TALENT, TECH
AND TRANSFORMATION

The role of the business leader in Asia

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The Network is part of The Economist Intelligence Unit and is led by experts with in-depth understanding of the geographies and markets they oversee. The Network's membership-based operations cover Asia-Pacific, the Middle East, and Africa. Through a distinctive blend of interactive conferences, specially designed events, C-suite discussions, member briefings, and high-calibre research, The Economist Corporate Network delivers a range of macro (global, regional, national, and territorial) as well as industry-focused analysis on prevailing conditions and forecast trends.

Preface

Talent, tech and transformation: the role of the business leader in Asia is an Economist Corporate Network (ECN) report. It is based on a survey of the primary members (Regional/ Country CEO/ President) of the 500+ ECN clients based in the Asia Pacific region. The report was sponsored by the Asia School of Business. The findings and views expressed in this report are those of the ECN alone and do not necessarily reflect the views of the sponsors. The report was written and edited by Andrew Staples in Singapore with editorial input and assistance from Dimity Rakin in Tokyo. Gaddi Tam in Hong Kong was responsible for design. We would like to thank all the respondents and focus group participants for their time and input.

June 2020

Contents

Key findings

A quick read of the brief and its findings

We asked:

- How "future-ready" is the existing workforce?

- What are the key drivers and challenges in developing a workforce capable of capitalising on technology and driving transformation?

- What are the workforce skills and attributes necessary to deliver on the digital strategy?

- Who are seen as important external partners for skills development?

- Does the business leader drive or delegate on talent development?

We learn that:

- The need to remain competitive, drive innovation and transform the business are the key reasons of moves to develop a future-ready workforce.

- Only 17% of business leaders claim to be ahead of the curve when it comes to developing the next generation workforce while 20% feel unable to confidently describe their current workforce as 'future-ready'.

- 85% of business leaders in Asia feel that a skills gap exists in their companies that will impede their efforts to deliver on strategy and half feel that the scale of investment in talent is too little.

- Companies employ a twin-track approach of retooling the existing workforce as well as securing new talent with the desired skillset from the external labour market.

- People skills remain the most important for the future but finding and recruiting the right people with the right skills continues to be a challenge.

- Overcoming a resistant to change mindset is seen as one of the key challenges for business leaders which can be countered by constant communication with the workforce.

- Business leaders report spending more time on people and skills related issues as they look to build the workforce they need to deliver on strategy.

Introduction

What is the role of the business leader in Asia when it comes to ensuring that a company has the talent that it needs to deliver on strategy? What is their perception of the "future readiness" of the existing workforce? What gaps exist in the skills and attributes needed for a digital transformation, and what efforts are being made to address these?

As the fourth industrial revolution kicks into gear, technology is reshaping how we live, work and interact. New industries emerge, incumbents are disrupted and businesses are urged to reimagine business models around the customer experience. Increasingly, business leaders are charged with setting organisations on a digital transformation journey in order to remain competitive, realise new revenue streams and meet customer expectations. Yet many companies find that the anticipated results often fail to materialise or—lacking a clear road map or encountering stubborn resistance to change—the journey runs into a dead end.

People-related issues often top the list of reasons why the digital transformation journey fails to deliver. The existing workforce may not have the required skillsets or mindset, organisational structure and culture may hamper change management, or there may be a problem in attracting or accessing new talent such as digital natives with the skills and experiences in high market demand.

Given the strategic importance of delivering a successful transformation, business leaders need to be front and centre in establishing, engaging and empowering the digital employee. But are they? What are the factors of success and where are the pain points? To what extent are they developing and accessing a broader ecosystem of expertise and support to build the digital workforce?

The Covid-19 pandemic has brought these issues into much sharper relief. Companies around the world have been forced to make a rapid pivot to digital and virtual platforms as work at home orders prevent business as usual. Working from home was, for some, a euphemism for "taking a day", and, as one report found in 2012, telecommuters are less likely to be promoted.[1]

No longer. Indeed, the coronavirus pandemic is likely to spur a step-change in homeworking and the demand for office space. Moreover, companies that are further along the digital transformation road may prove to be more resilient to exogenous shocks. Office work aside, highly automated manufacturing or logistics facilities need less people on the shop floor and more personnel capable of implementing and managing technology. The pandemic, in other words, is acting as a catalyst for change and hastening the push towards digital transformation. Getting the talent part of the equation right has never been more important.

Talent, Tech and Transformation is the latest of a series of management briefs from The Economist Corporate Network that have examined issues related to technology and talent from the perspective of the business leader in Asia. This new report draws on survey analysis and insights from senior executives in East Asia to explore the role of the business leader in shaping a future-ready workforce—

one equipped with the necessary skills and capable of delivering on the digital transformation imperative. We conducted a survey of business leaders in Asia throughout February 2020, the findings of which are presented and analysed in this report. We also conducted focus-group discussions with senior executives in Tokyo, Seoul and Shanghai to bring local colour and insight to the project. The findings offer a valuable benchmark of attitudes prior to the pandemic and may explain some of the crucial hardships and challenges that companies are likely to face in the "new normal" heralded by Covid-19. For example, when asked to list what skills were seen as most important to develop in the workforce, the ability to work in virtual teams came in last (see Chart 12, page 14). As such, this report offers an excellent opportunity for business leaders to reflect on what has changed to date, and what needs to change going forward.

The paper is divided into three main sections. The first section asks respondents to assess the workforce as it is now and what factors drive and inform the development of a future-ready workforce. Section two focuses on skills and training, including an assessment of skills, training and capabilities. Section three narrows the unit of analysis to the individual business leader.

A future-ready workforce?

People first, then tech. Any successful digital transformation will depend on an organisation's ability to develop a workforce capable of utilising and benefiting from new technologies. But how "future-ready" do respondents feel that their workforces are? What is driving efforts to retool the workforce? And how do respondents assess themselves with reference to sector peers? In this first section we invited respondents to reflect on the current talent situation and drivers of the talent development strategy.

The road map

Travellers are generally advised to have a map, or at least some sense of direction, before launching themselves on a journey. This is also sound advice for business leaders as they embark on their own digital transformation journey. So what are the key drivers behind efforts to build a future-ready workforce? Three themes emerge from the responses to this question: "competitiveness and business transformation", "attracting and retaining talent", and "operations".

