

Innovation generation series

Driving business performance in APAC

2019/20 whitepaper

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Innovating to gain a competitive edge

While we all know that an organization is only as good as its people, HR and reward professionals are no longer simply focusing on attracting and retaining talent.

As we approach the 2020s, incentivizing employees to drive business performance is now topping the agenda for HR and benefits teams in APAC.

Organizations recognize that having a motivated and engaged workforce—by promoting things like employee health and wellbeing—can be a game changer, not only boosting productivity but also creativity and innovation.

As a result, HR and reward professionals are using an array of tools—including a growing number of apps—to achieve these strategic organizational goals, with all of this underpinned by investment in technology.



Preparing for disruption

Changing priorities: Innovating in a world of constant change

Over the next three years we will see exponential growth in the use of employee data, and data analytics, to help drive businesses forward.

So it is an exciting time to be working in this space—not least because the technology to drive change is enabling HR and benefits professionals to play a more strategic role within organizations, with many being upskilled as a result.

However, HR and benefits teams are doing this against a backdrop of significant change, which presents its own challenges.

According to Mercer's Global Talent Trends 2019:

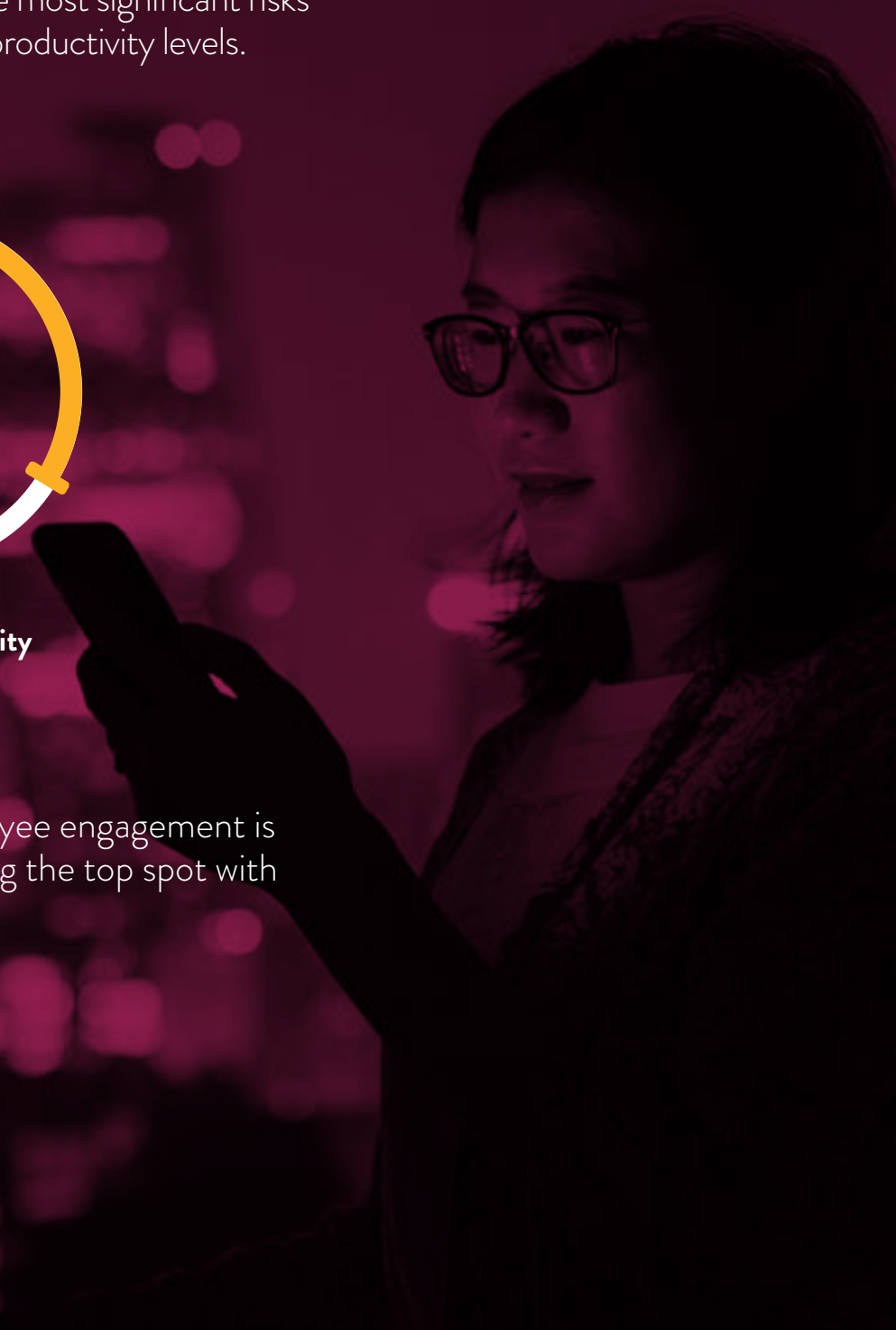
A staggering 73% of companies expect significant disruption, and 99% are taking action to prepare for the future of work.

Not surprisingly, executives are inevitably worried about the impact of this disruption on their employees. As seen in figure 1, the most significant risks they face are related to employee engagement and productivity levels.

Figure 1: Top human capital risks



Given this huge threat, it is no surprise that employee engagement is now a top priority for organizations globally, sharing the top spot with attracting and retaining talent.

