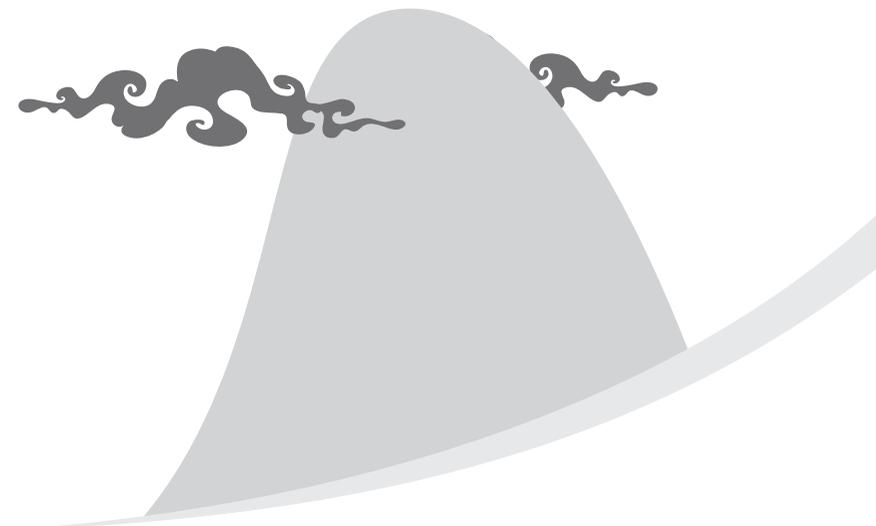


Building the new Silk Road:

The talent challenge for
Asia-Pacific in 2013/14

ANTHONY RAJA DEVADOSS

The world has always been a web of interwoven trade routes. Within these, Asia's dominance as an exporter is a long-held tradition that has been the foundation of great empires and dynasties.



Today, Asia-Pacific—and in particular the fast-emerging nations in its midst—is once again taking centre stage in the worldwide marketplace.

However, Asia's days of being known primarily as the world's production line are numbered. Instead, it is swiftly becoming a critical node in the global supply chain not just of goods, but of services and, most importantly, ideas.

As the diverse and rapidly developing economies that make up this region seek to build and sustain this critically important 'silk road' of trade and relationships, a truly global customer is at the ready.

This is the Asian century, and the region's organisations—as well as the talented individuals that lead them—are going to need to adapt, fast.

A strengthening

intra-regional market



Growing intra-regional trade and finance flows, coupled with low unemployment and maturing outsourcing relationships bode well for Asia in 2013/14.

The Asia-Pacific region is still firmly in positive growth territory after years of persistent economic shocks across much of the developed world.

Yes, growth forecasts for China have declined somewhat, and the traditionally strong export markets of Japan, Taiwan and South Korea have seen demand from Europe and North America decline significantly. Yet, there are growing signs that intra-regional trade and finance flows are increasing, which will shore up long-term economic stability and growth despite faltering conditions elsewhere.

The ANZ Bank's 'Asia Financing Asia' report¹ shows that capital and trade flows are diversifying away from the US and Europe, and that Asian nations are continuing to integrate financially. IMF data in the report signals that Northeast Asian and South/Southeast Asian nations are becoming more willing to 'hold each other's financial claims', which is leading to greater diversification of capital markets in the region. In other words, those local economies with higher cash reserves (primarily in the north) are showing

1 <http://www.anz.com.au/resources/d/9/d99f7a004b585c79b957ff4be8c79267/asia-financing-asia.pdf?CACHEID=d99f7a004b585c79b957ff4be8c79267>

greater willingness and interest in supplying credit to the fast-developing south, which has benefits for all.

On top of this, unemployment remains very low, although jobs growth in key developed markets such as Singapore slowed slightly in the latter part of 2012. And, higher inflation and cash reserves provide plenty of room for fiscal policy to deter further downward slides—and it's likely that any further deterioration in the US or EU economies will see this kick into action to stimulate growth.

