headquartered in Europe or America. (Singapore is 9,500 miles from New York and 6,700 miles from London.)

- Time zones: Midday in Singapore is 11:00 pm in New York and 4:00 am in London.

- Language: Whilst English is mostly the language of business in Southeast Asia, for most it is a second language and English proficiency wanes rapidly at descending levels in the hierarchy.

- Culture: Social norms, business etiquette and employer-employee expectations vary significantly from those in the West.

- Employment regulations: These differ from country to country and can impose significant restrictions and costs on MNC employers.

An HR executive with Southeast Asian regional responsibilities needs to understand the unique labour market nuances of each country when implementing regional talent management strategies. An example from each ASEAN 6 country is listed below:

- Singapore: The Ministry of Manpower monitors and restricts the entry of foreign workers and requires a monthly levy to be paid for each employed foreigner.

- Indonesia: Labour laws are difficult to enforce and terminating workers is difficult without high severance payments.

- Vietnam: A Communist environment means the

Singapore is 9,500 miles from New York and 6,700 miles from London.

concept of performance management is relatively new and poorly understood by local managers and employees.

- Malaysia: Affirmative action policies require organisations to employ Malays in set proportions with the local ethnic composition.
- Thailand: Poor education standards and English language proficiency require a high investment in training by employers that require semi-skilled and skilled workers.
- The Philippines: Business processing outsourcing and information technology business is booming, creating an acute shortage of skilled labour in these sectors.

Clearly, it is difficult to have an equal level of depth of understanding across a wide breadth of geographies. Most MNCs address this by having a layered country/regional/global HR structure. Southeast Asian and Asia-Pacific regional roles oversee the individual country HR and talent management functions. Many such roles are based in Singapore and Hong Kong. Country teams develop a local market understanding of labour laws, talent management and HR practices for their country. Regional talent management goals are therefore a combination of top-down global directives that have been conditioned with bottom-up input to ensure local relevance, compliance and acceptability.

Success in understanding these complexities and accepting them as a *part of the territory* rely on exceptional leadership capabilities (which will be discussed later in this chapter).

3 **RESPECTING EASTERN VALUES AND CULTURE**

An obvious but nonetheless challenging theme emerging from the contributors was the importance of understanding the cultural environment. Business success is a function of having not just a superficial awareness but also a deep understanding of the local culture – in the region, and of specific countries within it.

Regional talent management goals are a combination of top-down global directives that have been conditioned by bottom-up input.

89% of the contributors felt that the ability to understand and work within the local culture was business critical. This could be said to be true of working in any culture anywhere in the world but given the prevalence of Western MNCs in the Asian region, understanding Eastern values and ways of doing business presents an even greater challenge. This contrasts significantly with the relative ease with which a European corporation pursues growth across several European countries.

The importance of this factor to business success does appear to have received both recognition and action on the part of Western MNCs investing in the region. Cross-cultural training, orientation programmes, local mentors, expatriate family support services and language support were frequently cited as initiatives implemented by organisations to address cross-cultural challenges and improve the experience and success rates of foreigners working in the region.

CULTURAL UNDERSTANDING

IMPORTANCE

Business Critical	High importance	Low importance
89%	11%	0%

EFFECTIVENESS

Currently optimal	Work in progress	Far from effective
32%	55%	13%

DEFINITIONS

Business critical	Directly impacts the ability of the organisation to deliver on strategic and operational goals.
High importance	A key priority for HR that is aligned to business success and may become critical if uncontrolled.
Low importance	Not currently directly impacting business success; nice to have but not essential.
Currently optimal	Our current approaches have us where we need to be on this dimension.
Work in progress	We are falling short of where we need to be but have plans in place over the next 12 months.
Far from effective	We are aware that we lag on this dimension and need to implement substantial changes to our current approach.

In addition to supporting individuals adapting to new cultures, organisations also need to adapt talent management strategies and practices to account for cultural differences. 32% of the contributors felt that their organisations had well-structured and embedded initiatives to facilitate cross-cultural understanding and more than half believed they were progressing well on the path toward achieving this.

Research from Geert Hofstede, Edward Hall and many others has sought to articulate the essence of Eastern cultures, partly by highlighting how they differ from those of the Western world. Whilst there is always a caveat on generalisations, understanding some core tenets of Eastern culture that prevail in today's Southeast Asian workforce has assisted Western leaders and managers to adapt their approach.

Collectivism

Southeast Asian countries, despite their national differences, share the common Eastern trait of collectivism. With origins in Confucianism, collectivist cultures subjugate the interests of the individual in favour of the group. Personal identities are a function of reputation and status within the group and being accepted by the *in-group* is of primary importance to those belonging to it. Ingrained from birth, the collectivist attribute reflects communal responsibility for the care and upbringing of children, shared possessions and a deep need to be a part of the group rather than stand out from the crowd.

Collectivism: The needs and desires of the group outweigh those of the individual.

In contrast, Western cultures value and reinforce individual effort and achievement, personal responsibility and ownership of decision-making.

Managing work teams with strong collectivist underpinnings can be challenging for Western managers. Eastern team members may find individual feedback (positive or negative) and individual rewards highly confronting. They may resist taking personal accountability for projects, defer making decisions and seek the consensus of the group.

Power distance

Collectivist cultures also tend to show higher levels of power distance: They accept that authority and wealth distribution are unequal. Hierarchical relationships are held supreme – in families, communities and workplaces.

Power distance:
The extent to which power, influence and wealth inequities are accepted.

Western cultures typically have a much lower power distance threshold. Westerners are more likely to seek equality, challenge authority and state their point of view.

Employees with a high power-distance upbringing hold the authority of those older or more senior than they in absolute regard, accept autocratic leadership styles and expect to be told what to do. They can be both suspicious of and confused by attempts to empower them in the workplace and may signal agreement with an issue as a matter of conformity, whether or not it reflects their true opinion.

Uncertainty avoidance

The need to avoid uncertainty predisposes people to seek predictability and clarity in all aspects of their life. Stable structures such as the law, religion, social customs and norms provide certainty and are often highly valued in these societies.

Uncertainty avoidance: The level of tolerance for uncertainty and ambiguity.

A strong correlation exists between collectivist cultures, high power distance and high uncertainty avoidance. However, there are some very obvious exceptions to the rule. Some Western and Eastern societies show that the inverse can be true. For example, Germans are renowned for their preference for form, order and structure, whereas the Chinese show higher levels of risk tolerance than many other societies around the world. So these attributes of culture are not uniform across the region.

In the workplace high uncertainty avoidance can make employees hesitate to contribute (in case they are wrong) and crave clear instructions and guidance to help them complete their work.

Indirect communication

Many Western managers can reflect on communication faux pas they have made leading their teams in Southeast Asia. Best intentions to be clear and direct can backfire, be misinterpreted or taken out of context.

High-context cultures are typical of the East and rely heavily on non-verbal cues and information drawn from the surrounding context to interpret the real meaning of a conversation. Low-context cultures typical of the West rely more on actual spoken words.

Whilst Westerners tend to *get to the point* of a discussion or purpose of a meeting, those from Eastern cultures may need to spend time understanding the stakeholder relationships and appear to have less urgency about *getting on with the task*. Indirect communication is also used to save face if a situation is confronting, embarrassing or otherwise difficult. It also may be seen to be more respectful and humble to communicate in a less black-and-white way.

Indirect communication: The extent to which a high or low-context culture influences communication styles.

Harmony

Eastern cultures are frequently tagged as conflict-avoidant. At the heart of this is a deep-seated desire to retain group harmony by being agreeable, collaborative and respectful of others. The focus is on supportive relationships, shared goals and working in partnership.

In contrast, most Western cultures breed competitive mindsets, which accept that there will be winners and losers in most situations and that it is better to win. That said, some Eastern cultures such as Japan are well known for their competitive inclinations. On balance, the ASEAN 6 value harmony intensely and go to lengths to achieve it.

In the workplace the harmony trait focuses team members on interpersonal relationships, sometimes at the expense of task achievement. Individuals may even deliberately withhold a contribution that is beneficial to the task but detrimental to the relationship with a colleague.

Harmony: A focus on collaboration and consensus over competition to achieve outcomes.

Relationship with time

Westerners brought up by the clock, valuing precision and accuracy and with their days diarised from morning to night, may find it inconceivable to have anything other than a very serious and definitive relationship with time. They live and work by the clock. In contrast, many Eastern cultures view time very differently. They live by *event time*, that is, a meeting or project begins when those attending arrive, not when the clock says so.

Whilst time-keeping in some form has been part of human society for thousands of years, the dawn of the industrial age in the West brought with it a new era of time-keeping and timepieces to measure it such that most Westerners have been obsessed with adherence to time ever since.

A further dimension differentiating Eastern and Western cultures is the predominant long-term orientation of the former to the short-term focus of the latter. Most MNCs are public-listed companies with quarterly reporting requirements and immediate consequences for good or poor short-term performance. Many local Southeast Asian companies are family or government enterprises with a long-term view. This incongruence in valuing time dimensions can place strains on both Westerners, who are pushing to demonstrate the achievement of short-term objectives, and Easterners, who do not see the need to rush a decision or commitment.

4 CHANGING MINDSETS CHANGE THE WORKFORCE

Many contributors to our study noted that change was needed in the mindsets of the Southeast Asian workforce – and it is already well under way. They stated that the paternalistic paradigm tied to tradition and fostering dependence and conservatism needed to change. So too did the emphasis on rote learning, technical skills and an insular local world view. On a more positive note, the contributors cited that the mindset of Southeast Asian youth was quickly changing to be more performance and

World Vision

The Difference Ethnic Culture Makes

"Let's say you start a career discussion with 'What are your 5-year career goals'," says James Hankins, East Asia Regional Director People & Culture, World Vision International. "You are likely to see the employee's eyes deflect and head turn away. He is thinking, 'What are you saying? Are you asking me to predict the future?'."

To a Western manager, this is a logical opening question to generate a discussion about an employee's career aspirations and opportunities in the organisation, and is typically welcomed by a Western employee. Not necessarily so in Eastern cultures. "A core cultural value in Thailand, for example, is humility. So asking an employee to project themselves into a more senior role would be a clear lack of humility and violation of this cultural norm", notes Hankins.

Similarly, pride carries negative connotations in collectivist cultures – *to be proud is not good*. This is compounded by another ingrained cultural character, that of saving face. "If an employee does state a future career aspiration, for example, moving from a team leader to a manager role, and this does not occur for whatever reason, the employee would suffer a significant loss of face in this culture", adds Hankins.

That does not mean that career discussions or performance reviews cannot or should not happen. On the contrary, World Vision takes a global approach to its People & Culture function and talent management processes across its 45,000 employees in 90 countries around the world. "It's essential that we have a uniform approach in all our operations, but cultural differences will change how these approaches are implemented", says Hankins. "For example, the career discussion might begin with 'Where do you find the greatest enjoyment in your role?' and by taking a strengths-based approach, we can get to the same outcome, just via a different route."

CASE STUDY

globally oriented. It has become popular to cherry-pick ideas and practices from the West and adapt them into Asian approaches.

Further, the world of work globally is fundamentally changing. Many traditional jobs are disappearing, unskilled labour is struggling to find employment and newly conceived jobs are appearing daily. Not only is the type of work we are doing changing but where it is done and how it is distributed around the world is also fundamentally changing. In *The Global Auction*, the authors posited that the assumption of "the brain work coming from the West and the body work coming from the East" is a thing of the past.[2] Combined with generational change, global hyper-connectivity and significant increases in education standards and incomes, the Eastern world is well placed for an agile response to changing work dynamics.

> The brain work coming from the West and the body work coming from the East is a thing of the past.

Increasing urbanisation is a further driving force for change in Southeast Asia. On average, 47% of emerging Southeast Asian countries are currently urbanised and this is growing at around 2.5% per annum. London Business School's Lynda Gratton points to mass urbanisation and redistribution of innovation around the world as evidence of a global rebalancing that will see a significant shift in the role the Asian region will play in the future of work.[3]

Fixed term contracts, project work, tele-working and freelancing are already popular and effective alternatives to the classic model of a predominantly full-time permanent workforce. Workplaces in Southeast Asia are evolving and many are not tied to the traditional modes of working entrenched by the time and habit in the West. The next generation of workers and their leaders are likely to engage in more creative and flexible ways of *getting the job done*, and develop more agile workplaces as a result.

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2   Brown, Lauder & Ashton (2010). *The Global Auction – The broken promises of education, jobs and incomes*. Oxford University Press.

3   Gratton (2011). *The Shift – The future of work is already here*. Collins.

⑤ LEADERS WITH AGILE HEADS, HEARTS & HANDS

Southeast Asia is not an environment for the faint-hearted. The challenges at least match the opportunities and for unprepared, uncompetitive or inflexible businesses, dreams of growth and profitability from this emerging region may quickly evaporate.

Here, we present frequently cited themes provided by our contributors on how effective leaders in the region need to think (head), relate (heart) and act (hands).

THE RIGHT HEADS

Leaders with the mental capacity to deal with strategic challenges in the region are in short supply. Despite the recognition and acceptance that leaders of the region should ultimately come from the region, local expertise at the top level remains thin on the ground in Southeast Asia and most MNCs have significant expatriate leadership representation at this level. The *thinking skills* that need to be developed and demonstrated for effective leadership in the region include being able to manage complexity, multiplicity and paradox.

Managing complexity

Whether born locally or expatriated from the West, leaders in the region will be foreigners in some or all the countries they oversee. Each of the ASEAN 6 has its own regulatory and market environment, customer and supplier characteristics, cultural and language variations, employment practices and challenges.

Managing multiplicity

The numerous variables listed above combine to make the Southeast Asian market a leadership challenge in its own right. But regional leaders in MNCs have the added dimension of their global parentage to manage. In part, this involves contributing to regional and global strategy. It also requires being able to negotiate for regional autonomy and translate regional opportunities, limitations and obstacles for the global group.

HEAD

Managing complexity
Managing multiplicity
Managing paradox

Managing paradox

Southeast Asia is full of contradictions. The Chinese philosophy of *yin* and *yang* (opposite forces are interdependent) is embedded in Eastern culture and ensures paradox is both accepted and expected. The Human Capital Leadership Institute has identified 5 paradoxes that leaders need to understand, navigate and manage effectively to be successful in the region.[4] These paradoxes relate to how individuals and organisations grow, managing the pace of change, harnessing relationships to excel at tasks, learning from failure and exercising humility in leadership. Managing paradox requires cognitive flexibility: being able to hold what may at times be dissonant factors in mind, and work through them without submitting to mental heuristics and biases that could compromise the outcome.

THE RIGHT HEARTS

HEART

Change leadership
Cultural intelligence
Active engagement

An understanding of human behaviour tells us that intellect is one thing but being able to connect business logic and ideas with employees' wants and needs is the *x-factor* upon which success hinges. Western organisations have thrived in the industrial era on rational plans, systematic processes and linear pathways that have indeed positively transformed and modernised our world. That said, enormous collateral damage has been done when organisations failed to recognise and address the human drivers behind performance, resulting in the low levels of loyalty, respect and engagement employees have for their employers today. The *relational skills* required by leaders in Southeast Asia to connect employees to their organisation's vision and mission are effective change leadership, cultural intelligence and active engagement.

Change leadership

Change management refers to the processes and steps that organisations put in place to implement structured, orderly change initiatives. They are usually time-

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4   Human Capital Leadership Institute (HCLI) (2013). *Five paradoxes of leadership development.*

sequenced and captured in project plans, spreadsheets and Gantt charts, and clearly articulate what needs to be done. *Change leadership* overlays a rational change management plan with the human factors necessary to allay the fears and concerns change often imposes. It requires a leader to show empathy with those impacted by the change, to communicate often and transparently to those impacted by it and have the ability to inspire a positive outlook by humanising the benefits of the change.

Cultural intelligence

Grounded in emotional intelligence (EQ) and adding the dimension of cultural understanding, acceptance and behavioural adaptation is *cultural intelligence*. This ability could be the definitive differentiator for leaders who will succeed in Southeast Asia and those who will fail. Like EQ, cultural intelligence requires heightened levels of self-awareness and a candid assessment of a leader's willingness and ability to understand and accommodate cultures that may be substantially different to those of their upbringing.

Active engagement

Effective leaders in Southeast Asia are not there just to complete their job functions. Engaging the teams they lead is as critical as any task-based objective they have. Actively engaging employees should be a key performance indicator in all leadership positions as failure to achieve it will almost certainly undermine talent management goals and, ultimately, business success. Active engagement involves the leader's direct participation with teams to understand their motivation, challenges, social responsibilities and aspirations. It also means working with employees to assist them with these issues.

THE RIGHT HANDS

With their heads and hearts in the right place, leaders need to demonstrate with their actions how the regional objectives of their teams and organisations can be achieved. As actions literally speak louder than

HANDS

Execution excellence
Patient pragmatism
Agility

words in Southeast Asia, what leaders do and how they do it is fundamental to their perceived effectiveness. The *actions* that are necessary to implement regional plans effectively require execution excellence, patient pragmatism and agility.

Execution excellence

A drive for high standards of work underpins execution excellence. Achieving them should be recognised and rewarded. Ongoing feedback, training and assessment may be necessary to achieve the levels of performance and productivity required of MNCs in Southeast Asia. World-class benchmarks will ensure the outputs are globally competitive and the region remains a go-to location for an increasingly diverse range of products and services.

Patient pragmatism

Leaders need to be realistic about some of the real and unavoidable challenges in the region. Some are a function of its emerging status, some reflect different political and economic systems that impact day-to-day business dealings and some are related to social and cultural differences. A patient and genuinely interested and curious mindset will benefit leaders much more than annoyance and frustration. A practical and hands-on approach will help break down the complexity of a challenge into solvable parts that can be effectively managed.

Agility

Perhaps *the* essential characteristic of our times is the need to remain flexible, adaptable and agile in response to a turbulent, high-speed changing environment. Agility of thought and behaviour is necessary to navigate effectively in Southeast Asia, where linear, rigid leaders will struggle to accept and be accepted. Agility does not mean subscribing to chaos and random change. Global and regional strategies simply need to recognise the dynamic features of this market and be implemented with enough latitude to accommodate modifications, which can capture emerging opportunities or avoid unseen threats.

smiggle.

How Smiggle Facilitates Career Progression

Barely two years into expanding its operations into Southeast Asia, Australian-based multinational retailer Smiggle, one of the Just Group portfolio of brands, has learnt very quickly that building out its regional network of stores means understanding what motivates and drives local talent. "We have opened 17 stores in just over 18 months, which has been a big attraction and recruitment challenge," says Marta Newport, HR Manager Singapore. Attracting employees is one thing; retaining them in a highly buoyant and competitive market is another.

"We realised very quickly that our global structures and practices were going to need to flex to accommodate the local conditions in which we are competing for talent," notes Newport. "Our talent target is predominantly Gen Y – that means they're young, keen to fast-track their careers, but often inexperienced, especially as managers. We needed to address two key drivers for these employees: capability development and career progression," says Newport.

"Our global headquarters have given us great support and autonomy to think and act differently here in the region. One way we have addressed our retention challenge is to change the progression path through to management roles. By creating additional developmental steps leading from team member to team leader to manager, store employees are able to build their skills and experience incrementally, rather than jumping straight into a people leadership role. This has given high-potential employees the opportunity to progress whilst bridging their development gaps at the same time. Taking on leadership responsibilities, such as performance managing what were previously their peers, can be very confronting in this collective culture," says Newport.
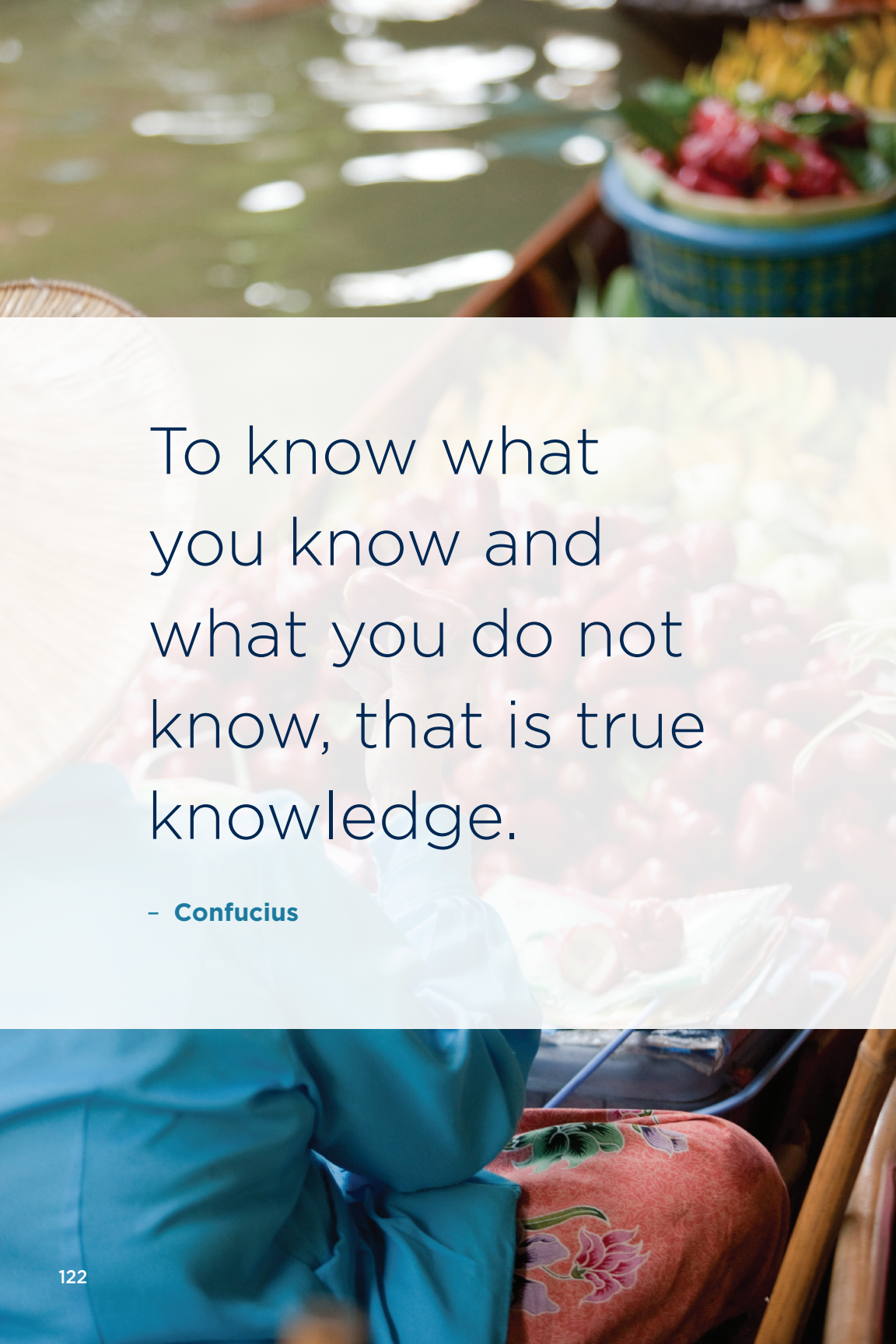
As a testament to their success, Smiggle's turnover at management levels is well below industry standards.

CASE STUDY

TALENTED
Southeast Asia

Chapter 6
Workforce Planning

To know what
you know and
what you do not
know, that is true
knowledge.

– **Confucius**

Modelling Accuracy
Forecasts Statistics
Strategic Discipline
Change Business Big Data
Future Analytics
Market Growth
Organisation

Key Points

Workforce planning is seen as **strategically important** but is not matched with regional organisational capabilities to implement it effectively.

Few MNCs have a **disciplined approach** to workforce planning at the regional level.

Business **growth and a continuously changing** environment make accurate workforce planning a challenge.

Few MNCs in the region have the workforce planning **tools and technologies** available to them.

Big data and HR analytics will become integral to workforce planning efforts and elevate the HR function as a strategic business partner.

HR needs talent scientists with **analytical skills and statistical modelling** skills to optimise data-driven workforce planning.

MNCs in Southeast Asia will benefit from combining **global best practices** in workforce planning with regional **right practices** and suggested **fresh practices**.

The Workforce Planning Imperative

At a strategic level, workforce planning is the helicopter activity of HR. *What are the forecasted human capital requirements across the enterprise to support the execution of business strategy, where are the gaps and what strategies will fill them?* At a tactical level, workforce planning represents the detailed number crunching behind headcount, labour budgets, productivity analysis and mobility. Workforce plans tell the story of an organisation's human capital asset management.

The ability to inform the business planning process with accurate workforce plans emanating from sophisticated HR analytics is seen as one of the top 3 practices that differentiate companies with high versus low leadership capability.[1] With the establishment of the ASEAN Economic Community (AEC) imminent and its implications for labour mobility across the region, the workforce planning imperative will gain additional visibility and urgency.

WORKFORCE PLANNING

IMPORTANCE

Business Critical	High importance	Low importance
75%	25%	0%

EFFECTIVENESS

Currently optimal	Work in progress	Far from effective
13%	50%	37%

DEFINITIONS

Business critical	Directly impacts the ability of the organisation to deliver on strategic and operational goals.
High importance	A key priority for HR that is aligned to business success and may become critical if uncontrolled.
Low importance	Not currently directly impacting business success; nice to have but not essential.
Currently optimal	Our current approaches have us where we need to be on this dimension.
Work in progress	We are falling short of where we need to be but have plans in place over the next 12 months.
Far from effective	We are aware that we lag on this dimension and need to implement substantial changes to our current approach.

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1   Boston Consulting Group (2013). *Creating people advantage 2013 – Lifting HR practices to the next level.*

Three-quarters of the contributors to our study rated the need for effective workforce planning to be business critical to their operations – the remaining 25% rated it as highly important. However, only 13% could point to comprehensive workforce plans for their Southeast Asian operations. 50% had basic planning measures in place and were on the journey to improve them. More than one-third of all contributors had no clear strategy on how to improve workforce planning in the short to medium term.

Few questioned the value of workforce planning and the use of HR analytics to better understand how the organisation's talent impacts the business and the need to plan accordingly. Indeed, workforce planning ranked in the top 10 talent management priorities in the region. It did appear, however, that of all talent management practices, workforce planning was the most under-resourced and under-utilised. Issues frequently raised by contributors included the following:

- Lack of internal commitment and discipline to implement rigorous workforce planning
- High growth and constant change in the business, resulting in a reactive versus proactive approach
- Lack of adequate tools and technologies to support accurate, timely and meaningful data management
- Lack of statistical and analytical capabilities in HR to implement effective workforce planning

Talent Mobility in ASEAN

As the Southeast Asian countries further enhance their regional ties with the launch of the ASEAN Economic Community, new opportunities and increased cross-border flexibility will lead to greater talent mobility. Immigration legislation will reduce existing barriers to mobility, including working visas and employment passes. Mutual recognition arrangements (MRAs) will allow professional qualifications to be valued equally across national boundaries.

