



# **WORKFORCE AGILITY BAROMETER**

**NAVIGATE APAC'S FUTURE  
TALENT FRONTIER**

**One of the most pressing questions on business leaders' minds today is, "Is my workforce ready to tackle the challenges of the future?" Uncertain economic and political situations, coupled with the emergence of new technologies, have given rise to new challenges as well as new opportunities for businesses. C-suite leaders know that their businesses need to be nimble to respond to changing business environments.**

According to the World Economic Forum, five years from now, over a third of skills (35%) that are considered important in today's workforce will have changed. Furthermore, according to Capita, a mere 28% of surveyed employees believe their role or profession will exist in its current form 20 years from now.<sup>1</sup>

Human Resource decisions remain at the heart as companies develop new approaches to cope with these changes, for it is the quality of the people within the organisation which enables its success. To achieve success on the talent front, workforce agility is key.

In addition to Human Resources developing a more strategic perspective, it is also necessary for the operational business leaders within organisations to take on a more holistic perspective as it relates to talent models, and more specifically, how essential work functions are accomplished and by which

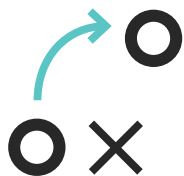
classification of worker. Rigid models based on limited worker classification options inhibit an organisation's ability to react to changes in the labour markets and competitive landscape.

In an effort to gain a deeper understanding of leaders' plans for navigating the future talent frontier, we asked C-suite leaders in Asia Pacific about their talent acquisition practices, views on how talent needs are transforming, and the overall impact on their companies' future plans. We also leveraged talent insights from previous Kelly Outsourcing and Consulting Group (KellyOCG) studies and relevant external resources.

Conclusions can be drawn about the steps needed to shape a workforce strategy that can drive growth by unearthing the challenges and opportunities that the new world of work represents, from a business leader and employee perspective.



## KEY FINDINGS



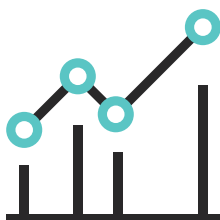
### 1. More can be done to include workforce planning during the early phases of business strategy development.

The majority of respondents (61%) said that they expect a negative impact on their business as a result of talent shortages. At the same time, only a small number of businesses feel that their HR departments are able to contribute to business conversations. This raises the question: *To support overall ambitions, are companies investing in the right tools and knowledge for their HR departments?*



### 2. HR can play a more pivotal role in supporting business strategies and driving results.

C-suite leaders recognise that HR has the potential to elevate business strategies. However, only 37% feel that their HR department is fully equipped with strategic workforce insights to contribute to their business planning.<sup>2</sup> Beyond the traditional HR training and development, workforce data and insights are vital to unlocking business productivity and growth.



### 3. The contingent workforce is thriving in APAC, and enables business productivity and efficiency.

C-suite leaders know the value of the contingent workforce, with 88% of respondents expecting to maintain or increase their number of contingent workers as they enable cost efficiency and provide access to specialist skills. Organisations that are quick to integrate the contingent workforce will be well-positioned to scale their workforce to suit business needs.



### 4. APAC leaders are looking to consultancies to infuse expertise into their organisations.

C-suite leaders in the region consider outsourcing important in increasing their company's productivity and profitability. While IT support is the predominantly outsourced business function, companies have started to partner with external consultancies to outsource sales support, finance support, contact centre support, and administrative support functions.



## THE WAR FOR TALENT CONTINUES

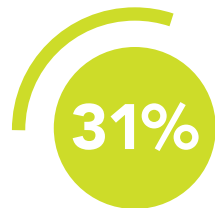
**While businesses fear talent shortages, more can be done to include workforce planning during the early phases of business strategy development.**

The majority of C-suite leaders in the Asia Pacific region expect talent shortages to have a negative impact on their businesses—and in Singapore, that percentage is as high as 75%. Yet, only a small number trust that their HR departments are up to tackling this challenge and able to contribute to business conversations, and only 53% of businesses engage HR throughout the business strategy development stages.<sup>2</sup> A pinnacle question arises: are organisations investing in the right tools and knowledge for their HR departments so as to support their business ambitions?

**With nearly 60% of C-suite leaders within the APAC region citing product and service innovation as one of the top three factors driving their business growth, ensuring that the right talent is in place has never been more critical.<sup>2</sup>**

Despite the heightened focus on human capital and talent management by their CEOs, in 2013, many organisations had already begun to experience the adverse effects of a talent shortage, according to a Project Management Institute (PMI) study.