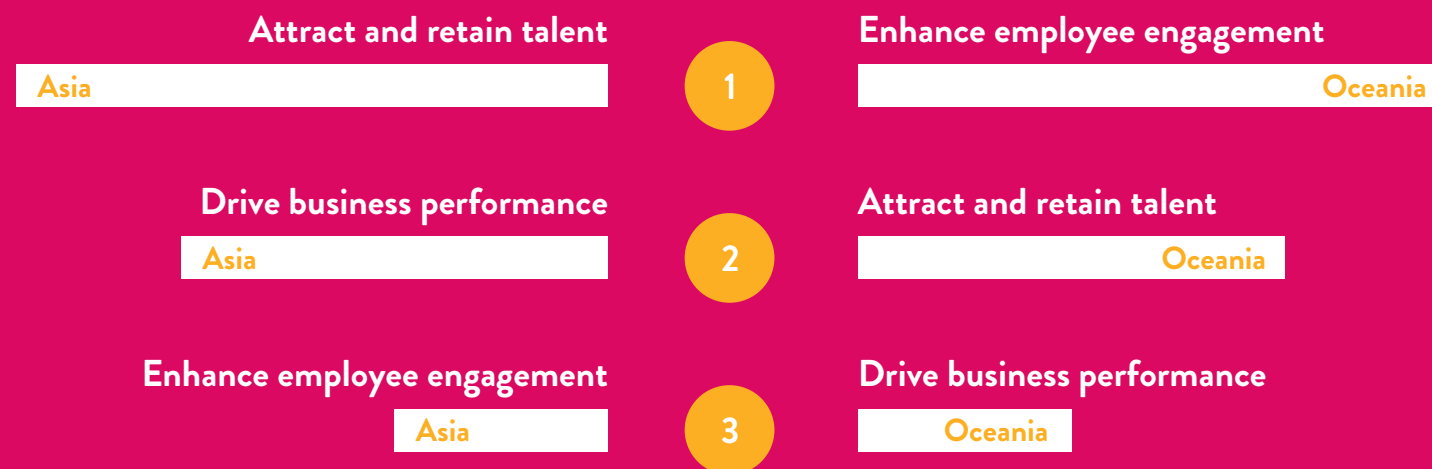


The game-changing objectives

Driving business performance: A key differentiator

However, while enhancing employee engagement is important in the APAC region, driving business performance is also a top three objective (whereas this ranks fourth globally). In fact, as seen in figure 2, driving business performance comes a close second in APAC.

Figure 2: The top three objectives of a benefits strategy



Attracting and retaining talent (against a backdrop of global skills shortages) is also a key objective. However, in an increasingly competitive world, using benefits to drive performance is now coming to the fore.

A world view: Global consistency is now a priority

In more mature employee benefits markets, priorities are less to do with automation (something many organizations have already achieved) and more to do with global consistency; particularly when it comes to the employee experience.

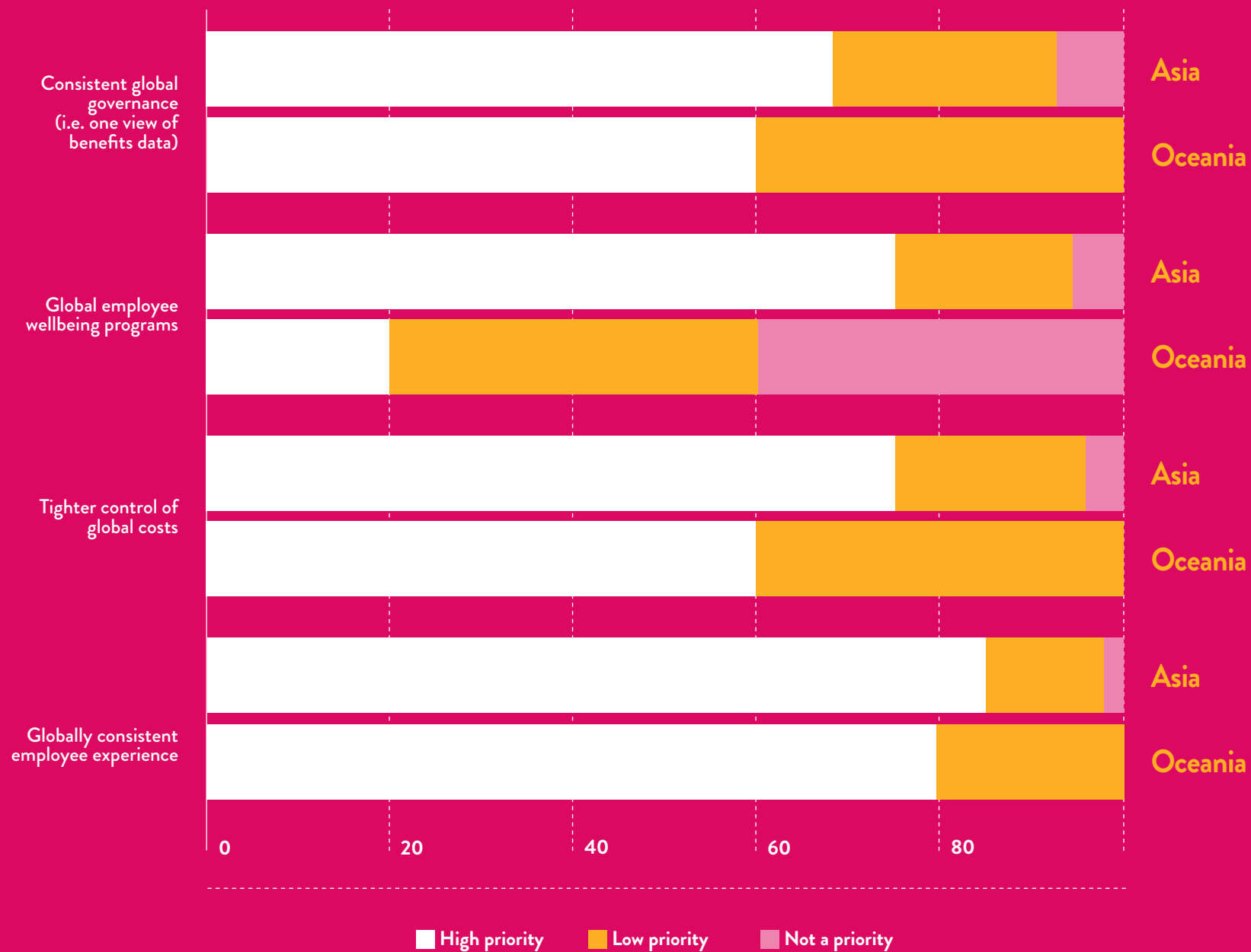
In a world where the employer brand is closely aligned with the global brand of an organization — and with employers increasingly ranked and rated on social media and review platforms — ensuring that the employee experience is consistent across all regions is a powerful differentiator when it comes to attracting and retaining talent.

As we can see from figure 3, priorities vary from region to region.



Seeing the bigger picture

Figure 3: What are your current operational objectives with regards to benefits?



The wellbeing issue

In addition to providing a globally consistent employee experience, governance and tighter control of global costs, there is one priority that stands out in terms of operational objectives in Asia: global employee wellbeing programs. There is a particular contrast between Asia (71% of organizations have made this a high priority) and Oceania (just 20% say it is a high priority) as we can see from figures 3 and 4. Interestingly, Asia even exceeds North America (61%) in terms of making this a focus.

Wellbeing has evolved: Why is it a priority in APAC?

So what is going on here? Well, a raft of reports have highlighted that employees in this region now expect wellbeing as part of their employee benefits package. However, the wellness debate has moved on significantly from simply encouraging staff to visit the gym. It is no longer focused on cost management but how wellbeing positively impacts the organization as a whole.

“For the Asia-Pacific region, the core emphasis is on formulating culturally relevant and ethnically appropriate EHM (employee health management) programs that can yield better employee engagement”

Source: Frost & Sullivan, Global Employee Health Management IT Market Forecast to 2024¹

However, the opposite is true in Oceania where global employee wellbeing programs are not a priority for 40% of organizations and a low priority for a further 40%, as we can see from figure 3.

