



The Hudson Report

Hong Kong | H2 2016

Today's workforce
demands tomorrow's skills

Hudson

Great people. Great performance.

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Innovate to inspire and attract the best

Hong Kong is seeing a significant push from policy-makers to morph into a regional innovation hub: the 2016-17 budget promises a multi-billion dollar spending boost for the city's innovation and technology sector. But what are the opportunities for all organisations to ensure their talent is ready and charged for tomorrow's workplace?

Over a decade ago, Hudson began tracking the 'intentions to hire' of employers. Today the biannual Hudson Report is a powerful tool for employers hoping to attract and retain the best. This latest report reveals Hong Kong's talent market has undergone a drop in net hiring intentions compared to H1, primarily driven by weaker hiring in the Consumer and Banking sectors. But there are pockets of strength in key sectors like Information Technology and Professional Services.

The report also delves into planning for the future and the skills and capabilities it will demand. Our findings show that workplaces fostering innovative, adaptable teams are not only better poised to deliver growth in the future, but are also considered more engaging places to work. This has deep ramifications for an organisation's talent strategy. Those that sell a vision of a stimulating environment – one that encourages professional development and innovative behaviours – will gain the upper hand.

Siddharth Suhas

Director

Hudson Hong Kong

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Market update

Hong Kong's talent market has slowed but remains stable. The drop is largely driven by weaker hiring in the Consumer and Banking sectors while there is strength in key sectors like IT and Professional Services. The vast majority of employees are either actively looking for work or passively open to job offers, so for organisations that tick all the boxes, 2016 presents a strong opportunity to secure high quality talent.

A 'slowed' talent market that remains stable

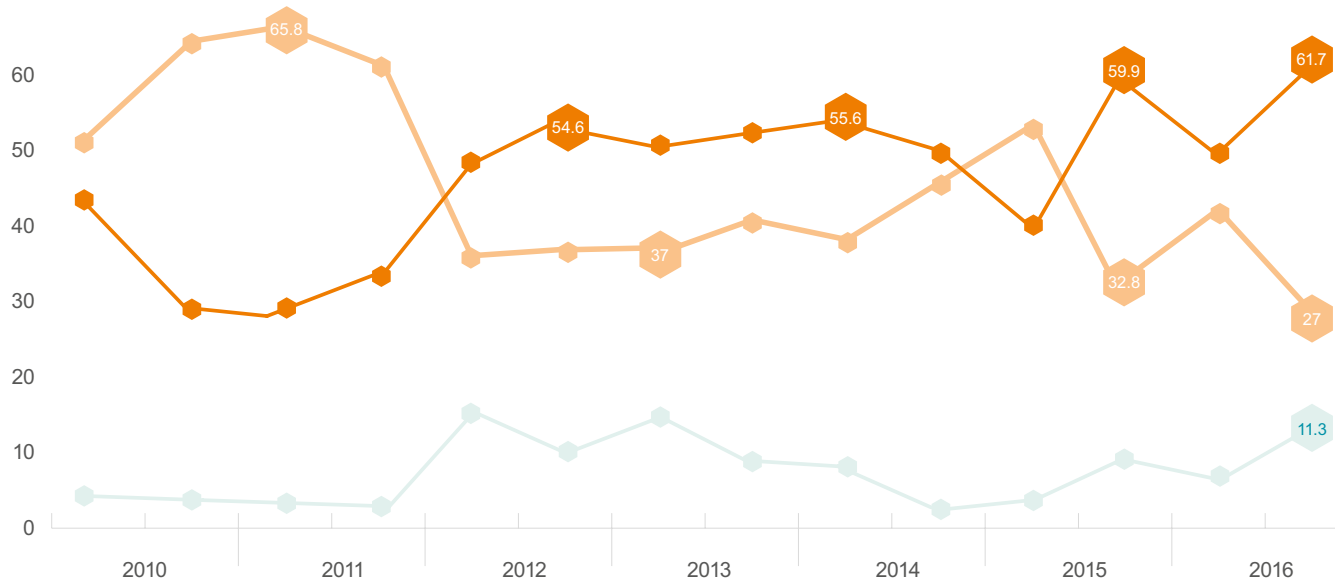


Figure 1: Permanent hiring expectations: Hong Kong (%)

No change Increase Decrease

Employers tentative as 6 in 10 hold headcount steady

There are plenty of opportunities for ambitious professionals, but the bulk of employers are tentative. They are maintaining the status quo in this half year, and focusing on replacing headcount or hiring key roles. Hong Kong's positive intention to hire stands at 27% for the second half of 2016.