### Inability to fill critical positions led to:<sup>3</sup>



Decreased product or service delivery quality



Difficulty innovating effectively



Cancelled or delayed key strategic initiatives



Inability to achieve growth forecasts



Inability to pursue a market opportunity

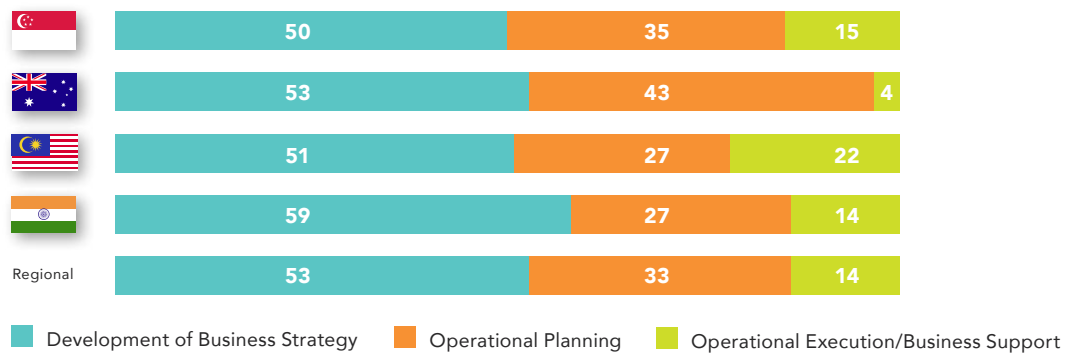


**Across the globe, talent shortages remain a major concern, and APAC is no exception. Critical talent, including that needed to drive innovation, is not always available.**

Half of APAC C-suite leaders report that a lack of available talent is presenting recruiting obstacles. Even more concerning—61% of survey respondents say talent shortages will negatively impact their business in the next three years.<sup>2</sup> With 92% of global business leaders expecting an increase in competition for talent this year, attracting and retaining the talent required to drive the business forward is only going to become more challenging.<sup>4</sup>

While critical talent is thought to be in short supply, only one in two C-suite leaders reported that their HR department is involved during the development of the business strategy in order to understand critical talent needs.<sup>2</sup>

**At which point is HR first engaged in the different stages of a business strategy?<sup>2</sup>**

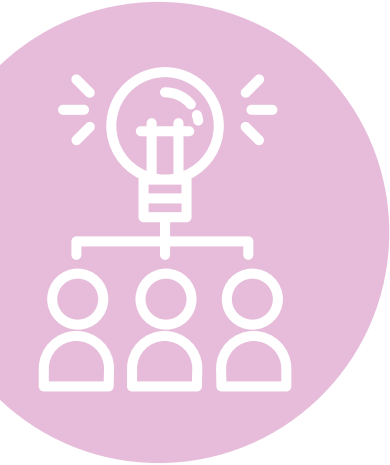


Further, The Project Management Institute explored the link between alignment of talent management strategy to project management performance and organisational success.

**“High-performing organisations are more than twice as likely as their low performing counterparts to align talent management to organisation strategy — a significant competitive advantage.”<sup>3</sup>**

**C-suite leaders in the region are concerned about their ability to acquire the right talent to achieve their business goals. However, these leaders often fail to recognise that talent management issues need to be addressed together with business and bring HR teams into these conversations at too late a stage.**

**Working with HR teams to take a more holistic view of how to address talent management allows businesses to identify and hire the right people. With traditional work processes being altered across all industries, businesses need to do what they can to stay ahead of the game when it comes to talent.**



## SPOTLIGHT ON HR

**HR can play a more pivotal role in supporting business strategies and driving results.**

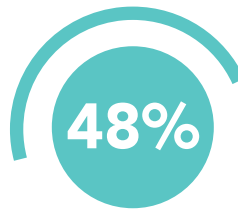
C-suite leaders recognise that HR has the potential to elevate business strategies, but they have questions regarding HR's current ability to meaningfully contribute to business planning. Beyond the traditional HR training and development, workforce data and insights are vital to unlocking business productivity and growth.