This could partly reflect the high quality of public healthcare available in countries such as Australia and New Zealand and lower levels of stress amongst the workforce (both

countries rank in the top 15 for quality of life).²

Lower healthcare costs are also reflected in the total spend on benefits per employee. As seen in figure 4, total spend is the lowest as a percentage of base salary in Oceania (9%). In fact, no organization spends more than 22% of salary on benefits.

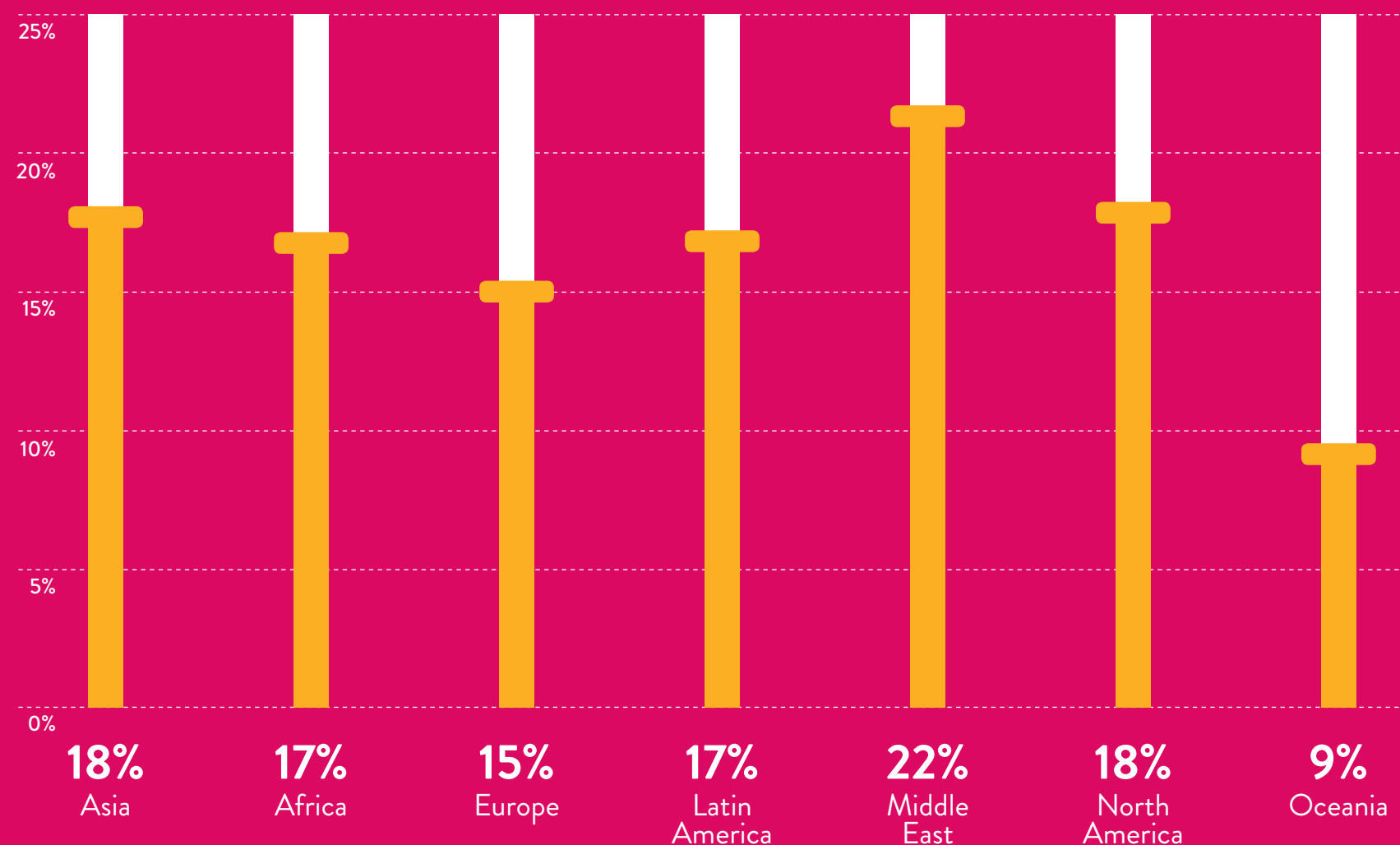


1. ww2.frost.com

2. www.internations.org/expat-insider/2018/oceania-39597

Extracting value from spend

Figure 4: How much do you spend a year on benefits per employee? (as a percentage of base salary)



However, when looking at how organizations feel about their investment in benefits, only 44% in APAC believe they have ‘a very good ROI’ on their benefits spend.

To extract better value, they need the right technology and access to data and analytics tools to evaluate where they are getting the best return on their benefits spend and where they can make efficiencies.

It’s not enough to be good: You have to be seen as the best

Employee engagement and driving business performance are high up the list of objectives and priorities for HR and benefits teams. But what really motivates them?

The answer: recognition.

HR and benefits teams don’t just want this for their organization. They want industry recognition for the work they do themselves, and to be seen as leaders amongst their peers through award wins.

The race for recognition

Winning awards is the second highest priority objective for employers in Asia.

While this may seem self-serving, it actually can help with talent attraction. Being seen as a top employer and a leader in the HR function can be a powerful endorsement in a world where employers are increasingly ranked and rated online.

Figure 5: What success through HR initiatives looks like for HR professionals

Asia

Industry recognition as a top employer



Winning awards



Being known as a leader among industry peers



Oceania

Attracting and retaining the right talent

1



Being known as a leader in among industry peers

2



Industry recognition as a top employer

3



What is driving delivery?

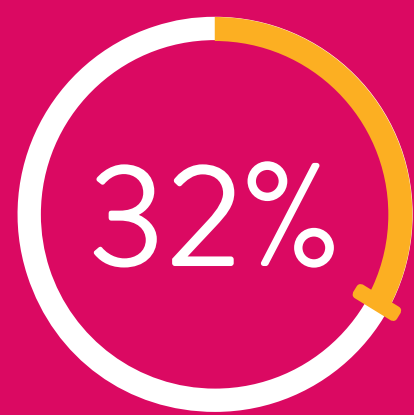
The innovation generation: Investing in tech to get results

Now we know the key objectives and priorities of HR and benefits teams in APAC, as well as what motivates them, how are they delivering what their organizations need?

Technology underpins delivery, with 32% of HR and benefits teams in Asia and 40% in Oceania considering themselves 'innovators' compared to just 23% in Europe.