Emerging Asia—including the Philippines, Malaysia, Korea and to a lesser extent India—are still among the best prospects for growth into the longer term, and confirm the permanent economic shift to emerging nations.

Being the world's production line, call centre and data hub has served the region well. However, Asia's successful organisations are entering a new phase of growth. This requires a deepening of outsourcing relationships and an upward shift in the production of quality goods and services.

Asia's organisations are moving up the value chain and this evolution requires a shift in talent requirements, management styles and technology-enabled innovation.

Talent demand has eased,

but not
for long



Employment growth softened slightly in APAC in the latter half of 2012 and the talent shortage eased in some markets, yet not enough to fill the growing gaps.

While the talent shortage in Asia-Pacific appeared to ease slightly in the second half of 2012, many markets are still under significant pressure to find and retain key skills. And, as organisations seek to take their service, project management and change/transformation capabilities to the next level, talent will once again be the critical success factor in 2013/14.

Oxford Economics predicts that the most dramatic jump in demand for workers across the globe will be here in Asia, where the need for new employees will rise a staggering 22% over the decade to 2021. Even the emerging growth markets of Latin America and the Middle East and Africa are predicted to require just 13% more workers over the decade to 2021, which puts this 22% into perspective.

Employers in Japan, India, Australia, New Zealand, Singapore and Hong Kong are having greater difficulty filling positions than the global average². And, the rising production powers of Indonesia and Vietnam are driving further jobs growth in the region, which must be filled from somewhere.

Particularly in the area of senior management, scarce talent continues to be an issue for the world's largest companies. Around half of global companies interviewed by Ernst & Young on the issue of global mobility assignments intend to increase the number of staff sent to growth markets throughout the next year.³

Some of these will include locals who have gone abroad to study or gain work experience and are now looking to return to their home country. Some will be non-natives, who will need to seek ever-greater support to translate business strategy across many different cultural contexts. So, either way, the need for local talent is going to grow in line with the needs of both local and international firms operating within the region.

It seems that mobility—both across the region and indeed into it from other developed economies—will be an increasingly important feature of organisational HR strategies going forward. The need to shift specific skills across the region in response to opportunities will require increased agility and incentives to make the moves worthwhile for individual employees.

In 2013, talent retention continues to be one of the biggest threats to growth—and this will hit some sectors harder than others.

³ <http://globaltalentstrategy.com/en/article/challenges-following-increased-assignments-to-emerging-markets-278>

In the services sector, employees will continue to look to transition into higher-paid industries in order to upskill and improve their salaries. And it appears that this is an issue across all levels of these organisations—lower-level employees are just as difficult to retain as senior leaders.

A recent Bloomberg interview with the CEO of Pan-Pacific Hotels group highlighted the impact this trend is having⁴, including the difficulty the business faces with filling positions to meet expansion plans.

To overcome this, organisations such as Pan-Pacific are now turning to alternative talent-retention strategies to address these supply constraints, including increasing training and employer-funded learning opportunities, as well as formal succession planning.

In other sectors, performance-based pay is gaining greater traction, which may alleviate some of the pressure on wages in the wake of economic uncertainty further afield.

Wherever we look the same trend is repeated—the demand for talent is more pronounced in emerging markets and organisations must adapt to the increasing retention and skill development pressures this is creating.

4 <http://www.bloomberg.com/news/2012-10-21/pan-pacific-says-staff-shortage-threat-to-hotels-southeast-asia.html>

Moving up the

value chain



The years ahead are all about moving up the value chain, and that's going to take experienced management that supports innovation and invests in technology.

During 2010, the average salaries paid to executives in Asia surpassed those paid in Europe, and they are on track to surpass those in the US, perhaps in 2013 according to a 2011 Mercer salary survey⁵. The survey states that 'while average executive salaries are increasing by 7% across the region, in Europe and North America the comparable rates are approximately 2.5% to 3.0%'.