**While talent shortage concerns are valid and consistent with other global research, C-suite leaders see HR as having key capability gaps when it comes to a firm's ability to attract talent.**

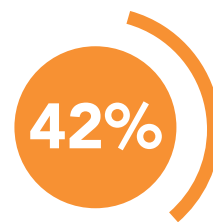
### What factors impact your ability to attract talent?<sup>2</sup>



Lack of available talent



Lack of holistic and diversified strategy for a multi-generational talent pool



Lack of talent engagement on digital media



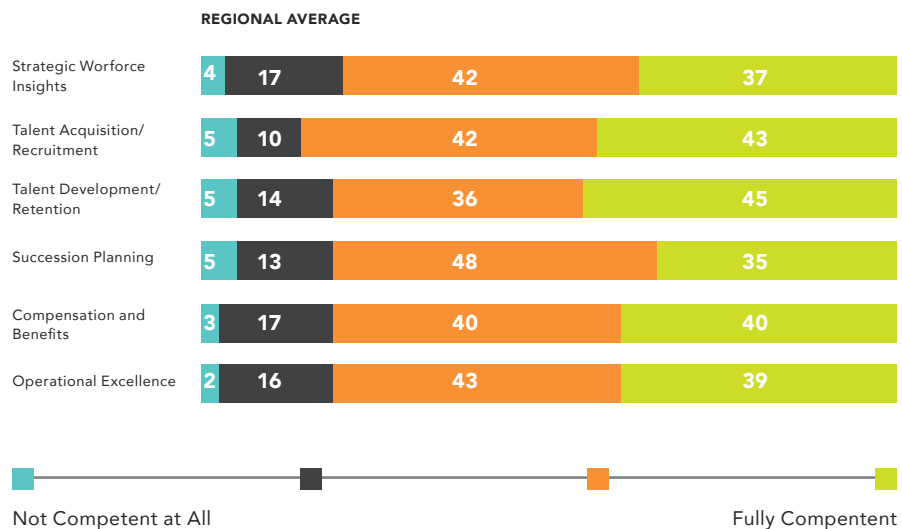
Lack of employer branding



Even with these recognised gaps, a majority of companies are still only creating short-term talent plans. With 58% of organisations claiming to have a clear plan for only the next three years or less, it’s no surprise that a holistic and diversified strategy is lacking.<sup>2</sup>

When asked: “How competent is your HR function when it comes to enabling business strategy?” about 80% of APAC respondents rated their HR function as either “competent” or “fully competent” on each of the capabilities listed. However, as noted earlier, the majority of C-suite leaders across APAC did not view their HR department as fully competent in any one dimension, indicating there is still room for improvement.

While C-suite leaders ranked their HR departments better in areas such as talent acquisition, talent retention, and operational excellence, there remains a lack of HR capabilities in strategic business advisory. In fact, only 37% of businesses in the region believe that their HR function is fully capable of providing strategic workforce insights.



Organisations are also still struggling to find the talent they need. In 2015, 64% of C-suite leaders felt that HR was unprepared for transformational change, and that doubt still lingers. Today, 60% say they are rethinking the HR function, including restructuring.<sup>5</sup>

**In order to have a seat at the table, HR must be data-driven and able to demonstrate business impact. The challenge is, most organisations don't have reliable, usable data.**

C-suite leaders believe that HR can contribute to conversations surrounding business strategy if they can provide more strategic workforce insights. This is crucial, because as found in a 2014 study conducted by Boston Consulting Group (BCG), there is a significant correlation between HR departments that rely heavily on data, KPIs and financial performance. The results confirmed “the use of HR KPIs and steering tools is yet another point of differentiation between high performers and low [financial] performers.”<sup>7</sup>

While “People and Analytics” was ranked #8 in Deloitte’s 2017 Global Human Capital Trends—a sign of progress in the realm of data—the report noted how challenging it is to obtain sound, relevant data. With only 8% of organisations reporting they have usable data and only 9% reporting they believe they have a good understanding of the talent factors that drive performance, readiness to capitalise on human analytics remains a challenge.