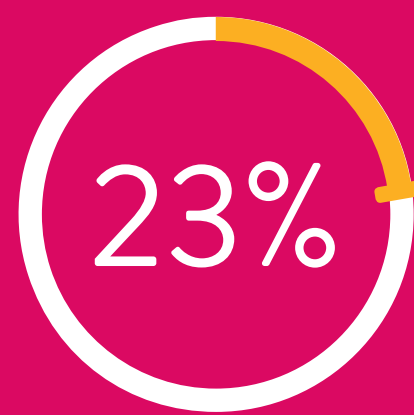
Figure 6: Percentage of respondents that consider themselves technology innovators



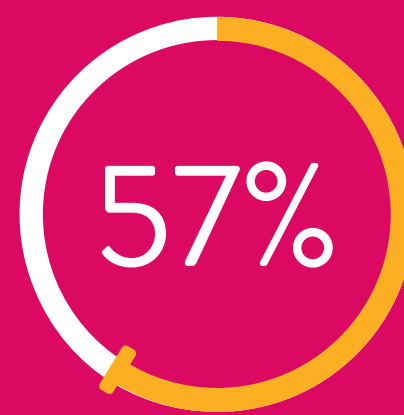
Asia



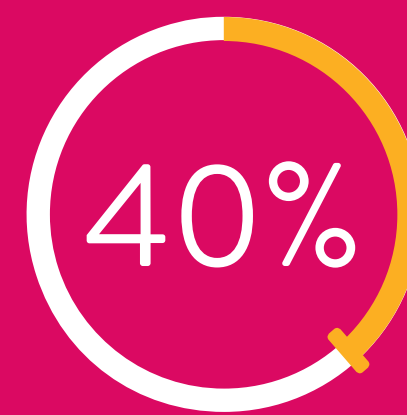
Africa



Europe



Latin America



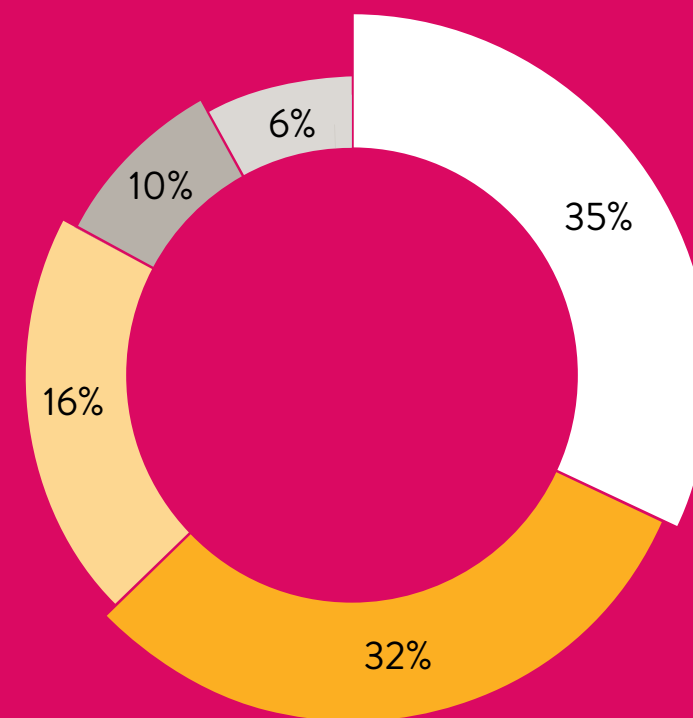
Oceania

How tech gives an edge

While it may appear that APAC employers are lagging behind Latin America and Africa in the innovation stakes, bear in mind that in markets where there is already significant technological investment such as APAC, it is hard to be first to invest in the most innovative technologies.

Drill down into the findings when it comes to HR technology specifically (figure 7) and a different picture emerges – 83% of APAC employers are either innovators, early adopters or part of the early majority.

Figure 7: What is your approach to HR technology adoption?



% of organizations

- **An innovator** (the first to adopt new technology)
- **An early adopter** (willing to take a chance on a new technology for competitive advantage)
- **Part of early majority** (willing to adopt new technology once peers are adopting it)
- **Part of late majority** (willing to adopt technology once it becomes standard)
- **Conservative** (risk averse, only comfortable adopting well-understood or well-established technology)