Whilst there are still significant hurdles to be overcome,

including varying levels of economic maturity, multiple stakeholders and the potential for competing national interests, the AEC bloc will ultimately make ASEAN more competitive in the Asian region as well as globally. The growth of the middle class will be accelerated by more and better job opportunities and regional productivity will be enhanced by larger economies of scale and reduced production costs. Ultimately, ASEAN will be a highly integrated and resilient community.[2]

The freedom to pursue careers around the region will be an attractive proposition for talented individuals. It will assist MNCs to better divert skills to required locations but will open new doors to even further competition for highly valued skills. The net result should be an increase in capabilities and opportunities for all but at least in the short-term will make robust workforce planning even more important.

> The freedom to pursue careers around the region will be an attractive proposition for talented individuals.

Discipline in Workforce Planning

"Workforce planning is a **purposeful** process by which an organisation determines the **future** human resource requirements needed to achieve its **strategic** objectives. It is not a static process, rather a **dynamic** activity that responds to changes in the business and the environment."[3] This definition captures what workforce planning is and why it is important. Four key words in this definition carry the essence of workforce planning:

PURPOSEFUL

If workforce planning is to truly assist the business, a structured and disciplined approach to building a plan is vital. Just as an operations plan, financial plan or marketing plan creates a roadmap to guide these functions, so does a workforce plan create a line of sight between what workforce capability the business needs, what it has and what is required to bridge the

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2   World Economic Forum/Mercer (2012). *Talent mobility good practices – Collaboration at the core of driving economic growth.*

3   Watson Wyatt Perspective (2009). *Workforce planning – Making organisations more agile.*

gap. Thorough data gathering and analysis is essential to gain executive commitment to a workforce plan.

The organisations in our study acknowledged that despite its perceived importance, purposeful commitment to workforce planning was lacking. Comments from contributors included the following:

- "Analytics are being preached, but there is still limited understanding and adoption."
- "Forecasting is one thing, forecasting accurately is another."
- "We are not technology-enabled for this, so there is limited effectiveness in our workforce planning."

FUTURE

The workforce plan is forward-focused and uses current information and emerging trends to predict the likely impact of external and internal forces on the organisation. Country-based, regional and global trends in workforce demographics, labour availability and skills gaps need to be understood in order for the organisation to take a proactive stand to address them. Our contributors agreed with the necessity to forecast future trends and use this information to competitively position their organisation but, again, most felt this was not currently optimised. Some comments included the following:

- "We are good at developing internal plans but bad at understanding the external market and our competitors."
- "The data is available but we do very little forecasting or scenario planning."
- "This has recently become a key priority and a global project has commenced."

STRATEGIC

The workforce plan is a subset of the organisation's strategic plan. It needs to be developed within the context of market factors impacting the organisation and the industry in which it operates. It must therefore be aligned to the strategic imperatives of the business.

A consistent theme amongst contributors was a concern about the *disconnect* between the business and HR planning processes. Their comments included the following:

- "There is no alignment – HR is the last to know."
- "Our business has transformed but workforce planning has not kept up."
- "We have overdone the data gathering yet still haven't got it working effectively for the business."

DYNAMIC

By its nature, the workforce plan reflects the market and organisational realities. As such, it will be subject to continuous change. The fact that workforce planning necessarily occurs in a fluctuating environment ironically makes it all the more important that it does occur.

Comments from our contributors included these:

- "We are under pressure to achieve quarterly results, hence we have a short-term focus and planning tends not be very good."
- "We don't do deliberate plans for 3 years out – we are just looking at the next 12 months."

MNCs operate large, complex and geographically disparate businesses that require the most sophisticated strategic and operational management practices. The current level of workforce planning in Southeast Asia falls short of what is technically possible and commercially necessary. The global capabilities of MNCs in workforce planning can and should be implemented more effectively in the region.

Forecasting in a High Growth Market

The pace of business growth in Southeast Asia certainly appears to have leapt ahead of the ability of most organisations to get a handle on future workforce plans. Many HR executives contributing to our study highlighted the challenges of harnessing a *horse that has already bolted*. Across the region, the impact of growth was identified as a key hindrance to being able

CASE STUDY

Maybank

Developing Cross-Border Capabilities

Malaysian financial services group Maybank, ranked 13th strongest bank in the world by Bloomberg in 2013, has a vision to take a leading role in the Asian financial sector. "Our mission is to humanise financial services, so our employer value proposition is 'Go ahead'", says Nora Manaf, Chief Group Human Capital Officer, "Go ahead fly, Go ahead grow, Go ahead create, Go ahead lead."

Operating in twenty countries around the world including ten in Southeast Asia, Maybank is rapidly broadening its geographical footprint and competing in the regional and global arena. "Aligned to the growth of our business is the need to support the development of cross-border technical and leadership acumen in our people," says Nora. "We need leaders who can produce high levels of performance drawing upon our operations regionally, and this has impacted how we view succession management and career development".

Maybank's graduate intake already sources talent from university campuses in London, Singapore, Indonesia, Hong Kong, Philippines, Sydney and Melbourne, but it is the development of existing local leadership talent in all countries that is key to the regional strategy. "International assignments including shadowing and swaps are now a dominant element of our development programmes" notes Nora. "We need talented leaders with broad perspectives that are able to operate in different cultures, applying different business models and technologies, and that can thrive in new and highly competitive environments".

With over 47,000 employees around the globe and producing double-digit profit growth year on year, Maybank lists amongst its top strategic business priorities the development of cross-border leadership capabilities for sustainability and growth. Maybank has been recognised as No 1 preferred employer for 2011 and 2012 in the Banking & Financial Services Category, as well as rising from 17th to 3rd position in 2012 in an independent survey of Malaysia's 100 Leading Graduate Employers.

to forecast accurately. One contributor noted, "The future is discontinuous and turbulent – you can plan and plan but you are only as good as your assumptions."

For MNCs a key part of high growth is cross-border expansion. Many Western firms have established a regional hub and are expanding progressively into additional Southeast Asian countries. Others have their home domicile in the region and are building on this established regional base. Either way, cross-border expansion is highlighting new skills, as described in the Maybank case study in this chapter, that also need to be factored into workforce plans.

20% of contributors acknowledged that their organisation's approach to workforce planning was completely reactive and a further 20% said it was unreliable and subject to constant change. Their comments included, "We never get close to getting the planning numbers right", "Everyone wants HR data scientists", and "It's still a finger in the air approach".

Business turbulence is not just limited to the turmoil incurred by high growth. Industries experiencing high growth are challenged to get enough of the right people in the right place in time to deliver on business plans. Some industries had the opposite problem, with corporate downsizing and restructuring requiring entirely different forecasts, especially in Western-headquartered financial institutions. Still, other sectors with a high project orientation or operating in volatile industries undergoing structural change and redefining their business models, identified workforce planning as a significant challenge.

With the strategic value of business intelligence not in question, the challenge comes down to implementation. Here, the contributors cited both a lack a good tools and systems to effectively manage the complexity of workforce data as well as a lack of capabilities in HR practitioners to even use, let alone drive, the data.

The future is discontinuous and turbulent – you can plan and plan but you are only as good as your assumptions.

Workforce Planning Tools and Technologies

"We have an HR analytics team but they are hampered by not being on one common system that can give them clean and consistent data," said one contributor. Few organisations have world-class HR analytics tools and technologies in place in the region. Some contributors noted that this capability existed at their global head office but their organisation's ability to tap into this for local timely planning and decision-making information was significantly restricted.

> We have an HR analytics team but they are hampered by not being on one common system that can give them clean and consistent data.

Certainly, collating and integrating all the sources of HR metrics is amongst the most complex of analytics tasks. Important employee information resides on core enterprise resource planning (ERP) systems, HR information systems (HRIS), payroll and talent management systems. Some of these may be outsourced. Many MNCs operating in Southeast Asia have country-specific HR management and payroll arrangements due to local legal, security and compliance requirements. Some data are even still held in spreadsheets. Just finding the data can be a challenge, let alone integrating it and running sophisticated business-focused queries on it.

For those who can access the data sources, the next hurdle is data quality. HR systems are notorious for inconsistencies and inaccuracies rendering it difficult even to get the basics right. Until the core descriptive statistics are reliable, using the organisation's talent data for prediction is meaningless. In fact, predictive analytics can be quite dangerous without high-quality data, leading to misplaced assumptions and flawed interpretations.[4]

As organisations around the world focus more heavily on talent data to inform their workforce plans, they will need to move beyond even the structured data they are currently challenged to master. Market and social data from partially structured and unstructured

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4   Gartner (2012). *Sharpen insight into HCM business and decision making processes with analytics.*

sources will soon become part of the *big data* mix that will be integral to a comprehensive workforce plan.

HR Analytics and Big Data

Organisations that value information as a core asset and develop an *analytics culture* are likely to out-perform those that do not by a factor of 2 to 1. They also attract talent with analytics capabilities, are more agile and confident in decision-making and more competitive in their industries.[5] The era of data-driven HR decision-making has arrived and reflects a progressive maturation of the function. Bersin's Analytics Maturity Model shows how organisations move up the value chain, from operational to advanced reporting to strategic analytics and, ultimately, predictive analytics. However, only 4% of organisations have achieved this highest order of maturity – as many as 86% have not moved beyond historical reporting.[6]

Still, HR analytics is quickly gaining traction. Sitting at the top of Gartner's Hype Cycle, it is at the *peak of inflated expectations* and holds both considerable promise and caution as a human capital management technology.[7] The technology is only as good as the business intelligence and outcomes it produces. Notwithstanding that, compared to organisations with limited analytics capabilities, those that have evolved to the high-value end are twice as likely to have better recruitment outcomes and leadership pipelines, three times as likely to achieve cost reductions and efficiency gains and two and a half times more likely to improve talent mobility across their organisation.[8]

As the HR function transits from an administrative support and tactical focus to a true business and

> 86% of organisations have not moved beyond historical reporting.

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5   Gartner (2012). *Foster an analytical culture to improve your business intelligence and performance management maturity levels.*

6   Bersin (2013). *High impact talent analytics – Building a world-class HR measurement and analytics function.*

7   Gartner (2013). *Hype cycle for human capital management software, 2013.*

8   Bersin (2013). *High-impact talent analytics – Building a world-class HR measurement and analytics function.*

strategic partner, the skills of HR practitioners will also need to change. For skills such as business acumen, it is a matter of raising the bar. HR professionals need to understand the business they support as well as any finance, marketing or customer-relations department does. Looking at HR requirements through the business lens will align HR initiatives more closely with critical business drivers.

Other skills, such as statistical modelling and analytics skills, are not merely an up-scaling of current capabilities but an introduction of new ones. As discussed in Chapter 12 (The HR Horizon), the HR function of the future will require technology-savvy talent scientists who use broad-based company and market data to increase predictability and reduce human capital risk for their organisations. This will require fluency in the language of analysis and statistics combined with strong business acumen.[9]

ADVANCED ANALYTICS

A fancy dashboard that merely presents the same transactional, historical, efficiency-focused data in a visual way is only window dressing.

Many organisations consider that they are already implementing analytics, but a fancy dashboard that merely presents the same transactional, historical and efficiency-focused data in a visual way is only window dressing. That is not to say it does not make a positive contribution – it represents a significant step toward making HR metrics more palatable, timely and incisive. But it is not enough.

Advanced analytics involves the gathering and analysis of data from multiple talent sources (including recruitment, training, performance, compensation, compliance, engagement, payroll and demographics) to answer specific business questions. Predictive analytics uses advanced statistical data to design models and scenarios able to predict future events or outcomes. Combining past and current data analysis with market and workforce trend data will assist organisations answer questions such as these:

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9   Gartner (2012). *Meeting the information needs of the Chief Talent Officer in 2023.*

- "What is the relationship between absenteeism and engagement?"
- "What talent sources and development interventions produce our best future leaders?"
- "What and where are the capability gaps in our business in the next three years?"

The reality is that a lot of investment in planning capabilities and in the underlying infrastructure needs to occur before organisations are even in a position to apply predictive analytics. This includes having a real understanding of the business needs, understanding what lead and lag indictors align to them and putting in place data protocols to ensure consistency and accuracy. On average, it takes organisations between 5 and 8 years to put the necessary people, processes and infrastructure in place in order to become a data-driven culture.[10]

Researchers and HR practitioners alike see the importance of forward planning in human capital management. With a groundswell of momentum behind HR and business analytics, the high-quality data gathering and processing capabilities necessary for confident decision-making and forecasting are featuring on MNC agendas around the world.

Best, Right and Fresh Practices

Effective workforce planning creates an opportunity for organisations to gain an advantage over their competitors. By having accurate data on key internal talent metrics and external trend analysis, HR talent scientists can position their organisations to have the right quantity and quality of talent in place to meet strategic business objectives. Becoming increasingly data-driven is one of the key factors necessary to elevate HR to be a true business partner.

Summarised here are some of these practices that

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10   Bersin (2013). *High-impact talent analytics – Building a world-class HR measurement and analytics function.*

should be considered by MNCs to optimise their workforce planning efforts in their Southeast Asian operations.

GLOBAL BEST PRACTICES

Strategic planning determines future organisational goals and the pathways leading toward them. **Strategic workforce plans** align the organisation's human capital requirements with its business goals. Necessarily, these plans are **data-driven**. Both quantitative and qualitative data are incorporated through **technology-enabled** business analytics. **Big data** that incorporates both internal and external sources of information will play a pivotal role in strategic business and workforce planning. More sophisticated conceptual and analytical skills are becoming increasingly important and **talent science capabilities** will be a core feature of the human resources function in future.

REGIONAL RIGHT PRACTICES

The regional hubs of global MNCs play a crucial role in **regional workforce planning** to manage bottom-up planning at the country level in line with top-down global plans. Local market knowledge, industry and competitive trends are central to developing plans that best optimise regional opportunities. Regional **mobility plans** are essential to support the scarcity of top talent and ensure adequate steps are taken to bridge talent gaps.

FRESH PRACTICES

There is very little evidence of **scenario planning** tools being effectively used in Southeast Asia. This fast-paced environment calls for business and workforce agility that would be well supported by dynamic and iterative plans that can quickly adapt to market changes.

GLOBAL **BEST** PRACTICES

STRATEGIC PLANNING
Workforce plans are integrally aligned to the strategic business planning process.

DATA-DRIVEN CULTURE
Leaders value data-driven decision-making and promote a culture of transparency and objectivity.

TECHNOLOGY-ENABLED
Sophisticated data analytics tools and technology create the data engine to generate meaningful workforce information.

'BIG DATA' SOURCES
Internal, external, structured and social data combine to create deep insights into talent availability and shortfalls.

TALENT SCIENTIST CAPABILITIES
HR specialists include analysts and statisticians adept at data interpretation and forecasting.

REGIONAL **RIGHT** PRACTICES

REGIONAL WORK-FORCE ANALYSIS
ASEAN country analysts scope and understand local talent markets for input into regional plans.

ASEAN MOBILITY PLANS
Country mobility assessments quantify skills transferability across the AEC.

REGIONAL **FRESH** PRACTICES

SCENARIO PLANS
Multiple future possibilities are explored to factor in high growth and turbulent change in the region.

TALENTED
Southeast Asia

Chapter 7
Talent Acquisition

The art in talent sourcing has been removed by social media tools. Now the real art is in talent selection, be that internally or externally.

–	**Rhys Hughes**
	Director, Talent Selection Asia, Adobe

Assessment

Agencies

Referrals Website

Headhunters

Passive Social Media

UniCampus

Sourcing Gamification

Internal Transfers

Job Boards Selection

Job Hopping

Key Points

Attracting top talent is a **critical business issue** as the skilled labour market in Southeast Asia continues to suffer a supply shortfall.

MNCs are focusing on their **employment value propositions** (EVP) as they seek to find the right balance of opportunities and rewards to appeal to their target labour market.

Corporate social responsibility (CSR) programmes are proving highly popular as attraction and retention strategies, especially in the Generation Y demographic.

A significant **shift in sourcing channels** away from traditional methods and toward more proactive and relationship-based methods is being driven by a passive candidate market.

MNCs in Southeast Asia tap into their **global selection practices** and use an extensive range of behavioural and psychometric assessment in the selection of candidates for roles.

Amongst the **toughest roles to fill** in the region are technical specialists, business development and sales roles, and senior leadership positions.

Expatriate placements are being used strategically and operationally by MNCs to augment local skill requirements as well as develop global talent pools.

MNCs in Southeast Asia will benefit from combining **global best practices** in talent acquisition with regional **right practices** and suggested **fresh practices**.

The Talent Acquisition Imperative

Creating an attractive and compelling employment proposition, sourcing suitably skilled, motivated and culturally aligned candidates, and making the right selection decision from the available talent pool was seen as one of the most important talent management priorities, rating in the top 3 priorities for 37% of contributors in our study.

90% of the MNCs interviewed believed that attracting the right talent to their organisations was business critical and were actively seeking to bring new talent into their organisations. However, only 28% of MNCs felt that their talent attraction efforts were optimised, with 69% actively addressing the issue.

The most commonly cited factors that impacted talent attraction were the following:

- Demand for talent outstrips the supply of suitably qualified candidates within their business and industry
- The continuous poaching of employees between competitors is creating a *feeding frenzy* in some sectors and professions, which is impacting salaries and expectations

TALENT ACQUISITION

IMPORTANCE

Business Critical	High importance	Low importance
90%	**10%**	**0%**

EFFECTIVENESS

Currently optimal	Work in progress	Far from effective
28%	**69%**	**3%**

DEFINITIONS

Business critical	Directly impacts the ability of the organisation to deliver on strategic and operational goals.
High importance	A key priority for HR that is aligned to business success and may become critical if uncontrolled.
Low importance	Not currently directly impacting business success; nice to have but not essential.
Currently optimal	Our current approaches have us where we need to be on this dimension.
Work in progress	We are falling short of where we need to be but have plans in place over the next 12 months.
Far from effective	We are aware that we lag on this dimension and need to implement substantial changes to our current approach.

- The employer brand, employment proposition and reputation are the highest attraction levers for MNCs, followed closely by leadership and location

Almost without exception, MNC employers in Southeast Asia were hyper-sensitive to the role that talent attraction played in business performance and continuity. Unfortunately, fewer than one-third felt they were currently where they needed to be when it came to attracting the human resources capabilities they needed.

Attracting Talent: The Employment Value Proposition

In a buoyant market where employment choices abound, skilled workers are faced with an opportunity cost when they accept a job offer – the opportunity for an even better job with better rewards, conditions or opportunities is foregone, at least temporarily.

79% of MNCs identified their EVP as a critical factor in attracting talent.

The employment brand associated with each organisation represents a given value in the labour market – this value can put the organisation into a superior or inferior position relative to other employers. The elements making up this value include direct rewards to the individual such as salary and financial incentives, non-financial benefits, job challenge and career opportunities. In addition, there are the indirect rewards that emanate from perceptions of the organisation's market status, global positioning, leadership and reputation as an employer. Combined, these dimensions result in the employment value propositions of some organisations being judged as superior and some inferior to others.[1]

In our study, 79% of MNC contributors identified their employment value proposition as a critical factor in attracting talent. A positive association with their brand was held to be a key asset to be leveraged, so efforts to build an appealing and competitive employment brand were earmarked as paramount.

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1   Black, J. S. (2010). Waging and winning the war for talent in Asia. In *Leadership in Asia – Challenges and Opportunities.* McGraw Hill.

Most agreed that a global brand representing power, prestige, integrity and longevity in its products or services, as well as being reputed as a good employer, was a solid draw-card for talented individuals who had the power of choice. Many also added that the current perception of their brand needed attention in order to optimise its allure.

The employment brand is important everywhere around the world and in Southeast Asia especially. The social implications of working for a premier brand cannot be underestimated. One contributor cited an example of employee feedback soon after commencement with that organisation, "My life and my family's life has been transformed – my father now gets invited into groups and events he never did before, and I am treated with honour and respect."

As brand perception can be highly subjective, it is also prone to inaccuracies, stereotyping and labelling. One multinational contributor noted, "We are working to correct the perception of our brand. We are still perceived as we were 10 years ago – but our entire industry has changed and so have we."

Some traps to avoid with regard to the EVP include the following:

- Assumptions: That the consumer brand translates directly to an employment brand
- Complacency: That the global footprint is self-generating and requires minimal regional support or reinforcement
- Myopia: That a past or current industry-leading position is a shield against the proactive sourcing activities of both local and global competitors
- Misunderstanding: That the brand values and promise are understood in Southeast Asia and translate clearly and accurately across multiple cultures and languages

As a large and growing number of employees in Southeast Asia are represented by Generation Y, also apparent in EVP considerations is the need to *speak to* this

> We are working to correct the perception of our brand. We are still perceived as who we were 10 years ago – but our entire industry has changed and so have we.

generation and pitch messages appropriately to this discerning audience. It has been noted that an effective EVP for employers in Asia must be simple, provide differentiation in the market, cross boundaries and have a strong rational and emotive appeal.[2] Asian Generation Y employees share many of the same workplace expectations as their Western counterparts, such as challenging work, development opportunities, good managers and mentors, and being trusted in their work. They differ somewhat in that employer brand is significantly more important to them, as are the opinions of their key influencers and fast career progression.[3]

One approach we found in our study that aligned closely to key Generation Y drivers was the organisational policies and practices associated with corporate social responsibility (CSR).

CSR is not yet as strongly embedded in Asia as in the Western world but it is growing rapidly. A significant study of CSR reporting and initiatives in Southeast Asia showed considerable variability across countries in the region. MNCs (of Asian or Western origin) are most likely to incorporate CSR into their business initiatives and align them to the needs of local communities.[4] The Asia Business Council has also highlighted the role that Asian MNCs and local companies can play in creating *Made in Asia CSR* to shape the region's customised approach to CSR.[5]

Most organisations in our study were actively engaged in CSR initiatives and reported high levels of employee interest and engagement with these programmes. In the case of Western MNCs, a global policy or framework was often in place but almost universally, specific CSR initiatives were country-based. CSR programmes have high employee ownership, active involvement

> CSR initiatives serve to attract and retain talent, whether or not this is an objective of the programme.

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2   Allen & Ulrich (2013). *Talent Accelerator – Secrets of driving business growth in Asia*. The RBL Group.

3   Talentsmoothie (2008). *Generation Y – Comparison between Asia and the rest of the world*.

4   Chapple & Moon (2005). Corporate Social Responsibility in Asia – A seven country study of CSR website reporting. *Business & Society, 44*(4).

5   Asia Business Council (2008). *Corporate Social Responsibility – Business solutions to global challenges*.

Meralco's EVP: Corporate Social Responsibility

"By 2021 we will have created a brighter and more prosperous Philippines," says Ramon Segismundo, SVP & Head Human Resources & Corporate Services at the country's largest power distributor, "and Meralco aims to play a key role in this national vision." The 110-year-old organisation has a strong heritage of community involvement, so corporate social responsibility (CSR) is core to their DNA.

"We have decentralised CSR so that we increase the involvement of our employees in designing and managing programmes in communities adjacent to their workplace," says Segismundo. A suite of CSR initiatives target some of the most needy communities in the Philippines, including bringing electricity to thousands of under-privileged households still without daily power and electrifying schools on the remotest islands in the country. Employees volunteer their time and effort and many even contribute financially through the Meralco Employee Fund for Charity via regular salary deductions.

"Our teams are also passionately committed to emergency relief activities," says Segismundo. "The Philippines experiences on average 20 typhoons each year. At these times, organisations are shutting down and sending their employees home – Meralco employees go to work." In addition to repairing lines and restoring power, Meralco employees man emergency relief packaging centres where many personally donate non-perishable food, clothing and clean water for distribution to evacuation centres in the community. "We don't set out to use CSR as part of the employment value proposition, but it has become one," says Segismundo. "Our employees are motivated by having meaningful work and are proud to be part of an organisation that visibly improves people's lives."

Not surprisingly, Meralco has been recognised through numerous awards, including the 2013 Asian Human Capital Award and 2012 Employer of the Year by Personnel Management Association of the Philippines.

and have both practical and emotional benefits for the participants. HR executives reported their CSR initiatives served to both attract and retain talent in their organisations, whether or not this was a specific objective of the programme.

Sourcing Talent: Channels that Work

A quick glance at the list of most effective sourcing channels identified by HR executives and business leaders of MNCs in Southeast Asia shows that the target market is predominantly **passive** candidates.

TABLE 7.1
Most effective source of quality candidates

Referrals	**67%**
Search firms	**61%**
Social networks	**54%**
University campuses	**50%**
Agencies	**42%**
Internal transfers	**41%**
Company website	**31%**
Job boards	**19%**
Newspapers	**8%**

67% of the contributors cited employee **referrals** and word of mouth as one of their most effective means of sourcing. This was true not only for the quantity of candidates they sought but also of the high quality, with only 8% saying this channel had low effectiveness. **Search firms**, including those specialising in senior leaders, executives and niche technical specialists were also deemed to be highly effective, albeit at a significantly higher cost.

Many contributors were rapidly increasing their social media presence and actively using **social networks** to target, court and recruit candidates. 54% of the contributors noted that this had become a highly effective sourcing channel, mainly in the past 12–24 months, with most naming LinkedIn as the most effective social network for recruiting. Only a few referenced Twitter or Facebook as effective channels, although they did not rule them out in the future. 17% of contributors still found social media ineffective as a primary candidate source. The growing importance of social media in candidate sourcing will be highlighted later in this chapter.

On-campus recruitment remains popular for graduate and entry-level programmes with half the contributors actively campaigning at universities, and several choosing this as their primary source of new recruits. The use of **recruitment agencies** remains relatively

strong, with 42% still finding this channel effective. However, MNCs are increasingly investing in their own internal recruitment capabilities, with in-house teams supported by powerful recruitment management technologies, developing an *internal agency* model.

Internal transfers are popular and highly effective in 41% of the organisations studied, most of whom actively promote internal career opportunities and progression to support development and retention initiatives.

Only one-third of the contributors believed that their own corporate careers **website** to be a highly effective sourcing channel and many remarked that this was a work-in-progress and was expected to increase in effectiveness in the coming year.

The least effective sources of quality candidates in Southeast Asia are external job-boards and newspapers, both of which were rarely used, primarily as they were deemed to funnel large volumes of poor quality responses and create an excessive administrative load.