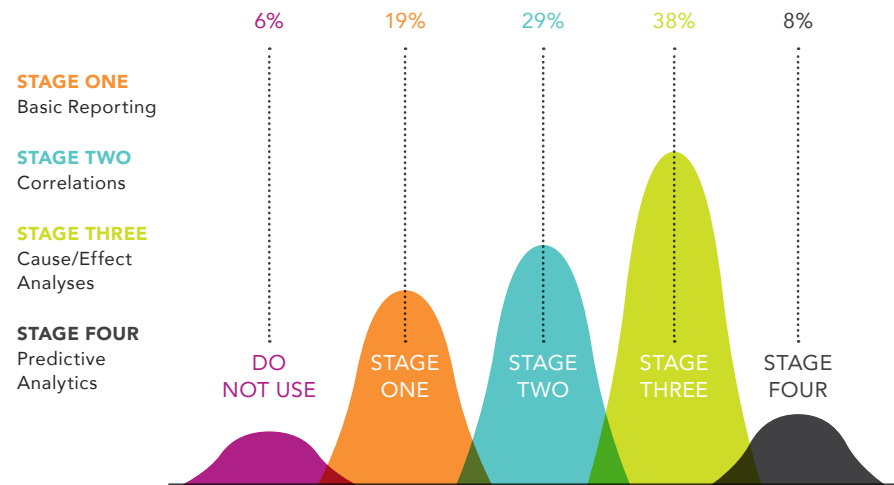
**“Data about people at work has become more important than ever, but the focus of people analytics has changed. Formerly a technical discipline owned by data specialists, people analytics is now a business discipline, supporting everything from operations and management to talent acquisition and financial performance, according to Deloitte.”<sup>8</sup>**





Further, Mercer’s 2017 study found that only a fraction of firms in Asia had reached “Stage Four” use of talent data, i.e. predictive analytics.<sup>4</sup>

### USE OF TALENT ANALYTICS<sup>4</sup>



Source: Mercer, 2017

Many companies are engaging in multiple programmes designed to help them engage with HR and increase HR capabilities, as well as the value it brings to the organisation.

**But only 41% engage external HR consultants to provide insights that will inform their strategic workforce planning.<sup>2</sup>**

### Methods Utilised for Improving HR Capabilities<sup>2</sup>

- 66%** HR training, certification, and conferences
- 56%** Workforce analytics tools
- 51%** Talent industry insights and trend reports
- 41%** Engaging external HR consultants



## ON THE UP AND UP: CONTINGENT WORKFORCE

**Contingent workforce is thriving in APAC, and enables business productivity and efficiency.**

Over the years, we have seen that businesses are tapping into the contingent workforce for more than just short-term talent needs. In fact, in our Workforce Agility Barometer Survey, we found that C-suite leaders in the APAC region ranked 'to fill short-term project requirements' as the least important benefit that contingent workers bring to the table.<sup>2</sup> The contingent workforce is an overlooked segment that, when employed strategically, will complement an organisation's permanent workforce to increase productivity and profitability, as well as gain access to critical skill sets, including professional/technical talent.

With almost 9 out of 10 C-suite leaders expecting to maintain or increase their levels of flexible talent as a means to drive efficiencies, savings, and access to specialist skills, it's clear that the contingent workforce brings value.<sup>2</sup> Organisations that are quick to integrate the contingent workforce will be well-positioned to scale their workforce to suit business needs.

### Benefits of Contingent Workers<sup>2</sup>

- 69% Access to specialist skills and expertise that lie outside the organisation
- 63% Ability to scale the workforce according to business cycles
- 62% Skills not typically available in their permanent workforce
- 57% Cost efficiency
- 49% Ability to fill short-term project requirements

**Due to the clear advantages provided by Free Agency—a work arrangement in which independent workers move from project to project, contracting with a range of employers or clients—businesses are starting to tap into the contingent workforce to fill their immediate talent shortages. In order to capture the talent needed to fill these contingent roles, work arrangements are expected to shift within the region over the next few years.**

Flexibility, and the ability to “design” the perfect balance between their personal and professional lives, matters significantly to talent in APAC, and is therefore critical in retaining key talent. In fact, 55% of contingent workers choose Free Agency for the freedom and flexibility the work arrangement affords. Due to this strong demand, it’s clear why 64% of organisations expect flexible work arrangements to increase over the next three years.<sup>9</sup>

While companies have been increasingly implementing flexible work arrangements such as working remotely, working outside typical business hours, and paid time off, we observe that project-based and contract work arrangements are slowly gaining ground over the past few years and are giving rise to the gig economy in the workplace.

**Which work arrangements do you expect to introduce or increase in the next three years?<sup>2</sup>**

- 64% Flexible
- 53% Project-based
- 46% Contract
- 42% Permanent
- 32% Borderless
- 4% No changes expected

**55%**

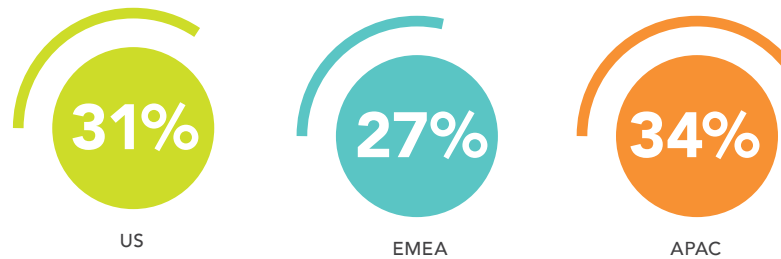
of contingent workers choose Free Agency for the freedom and flexibility the work arrangement affords.<sup>9</sup>