Chart 1. What are the key drivers behind your efforts to build a future-ready workforce?
(% of respondents)
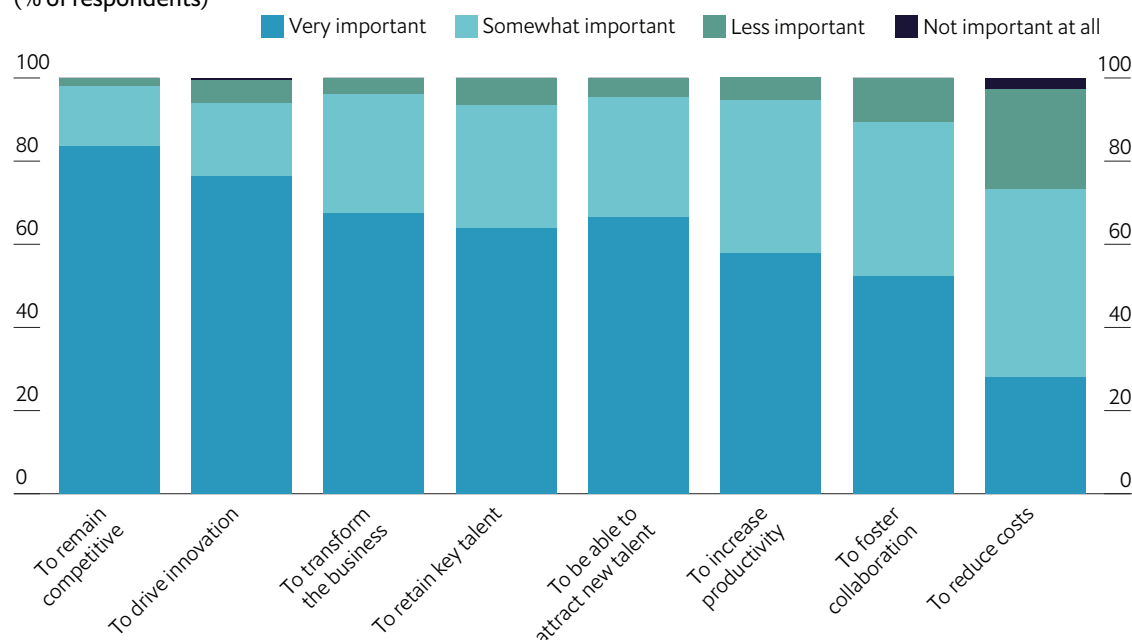
Source: The Economist Corporate Network

A high proportion (84%) of respondents in Chart 1 cite the pressure to remain competitive as a "very important" while "innovation" (76%) and "transform the business" (68%) also score highly. These responses are important to note, as they underpin the rest of the survey in terms of the skills that business leaders are seeking in their workforce, and how they engage with talent-related issues. The

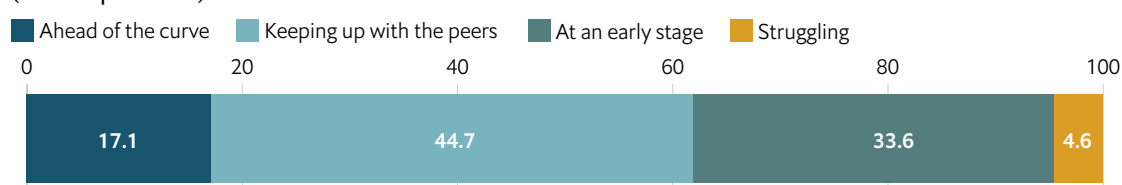Only 17% of respondents describe themselves as "ahead of the pack".

ability to attract and retain key talent is identified as the second key theme. As we will see below, although any firm can, in theory, adopt new technologies, there is a limited pool of people available to utilise it. Individuals with the right skill set (see Charts 11-14 below) are in strong demand, and are seeking opportunities for growth, development and advancement. In this context, firms that are perceived as proactively driving their own transformation would be more attractive to key talent.

Finally, and interestingly, increasing productivity and fostering collaboration are citied as "very important" by just half of respondents, while cost reduction was identified as either "less important" or "not important at all", representing a quarter of the total. These results should be taken as positive messages that could be usefully communicated to both the existing workforce and the external market, as they demonstrate a commitment to growth and development.

Leading the pack?

Having established what drives the push for a future-ready workforce, we then asked where respondents felt they were relative to their peers (Chart 2). A confident 17% of respondents describe themselves as "ahead of the curve", with a further 44% "keeping up with peers". Yet over a third identify as being "at an early stage" (33.6%) or even "struggling" (4.6%). These results should serve as a wake-up call and target for business leaders who identify as being on the right-hand side of this chart: over 60% of their peers, which will undoubtedly include competitors, are ahead in the race to build a future-ready workforce.

Chart 2. In terms of developing a future-ready workforce, we are:
(% of respondents)

■ Ahead of the curve	■ Keeping up with the peers	■ At an early stage	■ Struggling

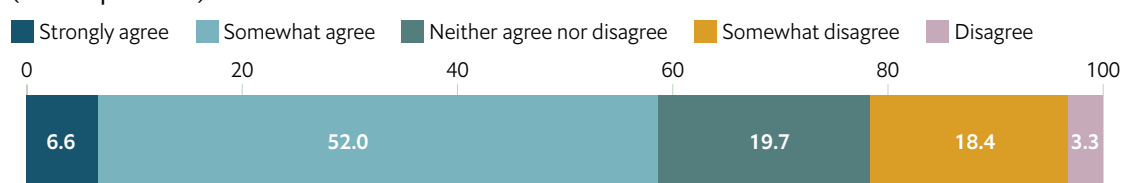| 0 | 20 | 40 | 60 | 80 | 100 |

| 17.1 | 44.7 | 33.6 | 4.6 |

Source: The Economist Corporate Network

Lacking confidence?

Although a majority report some degree of confidence in their plans to develop the workforce, 21% are unable to confidently describe the current workforce as future-ready (see Chart 3).This highlights one of the key challenges facing business leaders: how to retool the current talent pool for the demands that lay ahead. We return to this issue in some detail in the "skills and training" section of the report.

Chart 3. I could confidently describe my workforce as 'future-ready'.
(% of respondents)

■ Strongly agree	■ Somewhat agree	■ Neither agree nor disagree	■ Somewhat disagree	■ Disagree

| 0 | 20 | 40 | 60 | 80 | 100 |

| 6.6 | 52.0 | 19.7 | 18.4 | 3.3 |

Source: The Economist Corporate Network

Time to invest

Building requires capital, so how do respondents feel about current investment plans? Chart 4 shows a roughly even split between those who feel that they are investing at the right rate (48%) and those concerned that they are investing too little (50.7%). This is one area where attitudes must surely have changed as a result of the Covid-19 pandemic and the acceleration of digital transformation plans. However, with companies desperate to conserve cash to ride out the worst of the downturn, securing increased investment in human capital at this time will be a challenge.

Conversely, those firms with deeper pockets or less immediately impacted by the downturn (in the tech, healthcare and logistics sectors, for example) may well be better positioned to make investments now that will provide a return as economies recover and demand improves.

> "21% of respondents feel unable to describe their current workforce as future-ready."