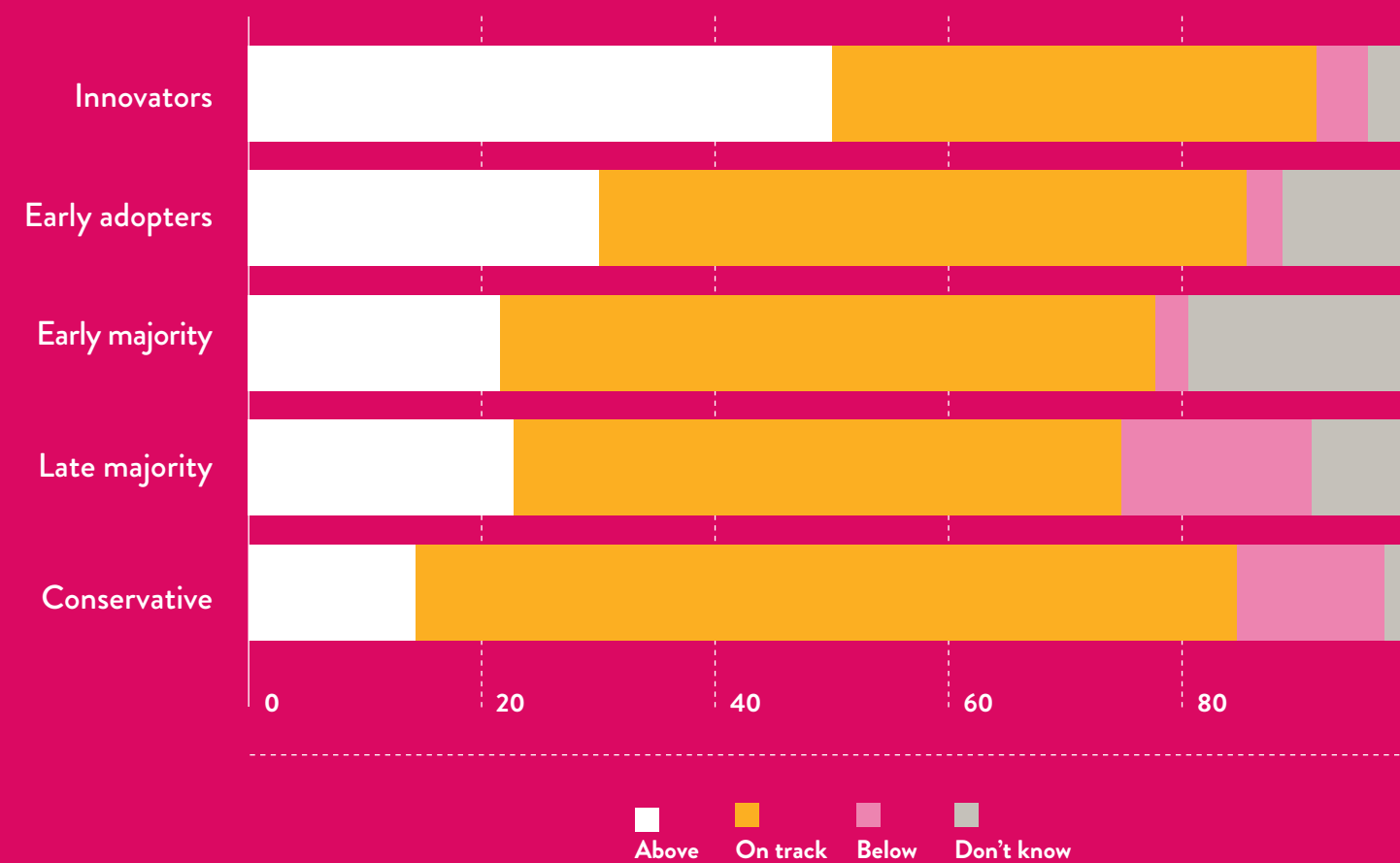


The engagement boost

This approach is yielding results – those who are ‘innovators’ and early adopters are reporting above-target engagement scores (figure 8).

Despite these positive results, and the fact that HR and benefits teams in APAC are increasingly tasked with driving business performance, there are still some significant barriers to investing in new technology.

Figure 8: Approach to HR technology adoption vs. performance against annual employee engagement score



Of particular concern—given that driving business performance is in the top three benefits strategy objectives—is that ‘lack of C-suite or board-level buy in’ is the second most significant barrier (figure 9). It seems that some HR and benefits teams are being tasked with achieving organizational goals, while not getting buy-in from senior leadership to invest in technology that will enable them to deliver on this.

Where does HR fit in?

Figure 9: Most significant barriers to HR technology investment for innovators of new technology

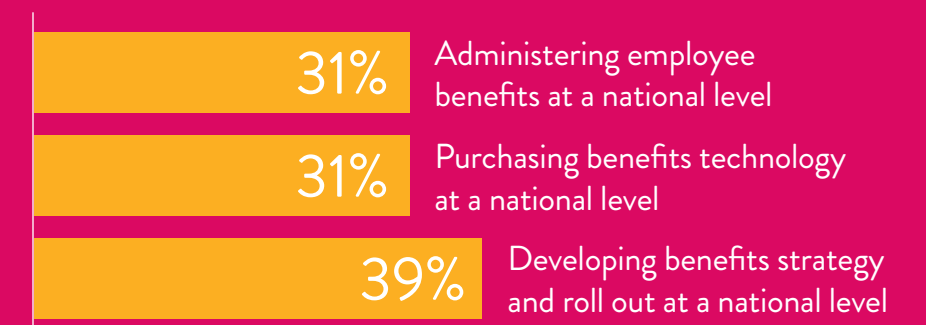


Satisfaction not guaranteed: Functionality could be improved

Global consistency (whether that is of the employee experience, cost control or governance) is a recurring theme and cited as a top priority for HR and benefits professionals in APAC. Yet, around a third of organizations are still managing their benefits administration at a national level (as seen in figure 10).

This is understandable when it comes to differences in each country's healthcare and pension systems and differing talent needs. However, are they missing out on global consistency by looking at a local level when setting their strategy and purchasing technology?

Figure 10: Percentage managing benefits on a per-country basis



Functionality: is it good enough?

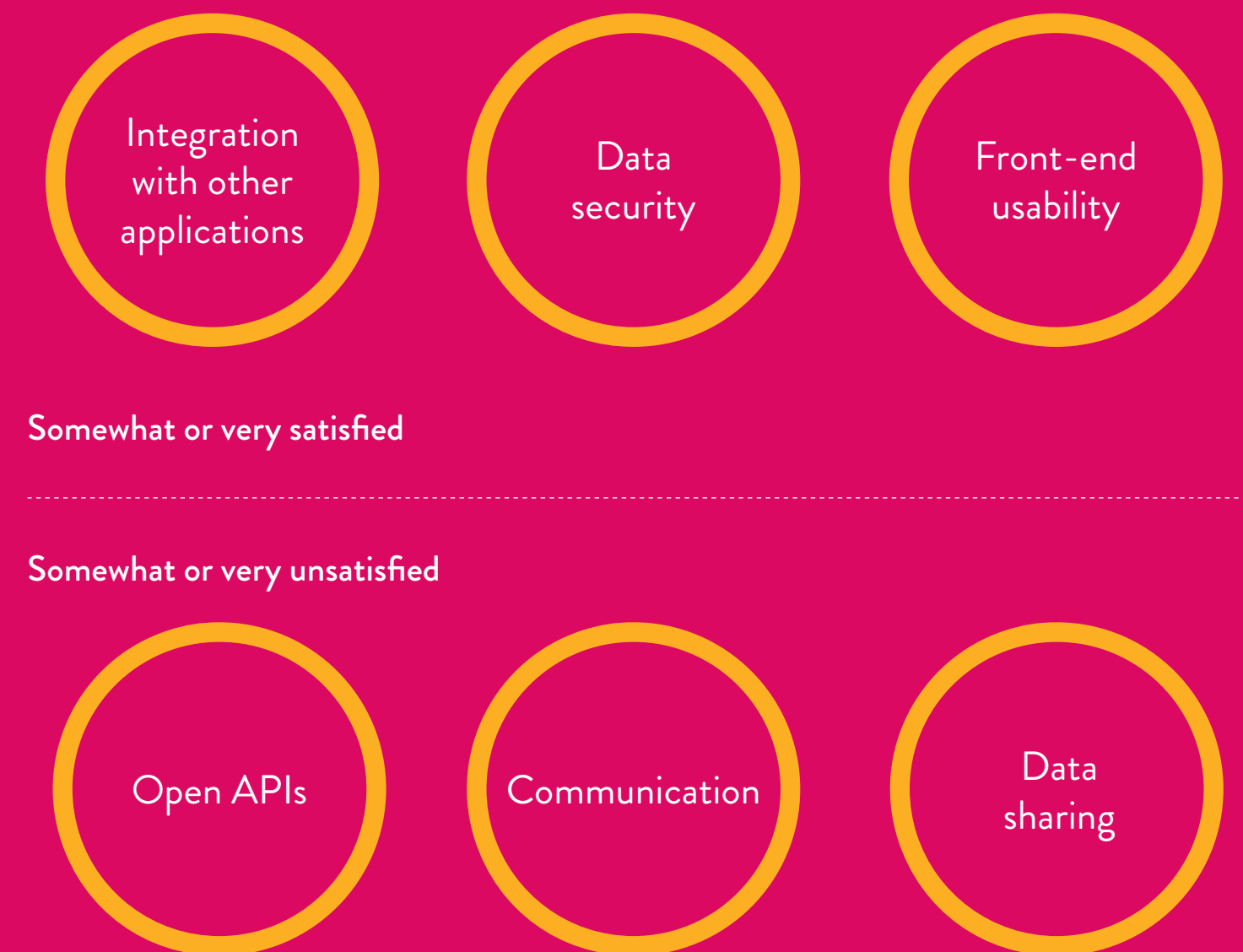
To answer that we need to look at how satisfied they are with the technology they have.