If leaders are already costing about the same amount worldwide, and salaries in Asia are growing at more than twice the rate of those in America and Europe, it is clear that there is a significant talent-supply issue at the top of organisations across the region.

Lack of supply of experienced leaders is a significant issue in and of itself. Yet, within the region, leadership quality appears to be a big factor in attracting and retaining other employees. Our own research (Kelly Global Workforce Index, 2012) shows that workers in Asia-Pacific are significantly more likely to cite the 'reputation of management' as a key

5 http://www.corpgov.deloitte.com/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/USEng/Documents/Compensation%20Committee/Executive%20Compensation/Historic%20Shift%20in%20Executive%20Remuneration%20Worldwide_Mercer_062411.pdf

way that they evaluate potential employers (43% compared to the global average of 33%) and must therefore be leveraged as part of any successful talent-acquisition strategy.

If we put these issues together, it's clear that management quality is a significant issue for organisations in the region because it is:

- more closely linked to talent retention and attraction;
- in high demand and low supply (and is therefore costly); yet is critical to
- create new competitive advantages and raise productivity.

Another key aspect of raising productivity and creating greater competitive advantage continues to be organisations' ability to integrate technological improvements and foster innovation—and solid leadership is key to achieving this too.

One sign that local organisations are becoming acutely aware of these needs is their heavy investment in IT, particularly customer-facing technologies. An investment survey by IDC showed that corporate budgets for IT-led innovations in the region are predicted to increase by up to 40% due to rising operational costs and the need to deliver multi-platform services to customers. These investments are likely to increase across the region, but most heavily in Indonesia, Malaysia, Singapore and Thailand in 2013⁶.

⁶ <http://www.cio-asia.com/tech/industries/asean-firms-seen-to-hike-it-innovation-budget-by-nearly-40-idc/>

While some of this planned increase in investment will be explained by local organisations' low base of existing technology infrastructure, investment alone will not be enough to improve innovation, productivity and customer service. Leaders must not only invest, they must support, educate, train and drive smarter working practices so that the technology investment pays dividends.

In the year ahead, organisations in the region need to think seriously about:

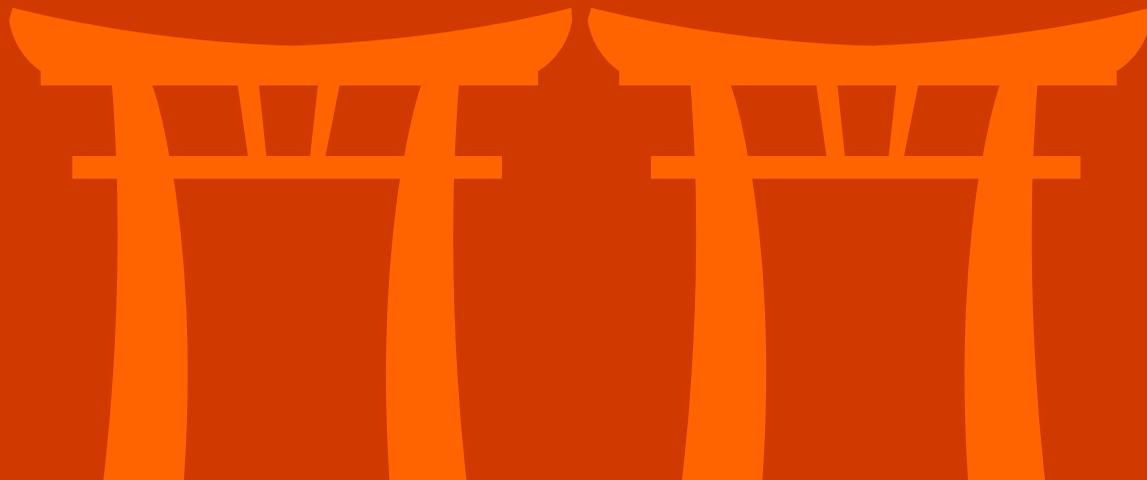
- the leadership they need for future growth;
- how this leadership will foster and motivate the kind of rapid technological change that's required to keep ahead of increasing competition.