Chart 4. In terms of developing a future-ready workforce, we are investing:
(% of respondents)

- At the right rate
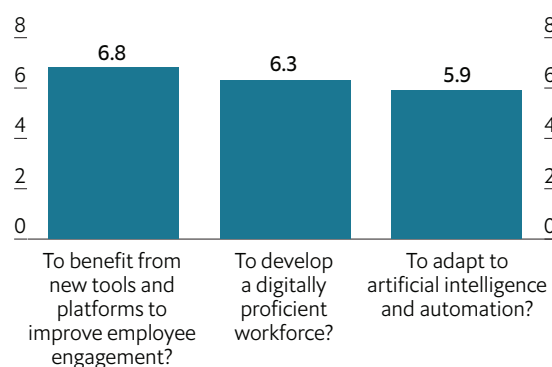- Too little
- Too much

1.3 · 50.7 · 48.0
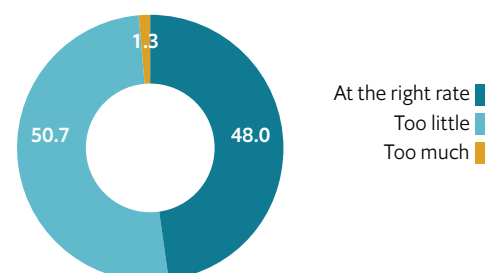
Source: The Economist Corporate Network

Capability building

Seeing another angle from which to gauge respondents' feelings on capacity for change, a final set of questions in our survey shifted the attention from the workforce to the organisation. Although something of a subjective scale, a fairly middling set of responses is recorded in Chart 5 suggesting that executives are somewhat sceptical of their company's ability to develop the kind of workforce needed to deliver on a digital transformation. The ability to adapt to two core features of the fourth industrial revolution—artificial intelligence and automation—is rated relatively poorly. Again, this result should be a cause for some concern but, more positively, can serve to highlight where attention could be focused.

It is also instructive to compare these findings with previous papers in this series.[2] When participants were asked to describe their approach to artificial intelligence (AI) and automation in our 2017 survey, only 40.5% of respondents indicated that they were "accelerating their arrival", while 58.1% reported that they were "softening their impact". These figures reversed in 2018, at 64.7% and 35.3% respectively, perhaps reflecting the take-off of advanced technologies in recent years. But while business leaders may be accelerating the application of AI and automation to the business as a whole, it seems that a worrying gap exists between the promise of these technologies and the capabilities of the existing workforce (see Chart 5 below).

[2] AI, automation and the future of jobs and skills: The role of the CEO in shaping tomorrow's workforce in Asia. The Economist Corporate Network (2018, 2017).

Chart 5. How confident are you in your company's ability to develop a digitally proficient workforce? Select on scale of 1 to 10 where 'Very confident'=10, 'Not at all confident'=1, 'Don't know'=0
(average number from all responses)

6.8 — To benefit from new tools and platforms to improve employee engagement?
6.3 — To develop a digitally proficient workforce?
5.9 — To adapt to artificial intelligence and automation?

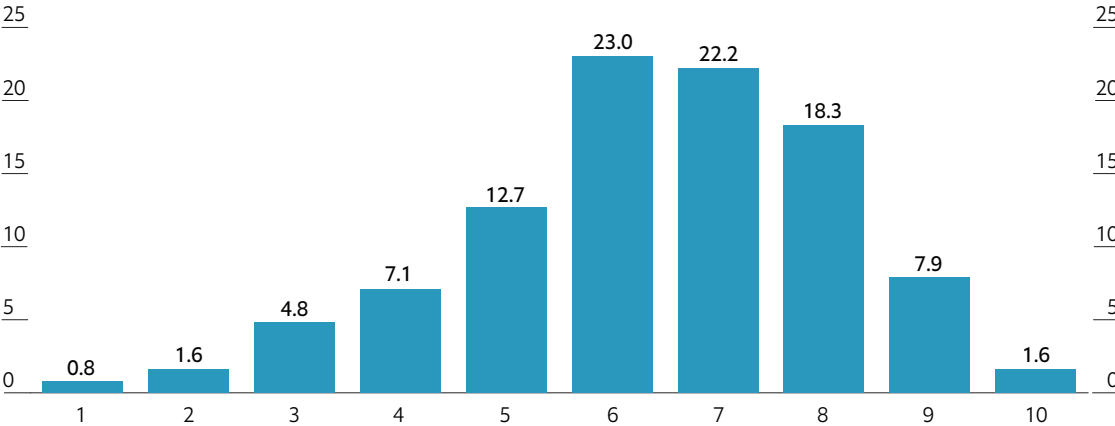Source: The Economist Corporate Network

We also asked participants to rate how confident they felt in terms of the workforce needed to deliver on strategy today (Chart 6) and on their ability to secure the talent they will need over the next three years (Chart 7). Less than 20% of survey respondents selected any of the top three (higher levels of confidence) responses whereas just under 30% ranked themselves in the 1-5 range, i,e. not very confident. The results presented in Charts 5 and 6 are clearly indicating that business leaders have concerns about the capabilities of the workforce and what this means in terms of being able to deliver on strategy. The outlook for the next three years, in terms of securing talent, is a little better with 27% of respondents indicating higher levels of confidence, but with a majority (57%) clustered in the middle ground (selecting 5-7), these results suggest an urgent call to action.

Chart 6. How confident are you today that your company has the talent you need to deliver on strategy? Select on scale of 1 to 10 where 'Not at all confident'=1 and 'Very confident'=10 (% of respondents)
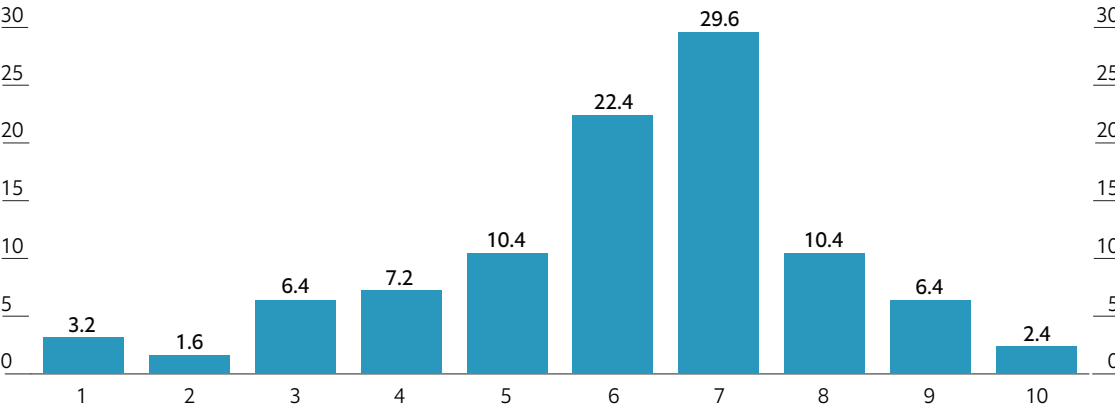
Source: The Economist Corporate Network

Chart 7. How confident are you that you will be able to secure the talent you need to deliver on strategy over the next three years? Select on scale of 1 to 10 where 'Not at all confident'=1 and 'Very confident'=10 (% of respondents)

Source: The Economist Corporate Network

The data presented above suggest some important commonalities among survey respondents in terms of the drivers behind efforts to retool the workforce. But there are also appear to be considerable differences in terms of where individuals feel that they are on that journey. With this initial assessment in hand, we turn attention in the following section to issues related to recruitment, skills and training.