Selecting Talent: The Art and Science

As Adobe's Rhys Hughes notes in the opening quote of this chapter, the real art and science behind talent acquisition is not in sourcing candidates, but rather in selecting the right ones.

The pendulum of talent selection methods has been swinging for the past few decades. It started with the prevailing methodology being *gut feel* (the likeability of the candidate, irrespective of job fit). During the 1980s behavioural psychologists, appalled by this seemingly random approach, swung the pendulum toward gathering factual data, observing behaviour and removing (or at least attempting to) recruiter biases by giving recognition only to quantifiable selection criteria and the objective assessment of potential candidates against them.

The cognitive psychologists saw what was happening and swung the pendulum even further toward scientific

> The most effective sourcing channels highlight that the target market is predominantly passive candidates.

The 'generosity gene' is an in-the-bones, personality-deep craving – to help other people improve, grow, thrive, and succeed. If you hire candidates who've got that running through their veins, amazing things will happen.

methods, resurrecting and, in some cases, redesigning a myriad of psychometric instruments that could purportedly test every skill, ability, personality factor and thought orientation, and predict with scientific accuracy the likely success of the candidate for the role.

Today, assessment for selection focuses on effective and equitable methods to determine candidate suitability. As a result, selection decisions are based on richer data that transcend the *first impressions* effect that humans are prone to apply. However, more recently the pendulum does appear to be swinging back a little. For all the insights scientific methods can bring, they still frequently fall short of being able to account fully for human behaviour and performance. There remains an art to this process.

Leading global figures, from Sir Richard Branson, who advocates selecting principally on personality and culture fit (all the rest can be taught),[6] to Jack and Suzy Welch, who pinpoint the *generosity gene* as their selection x-factor,[7] highlight a growing recognition that there are human dimensions that are critical for workplace excellence and success, but which are also notoriously difficult to assess via scientific means.

TABLE 7.2
Most popular assessment methods

Interviews	100%
Reference checks	67%
Panel interviews	54%
Video interviews	54%
Skills tests	54%
Psychological tests	36%
Work samples	33%
Assessment centres	33%

Perhaps the best evidence that only a human being can discern uniquely human characteristics in job candidates is the continuing resounding popularity of face-to-face **interviews** in today's selection processes. 100% of organisations in our Southeast Asian study conducted face-to-face interviews with prospective candidates, with more than half conducting panel interviews (2 to 3 interviewers) and with the average number of interviews per candidate being 3.

Video interviewing is the most recent variant to how organisations conduct interviews. Using Skype, GoToMeeting, video-confer-

6 Branson, R. (2013). *How I fire: Focus on personality*. LinkedIn.

7 Welch, J., & Welch, S. (2013). *How I hire: The must-haves, the definitely should-haves, and the game changer*. LinkedIn.

encing facilities or purpose-built video interviewing software, 54% of organisations use video interviews to overcome obstacles such as distance and convenience as well as to expedite the recruitment process.

Skill and ability tests are popular, used by more than half the organisations in our study. These are based on specific requirements in a role and can range from language or computer aptitudes to driving, financial, clerical and safety skills, amongst many others. **Psychological testing** does have widespread use in the region but tends to be limited to senior or critical positions. **Assessment centres** are predominantly used for graduate recruitment and entry-level intakes.

Most organisations also rely on **reference checking** of their candidates, and approximately half of them conduct formal **background and/or police checks** and medical checks (although in some Southeast Asian jurisdictions there are legal limitations on the use of such checks).

Tough Roles to Fill

MNCs have come to anticipate protracted vacancies, disappointing candidates and high remuneration expectations when they are in market recruiting to fill the top 3 toughest roles in the Southeast Asian region.

Technical specialists – from electrical, construction and mechanical engineers to computer scientists, application architects and telecommunications specialists to research scientists, senior academics and risk and compliance managers – are hard to find. The region's ambition to be a leading player in the higher end of the service and production value chain is dramatically increasing its appetite for highly specialised and advanced technical skills. One HR director in the mining industry noted, "Indonesian policy is changing to require value-added production of raw materials sourced from Indonesian mines. We are building smelters to process raw iron ore, but there are very few people with the existing engineering or operating skills that we need in the country."

TOP 3
TOUGHEST
ROLES TO FILL

Technical specialists

Business development/sales

Senior leaders

ADDITIONAL
TOUGH
ROLES TO FILL

Middle managers

Customer service representatives

Consulting

Jobs in remote locations

We are building smelters to process raw iron ore, but there are very few people with the existing engineering or operating skills that we need in the country.

The acute shortage of technical specialists is obvious in all industries. The response to the shortage requires short- and medium-term strategies. In the short term, MNCs are accessing internal talent pools, often located elsewhere in the world, and bringing in expertise for fixed term assignments. Alternately, they are actively in-market recruiting these skills wherever they exist, across industry and geographical boundaries. Stiff competition exists not only between companies for these skills, but also between countries.

In the medium term, MNCs are working with the technical faculties of prime universities and fast-tracking the recruitment and development of tomorrow's technical experts. Significant resources are also being put to corporate academies, developing both technical and leadership capabilities in current employees.

Similarly, roles that are difficult to fill are business development and sales positions. These roles are highly suited to local employees, who have a deep understanding of their local market, culture and customs. In addition, it is more likely that locals will have existing contacts and business relationships to draw on, a crucial factor required in order to effectively influence the Southeast Asian market.

Rounding out the top 3 most difficult roles to fill are senior leaders. Effective strategic and operational leadership in the region requires highly tuned capabilities, which are defined and discussed in Chapter 5.

Beyond these 3, many other roles are challenging to fill. Good middle managers are scarce and are aggressively targeted to bolster high-potential leadership talent pools in all industries. High turnover rates in customer service roles make this a perennial job vacancy. A shifting emphasis from product sales to solution selling requires consulting skills not previously nurtured in the region and many MNCs with operations such as mines or factories in remote or rural locations find these hard to fill.

Expatriate Placements

For the purposes of our study, the definition of *expatriate* was any employee of the organisation who was a foreigner and holding a regional position as a short-term assignment or fixed-term contract. In most cases, MNCs reported that employees undertook these roles on local (in-country) terms and conditions and that traditional expatriate *packages* comprising significantly higher salaries, extensive travel, relocation, family assistance and repatriation commitments represented a small and declining minority.

Naturally, North American, European and Japanese MNCs will have some level of expatriates in their ratio of Southeast Asian talent. But what should that ratio be? An emphasis on return on investment for expatriate placements has prompted a focused analysis on the net gain derived from foreign assignments. Notably, a critical success factor is having an accurate understanding of the expatriated individuals themselves.[8] We found that the drivers behind expatriate mix were more diverse than anticipated and highlighted some of the unique characteristics of the region.

Contrary to expectations, we found as many MNCs seeking to increase their expatriate populations as to decrease them, for both strategic and operational reasons.

1. PLUG THE GAP

As noted in the Tough Roles to Fill section above, MNCs expatriate highly specialised and technical skills from their available talent pools around the world. Usually for a fixed or short-term assignment, expatriates come to Southeast Asia to infuse the requisite skills needed by the local operations. In these circumstances, there may be a specified skills transfer programme associated with the assignment, driven by either corporate or government policy. The extent to which MNCs find

> The more the market is an emerging market, the more expats are required.

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8 McNulty, Y., & Inkson, K. (2013). *Managing expatriates: A return on investment approach*. Business Expert Press, NY.

it necessary to plug the local talent gap with expatriates is a function of the quantity and quality of skills existing in that market and the competition for them. One contributor noted that "the more the market is an emerging market, the more expats are required", highlighting the important correlation between market maturity and depth of skilled talent pools.

2. BEST POSSIBLE TALENT

We also found that MNCs in the region had an eclectic view of expatriates as one of a number of possible sources of talent they could draw upon in order to find the best person for the role. In this regard, few MNCs had specific targets or desired ratios of expatriates to local employees. Instead, they considered job requirements above all and sought expatriates only if the quality or availability of local candidates was insufficient to meet these requirements.

3. LOCALISATION PROGRAMMES

We are seeing much more parochialism in the region.

Where expatriates held roles in the region, they were frequently accompanied by *localisation programmes* designed to transfer knowledge and skills to local incumbents within a targeted timeframe. In most of the ASEAN 6 there is some level of requirement to do so by government policy. For example, in Indonesia, MNCs must identify 3 local successors for each senior position held by an expatriate, together with a defined programme and timeframe for the role to be transferred to a local. One contributor noted, "We are seeing much more parochialism in the region." Whether it was government mandated or not, we found that most MNCs had internal policies to achieve the same end and a philosophy that local leaders should ultimately lead their local operations.

4. DEVELOPING GLOBAL LEADERS

One of the most frequently cited reasons for having expatriates in the talent mix was as part of an organisational strategy to develop global mindsets in current and future leaders through hands-on experience in

multiple and varied locations. The flexibility required to achieve business results in a variety of environments is a capability most MNCs need more of and many have incorporated international assignments into global leadership development programmes for this reason. Globally mobile international managers are becoming increasingly desirable as MNCs continue their expansion around the world and require nimble, adaptable and experienced leaders to drive entry into new markets.

5. REVERSE EXPATRIATION

An emerging trend in Southeast Asia is also to reverse the flow of expatriates – out of rather than into the region. MNCs cultivating local high potential talent are using international assignments to accelerate their development. The outflow is limited for now, mostly because skill shortages have made the region a net importer rather than exporter of talent. However, the prevalence of this approach will increase as the numbers stabilise and MNCs increasingly view their talent around the world as a single global pool.

Talent Acquisition Goes Social

Since online social networking exploded onto the scene just 10 years ago, this method of communicating with friends, work colleagues and total strangers has become a dynamic fixture in our world. There are over a billion Facebook subscribers globally (126 million of them in the ASEAN 6) and global estimates for LinkedIn and Twitter exceed 200 million each. Corporate enterprises have been cautiously investigating social media and despite the minefield of threats and challenges it poses, more and more are seeing it as an inescapable and potentially powerful tool when used to positive effect.

In talent management, the most obvious and popular use of social media has been in talent acquisition. Organisations are finding social networking sites invaluable for pitching their corporate profile,

communicating their EVP and interacting with a world of potential talent. From fan pages and community forums on Facebook and LinkedIn to job-related Twitter feeds, organisations are distributing messaging about employment and career opportunities to targeted audiences and passive candidates. Applying the principles of customer relationship management, organisations are connecting with past, present and future employees through social media and courting them as they would customers.[9]

Social media has already changed the recruitment landscape and will continue to do so. Not only is it an engaging and efficient way to communicate with potential employees, it also extends anyone's restricted database to accessing people immediately all over the world. With personal referrals being so important and effective in recruitment, social media overcomes the limitations of word of mouth, such as the speed and accuracy with which information is transferred and opens up a *world-of-mouth* that instantly transmits an intact digital message.[10] As will be discussed in Chapter 11, Southeast Asians have a voracious appetite for digital media and access is a must-have for Generation Y in particular.

Most enterprise recruitment applications integrate social media into their sourcing channels, allowing organisations to seamlessly post employment opportunities, search for skilled candidates and connect with them directly. HR departments are finding social networks invaluable in supporting a proactive recruitment strategy and shifting their resources more and more to this medium.

Best, Right and Fresh Practices

Talent acquisition has been one of the most hotly contested arenas in the talent management field. Consequently, organisations around the world have evolved

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9   *Deloitte Review* (2013). Courting the candidate-customer – The unlikely art of attraction.

10   Qualman, E. (2013). *Socialnomics – How social media transforms the way we live and do business*. John Wiley & Sons Inc.

multiple advanced practices that support the effective attraction, sourcing and selection of candidates.

Summarised here are some of these practices that should be considered by MNCs to optimise an effective talent acquisition strategy for their Southeast Asian operations.

GLOBAL BEST PRACTICES

The world's most attractive employers value their corporate brand as a recruitment asset and actively develop compelling **employment value propositions** that showcase their brand strengths and benefits. Candidates are looking for an emotional as well as practical association with their employer, so a compelling depiction of the brand's vision, mission and values are essential.

Acquiring talent is a two-way assessment of alignment: The organisation is looking for great talent and the talent is looking for a great organisation. Employers are enhancing the **candidate experience** by creating ease of access and fast, interactive and engaging interfaces that effectively communicate opportunities available. Once attracted, employers ensure their that **recruitment and selection practices** embody integrity and professionalism through objective and transparent assessment processes.

Rich functionality is now well established in **state-of-the-art recruitment technologies** that underpin efficient and effective talent acquisition efforts. Best-practice employers use these technologies as a competitive advantage in the talent market through proactive sourcing, high-touch candidate communication and engaging careers websites.

REGIONAL RIGHT PRACTICES

In the Southeast Asian region, employers are adapting their global recruitment processes and infrastructure to suit local markets. The employment value proposition may be **glocalised** to showcase the organisation's global attributes as well as its local footprint

and flavour, including language and style adaptations. Whilst increasing in importance everywhere around the world, **social and mobile** employment interfaces are crucial in Southeast Asia, where this is likely to be the principal method of connection with a potential employee. Further, the need for **lightning responsiveness** should not be under-estimated in this fast-paced environment where real-time communication and a fast, efficient recruitment process can mean the difference between success and failure to attract top talent.

FRESH PRACTICES

Fresh thinking and approaches lend themselves to talent attraction in a region where multiple options are available to top talent. Ensuring a **humanised** approach to talent attraction and selection that evokes the passions and motivation of potential candidates is highly important. With the multicultural profile of the region's population, **cultural intelligence** is a critical competency that will impact performance and team morale and should be a mainstay of the selection process.

Southeast Asians are highly attracted to novelty and stimulating technology, and there are enormous future opportunities to incorporate **gamification** in the recruitment process. Games are a natural way for humans to explore and learn and advanced technologies can now turn a potentially dull job application process into an exciting, interactive experience that can assess candidate skills in a fresh and engaging environment. We expect considerable uptake of gamification in recruitment and other talent management fields in coming years.

GLOBAL **BEST** PRACTICES

COMPELLING EVP
Depicting global vision, mission, values, culture, and work environment.

ENGAGING CANDIDATE EXPERIENCE
Ease of access to employment opportunities and interactive communication.

SELECTION PROCESS INTEGRITY
Competency frameworks drive objective and transparent hiring practices.

STATE-OF-THE-ART SYSTEMS
End-to-end online functionality facilitates efficient targeted recruitment.

REGIONAL **RIGHT** PRACTICES

GLOCALISED CONNECTIONS
Global EVP messaging in local language, style and character.

SOCIAL AND MOBILE
Interactive experience through social networks available on any device.

QUICK-TIME PROCESSING
Fast and friendly job applications, candidate communications, assessment processes and hiring decisions.

REGIONAL **FRESH** PRACTICES

HUMANISED RECRUITMENT
Objective selection criteria augmented by subjective factors such as motivation, passion and commitment.

CULTURAL INTELLIGENCE
Assessment of intellect, emotional and social intelligence augmented by cultural intelligence.

GAMIFIED RECRUITMENT
Game technology that simulates work activities and environments used for talent selection.

TALENTED
Southeast Asia

Chapter 8
Talent Performance

I know of companies where all the officers meet their objectives and KPIs, and yet the company is a complete failure.

– **Chandran Nair**
Managing Director – National Instruments, Southeast Asia

Rating

KPIs Culture

Rewards

Competency Measurement

SMART Productivity

Neuroscience Achievement

Conversations

Process Objective

Standardise

Key Points

The bottom line for organisational success and survival is performance. An organisation's talent is instrumental to achieving high performance, yet performance management processes invoke many challenges to their effectiveness.

For MNCs, the trend in performance management is toward **increasing global standardisation** to optimise the use of performance data for talent management.

Excessive process orientation has critics labelling the performance management process as having **form over substance** and failing to meet the basic criterion of increasing individual and organisational performance.

The field of **neuroscience is providing insights** from brain research, which can be used in organisations to improve how employees are motivated and rewarded.

Southeast Asian **cultural factors** can and do impact the performance of employees and need to be considered to ensure that productivity is optimised.

The **skills of managers** in the implementation of performance discussions remain the biggest shortcoming to effective performance management.

There are **variations in organisational philosophies** about performance management and how performance data should be used.
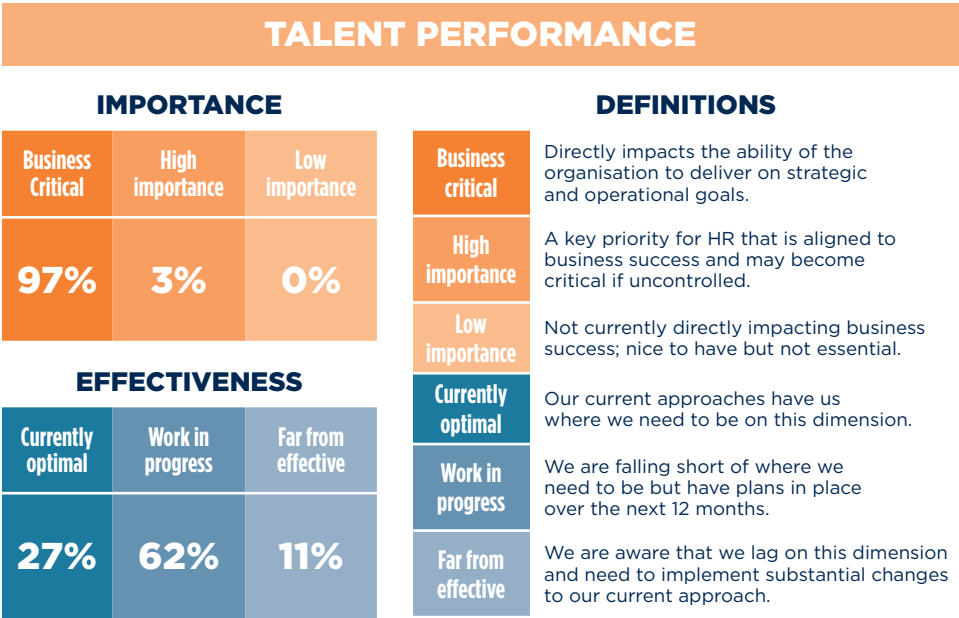
MNCs in Southeast Asia will benefit from combining **global best practices** in performance management with regional **right practices** and suggested **fresh practices**.

The Talent Performance Imperative

Organisations of every type – public, private and not-for-profit – exist for a purpose and the measure for achieving this purpose is their performance against the goals they and their constituent stakeholders set. Yet if you are looking for the one practice in talent management that invokes the most anxiety in executives, managers and employees alike, you have it in performance management.

An organisation's performance reflects the efforts of all those working in it, so talent performance is at the heart of an organisation's overall success. One contributor noted that "performance is **the** process in talent management" and another simply concluded that "performance is everything". Little wonder then that almost all the contributors to our study rated talent performance as business critical. Notwithstanding that, only a minority felt that their current performance policies, processes and systems were optimal. 62% were actively engaged in reviews of some or all of the components of their performance process or systems and 11% felt this to be an area of considerable weakness.

TALENT PERFORMANCE

IMPORTANCE

Business Critical	High importance	Low importance
97%	3%	0%

EFFECTIVENESS

Currently optimal	Work in progress	Far from effective
27%	62%	11%

DEFINITIONS

Business critical	Directly impacts the ability of the organisation to deliver on strategic and operational goals.
High importance	A key priority for HR that is aligned to business success and may become critical if uncontrolled.
Low importance	Not currently directly impacting business success; nice to have but not essential.
Currently optimal	Our current approaches have us where we need to be on this dimension.
Work in progress	We are falling short of where we need to be but have plans in place over the next 12 months.
Far from effective	We are aware that we lag on this dimension and need to implement substantial changes to our current approach.

Underscoring the need to improve performance management practices were a number of factors, including the following:

- Expectations of global standardisation
- The need to develop a high-performance culture
- A disproportionate emphasis on performance process over performance outcomes
- Cultural factors impacting the effective implementation of performance management
- Poor quality performance discussions between managers and their team members
- Sensitivity about the use of performance data for salary, bonus and promotion decisions

Global Standardisation

66% of contributors to our study confirmed they were using a globally designed and implemented performance management process and a further 17% said that they used the global framework with some local customisation. Only 17% said that their process originated from within the region. This correlates with a recent Bersin research in the Asia-Pacific in which 74% of organisations implemented an enterprise-wide standardised performance process and 14% customised regionally.[1] Aside from competency frameworks, which have the highest level of global standardisation at 79%, this makes the performance management process the most uniformly implemented aspect of talent management in the region.

74% of organisations implement an enterprise-wide standardised performance process.

In many organisations, performance management underpins other aspects of talent management, such as the diagnosis of strengths and development needs, differentiation between high, low and average performers, and associated recognition and rewards. As a key input to promotion decisions and succession planning, performance management also plays a key role in organisational talent mapping.

1   Bersin (2013). *The state of performance management – Performance appraisal process benchmarks.*

For MNCs, trends in performance management are favouring greater global standardisation. With performance data central to a variety of talent management applications, HR executives and business leaders recognise the importance and value of global alignment. That is not to say that the implementation of such processes cannot be regionally customised to a degree, and this will continue to be the case.

Developing a High-performance Culture

It is the Holy Grail for MNCs. When you have a high-performance culture, everything else is destined to follow: passionately engaged employees, outstanding customer relations, a stellar market reputation and – let us not forget – superior growth and financial returns.

Achieving this is not so easy. In one global survey, 68% of leaders said that culture was a source of competitive advantage and 81% agreed that failure to achieve a high-performance culture doomed an organisation to mediocrity; yet only 10% succeeded in building one.[2] This is no less the case in Southeast Asia. Markets with big opportunities attract many competitors and performance can quickly become a matter of survival. Individual performance matters, team and business unit performance matters, and leadership performance matters. A high-performance culture is achieved when the entire organisation is aligned, and everyone is empowered to act, and does so.

Driving toward a high-performance culture was a key part of the performance equation for many contributors to our study. With their multinational roots, country, regional and global performance are scrutinised and investments allocated accordingly. Some of the comments included the following:

- "Globally, we are a meritocracy and highly performance focused."
- "We have a globally aligned performance process and it's not negotiable."

> A high-performance culture is achieved when the entire organisation is aligned, everyone is empowered to act, and does so.

2   Bain & Company (2006). *Building a winning culture.*

- "We are driving a performance culture and our managers need to take accountability for performance management."

But Southeast Asia is complex, and many MNCs are also managing through structural change and historical legacies that do not align with performance in a globally competitive environment. Some of the contributors noted the following:

- "Our company was originally based on life-time employment."
- "With leadership changes, we are running a different performance process every year."
- "We need to inculcate a performance culture but it will take time."

As Southeast Asian labour rates continue to climb, the cheap labour environment that attracted so many MNCs to the region is diminishing as a source of competitive advantage, placing pressure on achieving heightened levels of productivity. Further, declining profit margins and the growth of local competitors are turning up the heat on performance expectations everywhere. High-performance cultures are on the C-level agenda and will be a continuous focus.

Not so SMART

How can performance management, the very process designed to focus everyone in the organisation on high performance, continue to underwhelm and underperform? Its importance to organisational success means that performance has attracted considerable scrutiny from business leaders and HR. The contemporary approach has been to wrap performance management tightly in rigor and process, keep it in the leadership spotlight and link it to direct consequences.

Unfortunately, the majority of organisations around the world are steadily coming to the conclusion that the biggest inhibitor to achieving a high-performance culture is the performance management process itself. Mercer's most recent global survey indicated that

only 3% of organisations around the world believed that their performance management system provided exceptional value.[3]

According to key industry bodies, the minimum requirements for an effective performance management system are the setting of performance goals, progress reviews to goal achievement and performance improvement plans where corrective action needs to be taken.[4] Who could argue with that and how can so many organisations find it so difficult to implement?

Almost all the contributors to our study had implemented a performance management framework reflective of Western *best practices*. This includes corporate objectives that are set or revised annually, SMART (Specific, Measurable, Attainable, Relevant, Time-bound) goals cascaded through all levels, measures defined by key performance indicators (sometimes in a balanced scorecard or similar framework), a rating structure and a formalised review schedule (ranging from quarterly to six-monthly to annually). Some organisations included measurement of competencies and/or values. Most either have or are currently automating their process with performance management technology (mostly online and through a SaaS provider). If performance could be bottled, the bottles are all aligned. Filling the bottles with actual performance excellence remains somewhat elusive.

Despite considerable despondency about the continuing failure of performance management delivering on its promise, the situation is not beyond recovery. If to date the world's best practices have favoured form over substance, awareness of this is now heightened and most organisations are looking for ways to improve their approach. There are promising signs that simplifying and humanising performance management are the areas most likely to yield a better outcome. The case study presented in this chapter demonstrates how

Only 3% of organisations around the world believe their performance management system provides exceptional value.

If performance could be bottled, the bottles are all aligned. Filling the bottles remains somewhat elusive.

3   Mercer (2013). *Global performance management survey.*
4   American National Standards Institute & Society for Human Resource Management (2012). *Performance management – American national standard.*

CASE STUDY

Transforming Performance Management

U.S. based technology powerhouse Adobe has taken the axe to the traditional annual performance review process and placed career development firmly in the employee's hands, whilst making leaders more accountable than ever. "We took the view that forcing a mechanical process of rating and ranking represented form over substance and was actually counter-productive to achieving the goal of inspiring and driving a high-performance culture," says Rhys Hughes, Director Talent Selection – Asia. "Replacing an outdated performance management process has increased individual performance outcomes whilst providing the opportunity for frequent high-quality constructive conversations that give employees the transparent feedback they need to either improve or excel in their career at Adobe, notes Hughes.

In place of its now-aborted performance management process, Adobe has formulated the *Check-in*, a quality-driven approach that allows employees and managers to set meaningful goals, review and discuss them regularly and work through obstacles and issues in real time. "Employees are clearer than ever before on their goals and objectives whilst engaging in more frequent career discussions against their Individual Development Plan," says Hughes. "Our staff across the globe are now owning their own careers more proactively than ever before."

How can Adobe ensure that Check-ins happen at all if there is no structure and no process for policing? "We understand proponents of structured performance management might be alarmed by this agile approach. But as is the case with our technology, we love innovating," says Hughes. "However, we do ensure checks and balances are in place and taken seriously. We conduct regular online employee surveys to ensure the process is meeting the needs of the population. Leaders are also encouraged to do skip-level meetings to ensure that Check-ins are happening at all levels of their team on an ongoing basis. This quickly highlights which managers are spending time with their team members and which aren't."

Hughes notes that the reinvention of performance management at Adobe has had significant positive engagement and retention flow-on effects. "It's particularly important in our Asian operations, where the Western culture of performance measurement can be quite confronting."

multinational Adobe has changed the mindset toward performance management by completely reinventing the process, based on less formality and rigidity and more conversation and guidance.