**On the talent front, Free Agency is thriving in APAC, across all types of work arrangements.**

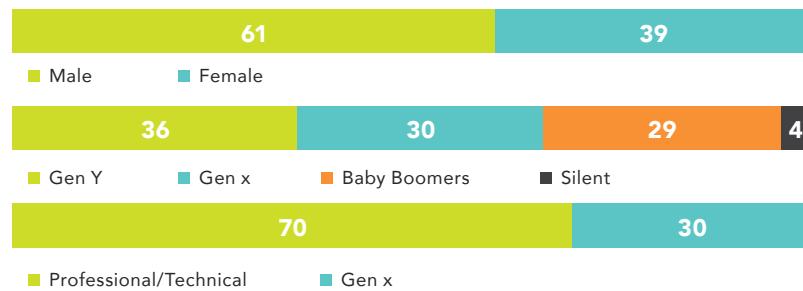
Earlier, KellyOCG research identified APAC as a leader in Free Agency, with the highest percentage of Free Agents of all three surveyed regions.

**Regional Breakout: Percentage of 2015 Working Population Identifying Themselves as Free Agents<sup>9</sup>**



What do the Free Agents within APAC look like? They're mostly male, with professional/technical skill sets, and fairly evenly split across Gen X, Gen Y, and Boomers.

**APAC Free Agent Profile<sup>9</sup>**



Overall, APAC Free Agents are happy being Free Agents, with 64% claiming to be satisfied with their current employment situation overall, and 63% reporting satisfaction with their work-life balance. Even more notable, 61% see Free Agency as a lifetime commitment, compared to 58% of Free Agents in EMEA and 53% of Free Agents in the US.<sup>9</sup>

**APAC firms today are motivated to use contingent workers in order to access talent, but have concerns with finding the right talent and integrating it within their organisation.**

Though the top concern on hiring contingent workers varies across countries, about two-thirds of organisations surveyed are most concerned that they will be unable to locate the right candidates.

**What are your concerns about hiring contingent workers in your organisation?<sup>2</sup>**

- 65%** Inability to find the right contingent talent
- 62%** Inability to integrate them into the organisation effectively
- 60%** Retention of intellectual property in the organisation
- 59%** Disclosure of confidential information and data security
- 54%** Legislative restrictions in contingent workforce hiring

Additionally, organisations' ability to find, develop, and retain staff in South East Asia has become increasingly difficult. A 2015 Deloitte study on talent in the region revealed that 98% of participating organisations did not feel "very ready" to deal with this challenge. Leveraging people analytics may be the key to helping businesses develop a holistic workforce management approach that will empower more effective utilisation of contingent labour.<sup>10</sup>

**62%**

of organisations are concerned about their ability to effectively integrate contingent workers into their workforce.<sup>2</sup>





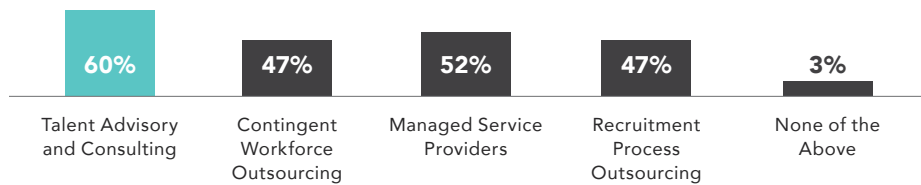
## OUTSOURCING EXPERTISE

The value derived from strategic business partnerships is expanding, with leaders looking to consultancies to infuse expertise into their organisations.

Outsourcing models are adding value beyond cost-cutting, providing needed capacity, advancing functional capabilities, and, increasingly, innovation. Today, outsourcing is common in APAC, with more than half of APAC C-suite leaders leveraging external partners to manage talent. And among organisations that do utilise an outsourcing model, IT support is the function most frequently outsourced.

