

HR getting back to basics

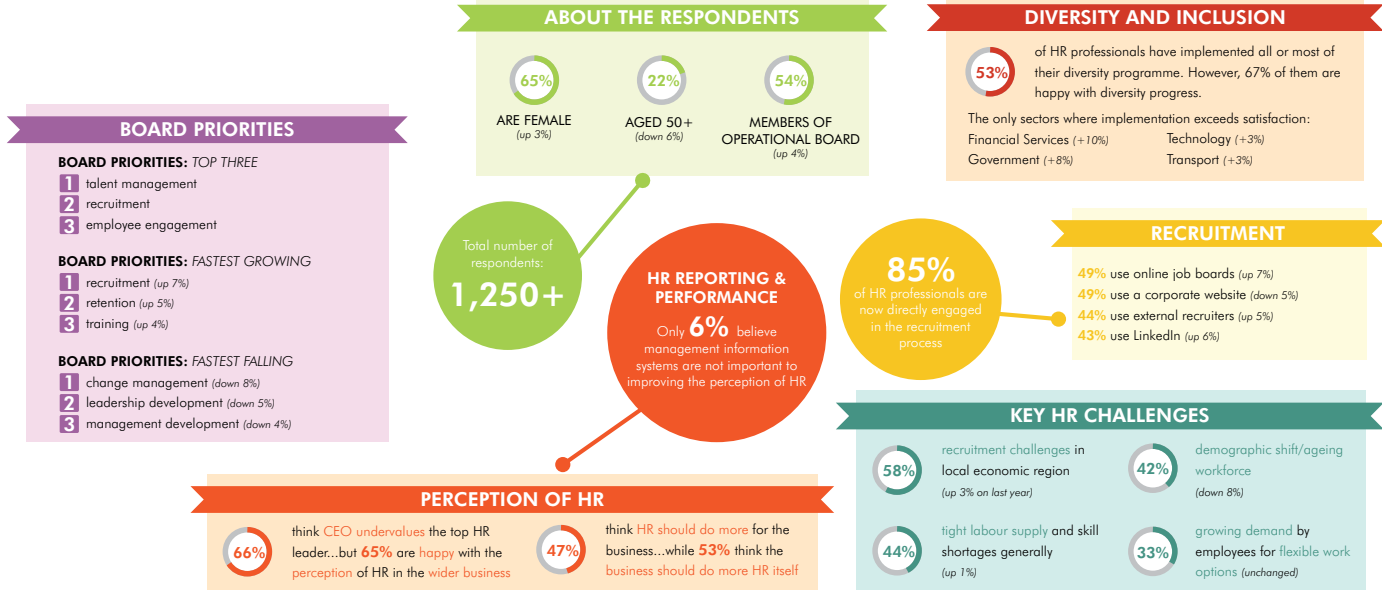
A recent survey has revealed some surprising results for the HR community with a focus on a 'back to basics approach' for many HR functions. Talent management, 61%; employee engagement, 60%; and recruitment, 58%, were at the top of the agenda globally showing a significant shift in HR priorities. These findings were obtained in the sixth annual *Harvey Nash HR Survey* which garnered the views of over 1,250 HR leaders from more than 30 countries.

Corporations have been getting HR to focus more on recruitment and for leadership teams to manage their talent to ensure that the workforce is engaged, and therefore retained. Employee retention, training and motivation are all more important this year, demonstrating that companies are investing in and protecting their greatest asset—their people.

These figures are, according to Tanya Lau, Director of the Consumer & Retail

Practice APAC, Harvey Nash Executive Search, causing HR to focus more on core functions. "Our survey results revealed that many CEOs are making important human capital decisions without the involvement of HR, because it is increasingly seen as an 'engine room' function." With an uncertain economic outlook for 2016, the survey highlights that the focus for HR will be on talent management, recruitment and employee engagement.

WHAT'S IMPORTANT TO HR?

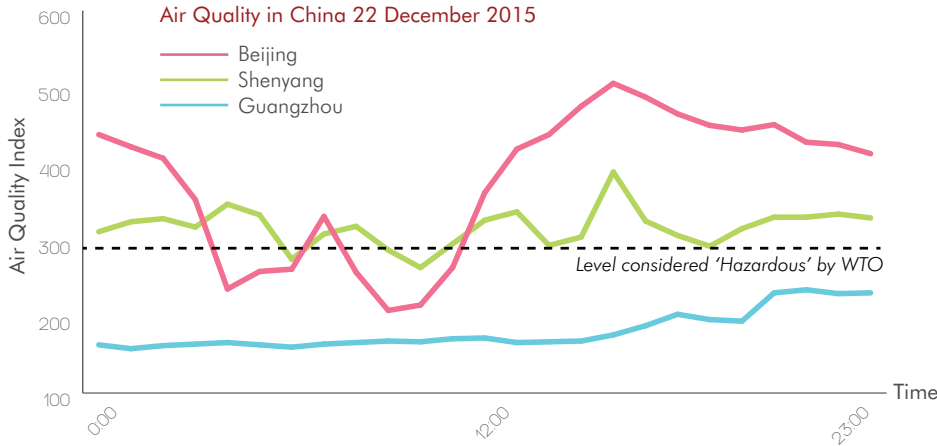


Survey figures compare 2016 outlook data with previous year's findings

Beijing smog driving away expat talent

As smog in Beijing exceeded to 22 times higher than the World Health Organisation (WHO)'s limit in December, the pollution is leading to more than just an array of health problems—it is making it harder for the Chinese capital to attract and retain foreign talent, according to Pedersen & Partners.