In future, organisations that are successful at producing real talent and business performance outcomes rather than concentrating on the performance processes and systems that purport to do so will be the smart ones.

Performance Management Skills

The ability of managers to confidently and competently engage in performance management discussions was one of the most repeated concerns amongst contributors to our study. Frequently, HR leaders referred to the fact that their organisation had highly effective performance management policies, processes and systems, but the weak link was in their implementation. This is supported by research, which shows that **manager's skills** top the list of critical drivers of performance management in organisations.[5]

Effective performance conversations remain a perennial challenge for organisations, despite the many years of training time and budget that have been allocated to this critical act of talent management. There are wide disparities between the maturity, experience and interpersonal skills of the numerous supervisors, managers and executives charged with the responsibility for managing performance. "It relies a lot on the line manager", said one contributor, "and the effectiveness of the conversation has a high level of variability." This is typical of the comments with regard to performance feedback.

Managers continue to struggle to achieve an optimal balance between constructive (sometimes confronting) performance feedback and coaching to develop the performance and potential of their team members. That this is difficult is not surprising, as the effective

It relies a lot on the line manager, so the effectiveness of the conversation has a high level of variability.

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5   Mercer (2013). *Global performance management survey.*

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execution of such conversations requires considerable emotional intelligence and highly developed inter-personal and communication skills – all of which are included in the development plans of most managers giving such feedback.

Understandably, many managers are challenged by the sensitive complexities that prevail in performance discussions. In an attempt to motivate high perfor-mance and unleash the potential of individuals, they need to understand, empathise and engage their employees. But they also know that they need to be able to have **fierce conversations** in which they "come out from behind [themselves] into the conversation and make it real".[6] In the absence of having this high level of communication proficiency, managers readily default to focusing on the formal process and dogmati-cally tracking through it step by step.

In Southeast Asian countries, Western performance management structures are still relatively new and both managers and employees from these cultures can find them unnerving. They may not be culturally comfortable with the concentrated focus on individual performance over team performance, direct and open feedback, and are highly concerned about saving face. Comments from our contributors included the following:

- "Employees want feedback, but managers don't want to give it."
- "Everyone in the team gets a high score, but they aren't all equal contributors."
- "When we recruit local managers, they rarely come with these skills."

That said, performance is on everyone's agenda and all the MNCs in our study had formal performance management structures in place. The challenge in Southeast Asia is not what the performance process should be but how it can best be implemented in the region to achieve the desired outcomes.

> Western performance management structures are still relatively new and both managers and employees can find them unnerving.

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6   Scott, S. (2002). *Fierce conversations – Achieving success at work and in life, one conversation at a time.* Judy Piatkus Publishers, UK.

Performance and its Consequences

We found considerable differences between organisational philosophies toward performance management. Some had it as the key data source for remuneration decisions whilst others took a strongly developmental focus, and some, a combination.

Links to remuneration

Many organisations rely on their performance management process to provide quantifiable data that will determine remuneration outcomes. A survey of nearly 600 organisations showed that the number 1 goal for the implementation of the performance process was to "differentiate the distribution of rewards based on individual performance".[7] In these pay-for-performance environments, salary bands, bonuses and incentives are tied directly to performance ratings. The benefits of this approach include employees having a level of visibility and control over their final remuneration, since an above-average performer can expect an above-average reward. Additionally, this systematic approach is quantifiable and aims to minimise subjectivity by making financial rewards a mathematical outcome.

Unfortunately, the evidence suggests that few employees actually find pay for performance motivating and it is rarely tied to overall increased performance.[8] The appraisal format and rating systems are often perceived to be unfair and subjective. Inconsistency between reviewers leads to poor inter-rater reliability, as some employees believe their managers to be *harder markers* than others, to their financial detriment.

In Southeast Asia, cultural influences also lend themselves to central tendency in performance ratings. Managers are reluctant to use the full spectrum of the rating scale, so in a 5-point rating system for example, scores are frequently skewed to the middle. One contributor noted, "Our challenge is that the managers all tend to the middle ground – there are very

It is not really leading to high performance – many of the 4's and 3's are questionable.

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7   WorldatWork & Sibson Consulting (2010). *Study on the state of performance management.*

8   Gartner (2012). *Strategic roadmap for employee performance management.*

few 2's and 5's and you only rarely see a 1." Another commented, "It is not really leading to high performance – many of the 4's and 3's are questionable."

To address these shortcomings, organisations use a variety of methods to improve the consistency, accuracy and objectivity of performance ratings. These include forced ranking, calibration sessions between managers and departments, and audits of managers' ratings conducted by HR.

Links to development

A common feature of the performance management process is its links to individual development. In some organisations, a development discussion leading to an individual development plan (IDP) is a standard step in the performance management process. Often, development in this context relates to additional capabilities required in the current role to meet or exceed performance expectations. Some organisations use a career discussion separate to the performance management process to explore development toward a different or more senior role.

Linking performance and development is especially
important in organisations that need to be agile.

Linking performance and development is especially important in organisations that need to be agile, operate in turbulent environments and rely on their human capital to achieve their business ends. This is, of course, true in Southeast Asia where pace, change and talent come together to create the unique growth characteristics of the region. Performance processes need to overcome three failings of current approaches, namely, that goals are unclear and stagnant, feedback is inadequate and performance reviews lack relevancy.[9]

As highlighted in Chapter 9, development is the single biggest talent management challenge for MNCs in the region and underscores the ability of employees to perform at the levels expected of them. Creating direct and strong linkages between development and performance will continue to be a major priority.

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9   Bersin (2013). *Creating the agile organization – The role of learning and performance management.*

Links to succession

Promotion, advancement and succession are hot topics in Southeast Asia. Employees are keen to progress their careers and organisations are actively building leadership pipelines that can support their operational needs.

Performance, together with potential, mobility and readiness, is one of the key factorial inputs to succession decisions. In fact, it is often assigned a higher weighting than the other 3 factors, despite their arguably superior predictive qualities. Most organisations have an internal methodology for succession planning. Frequently it will incorporate a 9-box matrix, clustering potential successors by their relative performance and potential. Talent reviews are conducted several times per year between senior business leaders and HR to debate how ready, willing and able the proposed successors are, calibrate successor ratings, highlight flight risks, identify further development requirements and identify appropriate succession opportunities.

Most organisations in our study followed such a process. Many aligned country with regional talent reviews to map regional succession. The majority also fed regional talent reviews into the global succession planning process, typically conducted once annually. Most organisations still relied on spreadsheets to manage this process, although more were investing in unified talent management systems that enabled this functionality. Few were incorporating external talent pools into their succession pipelines.

Performance will continue to be key to succession management. However, MNCs are aware that past performance may not always be an effective predictor of future success, especially in regional or global placements. With thin succession pipelines in-region, MNCs will also need to manage external and social networks to augment their internal talent pools.

The Neuroscience of Performance

One field of science may provide an unexpected opportunity to rethink performance management.

Profound and useful insights about what really drives human motivation, behaviour and performance are coming from the field of neuroscience.

Profound and useful insights about what really drives human motivation, behaviour and performance are coming from the discipline of neuroscience. The science of the brain is one of the last frontiers that have defied scientists and scholars for centuries. The invention of functional magnetic resonance imaging (fMRI) technology in the 1990s changed that. Today fMRI scanners allow researchers to watch the brain in action – in real time and in live participants. Uses of fMRI have moved beyond clinical settings and new research is emerging daily that provides insights into how normal humans think, learn and respond.

In organisational talent management, neuroscience findings have shed light on a number of areas, sometimes providing a scientific explanation for what we already know about human behaviour, sometimes debunking myths and even overturning models. Specific to performance management, these findings illuminate areas such as the effect of setting goals, how humans achieve peak performance and how rewards affect our biology.[10]

Setting goals

Goal-setting comes quite naturally to humans, so much so that we are not always aware we are setting them. Which tasks you want to complete by midday, how you aim to spend a day-off and what to have for dinner tonight are some of the small day-to-day goals that we set for ourselves. Then, there are the more formal goals such as those we document at work as part of the performance management process. Interesting changes occur in the brain when we initiate, pursue and achieve goals.

Firstly, goals channel attention. In its *default* state, the brain naturally flits from thought to thought – observations, memories, people, conversations and ideas – quite randomly. When we consciously focus our attention on a goal, this *noisy* brain activity quietens and clarity centres on the goal. It triggers the brain to act like a radar and selectively sources and evaluates goal-relevant information to help us achieve it. It also diverts attention from goal-irrelevant information.

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10 PageUp (2011). *The Neuroscience of performance – People at their best.*

Setting goals has a powerful effect on channelling mental attention, which is why clearly stated and documented goals are those more likely to be achieved.

Secondly, humans achieve greater levels of motivation through the pursuit of goals, rather than their achievement. Goal **achievement** provides a sense of satisfaction but it is goal **pursuit** that stimulates energy and action. In effect, the thrill is in the chase. This is another good reason to set goals (with adequate *stretch* to make them challenging), as it mobilises mental and physical resources to achieve them. So science reinforces the setting of goals.

Achieving peak performance

To perform at your best, you need just the right level of stress (or arousal) and/or an activity that puts you in a *flow* state.

The right level of stress is the point at which you are neither bored nor disinterested, neither anxious nor overwhelmed. Originally described by researchers Robert Yerkes and John Dodson as the **optimal arousal curve**,[11] it shows that performance is optimised when this balance is attained. It will vary for each individual. Optimal arousal is important in workplace performance, especially when the work requires mental effort and engagement. At the two extremes of the optimal arousal curve, employees become unproductive.

The concept of **flow**[12] is also supported scientifically and creates a state of optimal mental engagement. You can consider yourself in flow when you are immersed in an activity that captures your interest and attention, is challenging yet achievable, has a clear goal and provides you with immediate feedback. In this state, you are likely to feel that the task is quite effortless. You may also lose track of time and the daily concerns that trouble you. Work that captures our interest and passions is most likely to trigger a flow state.

Goal achievement provides a sense of satisfaction but it is goal pursuit that stimulates energy and action.

To perform at your best you need just the right level of stress and an activity that puts you in a flow state.

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11   Yerkes, R. M., & Dodson, J. D. (1908). The relation of strength of stimulus to rapidity of habit formation. *Journal of Comparative Neurology and Psychology.*

12   Csikszentmihalyi, M. (1990). *Flow – the psychology of optimal experience.* HarperCollins.

Organisations have yet to master creating the work conditions that support their employees attaining and contributing peak performance – but many are trying. Strengths-based approaches that allow employees to do work they enjoy and excel at inherently tap into this high-performance brain state. Coaching and mentoring, stimulating work environments, autonomy and flexibility in how, where, when and by whom work is done can all assist. The potential upside in productivity lift is worth pursuing for organisations relying on their talent to really be their competitive advantage.

Rewards

We seek pleasure and avoid pain. This is not just a conscious preference but also a deep biological drive. The brain provides positive reinforcement when we experience a reward – chemically through the increased release of the neurotransmitter dopamine. This makes us feel satisfied, happy and at ease. The brain also sends clear negative signals when we perceive a threat, be that to our self-esteem, ability to control our environment or interpersonal relations – through the release of the neurotransmitters serotonin and cortisol. This makes us feel anxious, fearful and unsettled.

Organisations have used *carrot and stick* approaches for a long time to overtly reward and punish employee performance. These approaches lent themselves well to the industrial era and were effective to a reasonable extent. In this knowledge era, carrots such as money and financial incentives have been relegated to *hygiene* status, meaning everyone simply expects them and they do not inspire discretionary effort. The carrot concept remains important to human motivation but today's carrots need to take many and varied forms to be seen as rewarding by their recipients.

Biological realities

Not to be underestimated is the impact of physiological factors on performance. Insufficient **sleep** (whether short-term or chronic) directly impacts performance by reducing attention, memory and cognitive processing

abilities.[13] The high-energy requirements of the brain (20% of the body's total metabolic output) mean that inadequate **nutrition** also impacts performance. Blood sugar levels that are lower than normal have been shown to degrade both physical and cognitive performance by as much as 20%. One very encouraging finding from neuroscience is the positive effect that **physical exercise** has, not just on the body but also on the brain. Exercise stimulates the growth of new brain cells, improves cognitive performance, memory and learning.[14]

The message from neuroscience is that you cannot separate human performance from the basic physiological needs of the body. We simply function better with adequate sleep, good food and physical activity. Whilst not yet mainstream, more and more organisations are paying attention to the performance implications of physiological factors. On-premise sleep pods, food stalls and exercise facilities are becoming more common and are highly valued by employees. Flexible work hours and work/life balance initiatives are also helpful in this regard.

Organisations seeking to increase the performance of individuals and teams are looking very closely at new data coming from the neuroscience field. One contributor to our study in the financial services sector had already incorporated neuroscience models in its performance and development processes and many more were at the stage of investigation.

This chapter closes with further insights into the brain and performance in an Industry Perspective contributed by the NeuroLeadership Institute.

Cultural Differences

The cultural differences between the East and the West described in Chapter 5 manifest themselves very

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13 Alhola, P., & Polo-Kantola, P. (2007). Sleep deprivation – Impact on cognitive performance. *Neuropsychiatric Disease and Treatment.*

14 Cotman, C. W., & Berchtold, N. C. (2002). Exercise – a behavioural intervention to enhance brain health and activity. *Trends in Neuroscience.*

directly during the performance process. However, it is important to note that the extent to which these cultural differences exist is impacted significantly by individual differences. Many Easterners have directly experienced the West through education and/or upbringing or indirectly through the media and association with Westerners. This impacts their understanding and acceptance of the differences between the East and the West, so it is important not to generalise the effects across all individuals. Instead, the cultural characteristics identified in Chapter 5 should be explored for their direct impact on performance.

Collectivism

We share responsibility and accountability for work.

Employees from Eastern backgrounds are culturally disposed to view their team members as a collective whole, amongst which task accountabilities, feedback, recognition and rewards should be shared. Individual and team objectives need to be clearly stated and differentiated. The importance of being in the *in-group* is fundamental so, for example, celebrating the contribution of a team member in a group may have unexpected ramifications. The individual may be quite uncomfortable with public praise and the team may be negatively impacted by such singular recognition.

Power distance

You are the boss, and that is that.

The reverence for hierarchy in Eastern cultures has several implications. For one, it means that the leader is expected to assume the leadership role in full, giving clear direction not only about expected outcomes but also the process by which those outcomes are to be achieved. The Eastern mindset is not naturally comfortable or desirous of participative leadership styles. Whilst consultation is accepted and in some cases expected, the decision rests with the leader and will be followed and implemented irrespective of individual views. Another implication is that challenging the views of others and rigorous debate are unlikely, even when requested. Easterners are highly respectful and accepting of authority and seniority, and would consider the airing of differences to be rude and disrespectful.

Uncertainty avoidance

Easterners generally prefer order and structure and respond better to clear, unambiguous instructions, even at the expense of personal autonomy. This cultural characteristic stems from the tight social structures and distinct social roles that underpin families and communities. In the workplace, employees may seek and expect very detailed instructions about how their tasks ought to be completed with a view to eliminating possible errors due to misunderstanding.

We work better with structure and clarity than freedom or ambiguity.

Indirect communication

Westerners rely primarily on the spoken word to communicate a message. Employees from Eastern backgrounds communicate against a backdrop of context that integrates much more information from visual and non-verbal sources than Westerners. Furthermore, when Easterners do use words, they are more likely to make comments that are *politically correct* rather than state their real views, especially if these views are contrary to those of others. Underpinning cordial conversations is the drive, above all, to save face. To confront or embarrass a manager would be a loss of face for both the employee and that manager.

It is better to fit in and save face than be seen as challenging or rude.

Harmony

Central to Eastern themes is the importance of collaboration and harmony. Employees may be conflict-avoidant and bottle their grievances rather than air and resolve them. The need for harmony drives a desire for a collegiate and social work environment. It may also conceal hidden disharmony, which could influence the motivation or work satisfaction of some individuals in the team.

We want to work in an environment where everyone gets along.

Relationship with time

Most MNCs have clear workplace policies about timeliness, whether this relates to attendance or task completion. Having said that, several contributors in our study, particularly those in the retail sector, did highlight challenges related to tardiness and deadline slippages, which did not appear to have the same level

Everything will happen in its time.

of importance to their employees as it did to them. Because time is seen to be somewhat out of their direct control by Easterners, attitudes toward punctuality and deadlines tend to be more relaxed and *negotiable*.

Cultural differences matter. They can impact performance significantly and need to be understood to minimise unintended obstacles to high performance and ensure employees contribute to their full potential.

Best, Right and Fresh Practices

Performance management is dogged with challenges but remains one of the most important levers in any organisation's talent management strategy. It is crucial for optimising the outputs of the greatest competitive asset and financial liability an organisation has – its people.

Summarised here are some of these practices that should be considered by MNCs to optimise an effective performance management strategy for their Southeast Asian operations.

Global best practices

The global gold standard in corporate goal-setting has become a direct and visible linkage between the organisation's over-arching goals and those of every department, team and individual in it. Therefore the **corporate alignment** of goals that are cascaded throughout the organisation is seen as a must-have of global best practices. These goals are usually communicated with the **what and how** elements, that is, specific key performance indicators and defined behaviours that are required to achieve them.

Contention over the source of performance assessments has led to the increasing use of **multi-rater feedback** to include additional stakeholders other than the employee's direct manager. Also gaining popularity is the assessment of both **performance and potential**, especially in organisations where succession management is critically important.

Organisations with best-practice performance processes have these automated and optimised with

state-of-the-art technology systems. Most of these are provided on SaaS platforms, which enable the integration of crucial performance data with other aspects of talent management.

Regional right practices

There are significant differences in culture and adoption of Western performance management approaches that have an impact in Southeast Asia. For some, the highly structured and formal approach that many MNCs use globally is relatively new and unfamiliar; for others, it is culturally confronting. This makes the **localised implementation** and **cultural alignment** of global performance practices essential to ensure that the outcome of high performance is actually achieved.

The limited experience of many managers in Southeast Asia in conducting performance processes and discussions highlights the need for a **spotlight on managers' skills**. Training, coaching and assessment of performance management skills needs to be high quality and continuous to elevate the confidence and competency of managers performing this critical role.

Fresh practices

With access to **neuroscience insights**, we now know more about what drives human behaviour and performance and should tap this information to improve performance outcomes in the workplace. Developing the **cultural intelligence** of managers overseeing performance will also garner them with tools to more effectively relate to teams with diverse backgrounds and tailor performance feedback appropriately.

Apart from new insights, organisations should actively seek to overhaul their performance management processes if these are unpopular and unconstructive. Real-time performance feedback on a regular basis should make performance management an **everyday proposition** rather than a formal annual appraisal event.

NeuroLeadership
Institute™

How Neuroscience can Improve Performance Management

Organisations often refer to talent as being the most crucial key to operational success, whether it is the lack of talent or the challenge of retaining and developing talent. Yet little investment has been made in developing performance management systems that support operational development. The annual performance review often becomes a must-do on a checklist for managers rather than a real opportunity to invest in people's growth and learning.

A significant cultural difference can be seen between Asian and non-Asian companies in developing talent and driving performance. Delivering results is frequently acknowledged with Asian performance whereas for non-Asian companies, delivering results **as well as** giving praise for efforts and learning toward goal achievement is equally important. In other words, there is a greater tendency to reward effort and learning outside Asia. The question is: In a globally competitive market, can Asian companies ignore rewarding and promoting talent for their efforts to learn, and what is the implication for talent retention?

Neuroscience research is leading us to believe that performance management can be improved by understanding the effect of willpower and positive belief on people at all levels in the organisation. Research suggests that whether someone believes talent is born or whether it can be developed has an impact on performance. Psychologist Carol Dweck refers to leaders having a *fixed* or *growth* mindset, depending on their belief. Believing that talent is fixed may have negative consequences on performance, leading to less learning, motivation and goal achievement.

The second interesting finding from research is the importance of praise. Dweck and her colleagues found that not all praise is necessarily taken as intended. Whether or not praise has the desired positive effect depends on whether it encourages us to believe we can change. Dweck found that praising children for innate talent, as in "you are so smart", led to a difference in performance when compared to praising for effort, as in

"you must have worked hard to become this good". Groups that received praise for effort performed better. This translates directly into the workplace: Praise for effort and learning creates a growth mindset, supporting overall performance.

Praising someone for learning a new skill whilst practising the skill is critical for successful learning. A Japanese study by Sugawara et al. found that praise that immediately follows skill training improved memory capacity for later recall of the skill, compared with groups that received praise at a later stage or not at all. Learning sustainable skills requires immediate praise. Organisations in which long-term skill learning is required can benefit from developing a praise support system whilst practising the skills.

Elliot Gordon's research on fear and threat responses reveals the importance of the social brain's reward and threat mechanisms. The brain measures states of threat or reward subconsciously, 5 times per second. In a threat state, we are disengaged, and focused on problems rather than solutions. Perception is decreased and our ability to understand others is reduced. A threat response impacts decision-making and collaboration, and decreases the ability for someone to evaluate feedback in a positive way. Furthermore, the brain gives attention to threats more than to rewards. In other words, it looks for danger and responds more quickly to threats than rewards. This is valuable knowledge when managing performance.

Picture this scenario. At an annual performance review, feedback is provided to an employee who has not delivered expected targets. If this feedback is provided with a fixed mindset and fails to address areas of learning and open up for new ways of thinking about goal achievement, chances are high that the brain will detect danger and react with a threat response. As a result, the employee will have limited capacity to interpret feedback in a constructive way. In contrast, if feedback is provided with a growth mindset by asking about what the employee has learnt and supporting new thinking about different strategies for goal achievement, a threat response is unlikely to be triggered. In a reward state of mind, constructive and insightful ideas about how to achieve new goals the next time are far more likely. This highlights the importance of educating managers and HR practitioners on how to conduct *brain-friendly* performance management discussions.

INDUSTRY PERSPECTIVE

INDUSTRY PERSPECTIVE

So what can HR practitioners learn about offering a more brain-friendly approach to performance management? Firstly, learn about how the brain works and how easy it is to trigger a threat response. A threat state should be avoided at all times when managing performance. Secondly, praise for effort equally as for delivering results.

Finally, learn how to prime your own brain and those of others for a growth mindset by believing strongly in people's potential to grow and learn. When setting goals and key performance indicators, include goals for effort and learning to optimise intrinsic motivators, which are key to successful performance.

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GLOBAL **BEST** PRACTICES	REGIONAL **RIGHT** PRACTICES	REGIONAL **FRESH** PRACTICES
CORPORATE ALIGNMENT Corporate goals cascade through the organisation to individual objectives and measures.	**LOCALISED IMPLEMENTATION** Performance process uses global framework adapted to suit regional and country nuances.	**NEUROSCIENCE INSIGHTS** Look beyond organisational to scientific models for insights to improve employee performance.
WHAT AND HOW Performance management includes the measurement of KPIs as well as behaviours and/or values.	**SPOTLIGHT ON MANAGERS' SKILLS** Invest in management training and coaching in performance discussions.	**CULTURAL INTELLIGENCE** Build the cultural intelligence of managers to become more effective at managing performance across a variety of cultures.
MULTI-RATER FEEDBACK Rating and assessment of individuals incorporate multiple feedback sources.	**CULTURAL ALIGNMENT** Consider country and regional cultural characteristics into performance planning and reviews.	**EVERYDAY PERFORMANCE** Emphasise regular, frequent, interactive and real-time feedback and performance monitoring.
PERFORMANCE AND POTENTIAL Appraisal of past performance is merged with the assessment of potential.		
STATE-OF-THE-ART SYSTEMS Online and mobile access to performance data for employees, managers and administrators.		

TALENTED
Southeast Asia

Chapter 9
Talent Development

You have to develop local talent because they are the ones that actually bring you the clients.

– **HR Director**
Financial Services Organisation

Critique
Thinking Academy
Creativity Learning
Fast Track
Leadership Potential
Accelerate
Gamification Education
ROI
70/20/10 Careers

Key Points

Talent development ranks as the **number 1 priority** for MNCs in Southeast Asia, ahead of talent acquisition and retention.

MNCs play a key role in developing **work-ready skills** that are not yet at international standards for graduates of local education systems.

Talent shortages are felt acutely in the **middle and senior management** ranks and are the target of considerable development resources.

High-potential acceleration programmes are popular and most MNCs foster programmes targeting this group.

Development initiatives are highly valued by Southeast Asian employees and are a **key retention lever**.

The **70/20/10 Rule** is effective but could be adjusted in the Southeast Asian context to better reflect the unique characteristics of the region.

Corporate universities and academies are growing in number and contributing to talent development across Asia.

Return on development investment is a must-have measure, which few MNCs are implementing to maximum effect in the region.
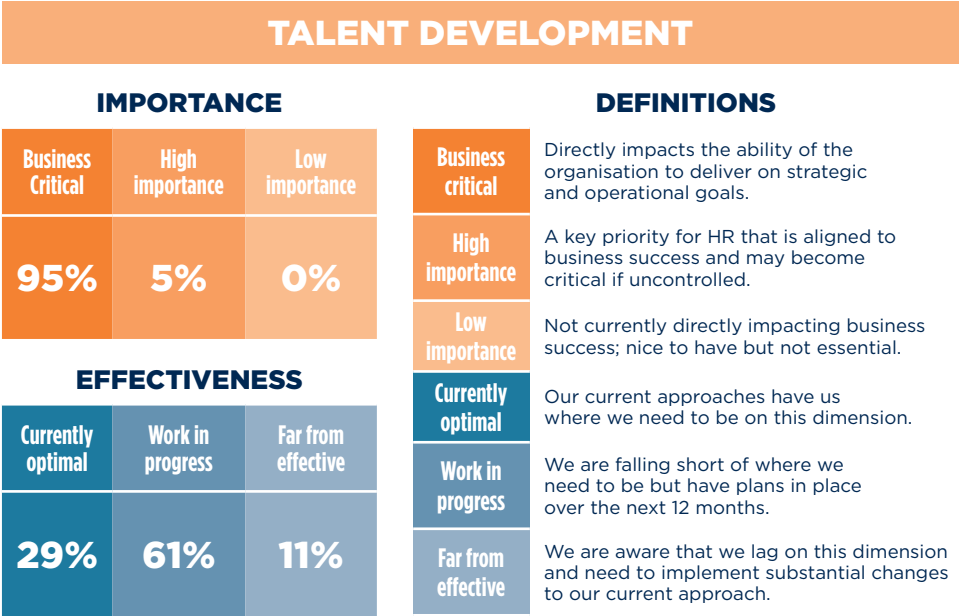
MNCs in Southeast Asia will benefit from combining **global best practices** in talent development with regional **right practices** and suggested **fresh practices**.