However, the news is not as dire as it may seem at first glance as Hong Kong's market is best characterised as stable. The majority of employers are planning to maintain their headcounts and only 11.3% are intending to lose staff.

Industry highlights in 2016: FinTech in hot demand as Banking & Consumer sectors more conservative

FinTech on the rise

Hong Kong's IT and Professional Services sectors have benefited from a rising focus on fintech. Hong Kong is developing into an important fintech hub in the region which is contributing to stronger hiring in this sector.*

Tough times for Consumer sector

Hong Kong's Consumer sector has been slowing for around two years now, with a decline in both Hong Kong's local consumers and luxury shoppers from mainland China. Expansion and the number of consumer roles have therefore reduced, with a number of companies also shifting their headquarters to Singapore.

Banking hiring slows

Corporate and investment banks in Hong Kong are focused on replacing headcount and growth is mostly only in key roles, particularly in risk and compliance. However, institutions based in mainland China and smaller-sized fund houses are taking advantage of lower demand for talent to aggressively hire.

* KPMG. (May 25, 2016). *The Pulse of Fintech, Q1 2016*

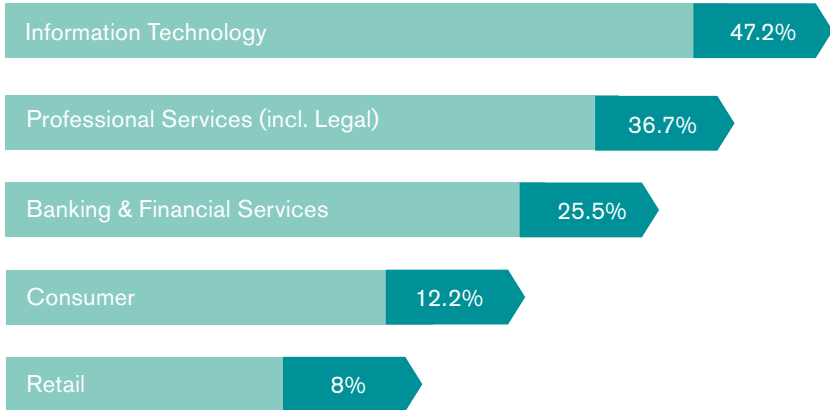


Figure 2: Permanent hiring expectations: By sector, % of employers looking to increase headcount in H2 2016.

Retention risk: Professionals crave change and new opportunities



53%
Actively seeking
a new job

31%
Passively seeking
a new job

16%
Plan to stay
in current job

Thirst for work

Hong Kong employees are thirsty for new opportunities with the vast majority either looking for new work or open to job offers. There is no room for complacency and employers need to actively monitor the talent market. Those who don't ensure their offering is competitive and stimulating risk losing key talent.

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Change afoot

Does your organisation foster an innovative workplace? Are you nimble and adaptable amidst relentless change? It's not only key to your future success – it also means a lot to your people. Yet many organisations are either falling short in this regard, or failing to sell their strengths to their teams.

Is your organisation innovative? Employers more confident than their teams



88%

of **Hong Kong employers** surveyed say their organisation creates a culture that drives and rewards innovation

YET THEY APPEAR MORE CONFIDENT THAN THEIR PEOPLE...

17%

of employees agree strongly that their **employer encourages** innovation in the workplace



24%

of employees say their organisation **does not encourage innovation** in the workplace at all

Everyone's talking innovation

Hong Kong is building its reputation as a hub for innovation, with the city's innovation and technology sector to receive a multi-billion dollar funding boost as part of the 2016-17 budget*

Yet despite this growing focus employees are taking a lukewarm view of their own organisation's capacity to innovate. Employers could do more to define what it means to be innovative and build a culture that promotes and celebrates it.

* Woodhouse, A. (February 24, 2016). HK \$17b boost for Hong Kong's innovation and technology sector aimed at fintech startups

Shared desire to be innovative... but key ingredients still missing

More than just ideas

Over one in two employers say they create a culture where new ideas are openly discussed. But 'blue sky' thinking is only part of the innovation equation. Innovation may involve brainstorming, but it's just as important to embed practices and structures that recognise good ideas, and to then allocate resources to develop and implement them.