Summary points

- Competitiveness, and a desire to push innovation and transform the business are identified as the key drivers of efforts to build a future-ready workforce.

- Many firms are still at an early stage in this process, and some are struggling.

- Half of respondents feel that they are not investing at the right pace to develop a future-ready workforce.

- Business leaders appear less than confident in their organisation's ability to adapt to AI and automation.

Skills and training

What are the skills that respondents feel most important to delivering on a successful digital transformation? How confident are they in their company's ability to develop a digitally proficient workforce? Is there a skills gap and if so, how are respondents seeking to address it? How are they dealing with the issue of the skills base of the existing workforce? What impact will the Covid-19 pandemic have on this issue?

The previous section discussed a lack of confidence in the current workforce. When pressed on this, many business leaders point to the existence of a so-called skills gap; to be more specific, a gap between the skill set of the workforce today and that needed to deliver on strategy. According to Chart 8, 85% of respondents to our survey share this concern. This is consistent with earlier research. An industry level report from The Economist Intelligence Unit found that most companies are worried about a looming skills gap, with firms in financial services and manufacturing reporting the largest enterprise-wide skills deficits, while healthcare and retail survey participants are concerned with department-specific shortages.[3]

"85% of survey participants report a gap between today's skillset and that needed to deliver on strategy."

Chart 8. There is a skills gap in my company between what we have today and what we need to allow me to deliver on strategy.
(% of respondents)

- Strongly agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Disagree
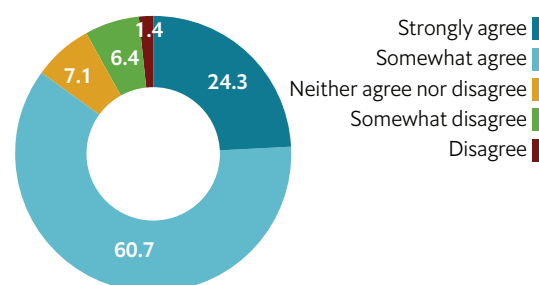
Source: The Economist Corporate Network

While we address the specific skills related needs and wants below, the importance of this particular finding is the relationship between skills and an ability to deliver on strategy. Given that the business leader's primary goal is to deliver on strategy, the skills gap becomes a significant issue. We explore the degree to which business leaders take ownership of talent development strategy in section three, but it is important to keep this issue in mind, as it provides the lens through which we probe into skills, training and recruitment below.

Mind the gap

If a skills gap is a common challenge, what are the primary responses to addressing the issue? We asked participants to rank four common approaches in order of importance, as presented in Chart 9. Three main tracks can be discerned: investing in the skills of the current workforce; sourcing talent from the external market; and investing in technology. These are not, of course, mutually exclusive and reflect the reality that, start-ups aside, most business leaders do not have the luxury of starting with a fresh sheet. As with the ongoing shift to the cloud, where companies still have to deal with legacy systems and the business models that these were employed for, leaders must work with legacy workforces.

[3] The Quest for Digital Skills: A multi-industry executive survey. The Economist Intelligence Unit, 2017.

Interestingly, and despite much reportage (if not hype), accessing skills through the gig economy was rated as "least important" by over half the participants.

Chart 9. How are you primarily addressing the skills gap?
(Rank four choices where 1 is the most important and 4 is the least important)
(% of respondents)
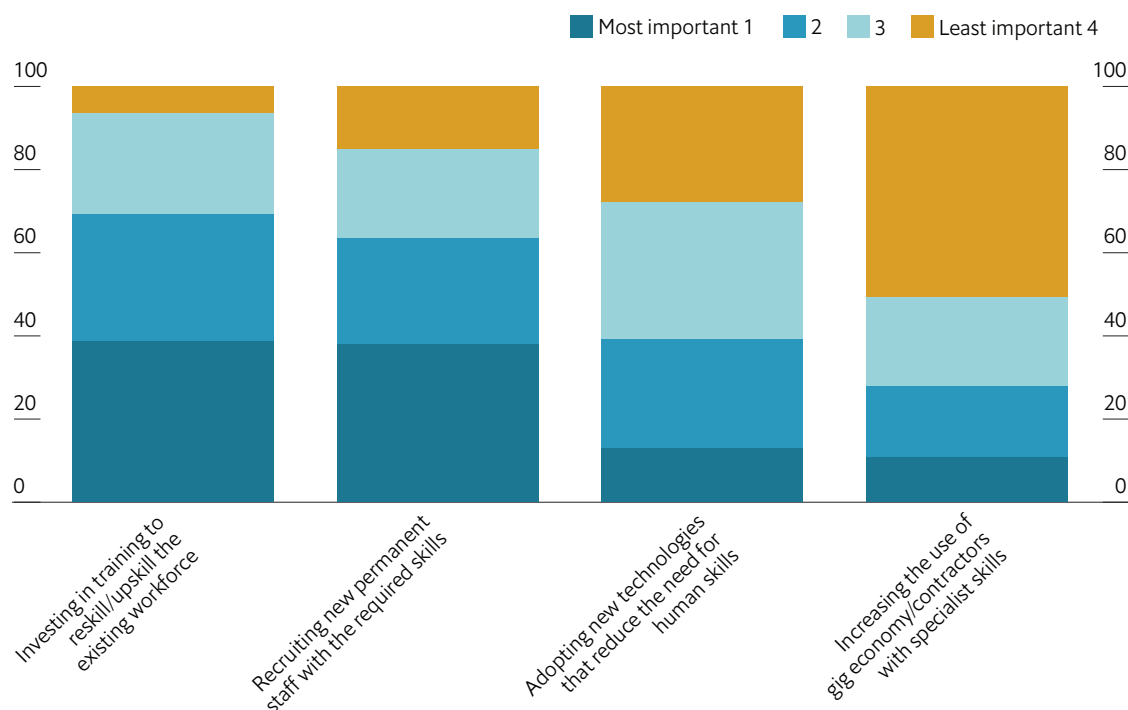
Source: The Economist Corporate Network

To dig deeper into efforts to reskill the existing workforce, we asked participants to indicate the main approaches that they have adopted (see Chart 10). In recent years, many firms have moved away from a formal appraisal system to one centred around continual feedback. IBM, for instance, abandoned the annual appraisal system in 2015 in favour of AI-based analytics and a culture of feedback.[4]

More agile ways of working also call for a culture of continual training. This may go some way to explaining why "increased training and development" attracted the highest response rate, followed by "individual development plans". As the nature of work changes, it is unsurprising that around half of respondents (53.6%) report that they are "redesigning roles" as a way of rejuvenating the existing workforce, while 46.4% indicate that they are focusing on "specific segments". Although our survey did not probe further on this point, the question of what to do with middle-aged middle management was explored in some depth during the focus groups and will be returned to later. It is, though, highly likely that this demographic is one of the "specific segments" referred to. Only 21.4% report the application of "HR tech"; yet, as the covid-19 pandemic reshapes work and the workplace, companies will perhaps be taking a closer look at the suite of digital tools available to help them understand and better deploy their human resources.[5]

[4] Rebooting work for a digital era. MIT Sloan Management Review (2019)

[5] An umbrella term for software and associated hardware for automating the human resources function in organizations. It includes employee payroll and compensation, talent acquisition and management, workforce analytics, performance management, and benefits administration.