The Talent Development Imperative

With 47% of the contributors to our study rating talent development in their top 3 talent management priorities, **development** edges out both talent acquisition and retention as the number 1 challenge for MNCs in Southeast Asia.

Whilst continuously sourcing new talent to replenish turnover and fuel business growth are recognised as vital, developing the capabilities of the existing talent pool is essential. It targets a much larger proportion of the organisation's employees and builds on the talent acquisition investments already made. In a market unable to supply the quantity and quality of skilled talent demanded, the need to *grow your own* is very real in the region. 95% of contributors identified this as a business-critical issue.

MNCs with operations in Southeast Asia have the benefit of tapping into well-established global talent development expertise and programmes developed in their organisations. Even so, less than one-third believed their development initiatives adequately addressed the development needs of their regional talent pool. 61% had substantial efforts underway to address the development needs in their operations and 11% felt they still had a long way to go.

TALENT DEVELOPMENT

IMPORTANCE

Business Critical	High importance	Low importance
95%	5%	0%

EFFECTIVENESS

Currently optimal	Work in progress	Far from effective
29%	61%	11%

DEFINITIONS

Business critical	Directly impacts the ability of the organisation to deliver on strategic and operational goals.
High importance	A key priority for HR that is aligned to business success and may become critical if uncontrolled.
Low importance	Not currently directly impacting business success; nice to have but not essential.
Currently optimal	Our current approaches have us where we need to be on this dimension.
Work in progress	We are falling short of where we need to be but have plans in place over the next 12 months.
Far from effective	We are aware that we lag on this dimension and need to implement substantial changes to our current approach.

Talent development was seen as an essential lever in talent management strategy, designed to address the following issues:

- Building work-ready skills in graduates of the local education systems
- Filling the leadership gap at middle and senior management levels
- Accelerating the career path aspirations of high-potential employees
- Retaining talented employees with an appetite to learn and grow

Bridging the Education Gap

Children in emerging Southeast Asian countries spend less time at school and receive approximately 33% less education than their counterparts in industrialised countries, averaging 7.3 years compared to 10.9 years of school attendance. Despite increased efforts to improve education outcomes in the region, it is still estimated to take 24.7 years on average for proficiency levels in these countries to catch up with standards in the industrialised world.[1] That said, basic literacy levels have improved significantly in the region, up from 82% in 1990 to 95% in 2010.[2] However, higher education levels still fall significantly short and MNCs recruiting young talent will continue to play a key role in educating them for the workplace for a generation to come.

Students in emerging Southeast Asian countries receive 33% less education than their counterparts in the industrialised world.

In contrast, the advanced economy of Singapore is renowned as having one of the best education systems in the world. Singapore trumps the U.S., the U.K., Europe and Australia in reading, mathematics and science performance scores. Despite sometimes being accused of emphasising on rote learning and focusing on passing exams, the high performance of Singaporean students on the OECD PISA assessment (which requires meta-cognitive and problem-solving abilities) does not fully

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1   Son, H. H. (2010). Human capital development. *Asian Development Review.*

2   UNESCO Institute for Statistics (2013). *Adult and youth literacy – national, regional and global trends 1985–2015.*

support this.[3] Not surprisingly, Singapore produces some of the most highly sought talent in the region.

Anecdotally, MNC HR professionals still find the quality of talent graduating from universities in the region below requirements. Most notably, poor critical thinking and creativity skills and a reluctance to challenge the status quo are frequently cited. A McKinsey study showed that across all the emerging markets, only 13% of local graduates were deemed to be of a standard to make them employable in MNCs. Regionally, Southeast Asia fared slightly better than the global average, with 35% of engineering graduates, 25% of finance and 20% of generalists in Malaysia seen to be acceptably qualified. In the Philippines, these percentages were 20%, 30% and 25% respectively.[4] However, on average, approximately 75% of graduates leaving university in the region are unlikely to be employed by MNCs. The key reasons cited by graduate employers are poor language skills, low quality of educational standards, limited practical skills and poor interpersonal abilities. This is clearly unpalatable in a region with such high talent needs.

Students are responding by pursuing offshore tertiary education opportunities. Asia has the most internationally mobile student population in the world, accounting for 28% of the global flow. The ASEAN 6 currently has nearly 200,000 students studying abroad, with the most popular destination countries being Australia, the U.S. and the U.K.

MNCs are responding by taking high levels of ownership for the development of employees. For example, Singapore's Ministry of Manpower notes that more private-sector employers in the country are providing structure training to their employees, up from 65% in 2008 to 71% in 2010.[5]

ASEAN students abroad

Origin	Number	Destination
Singapore	20,030	Australia, U.S., U.K.
Malaysia	53,884	Australia, U.K., U.S.
Thailand	26,233	U.S., U.K., Australia
Philippines	11,748	U.S., U.K., Australia
Indonesia	34,067	Australia, Malaysia, U.S.
Vietnam	47,979	U.S., Australia, France
Total	**193,941**	

Source: UNESCO Institute for Statistics

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3   Gratton Institute (2012). *Catching up – Learning from the best school systems in East Asia.*

4   McKinsey Global Institute (2005). *The emerging global labour market, Part 2 – The supply of offshore talent in services.*

5   Ministry of Manpower (2011). *Employer Supported Training 2010.*

Developing Leadership Bench Strength

Consistently, and with ever-increasing urgency, the call for more and better leaders in the Southeast Asian region is heard. Study after study comes to a similar conclusion: There are simply not enough seasoned middle managers and executive leaders on the bench, ready to go. And they cannot be developed fast enough. Furthermore, the majority of organisations lack confidence in their existing talent management and leadership development programmes to deliver outcomes that commensurate with the investment made in them.[6]

There are simply not enough seasoned executives and middle managers on the bench and ready to go.

That said, every contributing organisation to our study had multi-layered leadership development strategies and programmes in place. Many leveraged the capabilities of their leadership centres of excellence (COE), often located at their global or regional headquarters. Popular and frequently cited leadership development initiatives included the following:

- Attendance at global leadership immersion programmes for senior and executive talent
- Regionally-based corporate universities and leadership academies with on-premise campuses and custom-built, professionally delivered programmes
- Virtual campuses delivering leadership development content online
- Associations with leading universities and business schools in the region and around the world to develop joint curricula and/or provide global best-practices leadership programmes

The challenge in accelerating the development of leaders is the high standard required in order to deal with the challenges presented by the exponential growth and speed of change in the region. Research by the Centre for Creative leadership and The Human Capital Leadership Institute has identified 5 critical capabilities in the profile of an effective leader in Asia:[7]

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6   Deloitte (2012). *Talent Edge 2020 – Redrafting talent strategies for the uneven economy.*

7   Center for Creative Leadership & Human Capital Leadership Institute (2012). *Developing top leaders for a globalised Asia – Lessons from best practice organisations in Singapore.*

- People developer
- Relationship builder
- Strategic enabler
- Nimble adapter
- Constant learner

These capabilities highlight the multi-faceted skill set that effective leaders require: from sophisticated interpersonal skills to advanced business acumen, the ability to grasp and lead through change, and a continuous need to learn and adapt.

Conclusions from our own study have identified 9 essential dimensions that MNCs seek for their leaders to master (please refer to Chapter 5). Leadership in Asia requires a sophisticated balance of all the intelligences: intellectual, emotional, social and cultural. In most cases, these require years of development, multiple and varied experiences and the ability to reflect, learn and continuously adapt. Not surprising then, good leaders are difficult to find and hard to develop.

Accelerating High-potential Career Paths

Southeast Asia is bubbling with potential – in its economic outlook and in its people. Realising this potential – fully enough and quickly enough – is the challenge to confront. The youthful workforce is also highly ambitious and impatient to learn, grow and progress. In fact, they are frequently criticised for expecting progression beyond the maturity of their capabilities, especially in the junior and middle management ranks. One contributor noted, "High potential employees want progression but they need significant development in order to achieve it." The younger generations of employees frustrated by slow career progression resort to switching employers frequently to accelerate their promotion to the next level.

Fortunately, amongst the most important drivers for both attracting and retaining new-generation employees is the opportunity to develop new and advanced

High potential employees want progression but they need significant development in order to achieve it.

skills. Learning tied directly to accelerated career opportunities and provided through corporate training and development programmes, respected mentors and managers, in a supportive and trusting environment, were identified as amongst the highest motivational factors for this demographic.[8]

The definition of high-potential employees for MNCs in Asia invariably includes developing a *global mindset*. This attribute was frequently cited as differentiating those who could take on regional leadership responsibilities from those who could not. The career paths of high-potential employees seeking to develop a global mindset by necessity require broad-based experience in a variety of international settings. Not surprisingly, high-potential development programmes offered by MNCs in Southeast Asia frequently include international exposure through offshore training, secondments and cross-country projects.

Retaining Top Talent

There are numerous factors impacting talent retention in MNCs in Southeast Asia, as addressed in Chapter 10. One specific factor worth mentioning here is the use of organisational development initiatives to keep top talent engaged. This is not the domain of the younger generations alone. Senior leaders, executives and technical specialists are all seeking to keep their skills and knowledge fresh and relevant through continuous learning opportunities, whether they be on the job, through formal development programmes, or lateral and international assignments.

Developing the Talent of Southeast Asia

Should the 70/20/10 Rule be 50/30/20?

After billions of dollars invested over many decades on formal training programmes, current thinking has it that the most effective combination of workplace

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8   Talentsmoothie (2008). *Generation Y – Comparison between Asia and the rest of the world.*

Schneider Electric

Leadership Development Underpins Business Transformation

Schneider Electric has 177 years of rich experience in engineering that has thrived on the strength of technical product leadership. "Today, what our customers demand is changing, they want more than a single product – they expect us to solve complex problems with integrated solutions and that is demanding a different mindset and different capabilities from our people," says Shalini Bhateja, Director Talent Management APAC & Middle East.

Schneider Electric is looking to its leadership ranks to drive this transformation. "We have always invested in the development our people, but recently we have made substantial changes to our approach." Today, participants on Schneider Electric's global leadership programmes can expect to encounter a diverse group of their peers – senior executives are intermingled with high potentials and rising stars on programmes that begin with immersion in world-class leadership content. They form small cross-functional teams to work on 9-month business projects that are presented to the executive committee.

Regional and country-based leadership programmes address local content requirements such as business acumen, provide external coaching and work on local business projects. In the East Asia Zone, a specific programme has been developed targeted at developing business acumen in high potentials with a blended learning approach that includes training, projects and coaching. "We were a company of engineers," says Shalini, herself an electrical engineer, "so we have a natural bent toward technical expertise. We have an energy university developing a technical curriculum, but our leadership programmes look to developing broader business excellence and people management skills."

Schneider Electric runs an internal Talent Health Index that frequently evaluates its leadership pipeline, succession and mobility plans. "We are on a transformational journey into a digitised, solution-oriented era, and our focus is to bring our current and future leaders on that journey."

learning is captured in the 70/20/10 Rule, that is, 70% of learning occurs on the job through daily experience and feedback; 20% occurs through observing others and networking; and 10% can be attributed to traditional methods such as classroom training. This rule, in fact, simply reflects how the human brain actually learns – mostly through direct personal interaction with the world, some through social mechanisms and a little by studying specific content. The former 2 methods are considered informal learning, the latter formal.

Learning about learning has transformed how many organisations are thinking about talent development. Learning & Development departments that once allocated the majority of their annual budgets toward formal training programmes are now thinking much more laterally and supporting methods that support informal learning. There is no question that informal learning works and should represent the majority of workplace development initiatives. The question is: How can learning be optimised in Southeast Asia?

High growth, as a descriptor for the emerging markets, refers not only to economic indicators but also to the human-capital capabilities required in order for these nations to reach their economic potential. Everywhere in Southeast Asia, MNCs are not just trying to develop their talent but are trying to do it at breakneck speeds. The buzz is all about **accelerated** development because the traditional learning trajectory in organisations is simply too slow.

The Western world has had a steady flow of highly educated talent joining its workforces for many decades. A typical corporate career might begin with graduates joining an organisation in their early twenties, acquiring knowledge and experience and moving through junior- and middle-management ranks in their thirties, and to senior management and executive positions in their forties and fifties. One contributor to our study noted, "In Southeast Asia, we don't have the 20 or 30 years it took to develop the current batch of CEOs." They are needed now and in the next 5 to 10 years.

In Southeast Asia we don't have the 20 or 30 years it took to develop the current batch of CEOs.

To speed up the outcome, the 70/20/10 Rule could be adjusted in the Southeast Asian context.

- 70% on-the-job learning is ultimately effective but it can be inefficient. Inherently, it assumes that an individual is receiving on-the-job exposure to all the experiences necessary to master the skills required. This may take considerable time and varies substantially from one individual and another. It also assumes that the employee has a baseline of knowledge high enough for further knowledge accrual to be beneficial. This may not be a reliable assumption, especially in leadership and technical roles.

  An adjustment down to 50% may be more realistic.

- 20% observation and learning through others may fall short of what social learning can contribute to the acceleration of development in Southeast Asia. Skilled peers and trained mentors can play a greater role in sharing experience and wisdom, building confidence, strengthening knowledge networks and clearing learning obstacles for emerging talent. This is consistent with the objectives of most MNCs in the region, who are actively seeking to transfer skills and knowledge from expatriates to locals. More structured mentoring and coaching relationships can provide more definitive outcomes within shorter timeframes.

  An adjustment up to 30% may increase effectiveness.

- 10% formal training simply may not be enough to bridge the actual knowledge gap for Southeast Asian talent. Content knowledge acquisition is the domain of formal training but this does not necessarily require a classroom delivery format. Online interactive programmes are now readily available through MNCs' own learning management systems, universities, business schools and corporate educators. Engaging content that can be accessed 24/7 in digestible portions is there, but receives relatively low utilisation. E-books, audio books and video

multiply the methods by which new knowledge can be acquired.

An adjustment up to 20% may improve baseline knowledge.

There is no secret mix of learning methods that will deliver an optimum result. The unique challenges of learners in Southeast Asia should be factored into the development equation and Western approaches adapted to suit these regional needs.

Fast-track high-potential programmes

How do you accelerate development to the level required in Southeast Asia? One method popular in the region is simply to **start earlier**. Most MNCs are actively sourcing *bright young things* directly from university campuses, many well before their tertiary qualifications have been completed. Once recruited, these high-potential employees are quickly immersed in fast-track programmes designed to leapfrog them into leadership positions within 5 to 8 years.

Accelerated programmes are popular with participants, particularly the ambitious younger cohort who are hungry for career progression. Development that aligns with advancement and promotions gets the attention of young talent and reinforces retention.

A mixture of formal and informal development is typical of fast-track programmes and differs from mainstream employee development programmes in that they are more structured and occur at an accelerated pace. A fast-track programme in the region may include a combination of e-learning, rotational assignments, corporate projects, learning communities, peer coaching, mentoring and just-in-time training. Frequent assessment and feedback channels are essential to track the progress of individuals, identify future leaders and adapt the programme.

Corporate universities and academies

According to the Global Council of Corporate Universities (GCCU), there are more than 4,000 corporate universi-

One method popular in the region is simply to start earlier.

SONY

Work, Life and Learning at Sony

"We are building a culture of trust and empowerment," says Paul Ong, General Manager HR, Sony Southeast Asia, "so we want our employees to feel a connection between themselves, their families, the community and the company." Sony recognises that employees value balancing their personal and professional lives and has put in place a series of initiatives to support this.

"We start by making the workplace more like home with comfortable staff lounges where employees can sit and have discussions with colleagues over coffee," says Ong. The hallmark of Sony's employee welfare programmes is FRCSH (pronounced *fresh*), which combines a multitude of initiatives that support holistic well-being. "The acronym stands for Family, Recreation, Community, Sport & Health and we have regular activities in each category," notes Ong. "Team sports are especially popular, like basketball and football, and of course our photography club is a winner."

Each year, there are community outreach activities where employees can donate gifts to the needy or be involved with children in educational activities, as well as participate in health and family activities. A by-product of valuing work/life balance is being able to attract top young talent. Another magnet for such talent is excellence in learning initiatives. 2012 saw the opening of Sony University (Singapore Campus), Sony's first leadership education campus outside of Japan for the development of global leadership talent. "High-potential employees are selected from Asia to attend Sony University where programmes build leadership capabilities from emerging through to senior leadership levels," says Ong.

Sony's approach to work, life and learning has dropped turnover rates to single-digit levels and contributed to employee engagement levels in excess of 80%. Perhaps not surprisingly, Sony has been recognised for work, life and talent management excellence, receiving more than 8 prestigious industry awards in the past 3 years.

CASE STUDY

ties and academies around the world and this figure has doubled in the last decade.[9] This concept dates back to the 1950s when General Electric and General Motors were amongst the trailblazers in this space. Strong momentum was gained in the 1990s and more and more large organisations are making this investment.

Corporate universities differ from *academic universities* in that they are sponsored and owned by a corporation and strategically aligned to that organisation's need for learning, knowledge transfer and innovation. Corporate universities differ from *corporate training departments* in that they are proactive in knowledge creation and innovation, and focused on the organisation's future and the individual; it is not just a disseminator of existing knowledge and focused primarily on the individual. In today's knowledge-based world, corporate universities have a strategic role to play in addressing the knowledge needs of companies, countries and economic regions.[10]

In Asia, substantial investments have been made by MNCs in universities that are corporate owned and managed. Infosys and Cognizant are amongst many well-known for their dedicated academies in India, whilst MNCs including Motorola, HP, Lenovo and Ericsson all fund their own educational centres in China. In Southeast Asia, Sony, Unilever, Singapore Airlines and Meralco are amongst a growing group of companies committed to learning institutions in the region.

The investment in corporate universities is a clear recognition of the important role MNCs play in building the local talent pool and accelerating the development of leaders and technical excellence in a variety of industry sectors.

Gamified learning

Emerging on the corporate learning and development landscape is gamification: the use of interactive games to drive participation and transfer learning content. Playing

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9   Cited in *The Telegraph*, India (2010). Learning on the job.

10 Rademakers, M. (2005). Corporate universities – driving force of knowledge innovation. *Journal of Workplace Learning*.

games to learn taps into many powerful aspects of the human psyche, such as the need for first-hand experiential involvement, immediate feedback, fun, colourful and challenging formats, and the ability to compete, compare performance and earn rewards. In the West, it has been particularly popular with the younger generation, whose upbringing most likely involved computer-based games providing mental stimulation, instant gratification and an online social community. In Southeast Asia, access and affordability to the technology housing such games has been more recent phenomenon.

Why do games work? In Chapter 8, we discussed insights from the field of neuroscience related to workplace performance. Brain research also provide insights into how we learn. Games can and do play an important role in learning. Whilst some dismiss them as either too competitive or too frivolous, games apply concepts that are highly valued in the workplace, including having a goal, applying rules and scoring performance. What sets games apart from standard workplace practices is the immediacy of feedback, a highly visual experience and the opportunity to have fun.[11]

Some games are completely skill-based and reward players for logically working through to a correct outcome. But many games involve an element of chance in which players take a risk at some random outcomes. Neuroscience studies provide evidence that a level of risk-taking in games is motivational, releasing more of the reward chemical dopamine into the brain and increasing excitement and satisfaction.[12]

Well established in the consumer market, gamification is still in its infancy in the corporate context, although internal-facing enterprise application for the purposes of training, innovation management, collaboration and performance management is the fastest growing market segment.[13]

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11   Lee, K. (2012). *Why gamification is really powerful.* Stanford Graduate School of Business.

12   Robinson, S. (2012). Taking a chance: Introducing uncertainty into learning games. *Proceedings of the Academy of Educational Leadership, 17*(2).

13   Gartner (2013). *Hype cycle for emerging technologies 2013.*

In Southeast Asia, corporate uptake is currently low – none of the contributors to our study were actively using gaming technology in their development programmes. That said, the high uptake of social and gaming software in the Asian consumer market should be taken under consideration. This poses a distinct possibility for organisations to differentiate as well as to assist them to achieve their talent development objectives.

Return on Development Investment

Whilst few would dispute the necessity to train and develop employees, MNCs are often challenged to justify the level of investment made. For employers of large workforces, spending on training and development is in the millions, and tens of millions is not uncommon. As training is an organisational investment, it should be evaluated in line with other investments and calculating a return on investment is imperative.

Whilst most Learning & Development functions now appreciate this approach and agree on its importance, there is still a high degree of confusion about how to measure the effectiveness of training and development in dollar terms. At a basic level, return on investment involves two figures: the cost of the intervention and the benefit derived. The former is easily quantified by the hard costs and time or productivity foregone during the training. The latter is not so, because high levels of variability, discrepancy and subjectivity are often occur.

The benefits attributed to training and development programmes often rely on participant feedback as their primary data source. This often has the effect of over-inflating the benefit and can rarely be tied to concrete measures of performance or business improvement. One alternative is to use pre- and post-training assessments to provide quantifiable data that can also be used to tailor interventions, identify high performers and create business impact statements.[14]

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14 Hiraoka, C. H. (2008). *Influence of pre and post testing on return on investment calculations in training and development.* UNT Digital Library.

Whatever methods are implemented, capturing and tracking the returns on development investments are critical to retain executive support and ensure development outcomes are achieved for the benefit of the organisation.

Best, Right and Fresh Practices

Developing talent in Southeast Asia is one of the most important contributions of talent management. Improving the capabilities of each organisation's existing talent improves the overall stock of human-capital assets in the region.

Summarised here are some of these practices that should be considered by MNCs to optimise an effective talent development strategy for their Southeast Asian operations.

Global best practices

Training and development represents a substantial financial and human resource investment by organisations and has been criticised for questionable returns. Consequently, best-practice organisations ensure that there is **strategic alignment** between the knowledge and skills capabilities required by the business and the associated investment. This is achieved by a thorough needs analysis that is driven by the business plan and an objective assessment of the capability gaps that need to be filled. Best practices require that **return on investment** be measured effectively and guides future development spending.

The emergence of **corporate academies** and universities reflects a closer collaboration between the professional and academic sectors and also ensures that the learning curriculum directly serves the needs of the corporate sponsor. However, most organisations realise that the bulk of adult learning happens in real time and on the job. As a result, Learning & Development practitioners focus on the **70/20/10 rule**, which directs the organisation's efforts and resources toward supporting action-based learning. This is augmented with peer support, coaching and mentoring, and the

role of formal training is kept to a minimum.

Leading organisations will have a **learning manage-ment system** that supports learning needs and is accessible to employees where and when required. Learning management systems enable the automa-tion of learning-administration functions as well as store and make available volumes of learning content, which organisations can leverage for their employees around the world.

Regional right practices

For MNCs, the learning needs of employees around the world varies. In Southeast Asia, specific gaps have been identified in certain technical skills, but business acumen, managerial and leadership development is also a critical need. **Glocalised content** ensures that the learning and development content available to employees matches the local learning needs. This may require adaptations to existing content, such as localised case studies and language, or it may require additional content to be created.

The prevalence and popularity of social applications and mobile devices in the region lends itself to **social learning management systems**. These platforms lever-age social media and collaboration tools so that learn-ers can readily share and interact, making the learning experience more engaging and effective.

The 70/20/10 Rule can be adapted in Southeast Asia to better reflect the development needs of the local population. We suggest a **50/30/20 guideline** be considered to adjust the emphasis on different learn-ing methods in line with the needs of local learners.

Fresh practices

Learning by doing and playing are fundamental to the human experience. **Gamified learning** can reinvigorate old and create new content as well as add interactive dimensions that tap into the brain's novelty and reward mechanisms. It also lends itself to social and mobile technologies, aligning gamification to the preferred engagement profile of Southeast Asian employees.

AON Hewitt

Cracking the Talent Management Code

1. Organisational Talent is a long-term proposition.

Whilst each organisation claims to have some kind of talent management process, many have struggled to define *who should they call talent*. Does having talent mean coming from a preferred education background? Is it a privilege you earn by performing well in your current job? Or is it a demonstration of unique skills?

The first thing an organisation must get right is **what is talent in their business context**, as what follows is a long-term commitment to nurture that talent. Robust selection criteria are highly recommended and these must be aligned to what the organisation wants to achieve. Having done that, organisations must take a long-term view of the talent group. Whilst expectations of performance remain high, emerging talent needs to be supported unconditionally. They need to be provided an environment in which it is safe to fail.

One organisation in the media industry in Southeast Asia takes a thorough approach to identifying its top talent. To begin with, a proven performance record for at least 2 years is a prerequisite. Then a robust assessment through an independent third party is undertaken and results are compared with external benchmarks. Finally, 360-degree feedback must show exceptional leadership potential.

Given the extremely dynamic and volatile market environment, the definition of talent will need to keep pace. The skills and capabilities that defined talent in the past are not the same as will be required in the future. Organisations and their leaders must continually question what is changing, what skills will be required and which roles and career tracks will hold them in good stead in the future. The answers to these questions should define what talent is.

2. Talent is not a static construct.

Having a talent group in your organisation in only the first step, albeit an important one. Most organisations get too exhausted by their efforts in this first step to continue nurturing talent effectively. Talent needs development and harnessing, just like any other organism that has potential to grow.

The core contribution of talent management is developing talented individuals to improve their capacity for business impact.

INDUSTRY PERSPECTIVE

INDUSTRY PERSPECTIVE

Following the classic 70-20-10 Rule, cross-functional rotations and challenging new experiences that move people out of their comfort zones have proved to be the most effective techniques for the development of talent. Talent should also be moved around the organisation to ensure that adequate exposure to mission-critical business functions and senior leaders occurs. Of course, this must be aligned with the individual's personal career aspirations as well as his or her aptitude. So the key is to have an unrelenting focus on improving **ability** and aligning it with **aptitude** and **aspiration**.

Even the best talents need to constantly refresh their skills and success in today's environment, as it requires more and more complex capabilities. Talented employees also need to take personal responsibility for ongoing self-development to complement organisational development initiatives.

3. Retention of talent is important, but engagement is critical.

An organisation's talent will eventually leave. Core to what organisations expect from their leaders is to keep talent motivated and excited about the organisation and its future. Organisations should track separately what drives engagement of this group compared to other employees and ensure that they create an environment in which talented individuals can deliver their best work – every day, day after day. Those in the talent group are expected to be organisational ambassadors and inspire excitement and passion in others. During its transformation journey, a bank in Southeast Asia made a concerted effort to understand the core personal values of their talent group in order to craft the desired core values of the organisation.

What once engaged and motivated talent has now shifted. The new demographic of key talent aspires to different goals. Managers and leaders are challenged to keep pace with the struggle for relevance and *stickiness* of their organisational environment for the talent they need to keep. Constant experimentation will continue as organisations grapple to find what works.