Room for risk

Only around three in 10 employees say their manager lets them take risks and make mistakes. This is a fundamental ingredient of innovation that helps foster a growth mindset over a fixed mindset. By allowing controlled risks, removing the stigma around failing and giving employees room to experiment, organisations can clear the way for new strategies and different ideas to emerge.

3 in 10

employees
say they are allowed
opportunities to take
risks and make mistakes

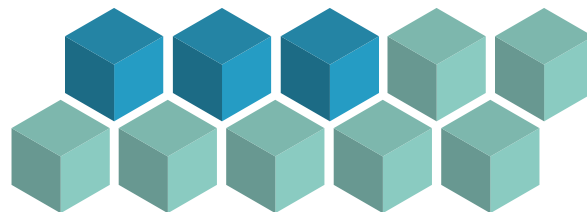


Figure 3: Employers and employees tell: The innovation practices their organisation encourages in the workplace.

Cracking the adaptability code: Big challenge, bigger opportunity

59%

of employees say their organisation responds fast enough to change only 'to some extent'

WHILST

46%

of employers say their teams are **only somewhat or not at all equipped** to be responsive in today's business environment

YET



84%

of employees say they need to be more adaptable and/or responsive in their day-to-day tasks

What is adaptability, anyway?

Adaptability runs hand in hand with innovation. It is key to capturing opportunities, disrupting the market and ultimately ensuring an organisation's survival. But both employees and employers are taking a lukewarm view of their own organisation's ability to respond and adapt.

Employees and employers often have conflicting views on what adaptability means in the context of the organisation. Adaptability comes in many forms – for example being mobile, or being willing to acquire new skills or focus on new areas. Employers should first define what mode of adaptability is required in both their organisation and teams and then clearly communicate this to their people.

Professionals aspire to work at innovative, adaptable workplaces

A deeper understanding of innovation and adaptability

Senior leaders today rarely question the importance of innovation and adaptability, but these have yet to be built into the fabric of some organisations. Professionals who take a dim view of their own organisation's capacity to innovate and adapt may look elsewhere for an employer that will provide a more stimulating environment.

But it should be said that employees who consider themselves adaptable may only be adaptable in certain areas. For example they may be skill-set adaptable but not geographically adaptable.

It is important for organisations to attract and retain adaptable, innovative people with these attributes as they are key to growing organisations. Facing the constant pressure of hitting quarterly targets, organisations need to save some resources for defining the behaviours that drive innovation and adaptability, and developing and rewarding these behaviours in their teams.

91%

of Hong Kong professionals say they believe they have the **ability to be adaptable in the workplace**



7 in 10

 say they **enjoy being adaptable** every day at work

89%

say it is important or extremely important that their next employer **encourages innovation**

Playing by tomorrow's rules

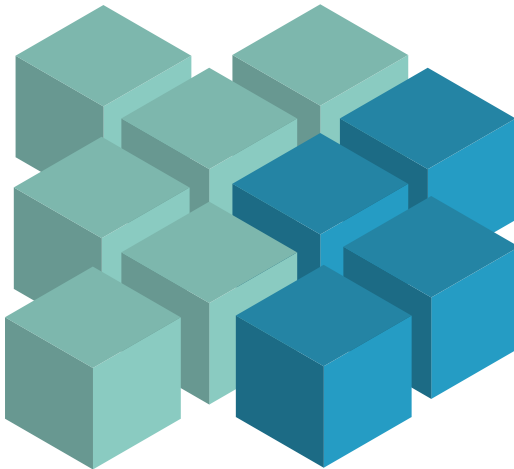
Exploiting a changing environment means being on the front foot with the new skills future workplaces will demand. While employers are confident they have what it takes to compete today, they are less certain about the future. Yet few workplaces are investing in developing the skills that will be needed and, as employees are taking it upon themselves to train up, the pressure is mounting.

Own the future: Jump the competition by developing tomorrow's game-changing skills

Strategic development required

Organisations know maintaining the traditional way of doing things is a risk and there is no room for complacency. They recognise the shortfalls in their skills mix, and this is an important step towards getting in front. But less than half have a defined strategy to build the skills their teams will need to stay ahead. This is a surprising figure for a highly developed and organised market like Hong Kong.

Many organisations are focused on maintaining their headcount and building market share, and so retaining talent should be a priority. Key to this will be investing in people with high quality training and development. A skills structured, multi-faceted training and development plan will equip teams to deliver results in the future. It's important that programs are planned and delivered to meet the expectations of employees as well as the changing needs of the organisation.