Chart 10. What efforts, if any, are you taking to rejuvenate the existing workforce?
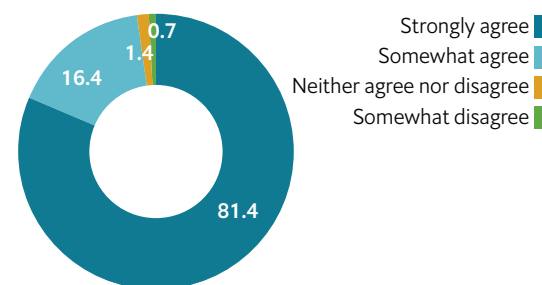(% of respondents; multiple responses possible)
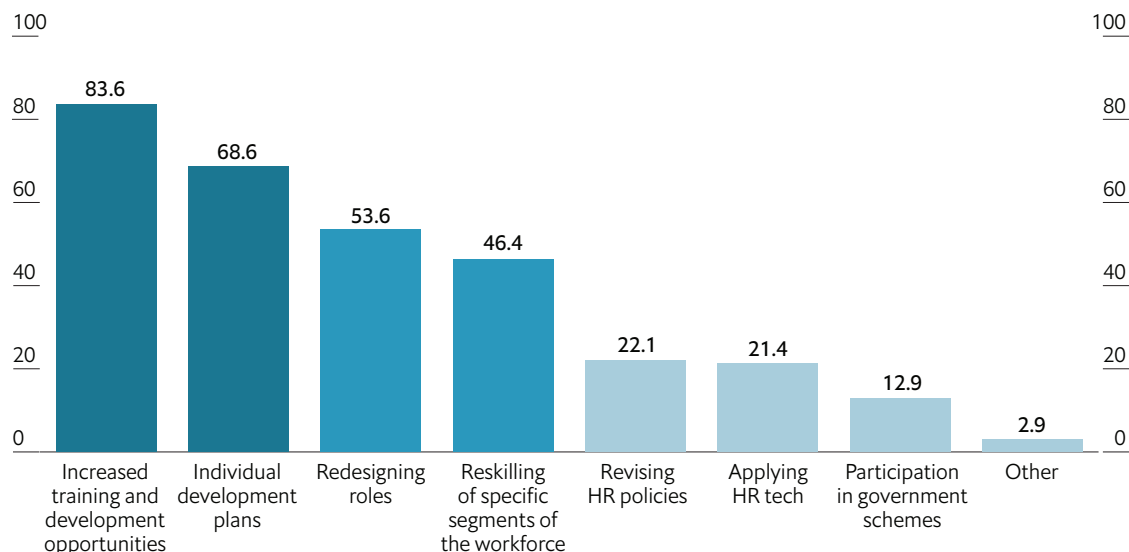
Source: The Economist Corporate Network

Turning to the second route identified in Chart 11—the external market—we asked a further set of questions to get a better understanding of the most sought after skills and insights into local talent pools across Asia. There is broad agreement (97%) among participants that people skills are increasingly important to the success of the business. This confirms a trend seen in previous reports, which have also stressed the importance of these "soft and people" over "hard" (technological or science-based) skills.

"Eighty-one percent of respondents identify people skills as increasingly important to the success of their business."

More specifically, we asked participants to rank in order of importance those skills most desired in a developed workforce. The ability to analyse, interpret data, solve problems and generate solutions stem from an ability to think critically. Moreover, as AI and automation take over routine jobs, the future-ready workforce will increasingly be tasked with navigating complexity. "Leadership" and "collaboration" are also identified by around half of the participants as important skills. In the Covid-informed new normal, these attributes will no doubt assume even greater importance.

Chart 11. People skills are increasingly important to the success of my business.
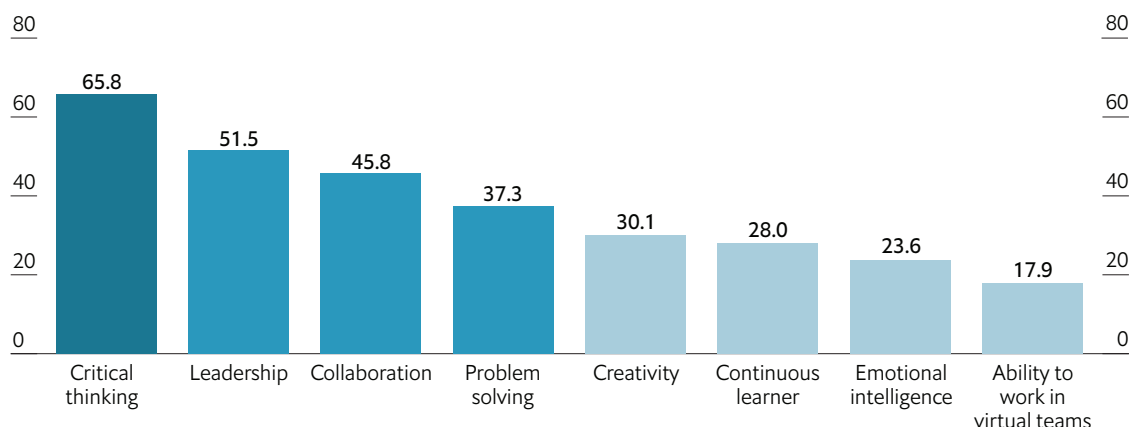(% of respondents)

Strongly agree
Somewhat agree
Neither agree nor disagree
Somewhat disagree

Source: The Economist Corporate Network

Chart 12. Of these, which are the most important skills that you need to develop in the workforce? (Top 4 skills chosen as the most important and the second most important; multiple responses possible)
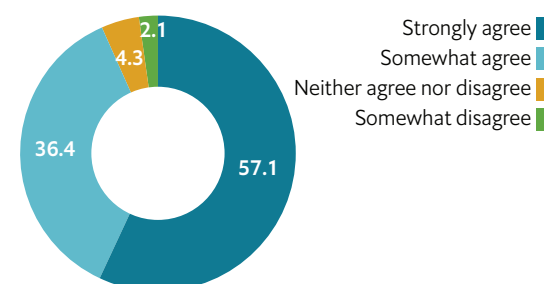(% of respondents)

Source: The Economist Corporate Network

As noted in the introduction, the experience of mandatory work-from-home policies in Asia as a response to the Covid-19 pandemic has necessitated a pivot to virtual working patterns. It remains to be seen what the longer lasting implications of this may be, but it is probably safe to assume that greater attention will be given to ensuring that people are able to maintain productivity and efficiency while working remotely. This will surely play into the hands of younger "digital natives" while also requiring greater support from existing, older employees.