Whilst you can have the world's most thought-through and well-crafted talent management strategy, it will not deliver the required talent outcomes without a broad view and programmes for developing capacity at all levels and cadres. Organisations should look at each employee as a potential talent. Each employee must feel that he or she has an opportunity to become a *talent* and that the door to this coveted group is always open.

Kulshaan Singh
Senior Client Partner, Southeast Asia

GLOBAL **BEST** PRACTICES

STRATEGIC ALIGNMENT
Training and development needs are directly linked to business needs and have executive buy-in.

LEARNING MANAGEMENT SYSTEM
Automated administration, content and tracking of training and development.

CORPORATE ACADEMY
Customised programmes designed and implemented to world-class standards.

70/20/10 RULE
Experiential learning is augmented with coaching and mentoring and formal training is minimised.

ROI MEASURES
Return on development investment can be demonstrated and informs L&D decision-making.

REGIONAL **RIGHT** PRACTICES

GLOCALISED CONTENT
Balance between global and local development needs.

50/30/20 GUIDE
Approach to development reflects the needs of the local workforce demographic.

SOCIAL LMS (SLMS)
Online interaction and social networking before, during and after learning.

REGIONAL **FRESH** PRACTICES

GAMIFIED LEARNING
Gaming technology transforms training design and delivery.

TALENTED
Southeast Asia

Chapter 10

Talent Retention and Engagement

Employee engagement
is an investment we
make for the privilege
of future proofing our
organisation's productivity
and performance.

– Ian Hutchinson
Chief Engagement Officer, LifeByDesign
Author, *People Glue*

Money
Performance
Satisfaction Leadership
Productivity Employee
Connection Teamwork
Continuity Progression
Flexibility
Brand Social
Turnover

Key Points

Employee **turnover rates are increasing** around the world and retention is critical for business continuity and productivity.

In Southeast Asia, the organisational elements that matter to employees and increase their intention to stay are **money, progression, brand, leadership and flexibility**.

Employee **engagement is an outcome** of effective organisational talent management practices and results when employees feel connected to the organisation, its people and their work.

Great workplaces recognise that **employee-centricity** underpins customer satisfaction and business performance.

The **social connection** between employees and their managers and colleagues cannot be underestimated and represents a primal force of human nature.

Challenging work is engaging in Southeast Asia so long as it is tempered by teamwork and group cohesion.

MNCs in Southeast Asia will benefit from combining **global best practices** in talent retention and engagement with regional **right practices** and suggested **fresh practices**.

The Talent Retention Imperative

Everyone attests to human capital being a highly valuable asset in which organisations make significant investments in acquiring and developing. Not surprisingly then, losing top talent is painful – it depletes the organisation's stock of this asset and often has extended ramifications on team morale, customer relationships and depth of critical technical expertise.

84% of contributors to our study believed **talent retention** to be business critical to their operations. In a minority of cases, high levels of corporate loyalty and tenure were cultural pillars, notably in some Japanese- and German-headquartered MNCs. In these cases, turnover rates were well below industry averages and retention seen as a lower priority. For the majority, the talent retention imperative was a key element and less than one-third of contributors felt that their talent retention strategies were adequate. Consequently, 62% said that they had significant resources and initiatives assigned to achieving this end and 1 in 10 believed they had insufficient responses to *stop the bleeding* of talent from their organisations.

TALENT RETENTION

IMPORTANCE

Business Critical	High importance	Low importance
84%	**14%**	**2%**

EFFECTIVENESS

Currently optimal	Work in progress	Far from effective
29%	**62%**	**9%**

DEFINITIONS

Business critical	Directly impacts the ability of the organisation to deliver on strategic and operational goals.
High importance	A key priority for HR that is aligned to business success and may become critical if uncontrolled.
Low importance	Not currently directly impacting business success; nice to have but not essential.
Currently optimal	Our current approaches have us where we need to be on this dimension.
Work in progress	We are falling short of where we need to be but have plans in place over the next 12 months.
Far from effective	We are aware that we lag on this dimension and need to implement substantial changes to our current approach.

Employee turnover around the world is on the rise. Slow but steady economic recovery in the U.S. and Europe and ongoing growth in the emerging regions is fuelling more optimism and certainty, and creating conditions conducive to change. Employees in the advanced markets are seeing more employment options and are more disposed to pursue them. The average turnover rate around the world between 2013 and 2018 is expected to be 23% (Asia-Pacific, 24%; Latin America, 25%; North America, 23%; and Europe, 18%).[1]

Unplanned turnover is disruptive, expensive and diverts organisational resources from productive endeavours. Whilst some level of turnover is essential to bring fresh ideas and approaches into workplaces, excessive and unrelenting turnover is hazardous to an organisation's health.

What Works to Retain Talent?

Determining the root cause of turnover and addressing it with targeted retention initiatives is easier than it sounds. In reality, multiple factors impact on an employee's intention to stay or decision to leave. Some of these factors are intrinsic, individually driven and difficult to influence. Others are extrinsic, organisationally driven and easier to influence. There is no silver bullet when it comes to constructing a retention strategy that works. There is, however, a menu of possible approaches that can be mixed and matched to construct a unique organisational response.

There is no silver bullet when it comes to constructing a retention strategy that works.

Much attention centres on individual factors that impact the intention to stay, such as job satisfaction, job prospects and relationships with colleagues and managers. A detailed study of MNCs in Southeast Asia, however, has found that organisational factors, such as company size, length of operation in-country, expatriate mix and training, are 3 times more effective at explaining turnover variance.[2] Larger organisations

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1   Hay Group (2013). *Preparing for take off.*

2   Zheng & Lammond (2010). Organisational determinants of employee turnover for multinational companies in Asia. *Asia Pacific Journal of Management.*

with longer track records and presence in the market have better retention rates than those that do not. Fewer expatriates also correlates with higher retention, highlighting possible cross-cultural management challenges. Interestingly, higher training expenditure has a negative correlation with retention, that is, more training tends to result in higher turnover, possibly explained by the increased marketability of the more highly skilled employees that training produces.

The good news is that organisational influences on talent retention appear to be more significant and more impactful than previously thought. This means that the levers controlling top talent turnover can be in the control of the organisation through its HR policies and practices.

What really matters when it comes to intention to stay?

Money matters

Critics of hygiene motivators downplay money as a driver of employee behaviour in favour of self-actualising goals such as professional development and career opportunities. But make no mistake: in Southeast Asia, money matters. Labour rates in Asia, whilst rising, are still substantially lower than those in the West. Consequently, most employees in the region are coming off a low base and keen to improve their take-home pay.

Wage growth, fuelled by local inflation rates and economic growth, have seen consistent year-on-year salary growth across the ASEAN 6. In 2013, projected increases in the region averaged 7.4%, with Vietnam at 12.0%, Indonesia at 9.7%, the Philippines at 7.0%, Thailand at 6.0%, Malaysia at 5.5% and Singapore at 4.5%.[3]

Money is certainly a primary factor when Southeast Asian employees respond to surveys about why they leave employers. A **better job**, **better pay** and **more flexibility** are often the initial responses to this question, with greater career opportunities following on reflection. A strong emphasis on money also makes this factor a

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3   Towers Watson (2012). *Workforce trends in Asia Pacific.*

poacher's market – it is easier to throw money at the problem than to do the hard yards of organically building a talent pool.

Apart from a skyrocketing payroll, there is another big caveat on financial incentives as a retention device. As a hygiene motivational factor, money has only its face value to offer. Once attained, it is quickly taken for granted and fails to have any ongoing motivational effect. What attracts talent does not necessarily retain it, so on its own, money rarely satisfies for long.

The critical point here is that employees in Southeast Asia expect competitive remuneration with salary, bonus and incentive components and will leave for relatively low increases offered elsewhere. But in most cases this will not be enough – at least one or more additional components are necessary to have the desired retention effect.

Progression matters

Having a clear line of sight to career progression in the form of promotions and advancement opportunities ranked number one in a recent global survey across the generations in defining the factors which are most important in terms of retention. 64% of Generation X, 41% of Generation Y and 50% of baby boomer employees stated career progression as the most influential criterion in their decision to stay with an employer.[4]

Competitive remuneration attracts in the short term – promotions and advancement guarantee higher earning potential in the medium and longer term, as well as realising career aspirations. Combined, remuneration and progression allow employees to achieve the financial goals that they have in their workforce participation.

80% of employees had left a previous employer due to lack of career opportunities.

A survey of employees in Asia, including the ASEAN 6, has found that over 80% of employees either **had** left an employer due to lack of career opportunities or **would** leave their current employer if insufficient

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4   *Deloitte Review* (2012). The talent paradox – Critical skills, recession and the illusion of plentitude.

career opportunities were available. Whilst next-level promotions are a natural progression step, many employees are also drawn to lateral moves that involve international secondments or challenging projects in different business units. 66% of employees said that they would leave if advancement would not be available within a 2-year period.[5]

Brand matters

What is in a name? Quite a lot. Whether it is jewellery, jeans or jobs, Southeast Asians are highly influenced by who you are. Rightly or wrongly, big brands carry a big perception bonus: stronger, richer, safer and with more to offer their employees. This has always been an advantage for MNCs in emerging markets, where the weight and prestige of a global brand may well exceed the actual size and depth of their local presence.

This remains true today but the competition amongst the big brands for talent is decidedly stronger. Firstly, there are many more Western MNCs established in Southeast Asia today than there were a decade ago, and the allure of growth in the region is drawing in more each year. Secondly, Eastern MNCs are a growing force, with more than 100 of the Forbes 500 now with Eastern origins. Eastern MNCs are highly attractive to local top talent: They are headquartered in Asia and are perceived to be more culturally aligned, have local decision-making power and executive leadership, and can match or exceed the career and international mobility opportunities offered by Western MNCs.

Whether it is jewellery, jeans or jobs, Southeast Asians are highly influenced by who you are.

Leadership matters

It is well understood that *employees join organisations and leave managers* – the role of leadership in engaging and retaining talent is indisputable. There are many facets of leadership that employees experience and assess in their internal evaluation of what makes a good versus a poor manager – like their ability to set clear goals and direction, build collaborative and high-performing teams, provide clear constructive

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5   Robert Walters FocusAsia (2013). *Using career progression to recruit the best professionals.*

feedback and support, and encourage development and career progression. Some of these factors relate to work tasks and outcomes whilst others relate to how the leader connects with individuals and the team. Not all managers are equally effective across this broad spectrum of responsibilities.

In Southeast Asia, employees expect leaders to be trustworthy, knowledgeable, influential and caring. With the Eastern predisposition toward unquestioned acceptance of leadership authority and a desire for clarity and certainty, leaders are expected to be decisive, instructional and supportive. MNCs in the region may have heightened leadership challenges. With a mixed cohort of Western and Eastern leaders on board, leadership and communication styles are likely to vary considerably, creating possible confusion and disharmony for employees.

Irrespective of style, leaders need to understand their team members' motivations, concerns, needs and aspirations, all of which can be attained through open and frequent dialogue. Whilst managers are often focused on discussing work performance, broader conversations that demonstrate an active interest and commitment to support employees in their personal and professional goals and needs are less common. A **stay interview** is more constructive and satisfying than an **exit interview**, and is likely to uncover issues and ultimately flight risks that may otherwise simmer beneath the surface.

A stay interview is more constructive and satisfying than an exit interview.

Flexibility matters

A flexible approach to work is emerging as one of the most valued factors that employees seek from their workplace and it exists on several levels. Employees seek flexibility in how they do their work, where they do it and how it aligns with their overall need for work-life balance.

Organisations today are much more attuned to workplace flexibility. Most organisations in our study had numerous initiatives in place to provide employees with flexible options. Recent advancements in remote,

mobile and cloud-based technologies are also helping to overcome some of the prior inhibitors to flexible work practices.

Even so, flexibility is highly individual and what some employees deem may give them improved flexibility and/or work-life balance, others do not. One study seeking to evaluate the perceptions of improved work-life balance based on a number of organisational initiatives, including offsite work, flexible work schedules, alternative work arrangements and carers arrangements, yielded mixed results. Whilst most employees found flexible work schedules and alternative work arrangements helpful, offsite work and carer's arrangements were not universally effective but varied, based on individual circumstances.[6] A study of IBM virtual teleworkers, however, did show perceptions of increased productivity, flexibility and work-life balance resulting from remote work practices.

Flexibility is somewhat *in the eye of the beholder* and organisations need a suite of flexible options that can be tailored to unique individual circumstances in order to achieve the benefits and serve as an effective retention tool. Common options include telecommuting, working from home, accrued days off, time in lieu, flexible hours, part-time work, job sharing, carer's facilities and carer's leave.

> Flexibility is somewhat in the eye of the beholder.

Employee Engagement

Engagement as an outcome

How engaged is your workforce? Fast becoming one of **the** most asked questions in organisations around the world, employee engagement is seen to be key to performance, innovation, productivity and business success. Why? Because a direct chain links the employee experience with the customer experience, leading to sales, driving revenue, reputation and overall corporate performance. In a meta-analysis of

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6   Yuile, C., et al. (2012). The role of life friendly policies on employees' work life balance. *Journal of Management and Organisation*.

192 companies in 34 countries and over 1.3 million employee respondents, Gallup was able to correlate engagement with business performance. The results showed that organisations with top quartile engagement results differed from the bottom quartile by as much as 21% in profitability, 22% in productivity, 25% in turnover and 37% in absenteeism.[7]

With its significant power to impact business performance, increasing employee engagement levels is an obvious goal. However, the trends in employee engagement can best be described as lacklustre – globally 60% of employees are engaged, leaving 40% of the average workforce either passively or actively disengaged. Engagement levels are highest in Latin America, at 74%, and lowest in Europe, at 57%. Asia sits on the global average of 60%.[8]

The question is: How can employee engagement be improved? But engagement is neither a skill that can be trained nor a competency that can be developed. You cannot expect it, require it or demand it. Engagement is the result organisations achieve when they get a lot of workplace initiatives right. It is the outcome you achieve when you connect employees both professionally and emotionally with **the organisation**, the **people in it** and the **work they do**.

Engaged with the organisation

What is it that ranked Google, SAS Institute, NetaApp, Microsoft and W.L. Gore & Associates as the top 5 MNC workplaces in 2013? Engaged employees who work in an environment of "trust, pride and camaraderie".[9] We discussed the importance of the corporate brand in Chapter 7 in relation to talent acquisition, and brand power continues to retain a high level of importance throughout the employee life cycle.

With brand comes fact and fiction – MNCs work hard

Engagement is neither a skill that can be trained nor a competency that can be developed.

7   Gallup (2013). *The relationship between engagement at work and organisational outcomes – 2012 Q12 Meta-analysis.*

8   AON Hewitt (2013). *Trends in global engagement.*

9   Great Place to Work Institute (2013). *World's best multinational workplaces.*

to ensure they deliver on their brand promise but once on the *inside*, the employee experience may not exactly mirror expectations. Given the subjective and highly individual nature of expectations, this is not surprising. That said, it is considerably within the control of organisations to communicate an accurate employment brand that presents the organisation's culture and conditions, ostensibly as they are.

The world's best workplaces do this well. Furthermore, they espouse employee-centricity as the pivotal force behind customer satisfaction and, ultimately, business results. An employee-centric organisation recognises that satisfied employees sell products and services better, provide superior customer service and care about each other.

Google prides itself on a culture of "doing cool things that matter" and having "a healthy disregard for the impossible". Employees are empowered to own their projects, innovate and collaborate. The organisation encourages continuous learning and knowledge-sharing in an egalitarian, open and flexible environment.	**Doing cool things that matter**
SAS Institute's philosophy is "if you treat people as if they make a difference, they will make a difference". A culture of trust encourages trying new things in a safe environment. Flexible work practices underpin work-life balance and respect the personal and professional needs of employees.	**Make a Difference**
NetApp promotes a "work hard, play hard" mindset and is renowned for a comprehensive employee-benefits programme, including health, well-being, financial services and work-life balance components. Diversity initiatives, community volunteering and environmental sustainability projects also feature in this workplace.	**Work Hard Play Hard**

Microsoft invites you to "come as you are, do what you love". A strong focus on diversity, inclusion and flexible work arrangements are key to the employment value proposition. Career development and progression across functions and multiple international locations is also on offer.

Come as you are, do what you love

W.L. Gore & Associates matches product innovation with a focus on creative problem-solving and inventiveness. The company encourages employees to challenge, explore, collaborate and grow, and underpins success with a strong set of enduring values.

Challenge, explore, collaborate & grow

It does not go unnoticed that 4 of the top 5 in this list are information-technology organisations with a high representation of younger generation employees in their current and targeted workforce.

Great workplaces go above and beyond. They recognise that the human nature of their employees means they want to have fun in the workplace, relate socially as well as professionally with their colleagues and feel a part of a community-spirited team. Throughout our research, we saw and heard dozens of heart-warming stories of companies that actively engage in creative initiatives in and outside their corporate walls that inspire. The DHL Express and Pandora case studies in this chapter are just 2 of these extraordinary stories that show how organisational goals and employee goals can readily be made one and the same.

Engaged with the people

Our identities are formed by the values lent to us from groups we call our own.

A herd of buffalo, a pride of lions or a pack of wolves. Like every other mammal, humans seek the society of their own kind. This genetic driver is so fundamental to our existence that we literally cannot survive alone. Neuroscientist Matthew Lieberman explains that the human brain is wired to connect with other humans, "We are driven by deep emotions to stay connected

DHL Express merges business and people goals

"Our Strategy 2015 focuses on Motivated People, Great Service Quality, Loyal Customers, and a Profitable Network. It is guided by the triple bottom line of Deutsche Post DHL: Investor of Choice, Employer of Choice, Provider of Choice," says Mateen A., Vice President Human Resources.

DHL Express sees employees not only as a means of achieving the business goals but also as key stakeholders. Engaged employees drive the customer experience, which ultimately drives business performance for investors. Consequently, a culture of employee engagement permeates the DHL workplace – in the office, on the roads and in the skies. "We have formal initiatives, such as town halls, skip-level dialogues, high-potential and high-performer engagement sessions, as well as staff appreciation week. Our flagship Employee of the Year event is one of DHL's most celebrated employee recognition programmes and all award winners are made to feel like they are winning a Hollywood Oscar!

But day to day, what truly matters are the daily and direct interactions our managers have with their teams," says Mateen. "At the start of each day, employees gather face-to-face to discuss the day's activities, customer feedback and even identify sales leads – we call it active leadership." DHL is committed to the development of managers to ensure they have the skills to lead by the organisation's guiding principle – Respect and Results – and provide the coaching and feedback their teams need.

Corporate Responsibility (CR) is firmly embedded in the corporate strategy and is highly valued by DHL employees. "We participate in local community initiatives around the globe and our employees identify specific social programmes they want to actively support," says Mateen. "We are not just in country doing business; we are part of the local community."

CASE STUDY

to friends and family. We are naturally curious about what is going on in the minds of other people. And our identities are formed by the values lent to us from the groups we call our own."[10] Our drive for social connection pervades all aspects of our personal and professional lives.

In the workplace, our most important social connections are with those we work **for** (leaders and managers) and those we work **with** (peers and colleagues). These groups have an enormous effect on whether we feel valued and important, both of which are key to the outcome of engagement.

Regarding leaders, Lieberman cites an interesting study conducted by John Zhenger on the perception of leadership competence and effectiveness. The study showed that employees expect their leaders to demonstrate intelligence, results drive, integrity and change leadership, but employees only evaluate leaders as highly effective if they also demonstrate one core ability: interpersonal skills. Strong social skills underpin all other leadership capabilities and the perception of effectiveness is filtered through them.

"Do you have a best friend at work?" This famous question in the Gallup 12-question (Q12) engagement survey conducted with hundreds of thousands of employees around the world each year cuts to the chase.[11] Amongst questions related to organisational leadership, support and career opportunities, this simple question goes to the heart of people's need to have positive and close social connections in the workplace. We consciously and sub-consciously seek out work environments in which we enjoy interacting with colleagues and peers and this directly affects levels of engagement.

The Southeast Asian psyche is more socially oriented than what is typical in the West, especially in the workplace. Many historical and cultural attributes are

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10 Lieberman, M. D. (2013). *Social – Why our brains are wired to connect*. Oxford University Press.

11 Thackray, J. (2005). Feedback for real. *Gallup Management Journal*.

PANDÖRA

Pandora's 4 C's and a Soap Opera

There's no mistaking where you are when you arrive at the global jewellery icon's manufacturing facility in Gemopolis, Thailand. All 5,000 employees proudly don the distinctive maroon Pandora shirts and the lunchtime scene is a bustling micro metropolis akin to a university campus. But you haven't seen anything yet.

The Pandora team is on a mission to provide women around the world with "a universe of high quality, hand-finished, genuine, modern jewellery at affordable prices" and their culture and people hold they key. "We create the Pandora culture around 4 C's – clarity, competence, confidence and commitment," says John Murphy, Chief Development Officer. "Paramount to our success and continuing growth is that our people are clear about their roles and functions, have the skills and knowledge necessary to perform them, are confident to speak out and innovate, and share the commitment to our values: pride, passion and performance."

But it is the way Pandora lives the culture and values that make you smile. Like Radio Pandora, manned by the company's own employees, trained as DJs, broadcasting music, lifestyle segments and corporate news and events throughout the working facility for 3 hours every day. Or Pandora TV, professionally produced by Pandora employees, screened in the cafeterias and canteens. Employees even write and produce their own soap opera for the Pandora TV screens.

Pandora invests heartily in a broad range of initiatives that develop and nurture the talents of their workforce, so it is hardly surprising that labour turnover is less than 3%. "Organisational cultures develop by design or by default," notes Murphy, "we choose to create the culture that connects our people with our mission and makes every one of them enjoy the journey toward making it happen."

still evident in modern workplaces. For example, the concept of having a *job for life* is not uncommon, especially in MNCs with Eastern origins. Commensurate with this are high levels of loyalty to the organisation and the people in it, and leaving an employer is akin to walking away from family. It is not unusual to have on-site family days and regular social events involving work colleagues and even for organisations to engage directly with the families of employees.

Engaged with their work

So you like a challenge? It turns out that most people do. That is not to say employees want to be in a constant state of flux or out of their comfort zone, but challenging work rates high in the employee engagement stakes. 80 years ago, psychologist Abraham Maslow published his highly popularised *hierarchy of needs* theory of motivation. The model stated that humans are first motivated to meet elementary needs such as basic survival, safety and social belonging. Once met, humans seek the fulfilment of higher-order needs such as self-esteem and achievement and, ultimately, the desire to reach their full potential, which he termed *self-actualisation*. We are motivated to fill more challenging needs with each need that is met.[12]

In collectivist cultures, the emphasis on group harmony and team outcomes may push social belonging needs higher up the hierarchy.

Challenging work certainly pushes people to continuously develop their capabilities and stretch their efforts. That said, high achievement at an individual level may be more closely aligned with Western cultural values. In collective cultures, the emphasis on group harmony and team outcomes may predispose employees to push the needs of social belonging higher up in their hierarchy. Certainly, the Southeast Asian workforce can demonstrate a strong work ethic and commitment to achieving results. However, this needs to be tempered in the context of social connectedness and team equity.

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12   Maslow, A. (1943). A theory of human motivation. *Psychological Review.*

Best, Right and Fresh Practices

Top talent retention is a key performance indicator for HR and business managers. Organisations have steadily become more systematic in their thinking and approaches to curb unwanted employee turnover.

Summarised here are some of these practices that should be considered by MNCs to optimise their retention and engagement strategies for their Southeast Asian operations.

Global best practices

Employees with business critical skills and future leaders need to be clearly and objectively identified. A dynamic, ongoing process to **tag top talent** is an essential first step in a targeted retention programme. This process should be objective, take into consideration both performance and potential, and be calibrated in a continuous review cycle. Best-practice organisations conduct regular **talent reviews**, usually quarterly, to identify ongoing individual development needs, potential successors for critical and leadership roles, flag potential flight risks and build out succession plans.

Individual development plans are actively reviewed and refreshed to align with the individual's aspirations and development needs as well as business objectives and priorities. Organisational initiatives including **engagement surveys** are conducted annually. **Pulse surveys**, conducted more frequently on random sample groups to keep a check on the organisation's health, are also popular. **Rewards and recognition** are merit-based to benefit employees delivering high performance.

Regional right practices

A key feature of retaining top talent in Southeast Asia is the importance of social interaction. Employees befriend their colleagues and value social interdependence. An environment that **humanises** the work experience and creates a family atmosphere serves to retain those connected to it.

This social affiliation transcends the office boundaries and Southeast Asian employees are keen and active participants in external programmes that foster a broader **community spirit**. Supporting charities, lending a helping hand and serving the greater good are powerful initiatives that support talent retention.

A targeted and **localised employment value proposition** is an important consideration, especially for Western MNCs in the region.

Fresh practices

Optimising the use of **mobile** and **social** technology in the workplace connects talent closely to the organisation and can provide the flexibility that many employees value so highly.