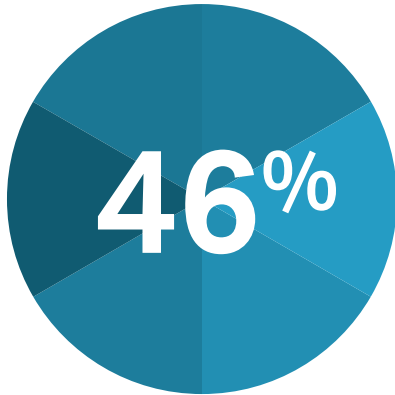
4 in 10
employers

aren't confident their
team has the right
skills for the future

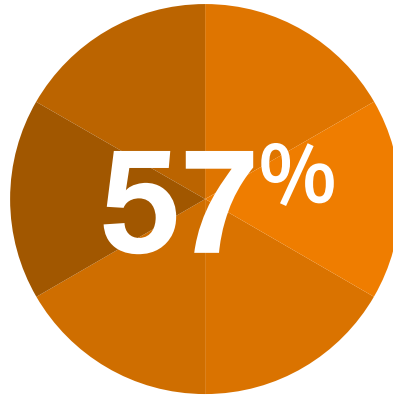
1 in 2

employers don't have a **defined strategy to train their people**

Speak the same language: Time to find common ground on soft skills



of **employees** are confident that they **have the skills to perform** well in the future



of **employers** believe their team has the **right skills mix in place** to deliver what will be required in the future

Time now for clear communication

The majority of employees are confident in their ability to do their jobs in the future. But employers have their doubts with just over half sharing this confidence. There appears to be a disconnect between how employees and employers are viewing each other, with employees taking a dim view of their organisation's ability to adapt and innovate, and employers perhaps thinking their people aren't up for the challenge.

Clear communication is needed to manage both parties' expectations and find common ground. What does adaptability mean? What skills are needed to play to win in the future? What concrete behaviours demonstrate mastery of these skills?

Towards a shared language on skills

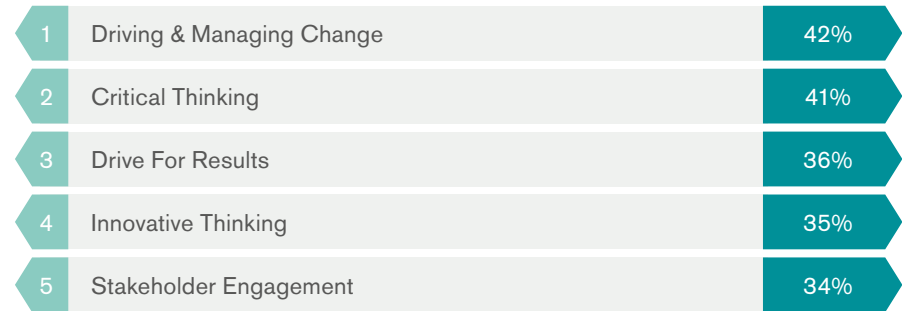
There is a substantial gulf in thinking between the soft skills employers feel their company needs and those their people would most like to develop. This is partly explained by competing interests, as employees are most likely to favour skills that will benefit them personally – such as the ability to negotiate a better salary or benefits. Employers on the other hand saw a greater need for critical thinking.

Fortunately both sides agree on the importance of innovative thinking and driving and managing change. Employers should ensure both sides have a shared meaning when referring to these capabilities. These concepts need to be defined and understood before they can be valued and embraced day-to-day by employers and employees alike.

Stalemate on soft skills?

There is little consensus on which skills tomorrow will value most

Employers

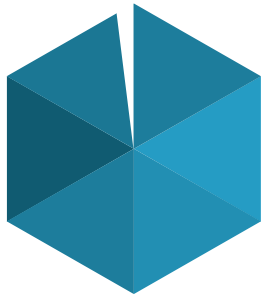


Employees



Figure 4: Soft skills disconnect: Employers select top soft skills required for the year ahead, while employees rank the soft skills they personally want to develop.

Opportunity to win hearts: Employees feeling pressured to develop skills



97%

of employees say **developing their skills is important or extremely important**



56%

of employees **feel more pressured to learn new skills** compared to 2 years ago



**YET JUST
38%**

of employees feel supported by their manager **to improve existing skills or learn new ones**

How organisations can help people grow

Employees are motivated to upgrade themselves, which is a good thing. But there is potential for disengagement and poor morale if they don't feel supported in this endeavour. Again, communication is critical. It's possible the training being provided isn't tailored to what employees are looking for.