To parallel the people skills requirements, we also asked about digital skills. The proportion selecting "strongly agree" (57.1%) in terms whether digital skills are increasingly important contrasts quite starkly with the 81.4% who selected the same response for people skills (see above). Yet this has also been seen in previous studies. As technology becomes more complex and the interface with technology improves, the demand for people with the hard science or technological skills may, in fact, become softer.

Chart 13. Digital skills are increasingly important to the success of my business.
(% of respondents)

Source: The Economist Corporate Network

This seems to be borne out by the responses presented in Chart 14, where "analytical reasoning" is identified as the most important skill (84.1%), followed "digital marketing" (60.5%) and the "ability to manipulate data" (58.3%). Computer science and cloud computing specialists are in less demand. However, it should also be noted that these results will vary across sectors. Survey participants who selected "industrials" as their primary industry identified "digital marketing" as the most important skill, whereas those in "financials" plumped for "analytical reasoning". These results have significant implications for hiring practices and the talent pool.
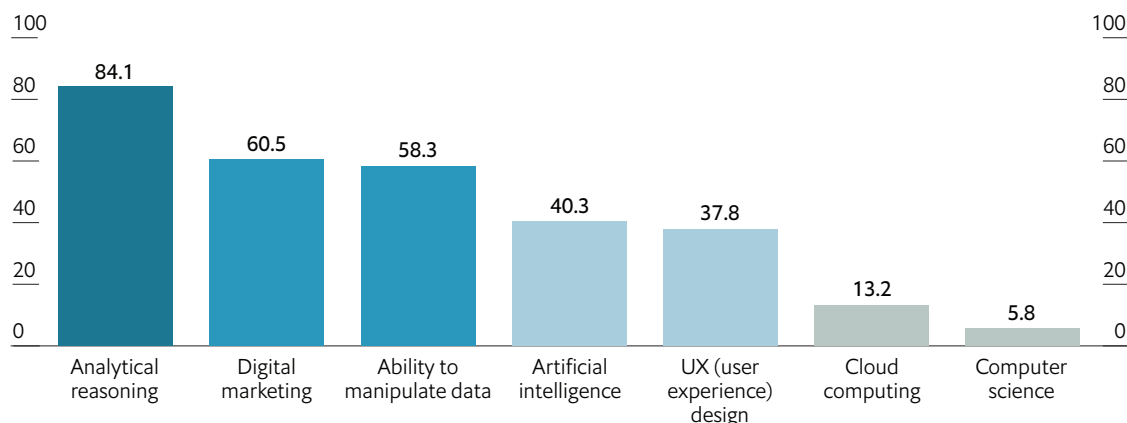
Chart 14. Of these, which are the most important skills that you need to develop in the workforce?
(Top 3 of skills chosen as the 1st, 2nd and 3rd most important; multiple responses possible)
(% of respondents)

Source: The Economist Corporate Network

The 'war for talent' has always been intense in high-growth markets and even in low-growth Japanese markets where a shrinking population and globalising domestic economy mean that competition for qualified candidates is fierce. Chart 15 records that around 70% of all respondents identify difficulties in finding and recruiting people with the right skillset, although finding people with the right people skills appears to be marginally easier than finding those with the required digital skills. More positively, less than half of the survey participants report difficulties in retaining people, and a quarter reporting that this isn't a problem. It may be possible to infer from these results that, once the right person is found, companies are working hard to retain them.

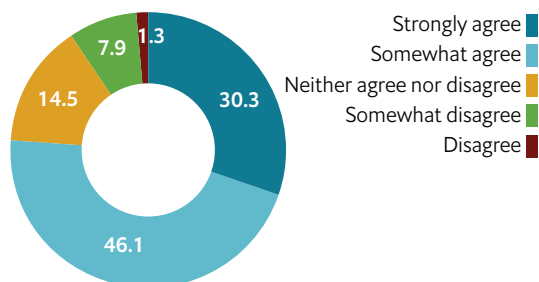**Chart 15. In terms of the local talent pool I find it difficult:**
(% of respondents)
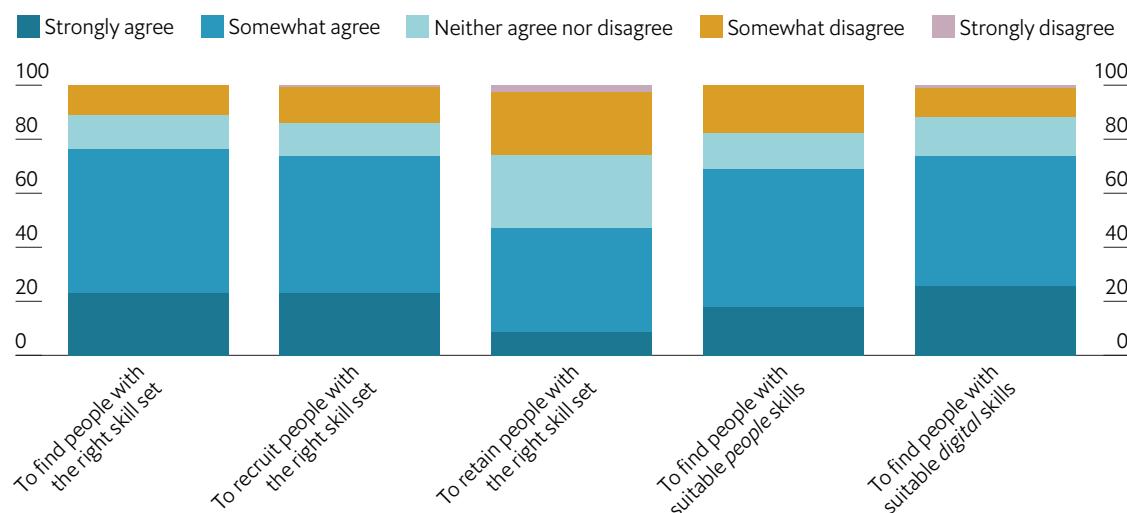
Note: People skills are taken here to include critical thinking, teamwork, communication, problem solving, flexibility, etc. Digital skills are taken here to include data analytics, data visualisation, coding, digital marketing, UX design, etc.
Source: The Economist Corporate Network

Chart 16. We are increasingly looking beyond traditional talent pools to secure people with the necessary skills.
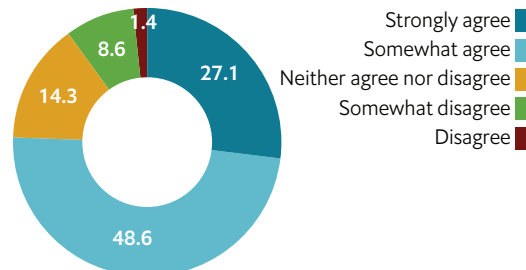(% of respondents)