As we can see from figure 11, there are high satisfaction scores for front-end usability and integration with other applications, with 89% and 86% respectively either very or somewhat satisfied.

When it comes to being somewhat or very unsatisfied however, some areas of functionality are underperforming. 20% give a poor score for data sharing and a similarly low score of 20% for communication between different HR systems.



Figure 11: How satisfied are you with the functionality of your current HR systems?



Plug and play leads the way

Plug and play: The future of benefits is heading this way

The ability to quickly and cheaply try out new tools and apps, plugging them into your HR tech ecosystem, has many advantages. Organizations can test whether these apps are valued by employees and whether they lead to improvements in areas such as wellbeing. They can also introduce new apps more quickly in response to employer demand or the needs of the organization.

So how many have this capability?

As seen in figure 12, a best-of-breed integrated ecosystem is favoured by over half of organizations in APAC. These ecosystems, along with many single HCM systems, allow for plug-and-play (figure 13).

Figure 12: What best describes your current HR technology landscape?

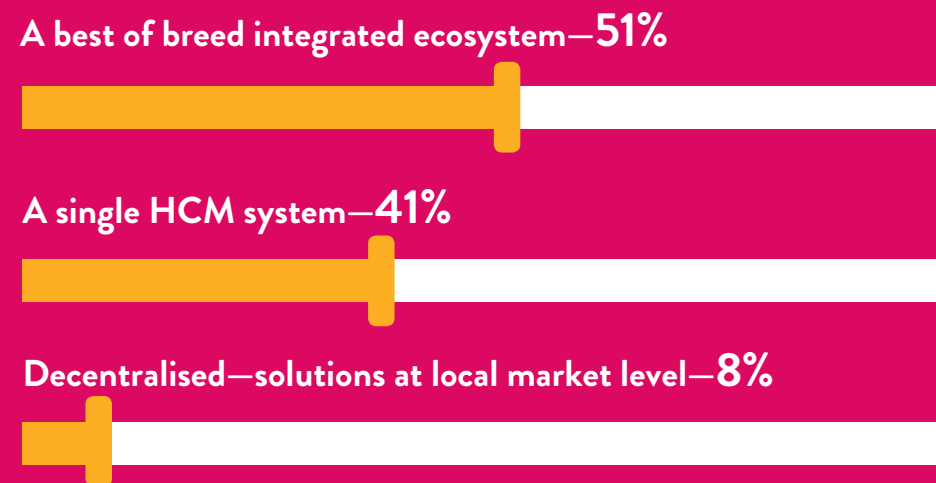
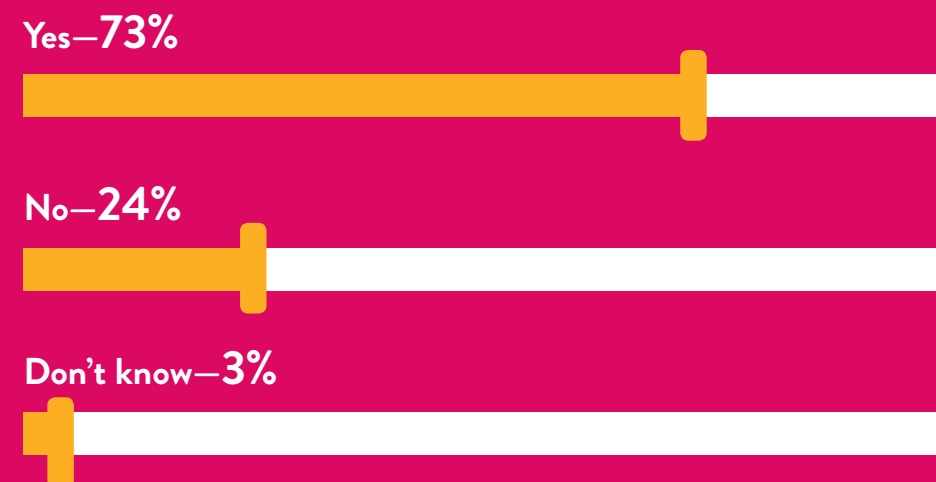
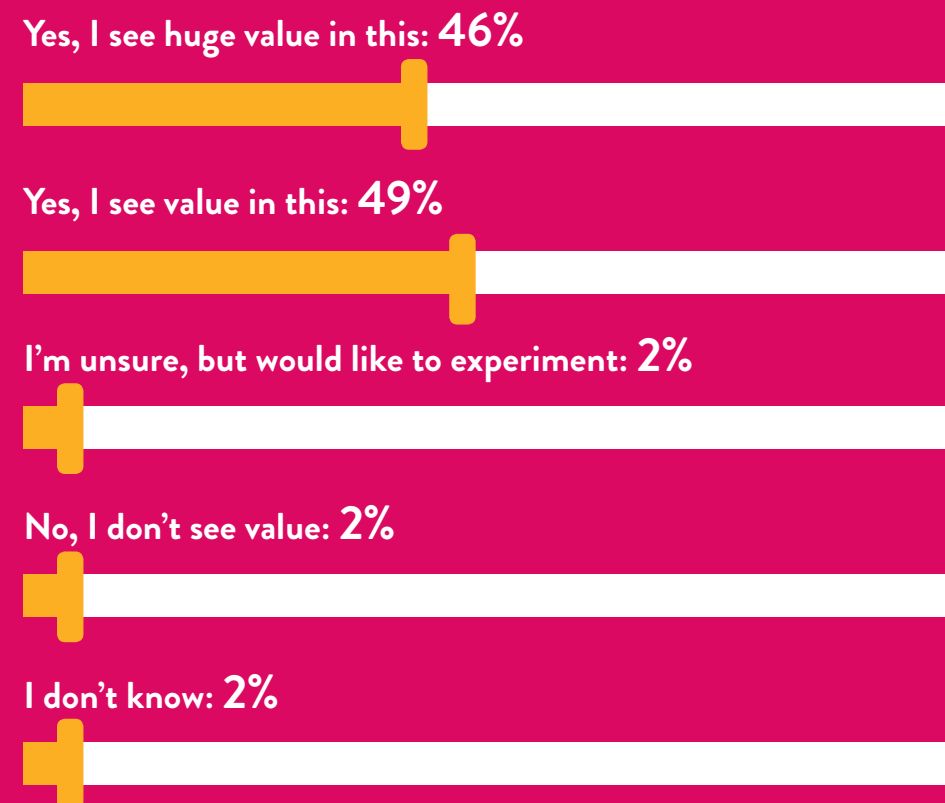


Figure 13: Does your core HR software enable plug-in applications?