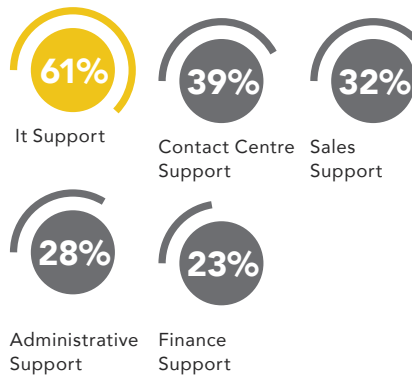
Product and service innovation is seen as a key driver of growth, but innovation cannot happen without the right talent in place.

If you currently outsource, in which of the following areas do you work with any external partners to manage your talent?<sup>2</sup>



If you currently outsource any part of your business functions, which have you outsourced?<sup>2</sup>

APAC REGIONAL AVERAGE (% OF RESPONDENTS)



Which business function, if any, do you intend to outsource in the next two years?<sup>2</sup>

APAC REGIONAL AVERAGE (% OF RESPONDENTS)



The HR function within progressive organisations has supported the addition of agile and adaptive project teams engaged through talent-based outsourcing providers that specialise by industry or functional output. Talent models that offer an option between contingent staffing and enterprise scale outsourced functions, as well as the full-time workforce, can fill a crucial gap in an organisation's talent supply chain. Allowing for the addition of outcome-based service providers that work under clearly defined Statements of Work (SOW) to fulfil a specific functional requirement along the product lifecycle, provides these organisations with a competitive advantage in the war for scarce technical talent.



## NEXT STEPS

**It's time to recalibrate and advance the role of HR to gain a competitive advantage.**

Typical HR functions have evolved over the past few years to meet the demands of the constantly-shifting business environment. To further adapt and accelerate growth and success, organisations not only in APAC, but across the globe, must count on their HR teams to be the talent backbone that supports their business strategy.

In order for HR leaders to earn a seat at the table for strategic discussions, they must demonstrate the business impact of HR. The most progressive organisations have already embraced Strategic Workforce Planning (SWP), the practice of aligning workforce resources and competence to strategic priorities. This holistic approach to workforce planning empowers organisations with the visibility they need to identify optimal talent solutions that will maximise their agility and overall ability to attract the talent they need to succeed.

HR leaders and businesses in general need to widen their collective lenses when it comes to talent models and the many different ways there are to get vital work done. For years, organisations have worked to make incremental improvements in many of the standard HR and Talent Acquisition metrics (cycle time, hit rate, retention, etc.), but have not invested enough time in optimising their labour mix models. Rigid policies intended to drive compliance and control costs have impeded creativity and true progress in harnessing talent to drive their organisations forward.

Success with SWP requires an enterprise-wide shift, and it all starts with HR and business leaders pushing strategy to the forefront of the talent supply chain. Now, more than ever, organisations need to make this shift not only to keep pace with the quickly shifting talent landscape, but to enable resourcing decisions that support their business strategy and deliver on value-based outcomes.

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### Footnotes

1. Capita (2016), "An HR Leaders Guide to Redefining the Future of Work"
2. KellyOCG (2017), "APAC Workforce Agility Barometer"
3. PMI (2013), "The Competitive Advantage of Effective Talent Management"
4. Mercer (2017), "Global Study: Empowerment in a Disrupted World"
5. PwC (2017), "20th CEO Survey"
6. BCG & WFPMA (2012), "From Capability to Profitability"
7. BCG (2014) "Creating People Advantage, 2014-2015"
8. Deloitte (2017), "Global Human Capital Trends"
9. KellyOCG (2015), "Free Agent Research"
10. Deloitte (2015), "Leading in the New World of Work: Human Capital Trends 2015"



### About the Author

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Peter spearheads the company's regional strategies and is responsible for all operational delivery across the APAC region. His expertise lies in creating tailored solutions that help clients attain 'workforce agility' in a competitive and unpredictable environment. With a deep understanding of the total talent landscape, he advises organisations on the optimal mix of talent to achieve their business and workforce strategies.

### About KellyOCG

KellyOCG®, the Outsourcing and Consulting Group of workforce solutions provider, Kelly® Services, is the leading global advisor of talent supply chain strategies that enable companies to achieve their business goals by aligning talent strategy to business strategy. We recognise each client's goals are unique to their business drivers. Whether your talent requirements are focused on speed, quality, compliance or cost, we apply supply chain management principles to help companies fully leverage talent across all categories: full-time employees, temporary employees, freelancers, independent contractors and service providers, as well as alternate sources of workers like retirees, alumni and online talent communities. KellyOCG was named to the International Association of Outsourcing Professionals® 2017 Global Outsourcing 100® list, an annual ranking of the world's best outsourcing service providers and advisors, for the sixth year in a row.

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