The real question for emerging powerhouse economies in Asia-Pacific facing increasing competition and looking to move up the value chain is: 'Will the leadership and company culture facilitate this shift, or impede it?'



Which skills are

in demand?



Organisations in Asia-Pacific need a strong supply of specific skills to help them capture new opportunities.

Of the major emerging markets, the fastest annual talent-pool growth will be in India (7.3%), according to the Oxford Economics report. Indonesia and China will also be key to talent supply in the region, but far less so than India at 4.9% and 4.6% respectively. To put these figures into perspective, China's 4.6% talent-pool growth over annually will see it overtake the US as the country with the largest single pool of educated talent by 2021.

However, many unstoppable demographic trends—including the rapidly ageing population in key talent markets such as China—point to little or no relief (and more likely worsening talent shortages) in areas such as:

- health care and pharmaceuticals;
 - computer sciences and software development;
 - agriculture and bio-tech;
 - finance; and
 - senior management.
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Despite the vast mobilisation of talent that is now occurring in the region, Asia-Pacific organisations must focus on developing the essential skills that are already in short supply locally.

If we consider that each of these skill-sets are projections based on what's already happening inside the global marketplace, and that these skills will also be needed to fuel intra-regional development, local organisations must consider how they will shore up supply. Unless they meet these skill needs with local talent, they will need to consider talent supply from developed economies elsewhere—and this may come at a higher cost in the near term.

For local organisations, the talent development questions now must include:

- How well-placed are we to develop these skills internally?
 - What external talent should we consider recruiting now to develop these skills for the future?
 - How will we retain people who already have these skills given the high demand for them in the marketplace in the coming years?
 - What development opportunities can we provide to people who already have these skills?
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Skill development and talent retention is an issue for almost every organisation wherever they operate, yet the future direction is clear: a stronger focus on innovation, collaboration and managing diversity will be required to capture opportunities and increase productivity across the region.

In short, there is a need for organisations in Asia-Pacific to better understand, predict and manage their talent supply chain.

Skills in high demand over the next five to 10 years

Digital skills

Digital business skills



Ability to work virtually



Understanding of corporate IT software and systems



Digital design skills



Ability to use social media and 'Web 2.0'



Agile-thinking skills

Ability to consider and prepare for multiple scenarios



Innovation



Dealing with complexity and ambiguity



Managing paradoxes, balancing opposing views



Ability to see the 'big picture'



Interpersonal and communication skills

Co-creativity and brainstorming



Relationship building (with customers)



Teaming (including virtual teaming)



Collaboration



Oral and written communication



Global operating skills

Ability to manage diverse employees



Understanding international markets



Ability to work in multiple overseas locations



Foreign language skills



Cultural sensitivity



Understanding

the talent supply chain in APAC



You may know which skills you need, but how do you know if you're well-placed to secure them as, and when, you need them?

Talent is, and always will be, a defining factor in the success of any organisation. Despite this, less than one-third of companies globally undertake formal workforce planning. This means that very few organisations know about, let alone plan for, future resourcing gaps. In a tight talent market, such as that in Asia, this spells trouble.

As the outsourcing relationship that Asia has had with the world matures, and client demands require larger volumes of higher-level skills, local organisations must look deeper into their own talent supply to be able to deliver. They must begin to understand the key skills they need to grow their own businesses—and they must understand how plentiful these skills are likely to be before they have vacancies.

This is talent supply chain management, and nowhere is this more important than in those tight talent markets where demand is strongest, and supply is lowest.