Data and apps: Valued and used

Figure 14: Do you see value in being able to quickly and easily plug different applications into your HR software without disrupting user experience?



The vast majority of APAC organizations also see great value in the ability to quickly trial non-core apps (see figure 14), and we can expect this number to rise in the future.

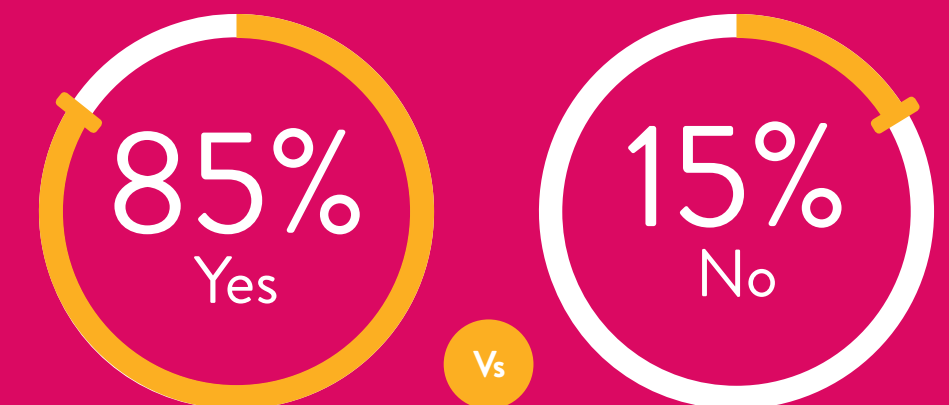
Of those organizations offering employees a range of apps and tools, the average is six. However, when it comes to getting a good return on benefits investment, the optimum number of apps and tools to have is ten – yet only 15% of APAC organizations offer employees ten or more.

Heading to a data-driven future: But more information is needed

Most organizations now collect vast amounts of data on their employees, including benefits take up and whether or not these benefits achieve organizational goals (figure 15). However, there are some areas of discrepancy where HR and benefits teams in APAC are lacking the information – and more importantly – the data analytics capabilities to truly deliver on their key objectives (see figure 16).

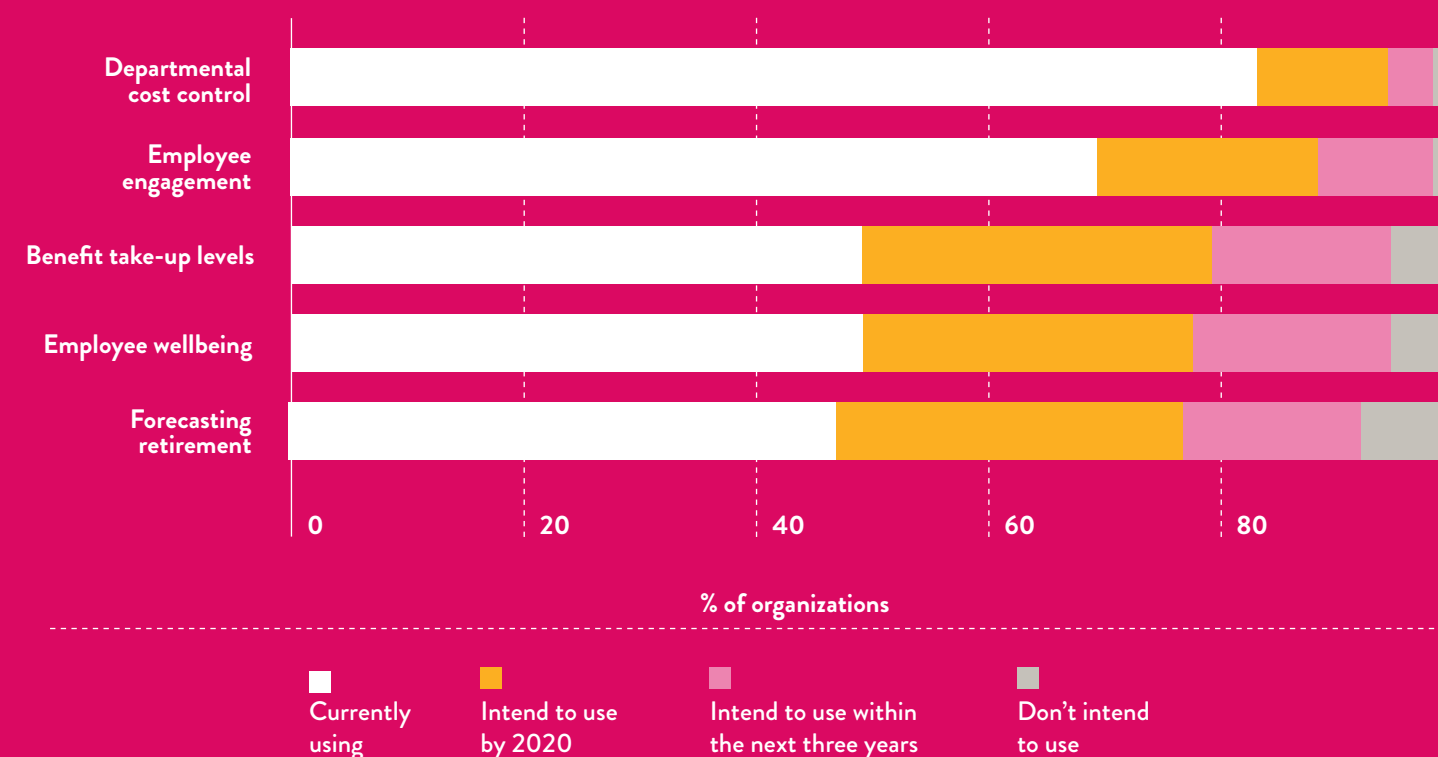
When it comes to collecting employee data, departmental cost control is currently cited as the main reason – by quite some margin.

Figure 15: Are you currently collecting employee data?



The data-driven future

Figure 16: Which of the following are you currently using, or are you intending to use, employee data to report on?