The government has tried to grapple with the problem. Back in July, China submitted its national climate plan to the UN which promised RMB 41 trillion (HKD 49 trillion) on climate change solutions, its economic policy has incentivised investment in clean technology companies and companies that violate environmental laws are facing big fines. However, all this, claims Pedersen & Partners, is too late. In northern cities like Beijing and Shenyang, the Air Quality Index (AQI) is frequently above 300 on an average day—a figure the WHO deems 'hazardous' for human health.



Source: United States Consulates—Beijing, Shenyang and Guangzhou

Despite many generous hardship packages by companies, it is still difficult to attract and retain foreign managers in the city. One such case study revealed a German expatriate, who works for a leading car manufacturer, saying

he will move after four and a half years in the city because of the pollution levels. He is not alone—in 2014, twice as many people moved out of China than into the country in 2014 according to a study by UniGroup Relocation.

Average top executive salary increases again



The average annual gross compensation for top executives in the world's largest companies increased in 2015 by 3.8% to EUR 1.45 million (HKD 12.22 million), according to executive search firm Pedersen and Partners. The survey covered 1,800 top executives in 340 large companies in 18 countries.

Unsurprisingly the biggest rises were seen in the larger corporations with annual compensation of top executives increasing by EUR 650,000 (HKD 5.45 million) for every 50,000 employees. There was further evidence that profits affect earnings before interest and tax (EBIT) as those earnings that were lower than previous years saw their corresponding bonuses drop by nearly 33%, and rise by 34% if earnings increased by more than 20%.

While salary increases in the USA raced past those in Western Europe, there are signs that Chinese executives are catching up too. Gautier Vasseur, Partner and Head of Greater China, Russia and CIS, Pedersen and Partners explained, "Multinationals in Greater China are localising their top management. Chinese executives are now receiving compensation packages that are similar to their counterparts in the West in terms of both base salary and short-term bonuses."

He added, "Chinese executives can earn even more from long-term retention incentives. On average, the total cash compensation of top executives in first-tier cities such as Hong Kong, Shanghai and Beijing is between EUR 1.4 – 1.5 million (HKD 11.7 – 12.6 million) per year.

Employee engagement is 'abused' says KPMG

KPMG has announced that it is going to scrap the annual engagement survey. According to Robert Bolton, Lead Partner—Global HR transformation centre of excellence, KPMG, the decision to get rid of the survey was part of a strategy to focus on more robust diagnosis that produce 'something truly worth measuring'.

Bolton claims the problem with the status quo is that it is rooted in the idea that engagement drives performance—an idea he says is misunderstood and not evidence-based. He explained, "There is a massive industry behind the belief that if a company drives up engagement, productivity will increase."

He went on to say, "In reality, engagement is an ill-defined term. And measuring it once or twice a year with some static survey is not very scientific, no matter how much it's dressed up to appear so."

Bolton claimed that HR is entering 'an era of evidence-based people management'. He explained, "HR has sought a place at the leadership table for the past 20 years. But until it brings evidence, it's never going to win that place."

KPMG's UK office will be the first to pioneer a new diagnostic tool which will look more specifically at the nature of the deal between employers and the employee.

More soft skills are needed in business schools



Just over half of international executives believe that, in general, business school graduates are not fully equipped to meet real world corporate expectations, according to recruitment firm Borderless. Its research found that while 'strong knowledge of all functions', 'understanding of the bigger picture' and 'cross-functional

thinking' are skills valued most by companies, business schools are not doing enough to enhance these important 'people skills'.

Andrew Kris, Founding Partner, Borderless explained to a conference in Barcelona, "Developing great strategies doesn't necessarily

lead to great corporate results. Strategies are implemented by motivated people, and to get that right, leaders must learn how to capture the hearts and minds of those they lead."

With structures in companies becoming more increasingly centralised and costs being cut, the firm called on business schools to take a more balanced approach towards hard and soft skills. As Kris elaborated, "Behaviour development needs to be integrated and practised as part of the programme and not relegated to a one-semester course on 'Interpersonal skills.'" One way would be for business school academics to spend time working in these companies, but Borderless also called on firms to do more to develop general managers.