By integrating supply and demand data with the principles of supply chain management, organisations of all sizes can begin to evolve their strategies of accessing and managing talent to fit with their business cycle. This data can help determine the strength of the supply chain, especially for those mission-critical skill areas, which helps businesses to achieve the following:

- Determine the critical skills for their organisation (those jobs that are key to success);
- Assess the real market value of a particular skill or qualification;
- Determine how long it will take (on average) to find those skills; and
- Understand how skill demand and supply differs across regions and markets.

In Asia-Pacific, the critical talent supply issues (as previously discussed) are:

- high-quality, experienced management that can lead the shift up the value chain and foster innovation;
 - technology skills as companies increase investment to improve customer experiences and competitiveness ;
 - softer skills that facilitate change, including 'agile thinking' and strong communication.
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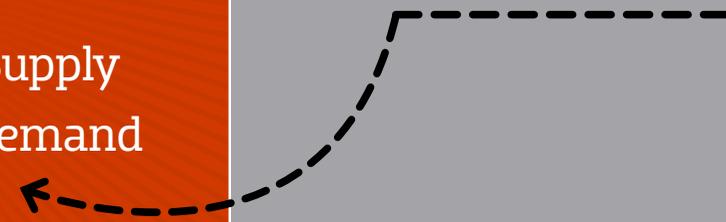
Moving to a supply chain management model requires a true understanding of the skills and projects that are critical to business success, and then a broad enough network to be able to access those skills on a just-in-time basis. Knowing whether or not this is the right approach for your organisation begins with answering a few critical questions.

- Are you struggling to fill vacancies in certain functional areas or regions?
- Are you seeing HR requests staying open for longer periods?
- Is turnover increasing and are current talent management strategies failing to deliver results?
- How many 'free agent' or contract workers do you engage at any one time and how robust are your processes in managing the risk and compliance issues associated with these resources?
- How confident are you that you already have (or will have) the talent you need to deliver on your strategic plan for the next 12 months?

Talent supply chain management techniques will be the way forward for organisations large and small. And rather than simply being a way to fill individual roles or deliver single projects, it will be about lifting the performance of the entire business.



For many critical skills, Asia-Pacific's talent market is squarely here.



Conclusion

Yes, economic instability continues throughout the world and there's no doubt that this has slowed the freight train of growth that we've seen across APAC in the past decade. That said, a few fundamentals in the global marketplace have changed, and this makes it unlikely that the issues of retention and talent supply in APAC will let up over the long term.

Organisations operating within the region must carefully consider the following points:

- How well they understand and consistently measure their supply of critical skills;
- How agile they are to mobilise talent and specific skills where and when they're needed;
- How they will retain these key skills despite the inevitable shortage ahead;
- How they supply key skills and local knowledge at the same time to companies seeking a superior, high-end outsourced experience.

As intra-regional trade and finance stabilises to shore up long-term economic prosperity, talent supply will remain a major issue for businesses across the region. Understanding the bigger picture that will alter supply and demand for talent across the region and how to stay ahead of the curve will be the key to meeting the needs of customers now and in the decade ahead.

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For more thought leadership go to talentproject.com

ABOUT THE AUTHOR

ANTHONY RAJA DEVADOSS is currently the Vice President – APAC with the Outsourcing & Consulting Group of Kelly Services. From network services, engineering to e-business solutions, Anthony Raja has worked in both India and Malaysia, in roles ranging from technical to CEO. He has received his Bachelor's degree in Science and his MBA in Marketing and a Postgraduate Diploma in Computing. He holds membership in various local and international associations such as the MIM, Human Capital Institute and Association of Career Professionals International. He is the Head of Policy Enablement and Government Liaison with Outsourcing Malaysia and a member of the Industry Advisory Board for the Graduate School of Business, UNIRAZAK. He was recently appointed to the HR Capacity Building taskforce by the Ministry of Human Resources, Government of Malaysia. Anthony is also a member of the HROA APAC Chapter Board.



<http://my.linkedin.com/in/anthonyraja>

<http://twitter.com/anthonyraja>

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