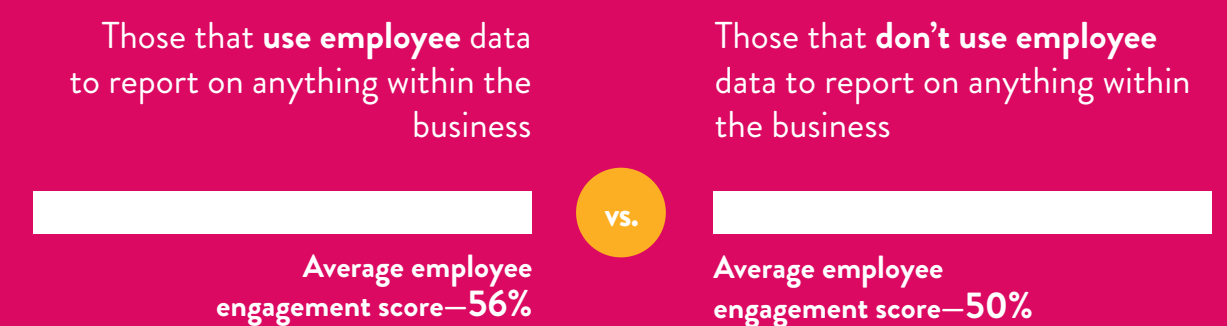


Furthermore, half of HR and benefits teams in APAC are operating in the dark. Only 47% are currently collecting information on benefit take-up levels. Without this information it is hard for HR to manage already-rising benefit costs and predict future benefit spend. This is especially alarming given that organizations in Asia spend on average 18% of salary on benefits per employee. But promisingly, within the next three years 94% of organizations in APAC will have this information at their fingertips.

In addition, only 47% are currently collecting information to forecast when employees will retire. Considering the vast budgets spent on retirement funding, a lack of information about when employees intend to retire seems to be a major oversight. However, when we look to the future, a different picture emerges. Next year that figure will rise to 77% and to 92% by 2020.

Collecting and using employee data to inform business and benefits decisions reaps rewards: there is a strong correlation between this and employee engagement scores as seen in figure 17.

Figure 17: The correlation between use of employee data and average employee engagement scores



Analytics and upskilling HR

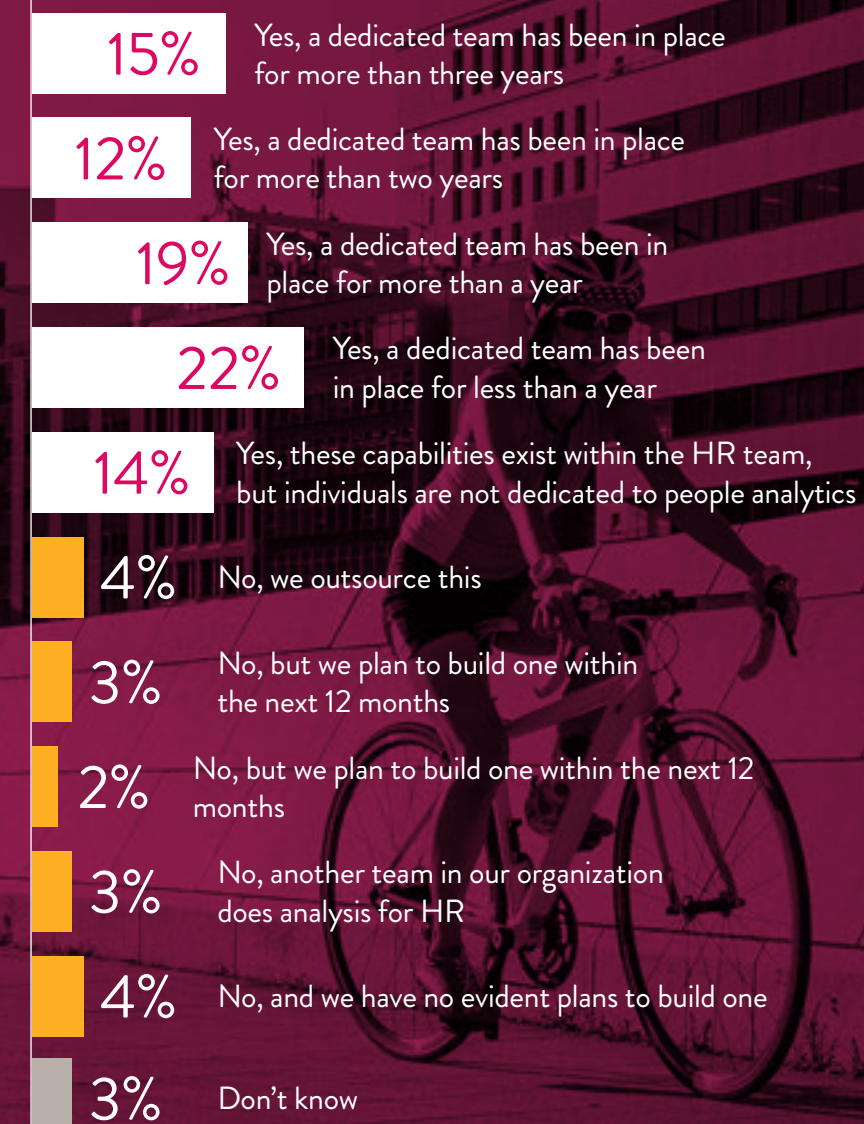
In fact this has been the biggest win from collecting employee data. When asked “have you achieved any of the following by acting on insights generated through data analytics?” 53% of organizations in APAC said these insights had improved employee engagement – above greater clarity regarding departmental spending (52%) and an improved benefits program (45%).

Improving performance through analytics: It's all about capability

Nearly every HR and benefits team will be swamped with vast amounts of employee data within the next three years. So do they have the capability to turn this data into actionable insight?

Organizations in APAC say that the biggest blocker to collecting and using employee data is a lack of data literacy in the HR function. But they are addressing this issue rapidly by upskilling their existing teams (figure 18). So rather than being replaced by technology, HR and benefits teams are seeing their roles enhanced by it, enabling them to play a more strategic role within their organizations. Much of this transformation has happened in the last two years with 35% saying they have already upskilled their existing HR team and 44% planning to do so.

Figure 18: Do you have people analytics capabilities within your HR organization?



Conclusion

Tech innovators using data and apps to drive performance

While it comes as no surprise that attracting and retaining talent, as well as enhancing employee engagement are among the top three objectives of benefits strategies in APAC, HR teams have another priority too: driving business performance.

HR teams are increasingly looking to technology to enable them to deliver on this key strategic goal, with the vast majority seeing themselves as innovators, early adopters or part of the early majority when it comes to adopting new technology. They are increasingly using apps and tools to introduce benefits, track their use and tailor them to employee needs – with particular emphasis on wellbeing in Asia – supporting this with growing amounts of employee data.

While this is still a work in progress, the collection of data and data analytics will grow exponentially by 2022. This means HR and benefits teams in APAC need to be upskilled so they can harness the power of this data to drive employee engagement and productivity, which will be a real game-changer for their organizations.

There has already been significant investment in training in-house professionals in data analytics, which has seen the role of HR and benefits teams transform. Professionals in this sphere are not only playing a more strategic role in terms of driving business performance (and taking a more global perspective), they are also seeking more recognition for the work they are doing. Not just for their organizations, but for themselves and their employees too.



Driving business performance in APAC

If you're interested in learning more about these findings, you can download the global research report here:

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