Strongly agree
Somewhat agree
Neither agree nor disagree
Somewhat disagree
Disagree

30.3
46.1
14.5
7.9
1.3

Source: The Economist Corporate Network

Chart 17. We are developing a wider network or ecosystem of partners or collaborators to help us develop the skills we need.
(% of respondents)

Strongly agree
Somewhat agree
Neither agree nor disagree
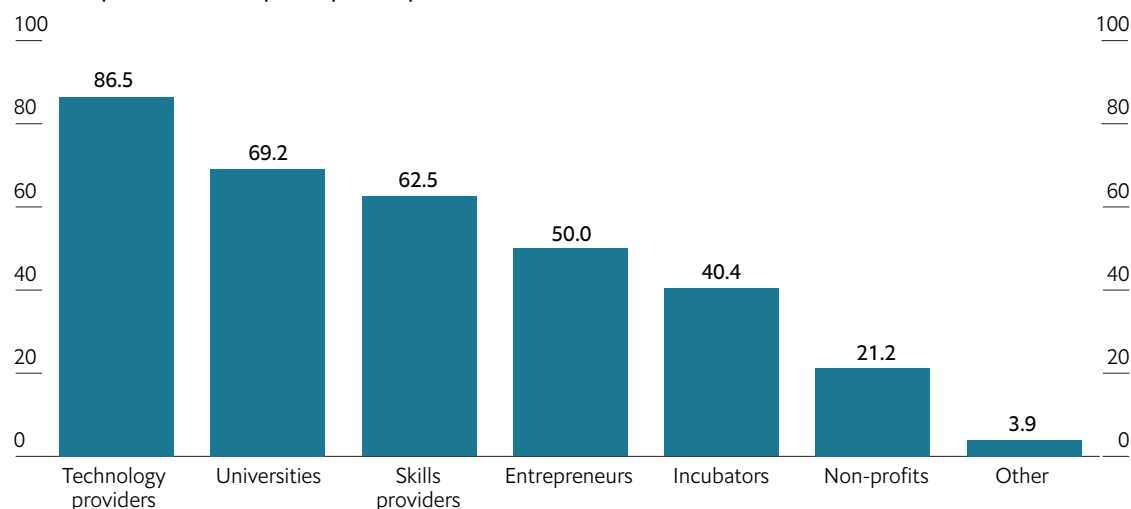Somewhat disagree
Disagree

27.1
48.6
14.3
8.6
1.4

Source: The Economist Corporate Network

If the traditional pool is proving thin or inadequate, what further steps are companies taking in their search for talent? The final three questions in this section examine the wider ecosystems and partnerships that firms are developing in their quest to develop the skills needed to deliver on the digital transformation. Although not as emphatic a response as seen above, Chart 16 shows that a strong majority (76.4%) of survey respondents are looking beyond traditional talent pools in the search for necessary people. A similar proportion (75%) report recourse to a wider network or ecosystem (Chart 17), with technology providers the most popular collaborators. This mirrors the move by major providers of technology into higher value added services and partnerships with clients (see Chart 18).

Chart 18. Our network includes:
(% of respondents; multiple responses possible)

Technology providers 86.5
Universities 69.2
Skills providers 62.5
Entrepreneurs 50.0
Incubators 40.4
Non-profits 21.2
Other 3.9

Source: The Economist Corporate Network

Technology is breaking down barriers within and between businesses, and there is a growing acceptance that firms will need to be working with a wider range of partners as they transform into digital players. In this, competitors may become collaborators and disruptors may become partners. External firms may be much better positioned to mine your data to find new revenue streams, for instance.

Summary points

- Business leaders need to act proactively to address the skills gap if they are to secure the talent that they need to deliver on strategy.

- Work with the talent that you have invested in training and use individual development plans.

- The "war for talent" and the increasing complexity of technology create a stronger rationale to seek out partners and collaborators.

Leading the transformation

An audit of the existing workforce provides leadership teams with an assessment of current capabilities and gaps, as well as an agenda for change. All are necessary steps but, in themselves, they are not sufficient to effect change. For this, leadership is required. Accordingly, this final section focuses on the individual business leader.

Drive or delegate?

Where the digital transformation journey is owned, championed and led from the top down, the chances of success significantly increase. In this scenario an organisation's core vision and values are enabled and taken forward by the application of technology. The roadmap is clearly defined and communicated throughout the organisation and beyond to include partners, stakeholders and customers. So far, so uncontroversial, but to what extent are business leaders in Asia taking ownership of the people component of the project? We asked our respondents if they drive or delegate on talent development.

"73% of respondents claim to drive rather than delegate workforce development."

Encouragingly, 73% of respondents indicate that they are in the driving seat when it comes to ensuring that the workforce is suitably equipped to allow for the execution of strategy (see Chart 19). In a previous survey-based paper from 2015 investigating the role of the business leader in building the digital workforce, a slim majority (53%) indicated that they delegated on the digital workplace strategy.[6] Although not a like-for-like comparison, these latest findings may indicate that as technology adoption accelerates leaders increasingly see the need to take ownership of this key lever, rather than delegating to other functional heads.

Chart 19. When it comes to ensuring that the workforce has the necessary skills to allow you to execute on strategy, do you:
(% of respondents)

Drive
Delegate

26.8

73.2
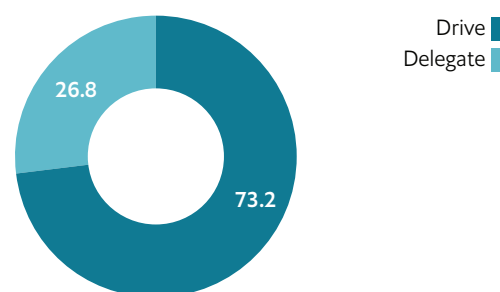
Source: The Economist Corporate Network

This may partly be explained by reference to a follow-up question that asked whether business leaders ensure alignment of workforce development and core business strategy (see Chart 20). While 91% say that they do, only a bare majority (55.1%) indicate a strong alignment between core business strategy and talent development. This should be a further area of concern. As noted above, survey respondents repeatedly affirm that there is a link between the workforce and the ability to deliver on strategy, that skills gaps exist, and that there are concerns about the ability of the company to benefit from technology. If so, there should be a stronger consensus (a higher "strongly agree" rate) on the need to align strategy.