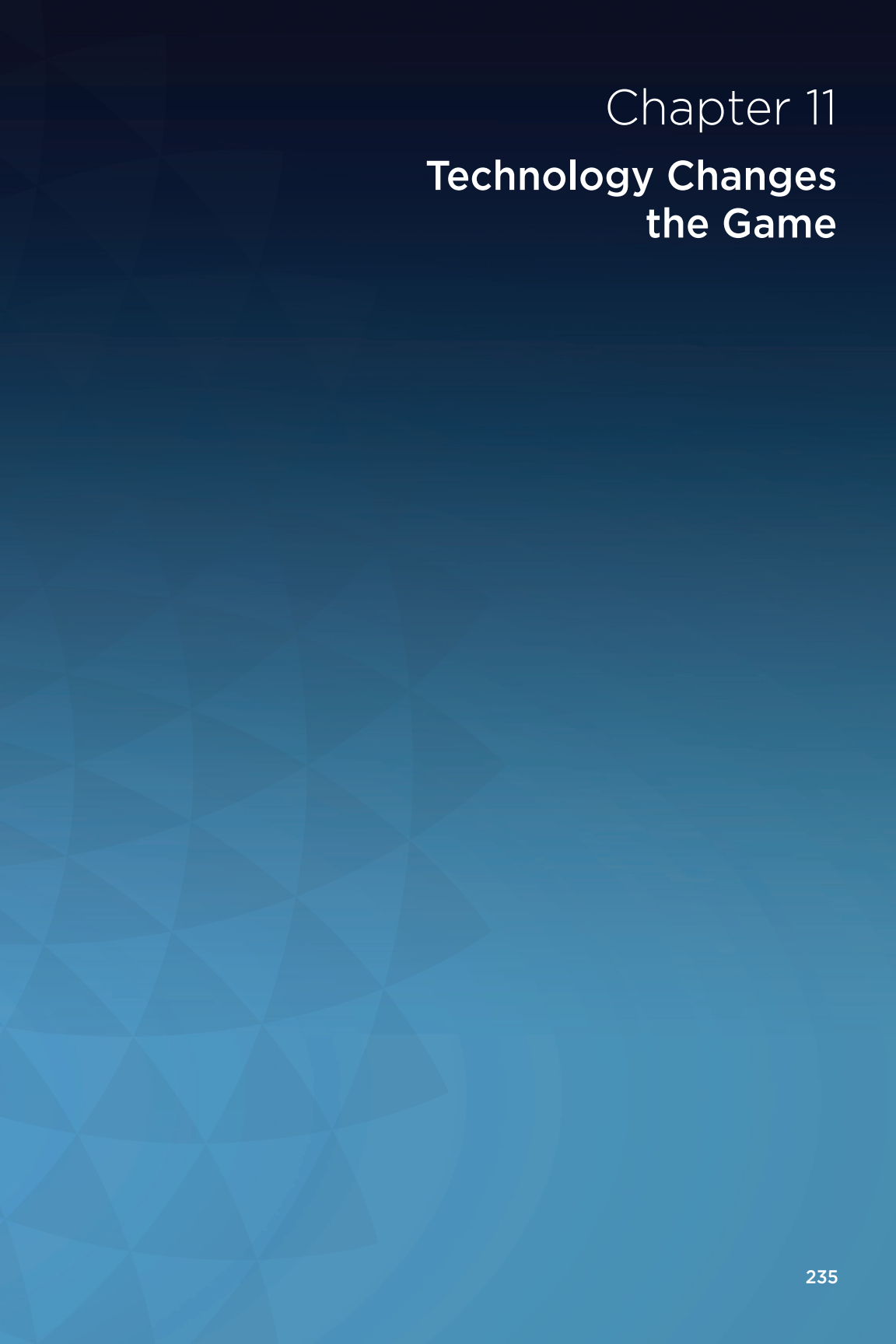| GLOBAL **BEST** PRACTICES	REGIONAL **RIGHT** PRACTICES	REGIONAL **FRESH** PRACTICES
TAG TOP TALENT Have a dynamic process to frequently identify top talent with critical skills and/or high potential.	**HUMANISE WORK** Recognise people's desire for fun and social interaction with their colleagues at work.	**SOCIALISE** Create strong social connections between the organisation and employees' families and communities.
TALENT REVIEWS Conduct frequent reviews to calibrate talent, pinpoint flight risks, update development progress and build succession plans.	**LOCALISED EVP** Create targeted messaging for local market conditions and tap into social media forums.	**MOBILISE** Develop mobile interfaces for all possible work functions to enable greater flexibility and remote access.
INDIVIDUAL DEVELOPMENT PLANS Link personal goals with corporate objectives and focus on developing potential.	**COMMUNITY SPIRIT** Sponsor workplace and CSR initiatives that transcend work responsibilities and reinforce community connections.	
ENGAGEMENT AND PULSE SURVEYS Measure the employee engagement temperature regularly and actively address feedback.		
REWARD Recognise high performers with financial and non-financial rewards.		

TALENTED
Southeast Asia

Chapter 11

Technology Changes the Game

Science and technology revolutionise our lives, but memory, tradition and myth frame our response.

– **Arthur M. Schlesinger**

Social Enterprise Infrastructure
System
Amazon Mobile
Technology Facebook
Smart Phone
Cloud Google
Twitter Tablet
SaaS Software Integrated
Network

Key Points

Despite significant and ongoing investments, few MNCs have the technology infrastructure to fully enable **globally integrated** talent management practices.

Consumer technology applications and mobile devices are impacting the **expectations employees have** of technology in the workplace.

The youthful Southeast Asian workforce is amongst the **most connected social media demographic** in the world.

Mobile devices are the tools of choice and will drive the exponential growth rate of technology uptake in Southeast Asia.

Employers will find it increasingly difficult to attract, engage and retain **younger generations** if technology access or policies are restrictive.

Enterprise talent management technologies are prevalent but **integration between disparate systems is poor**.

HR Analytics are on the radar but effective implementation and usage is some way off.

Integrated talent management processes and systems lag in Southeast Asia despite their accepted importance.

Despite its unquestionable and ongoing impact, technology retains its place as an **enabler of effective talent management**, not a driver.

MNCs in Southeast Asia will benefit from combining **global best practices** in talent retention and engagement with regional **right practices** and suggested **fresh practices**.
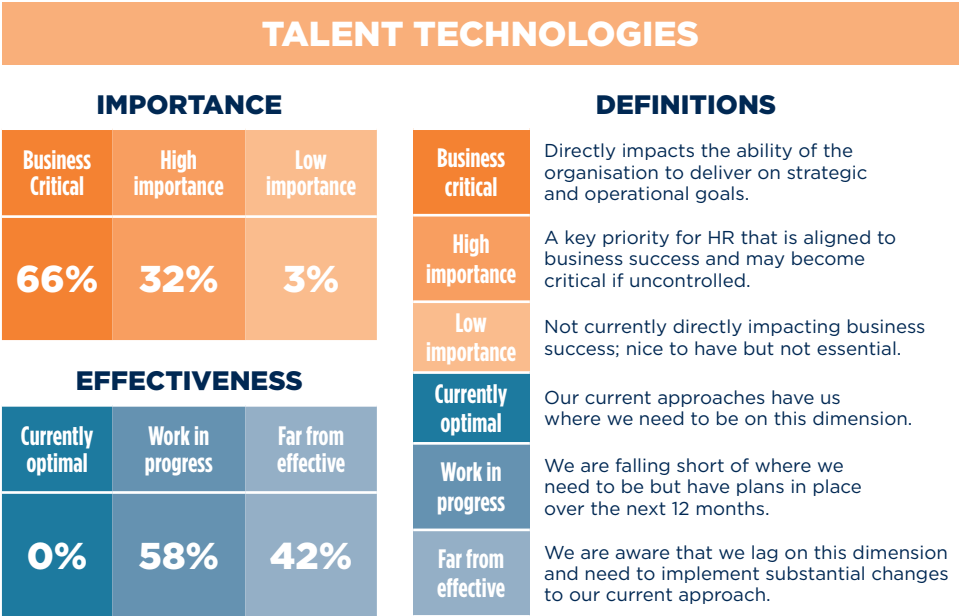
The Great Enabler

Technology is changing the game in every facet of our lives: We shop, bank, read electronic books and digital newspapers, watch streamed TV, communicate with friends and family, play games, organise holidays and navigate our local streets – all online.

Smartphones and tablets have transformed our interactions with and expectations of technology, and provided the access and options we have as technology consumers today. This revolution is spreading to the workplace and profoundly impacting what employees expect from technologies at work.

Any discussion about technology in the workplace today has a two-fold dimension: what enterprise technologies organisations need to run their operations and what consumer technologies employees demand access to as part of their workplace experience.

Enterprise Talent Management Technology

Great strides have been made in the evolution of enterprise talent technologies in the past 2 decades. Custom-designed

TALENT TECHNOLOGIES

IMPORTANCE

Business Critical	High importance	Low importance
66%	32%	3%

EFFECTIVENESS

Currently optimal	Work in progress	Far from effective
0%	58%	42%

DEFINITIONS

Business critical	Directly impacts the ability of the organisation to deliver on strategic and operational goals.
High importance	A key priority for HR that is aligned to business success and may become critical if uncontrolled.
Low importance	Not currently directly impacting business success; nice to have but not essential.
Currently optimal	Our current approaches have us where we need to be on this dimension.
Work in progress	We are falling short of where we need to be but have plans in place over the next 12 months.
Far from effective	We are aware that we lag on this dimension and need to implement substantial changes to our current approach.

proprietary systems are steadily being replaced by robust third-party infrastructure and most organisations have an ERP or HRIS at the core of their workforce management technology. Enhancing these core systems is a wide range of *point solutions* that have evolved. These software applications address specific functions necessary to optimise talent management that may not be available or be functionally restricted in the core HR systems. Point solutions include applicant tracking and recruitment management systems, on-boarding, learning management, performance management and compensation systems, and, more recently, succession, development and career planning systems.

As a result, most MNCs now access a suite of different enterprise talent management technologies. Some are partially or wholly integrated, some are in-house and others provided in the Cloud via software-as-a-service (SaaS). Increasingly, organisations are looking at how new analytics and big data software can be overlaid onto existing technology platforms to mine, analyse and produce meaningful information on talent management and workforce planning.

Every organisation is somewhere on the journey toward enhancing the effectiveness of its technology infrastructure. Improving technology infrastructure ranked in the top 3 priorities for 13% of the organisations in our study. Where it did not rank in the top 3, technology was almost universally cited as an area requiring improvement. Only 3% of the contributors said improving technology was of low importance to their organisation. 66% believed it to be business critical and a further 32% rated it highly important.

66% of organisations believe improving their talent technologies is business critical – a further 32% rate it as highly important.

There remains an enormous divergence in the sophistication of technology accessed by MNCs in Southeast Asia. Some organisations are well progressed with globally integrated systems. Some are in the process of implementing global systems in the region. However, others have minimal or dis-integrated systems, which remain cumbersome or provide limited functionality. Most of the contributors reported the following:

- Having a core HR management system but limited access to best-practice talent management software

- Using a globally implemented recruitment and/or performance management system
- Having limited integration between systems
- Still relying on spreadsheets to manage succession planning and talent reviews
- Only beginning to explore analytics functionality

As a result, not a single organisation in our study was prepared to rate their talent management technologies as **currently optimal**. 58% said that their systems were a **work-in-progress** and they anticipated significant advances over the next 2 years. However, 42% of organisations believed that their technology capabilities to be **far from effective** and unlikely to receive the required upgrades in the coming 2-year period. Talent management technologies received the lowest effectiveness ratings of all aspects of talent management in the study.

Yet MNCs are reviewing their technology investments – their size and geographic dispersion make them primary beneficiaries of the potential benefits. Gartner estimated that organisations globally invested US$3.3 billion in talent management software in 2013.[1] As organisations review their technology options, SaaS platforms – especially – are the subject of growing interest, given their global scalability, ease of upgrades and cost effectiveness. 88% of organisations reviewing their talent management technologies are considering SaaS platforms, with 1 in 3 expected to select this option.[2] Despite the considerable benefits of SaaS, there remain real and perceived challenges regarding data centre location, system security and reliability, and local support capabilities.[3]

Whatever technology platforms organisations implement, they need to address the challenges presented by the *nexus of forces*. Coined by Gartner to describe the transformational impact that 4 forces (cloud, social,

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1 Gartner (2013). *Competitive landscape: New opportunities and imperatives shape the talent management software market.*
2 Towers Watson (2013). *HR Service Delivery and Technology Survey Report.*
3 Gartner (2012). *Key considerations for selecting Cloud providers for enterprise requirements in Asia/Pacific.*

mobile and big data) are having on the IT landscape,[4] this is possibly the critical factor that will drive organisations to overhaul their talent management technologies. The exploding popularity and heightened expectation levels around the use of social and mobile capabilities is becoming increasingly evident in enterprise technology strategies. Forecasts show that social learning, recruiting and employee recognition capabilities are amongst the hottest new technology capabilities being sought.[5]

Consumer Technologies and the Workplace

Meanwhile, the growth trajectory and predictions for consumer technology usage in Southeast Asia are nothing short of breathtaking. The region abounds with digital natives and has one of the most tech-savvy and smart-device-equipped populations in the world. In a region where mobile phone penetration exceeds 100% of the population, usage figures are outdated even as they are quoted, but here are some for perspective:[6]

The impact on the relationship between employers and employees will be amplified due to the region's insatiable appetite for all things digital.

- Vietnam has the largest Internet audience in the Southeast Asian region at 16 million, adding 2 million in the 12 months to March 2013

- Internet usage in the Philippines is the fastest growing in the region, at 22% in the 12 months to March 2013

- Thailand Internet users spend the most amount of time online, at 27.2 hours per week, which is 64% more than users in Singapore and 16% more than the global average

- 70% of Internet users in the emerging ASEAN 5 (excluding Singapore) are aged under 35 and 41% are aged under 24

A recent Accenture study noted that "the impact on the relationship between employers and employees will be amplified due to the region's insatiable appetite for all things digital". Generation Y employees are comfortable blurring the lines between their professional and personal lives and fully expect to be able to interchange between

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4 Gartner (2013). *The nexus of forces works its way into the enterprise.*
5 Gartner (2013). *IT market clock for human capital management software.*
6 Comscore. *Southeast Asia Digital Future in Focus 2013.*

the two throughout the day. Restrictions on being able to use their devices at work is likely to have a two-fold risk for employers: reduced employee engagement leading to lower productivity and security risks as employees bypass these restrictions and access their devices anyway.[7]

With young employees using technology not only to communicate but also to learn, collaborate and innovate, organisations need to quickly rethink their associated policies and practices.

Social

Southeast Asians are avid social media users, with over 90% of Internet users accessing social networking sites. The Philippines ranks number 2 in Facebook's global top 15 countries, with 92.2% penetration (nudged out by only 0.4% by Brazil). Thailand and Malaysia also rank in the top 15, at 89.3% and 82.3% penetration respectively.

Facebook leads social media subscriptions and activity by a long way, but significant and growing penetration is also evident for Twitter, LinkedIn and Tumblr. Local social networking sites receive relatively less traffic but the numbers are still large due to population sizes. Other popular social sites include the following:[8]

- Singapore: Goodreads.com
- Malaysia: Tagged Inc.
- Indonesia: Yahoo! Profile
- Thailand: Pantown.com
- Philippines: Yahoo! Profile
- Vietnam: ZING Me, DIENDANBACLIEU.NET and KENHSINHVIEN.NET

Employers and employees alike can harness the power of the world's social networking sites. Our study showed that most employers in Southeast Asia have added LinkedIn as a primary sourcing channel to find and attract new talent and intend to increase this over the coming years.

> Southeast Asians are avid social media users. The Philippines, Thailand and Malaysia rank in the global top 15 Facebook subscribers.

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7   Accenture (2012). *Dealing with digital technology's disruptive impact on the workforce – A Southeast Asian perspective.*

8   Comscore. *Southeast Asia Digital Future in Focus 2013.*

Mobile

The proliferation of mobile devices in Southeast Asia highlights one of the many paradoxes in this region: an inverse correlation between the propensity to acquire the devices and population income levels. The emerging market economies have a higher uptake and steeper growth curve for mobile devices than the mature markets of the world.[9] Whilst the sale of feature-phones still outstrips smartphones and tablets, momentum toward the latter 2 is accelerating: 21% of Internet traffic now comes from smartphones and tablets, up from 15% only 12 months ago.[10]

Providers of ISP and telecommunications services as well as hardware manufacturers continue to develop low-cost access rates and devices to increase affordability in markets where a mobile phone can equate to more than 3 months salary. Southeast Asia is renowned for leapfrogging to mobile – many Internet users have never owned or used a desktop computer, but have gone straight to mobile devices.

> Many Internet users have never owned or used a desktop computer, but gone straight to mobile devices.

MNCs see the benefits of their workforce going mobile – increased productivity, flexibility and ability to improve their customer experience by having employees online, all the time. Further, whilst still in their infancy, many HR-related activities such as accessing organisational contacts, timesheeting work hours, pay and leave administration and expense tracking are already mobile-enabled.[11] Recruiters are managing online job offers and acceptances, new employees are conducting on-boarding and orientation activities before they commence, managers and employees are conducting performance reviews, and individuals are navigating potential career paths – all on mobile devices.

There is no question that technology is revolutionising how, where and when people work, rest and play. Nowhere is this more evident than in the Asian region, where a young workforce is ready, willing and able to harness technology capabilities to enhance their learning and career progression and balance their work and life commitments.

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9   Rao, M. (Momo.net). *Mobile Southeast Asia Report 2012 – Crossroads of Innovation.*

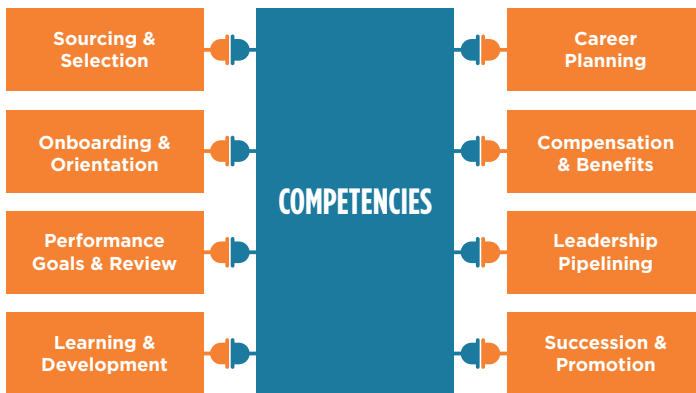10 Comscore. *Southeast Asia Digital Future in Focus 2013.*

11 Bloomberg BusinessWeek Research Services (2012). *Mobile HR – the global challenge.*

The contributors to our study recognised the importance and inevitability of a mobile-enabled workforce. Yet few had existing HR technology capabilities that could support this growing dimension of the employment value proposition.

Integrated Talent Management

Talent management processes began to be streamlined with the advent of competency frameworks. Technical and behavioural competencies provided definitions and specifications for skills and behaviours that organisations wanted employees to demonstrate and master. Importantly, competencies served as a consistent thread that could be drawn through the employee life cycle: from recruitment to setting and measuring performance goals to identifying development needs, career paths and leadership successors.

FIGURE 11.1

Sourcing & Selection

Onboarding & Orientation

Performance Goals & Review

Learning & Development

COMPETENCIES

Career Planning

Compensation & Benefits

Leadership Pipelining

Succession & Promotion

Despite the common connection being competencies, many talent management processes evolved in silos and have been managed as such. The development of technology to support these processes similarly matched each of these silos.

In the technology realm, the past 2 decades have focused on the development of human resources and talent-management software. Today, the focus is on how to integrate them. The sequential emergence of technology applications to automate, support and enhance the numerous aspects of talent management means that

CASE STUDY

Integrated Talent Management Supports Bayer Business Results

"The goal is to have an innovative, qualified and highly engaged workforce that achieves the business results," says Frank Kullak, Head of HR Greater China. "Our investment in integrating our global HR systems and processes has helped us achieve this goal."

Celebrating its 150th year in 2013, Bayer has a prestigious pedigree of invention, growth and innovation in healthcare, agriculture and high-tech materials. Headquartered in Germany, Bayer has over 113,000 employees in more than 80 countries, 35,000 of which are in the Asia-Pacific region. "Our philosophy is 'global breadth, local depth'," says Kullak, "and that means we design to meet and respect the needs of all our businesses in all the countries we operate in, and then leverage this globally

That is also true of Bayer's global talent management infrastructure. "We have integrated both the processes and supporting systems for recruitment, on-boarding, performance management, systematic assessment of potential identification, learning and development and succession management," says Nilmini Perera, Head of HR Region Asia Pacific, Bayer CropScience. The Bayer integrated talent management framework builds on the organisation's values and a global competency framework, ensuring that a common language unifies Bayer's talent management practices around the globe. "Everyone in the company interacts with the talent management system: Employees create their profiles, including achievements and career aspirations; managers track performance and potential and generate reports to use in talent reviews. The organisation has great visibility over its talent, which is incredibly valuable for promoting career opportunities, building workforce plans, understanding mobility requirements and identifying skills gaps," says Perera.

In addition to providing managers and employees with highly effective tools for talent management, time and cost savings have also been notable. "We have achieved excellent levels of standardisation across the business, promoting equity and transparency – and that supports our 'LIFE' values of Leadership, Integrity, Flexibility and Efficiency."

most organisations today find themselves with a mixed cocktail of offline, online, home-grown, third-party and outsourced software.

This has become a particular challenge for MNCs. With large workforces in numerous countries and regions around the world, gaining any sort of holistic view of their global workforce requirements, capabilities, performance and aspirations is almost impossible without state-of-the art integrated technologies.

The vast majority of organisations in our Southeast Asian study agreed. Commensurate with the importance of human capital to the execution of regional business plans, 76% of our contributors rated the need to have integrated talent management processes and systems as business critical. A further 21% believed this to be of high importance.

INTEGRATED TALENT MANAGEMENT

IMPORTANCE

Business Critical	High importance	Low importance
76%	21%	3%

EFFECTIVENESS

Currently optimal	Work in progress	Far from effective
8%	58%	34%

In terms of current effectiveness, the majority of contributors stated this as a work-in-progress in their organisation, with only 8% being satisfied that they had adequately integrated their processes and were technology-enabled to manage this globally. One-third believe that their organisations still to be far from effective in this area.

Aside from the challenges of dis-integrated systems or missing technology elements altogether, the next most frequently cited area of discontent was the lack of meaningful HR data outputs required for meaningful decision-making, workforce planning and predictive analytics capability.

HR Analytics and Big Data

Analytics technology in broad business applications is not that new. It has been used for many years, amongst other things, to predict customer behaviour, provide manufacturing output forecasts and support corporate performance management. Much less embedded is the use of analytics tools and technologies in human resources, even in advanced Western markets. The need is evident: Depending on the industry, between 60% and 80% of an organisation's cost base is its employees. Being able to track,

measure and predict the performance of this crucial organisational asset is key to increasing productivity and, ultimately, achieving business results. Notwithstanding this, very few organisations have yet to master the use of HR analytics in their businesses.

Bersin by Deloitte research highlighted that as few as 4% of organisations worldwide have full HR predictive analytics capabilities (including modelling, scenario planning, risk management and business-plan integration). More than half of all organisations have not progressed beyond basic HR report generation, and as many as 86% fall short of any ability to provide data-driven strategic foresight with regard to their organisation's workforce.[12] There is a significant upside yet to be realised in the business contribution HR analytics can make.

The slow uptake of data analysis in HR has been attributed not only to system limitations and the complexity and disparity of data but also to the continuing lack of business acumen and analytical skills in many HR practitioners. As we will see in Chapter 12, this is a key area of opportunity and risk for HR and will underscore the business credibility and relevance of the function. Mastering HR analytics is not even the end game. The ultimate goal is to fully integrate workforce data not just across all aspects of talent management but with the full spectrum of business data. *Big data* software will provide the system capabilities to answer business-critical questions from diverse data sources. This will enable HR to move up the value chain to become a truly integrated business function.[13]

The Game is Still the Same

All said, technology remains an enabler. For all the hype, progress and associated opportunities and challenges, almost all our contributors noted that "the more things

> As few as 4% of organisations worldwide have full HR predictive analytics capabilities.

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12 Bersin by Deloitte in Forbes.com (2013). *Big data in Human Resources – A world of haves and have-nots.*

13 Bersin by Deloitte (2013). *21ˢᵗ century talent management – Thriving in the new workforce and new workplace.*

change, the more they stay the same". Underlying all the functional improvements technology can bring, leaders still need to provide direction and clarity, managers still need to engage and communicate with their teams and employees still need to connect with their work and their colleagues. No amount of technological advancement will replace these human fundamentals.

In some cases (seen below), technology masks the real root cause of poor people practices.

- The recruiter using the applicant tracking system to automate communication with talent pools when what prospective candidates really want is to experience a real connection with the organisation
- The manager focusing on process compliance in the performance management system when what is really needed are clear and regular performance conversations and guidance
- The learning management system that allows managers to abdicate their responsibility for understanding their employees' real development needs and aspirations

Technology certainly supports and immeasurably enhances almost every conceivable HR practice. However, in the field of human resources, the *human* element can never be underestimated.

Best, Right and Fresh Practices

Talent management technologies are evolving, around the world and within the Southeast Asian region. Markedly differing technical infrastructure, governing regulations and cultural norms dramatically impact how, where and who uses technology in the advanced and emerging markets.

Global MNCs have and continue to make significant investments in their talent management technologies and are seeking to leverage these investments. Meanwhile, their operations in the Southeast Asian region are spring-boarding on the back of economic growth and an urgency to align business and human capital needs. Embracing a combination of global, regional and fresh practices will be essential to staying ahead of the game.

Global best practices

Talent management technologies are widely used and are an essential tool for MNCs managing large and geographically dispersed workforces. Technology use is underpinned by the drive toward process standardisation, leveraging the global talent pool, cost efficiencies, and government and industry compliance. **Cloud**-based Software-as-a-Service solutions have highly developed functionality. **Mobile and social** functionality is becoming increasingly important and should be a standard requirement in vendor selection. **Adoption** by managers and employees is critical to ensuring the technology is indeed an enabler and technology developers are significantly elevating the user experience.

HR analytics is also a must-have in a best-practice organisation, despite current use of big data and analytics falling short of their inherent capabilities. An effective **support model** that provides organisations with the technology support that they require is also a critical success factor.

Regional right practices

In Southeast Asia, talent management technologies need to reflect regional needs and should ensure **localised compliance**, adequate flexibility and cultural adaptation. A **simple and engaging** platform that functions effectively in varying environments is essential, mobile and social accessibility is a must, as is **local support** infrastructure.

Fresh practices

Technology facilitates sharing and collaboration across **borderless teams**. In Southeast Asia, people-centric interfaces that draw user adoption and interaction will be winners.

In an "**App for that**" world, technology is making global talent management capabilities a reality. In a world where allocating the right talent to the right situation in the right location – fast – is business critical, technology will be one of the most important levers available to HR and the business.

GLOBAL **BEST** PRACTICES

CLOUD
SaaS systems enabling scalability, flexibility and cost efficiencies.

MOBILE AND SOCIAL
Desktop/laptop applications are optimised for mobile devices and integrate social media.

USER ADOPTION
Technology architecture and design centres on an engaging user experience.

HR ANALYTICS
Integrated analytics and big-data applications enable predictive workforce planning.

SUPPORT MODEL
High- and low-touch support available through direct and partner channels 24/7.

REGIONAL **RIGHT** PRACTICES

LOCALISED COMPLIANCE
Global governance overlaid with local legislative compliance and regional data hosting.

SIMPLE AND ENGAGING
Lite functionality supports speed and reliability and cultural characteristics are built into the user experience.

LOCAL SUPPORT
Regional support services cater to local languages and time zones.

REGIONAL **FRESH** PRACTICES

BORDERLESS TEAMS
Technology facilitates cross-country and cross-culture working groups to collaborate on projects and tasks.

AN APP FOR THAT
Mobile apps facilitate real-time talent management across border and in remote locations.

TALENTED
Southeast Asia

Chapter 12
The HR Horizon

Time and the world
do not stand still.
Change is the law of
life, and those who
look only to the past
or present are certain
to miss the future.