Our previous Hudson Report for the first half of 2016 found 'lack of career progression' was the top reason Hong Kong professionals would leave their current job, surpassing 'disappointment with salary'. 'Bored and need a new challenge' came in at number three. And when asked about factors that would draw them to another job, the promise of better career progression was a top priority.

A full strategy to develop employees involves the 'Three Es' – Experience, or on-the-job training; Exposure to new challenges like stretch assignments and mentoring; and Education, which is formal training. There is an opportunity for organisations to gain appeal by being more comprehensive in the ways they help their people grow.

Employees taking development into their own hands... with mixed results

Struggling to keep up

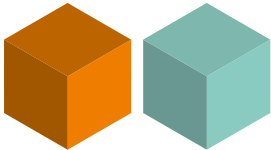
Hong Kong professionals devote a substantial amount of their time each month to learning new skills, but a surprising 42% feel their self-study efforts are not enough to keep them competitive.

Organisations typically offer training but it may not be what employees want to learn even though it is in line with the organisation's direction. If there are common trends in what employees are learning in their spare time then there's work organisations can do to make their in-house training more meaningful, relevant and tailored to employees.

97%

of employees **personally take responsibility** for their professional development

1 in 2



employees doing up to 5 hours of **professional development** per month

No.1

reason employees are developing skills: to remain competitive in the jobs market

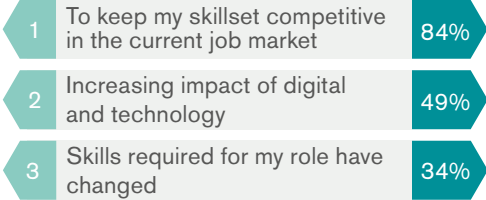


Figure 5: Employees name their top reasons for learning new skills.

42%

say their self-study efforts **not enough** to remain competitive

Key takeouts

Common training ground

Hong Kong professionals are taking significant responsibility for their own professional development. The pressure is rising to learn new skills and they feel unsupported by their employers in this regard. Employers are often not on the same page as their people about what should be learned. With good communication, employers could better harness their people's desire for professional development by making their in-house training more meaningful, relevant and tailored to employees.

Accepting risk

The biggest shortfall in the innovation equation appears to be not allowing employees to take risks and make controlled mistakes, and equating the open discussion of ideas and brainstorming with innovation. Key pieces of the puzzle are still missing in some organisations and managers need to allocate resources and set KPIs related to innovation. When innovation is properly balanced with the short-term goals of profitability and effectiveness, it can create massive long-term value for individuals and organisations alike.

Embedding innovation

Innovation is a hot term in Hong Kong and the focus of a significant government funding push. But many organisations are giving lip service to innovation without putting in place the systems to nourish it. This could be a retention risk as employees search for companies that meet their desire to have an innovative next employer.

Mastering adaptability

Adaptability runs hand-in-hand with innovation: research links the two with high performance. If organisations don't promote adaptability and support their people in understanding and mastering it, they won't be able to capture innovation opportunities and disrupt the market.

We can help

Hudson offers industry-leading tools that enable organisations to identify, attract and develop long-term high performers. Beyond assessing for technical skills alone, our recruitment technology identifies core performance drivers such as the right motivation, attitude, behaviours and cultural fit. And our leadership development programs help businesses define and build the capabilities they need to deliver results today and prepare for tomorrow.

Methodology

Hudson undertook quantitative research with hiring managers and employees across Hong Kong to analyse the talent landscape and provide insights on what employers might expect in 2016 and beyond. We canvassed the views of 604 employers and employees in April 2016. From these findings we developed this report – a combination of the survey findings and Hudson’s insights on the hiring landscape. Percentages don’t always total 100% as respondents could select more than one option for certain questions.

About Hudson

Hudson is a global talent solutions company with expertise in specialist recruitment, recruitment process outsourcing, talent management and contracting solutions. We help our clients and candidates succeed by leveraging our expertise, market knowledge and proprietary assessment tools and techniques. Through relationships with millions of local and global specialised professionals, and via our world-class talent solutions and tailored, consultative approach, we help businesses and professionals achieve higher performance and superior business results.

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