



Human capital: the challenges facing Asia

While the economic downturn is a key focus for many C-level executives, the need to attract and retain talent remains an important issue. This is all the more so in Asia where developing countries such as China and India are helping to drive the world’s economic recovery.



Narayan Pant, Affiliate Professor of Strategy and former Dean of Executive Education at INSEAD, believes that companies are already thinking about their human capital needs for when economies pick up. “So the question for many was, if you have excess people now, could you find a way to hold on to them so that you would have them available when the economy starts looking back up? I think this was an important focus for many organisations.”

At this year’s Singapore Human Capital Summit where Pant was a facilitator, participants were told that companies have to engage their employees by recognising their different needs and aspirations, and address these accordingly. “The way to engage people is to figure out what creates value for them – recognition, opportunities for personal development, opportunities for travel, work-life balance or other dimensions, in addition to

compensation,” says Pant. “Understanding what dimensions of value are relevant for different groups of employees and tailoring solutions that work for different groups, is one way to keep employees engaged.”

However companies in Asia are not doing enough to recognise the diversity in employee needs and segment employees appropriately, says Pant. Encouragingly, some large companies are clearly experimenting with this, he says.



Pant also notes that companies are trying to attract talent by using corporate social responsibility (CSR) initiatives. Notably, **Harish Manwani**, Unilever’s President for

Asia, Africa, Central and Eastern Europe, championed the idea of 'doing well by doing good' at the conference. Pant believes, however, that to be sustainable, CSR initiatives need to make a business case, otherwise they will be yet another fad of good times.

"So if it makes people feel good to be part of an organisation that seems to care, then offering employees CSR opportunities is one way to improve commitment and productivity. This could, in turn, have beneficial business effects," explains Pant.

"Saying that CSR results in better employee engagement numbers makes less of a dollars and cents case, but it can make sense. Higher engagement results in lower turnover and better on-the-job performance, which builds a potential business case for CSR."



Also at the conference, **Sunny Verghese**, Chief Executive of commodities trading firm Olam International, said that in his view CSR initiatives are only tenable if they help sustain profitable growth. As a concerned shareholder himself, Verghese is interested in engaging in CSR initiatives that have two features – they enhance business growth and they fall in an area the company knows something about. And so Verghese says Olam does not get involved in HIV/AIDS programmes, even though HIV and AIDS affect many farmers in areas where they do business. Instead Verghese seeks to use Olam's expertise in farming to help farmers achieve better crop returns, which in turn benefits Olam, says Pant.

At the conference, Unilever's Manwani also argued that companies should think local and act global, which Pant agrees with. Manwani's point, says Pant, is that any individual is a local customer, meaning that the act of purchasing always happens in a local context. However, companies can enjoy a competitive advantage at the local point of sale by leveraging their global reach and strength.

"Thinking about the challenge in this way could empower employees to engage with local customers in ways that create value for them while leveraging the advantage of a global organisation," argues Pant. "Manwani perceives this to be much more sustainable than the other way, which is trying to offer global solutions to people who are local customers."

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Pant adds that, semantics aside, companies often fail to empower their client-servicing employees with the tools to deliver value to customers. Sales forces of multinational corporations often complain that they have to follow global and possibly misaligned marketing approaches for their local clients. A quick win would be to work more seriously on adapting sales tools and approaches to the local context.

"If you give a person the ability to adapt solutions to local needs, you make them feel good, you make them feel powerful, you excite and energise them."

Asked about an assertion at the conference by **Hsieh Fu Hua**, the Chief Executive of the Singapore Exchange, that leadership has to be shared in companies, Pant says that companies in Asia are adopting this idea. But he notes that Asians believe the myth that the boss makes all the decisions and that all decisions are made before meetings, which are used only to rubber-stamp decisions.

However the myth is just that, says Pant, as Asia often practises 'leadership by walking the corridors'. "The boss has actually come to a decision by walking the corridors a month before the meeting, making sure that he or she understands what everybody's thinking."

"So by the time he comes to the meeting, he's already tried and tested a couple of trial balloons behind the scenes with several key stakeholder groups."

"I think there is a great weight given to community and harmony in Asia. This co-exists almost paradoxically with an external impression of great power distance and strong hierarchical organisations. The way these are reconciled are quite unique and can be seen in leadership practices that are less visible to the casual observer."



At the conference, Hsieh was asked how companies should manage the paradox of driving change while maintaining a sense of stability for employees. Hsieh replied that companies should foster evolutionary change, anchored to the values and culture that are shared by employees.

On this issue, Pant agrees that it is important for companies to manage change while fostering a sense of stability among employees. But he notes

that organisations can make incremental changes for quite a while, until the need for dramatic changes (such as changing leadership teams and organisational structure) becomes over-powering. This has been described in the organisational literature as long periods of evolutionary change, punctuated by bursts of revolutionary change.

Pant adds that the current generation of managers is possibly more receptive to the idea of continuous change than previous generations who tracked their progress by the office spaces they occupied in their careers. Pant says he doesn't think employees expect organisations to remain the same because they don't expect environments will remain the same.

On the key lessons gleaned from the conference, Pant says the idea that companies shouldn't treat employees as if they are all the same, is becoming popular as there is a growing emphasis on the need to segment employees carefully and create varied engagement strategies for diverse segments.

Companies also learned that leveraging global workforces meant empowering them to think local, while gaining access to the benefits of being part of a global organisation, says Pant. Gaining tangible benefits from this will require companies to get the logistics right that enable these employees around the world to work with each other.

But the biggest lesson, says Pant, is that no guru anywhere has the answers to the specific issues and challenges that Asia will face in the future. It is up to those who work in Asia to experiment, innovate and find the best solutions that work for them.

INSEAD was an academic partner of the Singapore Human Capital Summit, which was held on September 29-30, 2009.

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