– **John F. Kennedy**

Reinvention **Community**

Workplace **Leadership**

Science Thinking

Crisis

Horizon Technology

Business

Global

Cloud **Future**

Change

The Future Imperative

If we had a crystal ball to look into the future, what would we see?

Some change that is known and some that is unknown.

What do you see?

Our world today would be unrecognisable to our great grandfathers of a century ago. A century from now, an equivalent global transformation will have occurred. Except that a similar quantum of change will not take a hundred years at the present pace of scientific, technological and sociological acceleration.

Work and workplaces are already on the transformation super-highway. Organisations around the world are on that road, some in the fast lane leading the way, many accelerating and changing lanes to try to find the best route, whilst others are sitting on cruise control and letting the traffic go by.

We asked the contributors to this book to share their vision of work, workplaces and HR's role within them. Hundreds of opinions found a central consensus around 6 major trends:

TREND 1

TALENTED EARTH

Globalisation of the world's human resources will dissolve sovereign borders in the hunt for talent

TREND 2

WORK REINVENTION

The nature and execution of work is being remodelled to remove obstacles to participation, performance and productivity

TREND 3

HYPER CONNECTIVITY

The Internet is changing the way people interact, and workplaces function and access to it is getting better, faster and cheaper

TREND 4

TALENT SCIENCE

Objective information about people, places and things will guide timely business decision-making

TREND 5

THE BUSINESS OF HR

Issues of relevance and credibility of the HR function will be resolved by its fusion with the business.

TREND 6

TALENT COMMUNITIES

Development of the world's talent pools will shift from a focus on competition to collaboration.

TALENTED EARTH

Talent is Borderless and Global

The globalisation of talent is not only a necessity to address issues of scarcity and distribution imbalances but also essential to tapping into a global mindset. Like economic trade, countries will be net exporters or importers of talent, managing a national talent account balance, which will be at times in deficit and at times in surplus.

Organisations and countries that fail to leverage diversity initiatives to attract the world's best minds and hands will suffer labour shortages and stifle their own innovation and growth. The new generation already sees international mobility as a *right of passage* and will follow well-paid and stimulating career challenges around the world. By 2020, international assignments and mobility are forecast to increase by 50%.[1]

With a global mindset, talented leaders are better global citizens, more open-minded and resilient to change. In our turbulent world these qualities are priceless. High performing organisations are 3 times better at managing and coping with change and 4 times better implementing it.[2]

Increasingly, the talent marketplace is a global one. Our contributors reported that global talent is being attracted to the Asian region by work opportunities that had disappeared or had been relocated from the economically stagnant markets of the advanced world to the high-growth markets of the East. Furthermore, cooperative regional initiatives such as the ASEAN Economic Community directly aim to increase the region's competitiveness and collective access to resources, including human capital, to spike economic growth.

As the world becomes increasingly connected and interdependent, a book like this will not restrict its

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1 PriceWaterhouseCoopers (2013). *Talent Mobility 2020: The next generation of international assignments.*

2 Institute for Corporate Productivity (2013). *Building a change-ready organization – Critical human capital issues 2013.*

focus to a region such as Southeast Asia but address the talent management challenges and opportunities on Talented Earth.

On the theme of **TALENTED EARTH,** our contributors said:

"We need to see more Southeast Asian executives taking seats on global boards."

"Leaders will need to be able to manage the paradox between increasing globalisation within companies and increasing nationalism within countries."

"Local companies are beginning to emulate MNCs, so the advantage MNCs had will disappear."

Southeast Asia is actively embracing multiculturalism in its growth journey.

WORK REINVENTION
The Workplace of the Future has Arrived

The biggest construction site on earth is the modern workplace. In some organisations, it is undergoing some minor renovations – a superficial facelift to create a new façade. In others, it is a knock-down-rebuild proposition as competitive pressures force a complete re-think of what gets done, by whom and how.

Rule #1 in the new workforce: When utility ends for either party, the relationships ends.

On the one hand, companies are desperately trying to build engaging workplaces that employees want to flock to. But increasingly, the nature of work will change such that third-party freelancers, outsourced service providers, remote workers and virtual teams will deliver high-quality work on time and at a relatively low cost. In this new workforce, the relationship is utilitarian, not emotional.

Generational shifts are, of course, one driving force behind both societal and workplace changes. But it is the perfect storm of generational change combined with the global redistribution of economic power and fuelled by the technological revolution that is

unleashing the transformation already occurring in workplaces around the world. *Business as usual* will take many forms and the static workplace models that have served us for the past 50 years are beginning to look very tired. Linear career progression is fanning into a multitude of possibilities – talented individuals are not necessarily following career paths but building portfolio careers that change with time, experience, interests and further education.

Much of the momentum for new ways of working, including outsourcing, freelancing and short-term projects, is coming out of Asia, where technology has provided the infrastructure for talented entrepreneurs and micro-businesses to leapfrog competitors with traditional work models. This will likely increase as the tyrannies of distance and transport are overcome by the proliferation of devices and increased bandwidth, and previously isolated individuals will become a main-stay of the regional workforce.

On the theme of WORK REINVENTION, our contributors said:

"We need workplaces to adapt to the new workforce – millennials have vastly different expectations."

"How do you build sustainable business performance when rapid turnover is the norm?"

"The changing demographics require new ways of thinking about attracting and engaging talent."

"Many don't want a full-time commitment to one employer – how do organisations respond?"

"Everyone wants work/life balance – it's not just Gen Y."

"Managers struggle managing their current teams – how will they manage virtual teams?"

"Gen Y are not so different from everyone else – they are looking for opportunities and are just more proactive about it."

The reinvention of work evokes both excitement and concern for organisations and HR. The possibilities that are being created by new work options are charged with opportunity and most workers today

agree it is time for change. That said, the historical controls that managers and administrators have had over workers, for example, by stipulating work hours, dress code, activity monitoring and performance feedback are threatened by flexibility, remote workers and outcome-based contracts. This issue of control, and what managers are actually managing, are amongst the voiced and hidden concerns that are impeding a faster uptake of flexible work models.

HYPER CONNECTIVITY
Social and Mobile Thrives in the Cloud

The rate of uptake of mobile technology in the emerging world is snowballing. Telephone devices across Southeast Asia already significantly outnumber the actual physical population. These are progressively being converted to smartphones and tablets, so full Internet connectivity is on the horizon. Today, there are 2.4 billion Internet users worldwide, representing 34% of the global population. 45% of current users are located in the Asian region.[3] By 2025, Internet connectivity is forecast to double to 5 billion users, with most of that growth emanating from the emerging world.[4]

The basic human drive for social connection manifests itself in the explosion of social networking the world has experienced in the last decade. As at 2013, more than 1 in 7 living people on the planet have a Facebook account[5] and Twitter, YouTube, Google+ and LinkedIn subscriptions are all on steep growth trajectories. Regional social networks are less popular but what is certain is that there is no turning back from the online social revolution.

Organisations and HR practitioners know this, but as yet social media strategies in talent management remain sketchy. Whilst there is a sense of the inevitable about social media, steps to integrate it in talent management are at best tentative. Most popular is the use of social

> The boundaries between work and home are disappearing.

3 www.internetworldstats.com
4 Gratton, L. (2011). *The shift – The future of work is already here*. HarperCollins.
5 www.socialbakers.com

media in the talent sourcing and attraction process – indeed social networks are ideally set up to facilitate this activity. Increasingly, social networking is finding its way into learning and development applications, including sourcing and interacting with peers and mentors.

Social media remains largely untapped of its potential in the talent management arena as organisations grapple with issues of security, privacy and appropriate online behaviour. Notwithstanding that, the trend toward increased use of social media is there and growing.

Combined, social and mobile technology present outstanding opportunities for employers to create more flexible, interactive and engaging workplaces. The restrictions around where and when work is done can largely be overcome with the assistance of technology and improved work-life balance can be enabled.

On the theme of HYPER CONNECTIVITY, our contributors said:

"Social networks will be the source of tomorrow's best practice."

"Integrated systems are becoming a must-have for large global conglomerates."

"We are not yet getting real benefits out of social networks but will need to harness this in future."

"24/7 connectivity is becoming the expectation."

"E-mail is being replaced by more agile platforms and this is also breaking down the boundaries of work and home."

TALENT SCIENCE

The Guessing Game is Over

We are fast coming into an era in which failure to leverage new knowledge and contemporary technologies will be unacceptable. Business leaders will demand timely, accurate, predictive talent intelligence enabling them to plan and align the organisation's workforce

with the requirements of the business.

Today, only 9% of organisations believe their business leaders can access and use talent analytics in decision-making and only 15% of organisations believe they have the requisite analytics capabilities in their HR teams. In contrast, these organisations believe their finance functions to have 81% of the capabilities required, operations, 77%, sales, 58% and marketing, 56%[6].

In addition to analytics intelligence, the broader array of human intelligences needs to be mastered and implemented by leaders. From emotional to social to cultural intelligence, the fields of neuroscience and organisational psychology are providing new insights that will change how leaders approach the motivation and management of their teams. Tomorrow's *talent scientists* will combine quantitative statistics with human-engagement models to provide meaningful decision-making platforms to business leaders and managers.

> **On the theme of TALENT SCIENCE, our contributors said:**
>
> "First, you need real data, then you can build a meaningful workforce plan."
>
> "We need to be able to predict trends and develop scenario plans."
>
> "Just reviewing our top 100 talent takes 2 months to collate and analyse – unified reporting and analytics are essential."
>
> "If you want the C suite to take you seriously, you'd better come with data."
>
> "The business wants measures around employee effectiveness and ROI."
>
> "How do we inculcate new approaches from neuroscience to improve the organisation?"

Becoming an integral business function clearly requires that HR becomes a driver of talent management metrics that provide business leaders with business

> The business needs more talent intelligence and less talent management.

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6   Bersin (2013). *High-impact talent analytics – Building a world class HR measurement and analytics function.*

insights. To date, the challenge has been gathering, collating and processing disparate HR data, often riddled with inaccuracies. Even those that have been successful in this stage have mostly produced outputs that demonstrate efficiency and, at best, productivity, which has still been merely an input to business decision-making. Tomorrow's HR data analysis needs to provide foresight and predictive intelligence. It requires a quantum shift in approach and in the sophistication of analytical tools.

THE BUSINESS OF HR	The Metamorphosis of HR with Business

> HR doesn't just need to understand the business better, it needs to be in the business.

One of the most frequently cited trends on the horizon visible to our contributors was **the transformation of HR**. No doubt, HR has been in the firing line for some years now. Reinvented from Personnel Administration to Human Resources to People & Performance, it still remains under a burning spotlight. Despite acknowledgement that the function needs to be more closely aligned to the business, HR still fails to strike a chord with many business managers. Earnest attempts have been made, including the restructuring of the HR function into hub-and-spoke models such as corporate centres of excellence supporting HR business partners in the field. This has helped but the business alignment remains incomplete.

THE IDENTITY CRISIS

What is the real purpose of HR? Employee advocacy, strategic advisory, business support, change facilitation, or all of the above? To be fair, HR has been pulled in every direction imaginable. Expected to ensure that *the basics* are expertly implemented whilst simultaneously driving strategic change in the midst of a technological revolution and workplace transformation unlike anything seen in recent history, it has been suggested that HR has failed to turn new technologies to its advantage by over-emphasising process automation and under-emphasising the strategic alignment of

enterprise information that technology can provide.[7] HR needs to *find itself* at the upper end of the organisational food chain by quickly distinguishing **what really matters** and putting its energy and resources there.

THE CAPABILITY CRISIS

The unfortunate fact for many HR practitioners is that the skills that were required in this function in the past will not be those required in the future. Deeper than that, the mindset and personal characteristics of the HR Manager of the past are not those likely to be sought in the future. HR does not need any more *people people*. It needs *numbers people* and *business people*. This also elevates the case that business managers **are** in fact HR managers and HR as a separate entity is at cross-purposes with the business.

The future of HR is under scrutiny and we can expect hot debate to continue in this space.

On the theme of THE BUSINESS OF HR, our contributors said:

"HR needs to be business-minded and market-focused."

"HR capability and competence is an issue – we still have a reputation as an administrative function."

"Cost pressures will have business demanding more and better solutions from HR."

"What to in-source and outsource in HR will be key to driving value and return on investment."

"The HR generalist role is too shallow – HR requires deep business and people expertise."

"In this VUCA (volatility, uncertainty, complexity, ambiguity) environment, HR needs to drive organisational change."

"The real question is, what is the role of HR in future?"

Taking the role as business partner is not new in HR – it was identified as a critical need 2 decades ago. However, progress toward this end has been slow and

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7   Gartner (2013). *You've lost that lovin' feeling – The Dehumanization of Human Resources.* Maverick Research

even the most HR-oriented business leaders have had to exercise considerable patience as the function has struggled with the transformation.

Today, most HR practitioners know they need fluency in the language of business in order to remain relevant and credible. At senior levels in HR, there are already high levels of business literacy. For example, when asked about the key business challenges facing their organisations over the next 3 years, our HR contributors did not have to blink, and readily recited business challenges from a business perspective. Business literacy at this level is not equal across the HR function, leaving many still to be perceived as administrative support.

| TALENT COMMUNITIES | *The War is Over – A Global Talent Community Emerges* |

Cannibalising each other's talent is just a zero-sum game.

John Murphy's insightful piece titled A Universe of Choice in the Industry Perspective section of this chapter stops the war-for-talent merry-go-round in its tracks and casts a new light on how we think about the world's human resources. Perhaps in 30 years time, when the emerging world is fully developed, talent scarcity will be a thing of the past – we will all bask in a rich pool of global talent that will balance the equilibrium of the world's needs. Till then, we have a problem.

The contemporary solution has been to fight the competition for talent. It has met with some success in Southeast Asia, especially in the short term, as the region is still building up to its capacity and wage rates have had plenty of room to move. But increasingly, this is becoming a more and more circular game and cannot be sustained in the next decade.

If countries around the world are progressively beginning to work together to address the big issues of finite natural resources, environmental degradation and global warming, companies and industries could begin taking a less competitive and more collegiate view about the development of industry and regional

talent pools. Working together, could the human capital of the region be enriched with more and better skills, faster? Could the resources required to achieve this be leveraged for a better, faster outcome?

Granted, this is an altruistic goal. But new thinking is required to address talent scarcity in Southeast Asia and around the world, and many are already spawning such thinking. The Human Capital Leadership Institute refers to the need for organisations to look beyond their internal corporate walls to participate in the development of an interdependent *business ecosystem* with industry, government and university stakeholders. A business ecosystem would leverage knowledge and resources drawn from all these sources to jointly address the talent challenge that is universally experienced by all.[8]

Collaborative partnerships are becoming increasingly important at organisational, country and regional levels.

> **On the theme of TALENT COMMUNITIES, our contributors said:**
>
> "We need to be taking a global view and be more flexible – see the whole pool – it might be anywhere."
>
> "Nurturing existing talent should be a higher priority than continually trying to attract new talent."
>
> "Over time, everyone benefits from the development everyone else is injecting into the world talent pools."

Clearly, working with competitors rather than against them requires a mindset shift backed by considerable courage. There will be many ways collaborative outcomes can be achieved that do not require organisations to compromise their competitive position.

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8   Wei, K. C., & Siow, R. (HCLI) (2013). Business ecosystems – Developing employable talent to meet Asia's needs. In *The Global Talent Competitiveness Index 2013*, INSEAD.

INDUSTRY PERSPECTIVE

A Universe of Choice

Attracting & Retaining Talent in an (ever-expanding) Universe of Choice

For years – in fact, for almost 2 decades now –I along with most others in the HR world have become accustomed to, comfortable with, and often a promoter of the metaphor of war when thinking of the challenges of attracting and retaining talent. Ever since the seminal McKinsey report The War for Talent was issued in 1997, there has been almost complete acceptance of the analogy; we are fighting a battle, we are fending off enemies, we deploy strategies to capture enemy held combatants. From time to time, there is bound to be collateral damage, but hey … "This is war!"

No, it is not.

Nowadays, we are surrounded by wars everywhere. We have *the war on drugs*, *the war on crime*, *the war on obesity*, *the war on hunger*, *the war on drink driving*, and so many others. Then, of course, we sadly have all the **real** wars, where people die, are maimed, and lives, families and communities are destroyed.

Recruitment, selection, development and retention is not a war.

Now, some people will be thinking to themselves, "John's taking all this a bit literally. No one is suggesting it is a real war. It is just a great way to describe the heat of competition, the challenges of winning on the business battlefield."

They could be right, but for me, whilst understanding the appeal of the concept and for a long-time agreeing with it, I now think very differently.

I choose to reject the metaphor of war and, instead, I view things from a different perspective: What I see is a world in which expectations, options, preferences and choices are increasing every day. This is equally true both for talent and, likewise, for organisations. The tremendously positive HR challenge from this perspective is how we can be **the preferred choice** of really great talent, **in an ever-expanding universe of choices**?

How will we respond? In viewing ourselves as merely one potential choice amongst a great many choices, it forces us to thoroughly reappraise our employee value proposition and focuses our attention not on traditional employee relations but on creating a dynamic, attractive and mutually rewarding employment **relationship**, which we must accept, in our universe of ever expanding choices, is going to be constantly challenged and thereby refreshed.

On a larger scale, how can we establish internally, and externally in collaboration with other stakeholders, a talent pool that also is expanding, satisfying businesses' and societies' economic and human resource development needs?

When we stop using this tired, inappropriate and, in my view, distasteful metaphor of war, we free ourselves to think anew. In his opening sentence to the novel *The Go-Between*, L. P. Hartley writes, "The past is a foreign country: they do things differently there." Most people would agree that our present is not just a different country to the world of 1997; it is an entirely different universe. And yet ... So many of us are still viewing the world as if nothing had changed since 1997.

I would encourage HR professionals to step out of the trenches that they have been fighting in for the past many years, and take a look around.

Enjoy the view!

There are billions of people looking to make choices, to contribute, express themselves, apply and further develop their talents, to have a sense of belonging, achievement, recognition and reward. Surely, many of them would feel they found an ideal match if those aspirations could be met in your company. What can you do to make it happen?

John Murphy
Chief Development Officer, Pandora

INDUSTRY PERSPECTIVE

TALENTED
Southeast Asia

Chapter 13
Call to Action

Actions speak louder than words, but not nearly as often.

– **Mark Twain**

Workforce

Future Shared

Educators Vision

Government **Talent**

Action **Aspirations** **Goals**

Employers ASEAN

Opportunity Leaders

The Eye of the Tiger

The tiger economies of ASEAN are emerging at a roaring pace. Individually, they are ambitiously growing their national interests and capabilities. Collectively, they represent a formidable bloc with vast and largely untapped potential.

The growth of the ASEAN 6 in the past decade has been impressive, to say the least. Its combined GDP has doubled, from US696 billion to US1.4 trillion, and the regional population has swollen nearly 40% from 455 million to 630 million. During this time and to varying degrees by country, broad-based reforms have begun to address the challenges of poor infrastructure, political instability, corruption, poverty, inadequate education and environmental sustainability issues. Clearly, there is much progress still to be made in order to realise the region's full potential but the tiger has awakened and has the will to succeed. But the will to succeed is largely dependent on the skill of the region's human capital.

If the eye of the ASEAN tiger can focus policies and resources toward leveraging human potential, Southeast Asia should emerge as an economic powerhouse on the future global landscape. The commitment and effort required are significant and must be supported with real initiatives that can produce tangible results. As Mark Twain says in the opening quote to this chapter, "Actions speak louder than words, but not nearly as often." Complacency and inertia are the enemies of growth and change, and regional leaders need to maintain an upward momentum to accelerate Southeast Asia's regional and global prospects.

Shared Goals, Synchronised Effort

Evident throughout our work on this book have been two recurring themes: that there are significant commonalities in the talent management challenges facing all the ASEAN countries and that a collaborative and synchronised approach to solving them can

benefit all the individual stakeholders.

Perhaps the talent shortfalls in the region will reach critical levels and force new ways of addressing the issue. Perhaps the establishment of the ASEAN Economic Community will ease division and promote regional collaboration. Perhaps increased globalisation will put further pressure on global talent distribution. Perhaps all of the above. Whichever way the scene emerges, it appears there is also the opportunity to apply new thinking to address these challenges and that a unified approach may yield better and faster results than individually competitive positions could.

We see a collective role to be played by all stakeholders in optimising the region's human capital, including governments, educational institutions, employers, industry and organisational leaders, and, of course, the talented Southeast Asians themselves.

Calling on Governments

The close correlation between a nation's GDP and the productivity of its human capital resources highlighted by Mercer and the World Economic Forum in Chapter 3 quantifies the benefits that can be derived from a country's investment in its people. The nations of Southeast Asia will enjoy the prospect of a substantial upside from improvements in their currently most under-capitalised of national assets: their talent.

Singapore realised the importance of human capital to its prosperity and growth some time ago, and despite having its own challenges with skill shortages, is testimony to the economic benefit of such a committed focus. Malaysia has undertaken significant initiatives to better leverage its human capital capabilities and will progressively reap the benefits. However, there remains much work to be done, and for Thailand, Indonesia, the Philippines and Vietnam, the climb is steeper still.

Social, economic, education and labour reforms have commenced but significant acceleration is necessary

if growth opportunities are to be realised. Southeast Asian governments need to introduce more policies that support the growth and development of the nation's stock of human capital assets, including the following:

- Education reforms that promote not only minimum levels of literacy but advanced education to build the national knowledge capital base
- Labour reforms that attract knowledge workers, reverse the brain drain and encourage employers to invest in people
- Immigration reforms that enable talented individuals to actively participate in workforces across the region
- Improved ease of doing business by reducing the cost and bureaucracy associated with establishing and running international operations
- Continued investments in technology infrastructure to mobilise the region and increase workforce participation
- Promotion of regional collaboration to leverage regional and global best practices and pool resources

Government initiatives will establish the frameworks and infrastructure necessary to support regional human capital development.

Calling on Educators

Youth education and ongoing adult learning and development are fundamental to up-skilling the Southeast Asian workforce. A crucial role exists for the primary and secondary education sectors to lay the educational foundation necessary for the region's youth to flourish. From there, the tertiary sector, including colleges, universities, vocational centres and professional development providers, need to attract and develop the current and future workforce.

An under-educated population is unnecessary and unsustainable in Southeast Asia's future. The region's talent needs to be developed to its full potential

to overcome the pressing limitations on economic growth, social inequality and individual well-being. The initiatives necessary to do this include the following:

- Leveraging global educational curricula to enhance local programmes and improve educational standards and outcomes
- Instilling a world-class education culture that aims to significantly improve the standing of Southeast Asian educated youth and adults when compared with global benchmarks
- Increasing education access and availability by leveraging technology to provide virtual classrooms, online programmes and social learning networks
- Raising the teaching bar by investing in teacher training, coaching and support
- Increasing facilities and access for adults to continue lifelong learning and pursue their career aspirations

Public and private education initiatives will provide the content and learning support necessary to improve regional human capital development.

Calling on Employers

MNCs have recognised the need to furnish employees with workplace skills and have taken up the gauntlet. The substantial investments in local, regional and global development initiatives are considerable and have long been a key attraction for the region's best and brightest talent. Increasingly, local firms are committing resources to the education and development of their employees.

Employers in the region recognise that continually going to market to buy up skilled talent is both insufficient for their needs as well as increasingly uneconomical. Even though the retention challenges mean that many development dollars spent on individuals may benefit a different employer, the

same is occurring in other organisations, and each ultimately benefits from the overall improvement of the regional talent pool. Many HR executives and business leaders are philosophical on this point and realise that there is give-and-take in the talent development sphere. Given this circumstance, the opportunity for employers within and across industries to pool efforts to jointly develop talent is an exciting proposition to explore.

Employers need to do these:

- Take a short-, medium- and long-term views of regional talent development and the associated returns on investment
- Continue to develop and implement regional and global development programmes
- Continue and increase collaboration with regional and global universities and colleges to build vocational and tertiary skills in emerging talent
- Establish industry communities with a regional talent development agenda that leverages the investments of individual organisations and pools resources

Employer initiatives provide immediate workplace skills and also develop talent for the future and remain a crucial component for regional human capital development.

Calling on Leaders and Managers

Even with all the necessary frameworks and infrastructure in place, too many initiatives fail at the point of implementation. A commitment by industry and workplace leaders to promote, support and reward learning and development is necessary to ensure its success.

Organisational leaders and managers can support the growth of Southeast Asia's talent pool by doing these:

- Build learning organisations that foster a culture of growth and innovation

- Support on-the-job learning initiatives and leveraging knowledge networks inside and outside the organisation
- Recognise and reward learning, creativity, active problem-solving, information-sharing and collaboration
- Encourage talented employees to reach their potential by participating in new learning, projects and stretching beyond their comfort zones

Supportive leaders and managers inspire young talent and create environments in which people want to learn.

Calling on Southeast Asian Talent

Ultimately, every individual is personally responsible for what they learn and how they develop. If learning opportunities and associated support and resources are available, it rests with individuals to be motivated to pursue them and achieve their personal best.

The Southeast Asian appetite for learning is evident in the demand for education and the financial and social sacrifices many families make to educate their children, locally and abroad. Technology advancements will continue to give more learners affordable access to education and professional development and will significantly assist to reduce the current skill gaps. Talented Southeast Asians need to do these:

- Proactively seek learning opportunities through employer-sponsored training and development as well as tertiary programmes at educational institutions
- Tap into cross-regional employment opportunities to deepen their expertise and gain exposure to multicultural work environments
- Source mentors and coaches to help accelerate their development and support their career aspirations

Individuals who take advantage of learning opportunities position themselves to fulfil their own career aspirations as well as contribute to the national and regional needs for talent.

In Closing

The challenges of the Western and Eastern worlds in this decade are distinctly different. The former struggles with economic stagnation and the extensive implications of an aging population; the latter has to grapple with economic growing pains and an explosion of youth.

Unquestionably, the high-growth markets of the world are gathering momentum and will play an ever-increasingly important role in global prosperity. Their populations are such that there should be no shortage of talent to fulfil demand everywhere, but this will only be the case if the potential economic and social contributions of millions of individuals can be unleashed.

Southeast Asia is more advanced than many other high-growth regions. It is well placed to sit amongst tomorrow's leaders. All the ASEAN 6 aspire to improve their economic wealth by transforming their reliance on base industries such as agriculture and mining up the value chain to high-end production and service industries.

To succeed, they will need to align the capabilities of their human capital resources. Already MNCs and local firms in a broad range of technical and services industries are established and growing across the region. Their demand for skilled labour is increasing and is unlikely to abate in the foreseeable future. The success of every HR practitioner rests on their ability to meet their organisation's appetite for talent.

This is the challenge for **Talented Southeast Asia**.