[6] Drive or Delegate? Digital workplace strategy, talent management & the role of the CEO in Asia. (2015) The Economist Corporate Network.
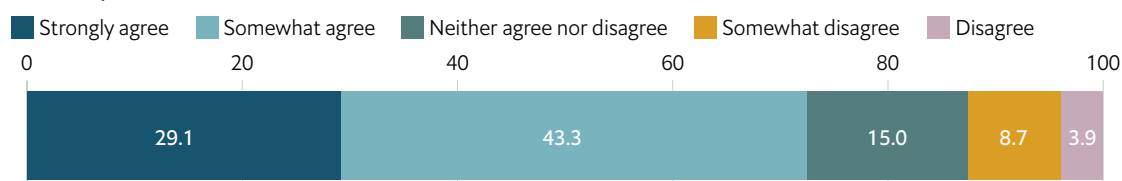
Chart 20. I ensure that our workforce development strategy is aligned with our core business strategy. (% of respondents)

Strongly agree | Somewhat agree | Neither agree nor disagree | Somewhat disagree

| 55.1 | 36.2 | 6.3 | 2.4 |
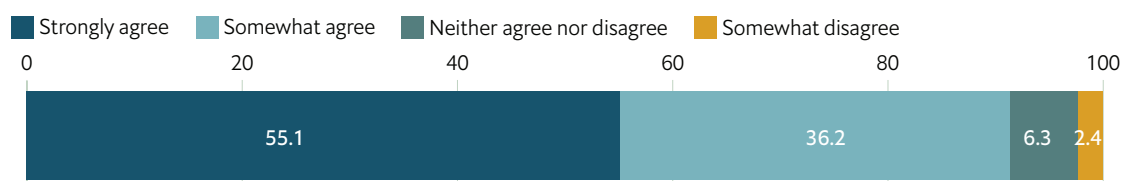
Source: The Economist Corporate Network

Often, the CEO will need to be positioned as the focal point, key communicator and champion of the transformation. But he or she will also need to ensure that the senior leadership are on board too. While 72% of survey participants indicate that this is the case, only 29.1% strongly agree. However, progress seems to be being made. When a similar question was posed to business leaders in 2015, only 46% of respondents agreed that their senior leadership team could be described as "transformation champions".[7]

Chart 21. I am confident that my senior leadership team are transformation champions. (% of respondents)

Strongly agree | Somewhat agree | Neither agree nor disagree | Somewhat disagree | Disagree
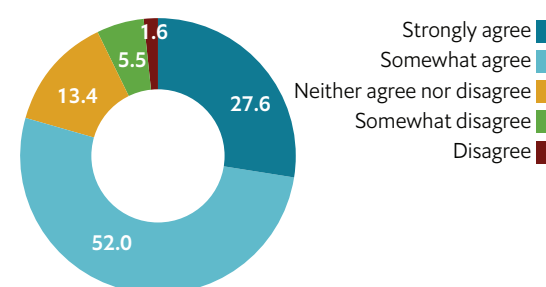
| 29.1 | 43.3 | 15.0 | 8.7 | 3.9 |

Source: The Economist Corporate Network

Similarly, in our survey, 79% of survey participants (with 27.6% strongly agreeing) describe themselves as having no difficulty in articulating workforce strategy. This compares to 50% (12.5% of whom "strongly agree") in the 2015 survey.[8] Progress, it seems, in this important area of leadership and communication.

Overcoming resistance

At some point, any business leader will face resistance to the change that he or she is trying to effect. This challenge may be amplified when the workforce itself becomes the focus of attention. But what are the key challenges and what approaches to overcoming these challenges have been found to be most effective? We asked our respondents to select three from a list of ten common challenges. Just over half of respondents identified a "resistant to change" mindset as the key internal challenge. This finding highlights both the challenge and opportunity facing business leaders: it is a challenge, in that "mindset" is something

Chart 22. As a business leader, I have no difficulty in articulating our future-ready workforce strategy. (% of respondents)


Strongly agree
Somewhat agree
Neither agree nor disagree
Somewhat disagree
Disagree

1.6
5.5
13.4
27.6
52.0

Source: The Economist Corporate Network

intangible and difficult to measure, but it is also an opportunity to inspire leaders to come to the fore (see below). Speed and momentum—or the lack thereof—and "lack of awareness or understanding among employees" were also identified as the second and third key challenges. An organisation's structure (perhaps too siloed) and culture (too risk adverse, for example) are often pointed to as something that can slow change. These two issues, along with "securing investment" and "scepticism/lack of buy-in", make up a middle band of challenges reported by around 30% of respondents. The fear that technology will take jobs and that things are moving too fast received the least attention.

Chart 23. What are the key internal challenges that you face in terms of developing a future-ready workforce? Select top 3 responses
(% of respondents)
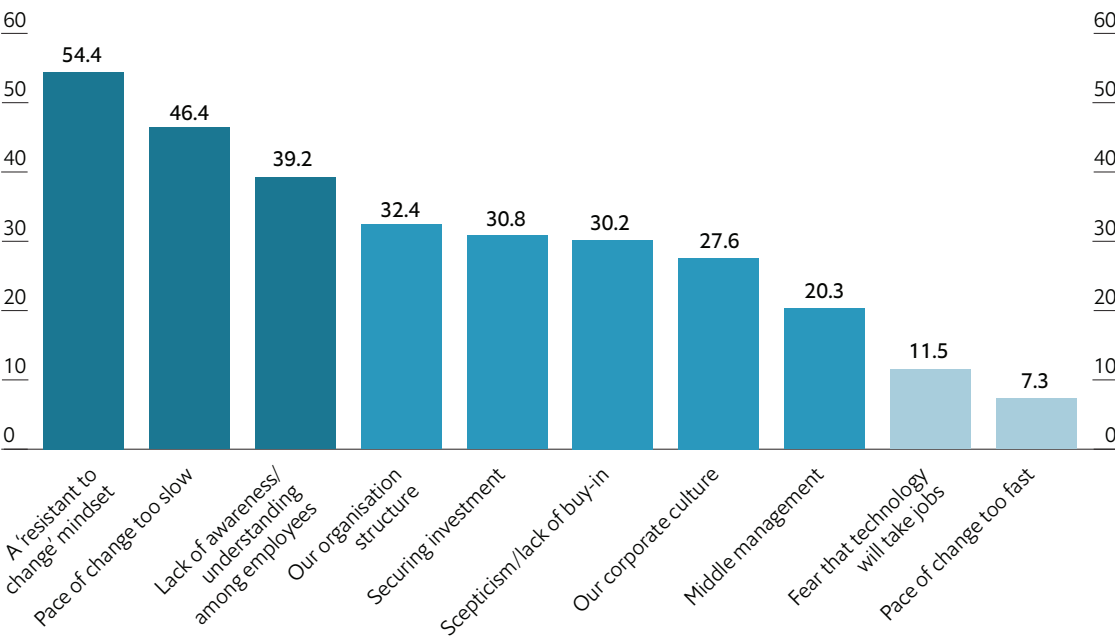
Source: The Economist Corporate Network

*"A resistant to change mindset is the key challenge to overcome."*

Once the strategic decision has been taken to digitally transform a business, perhaps the biggest barrier to success will be whether or not there is understanding and acceptance from the workforce. For this reason, business leaders are often advised to consider people first and technology second. Technology can be a great enabler, but it will not be effective unless employees are educated and empowered.

Once survey participants had ranked their barriers to change, they were also asked what they have found most effective in overcoming challenges. 77.8% of respondents identified "constant communication" as the key tactic.

Chart 24. What have you found most effective in overcoming these challenges?
Select top 3 responses
(% of respondents)
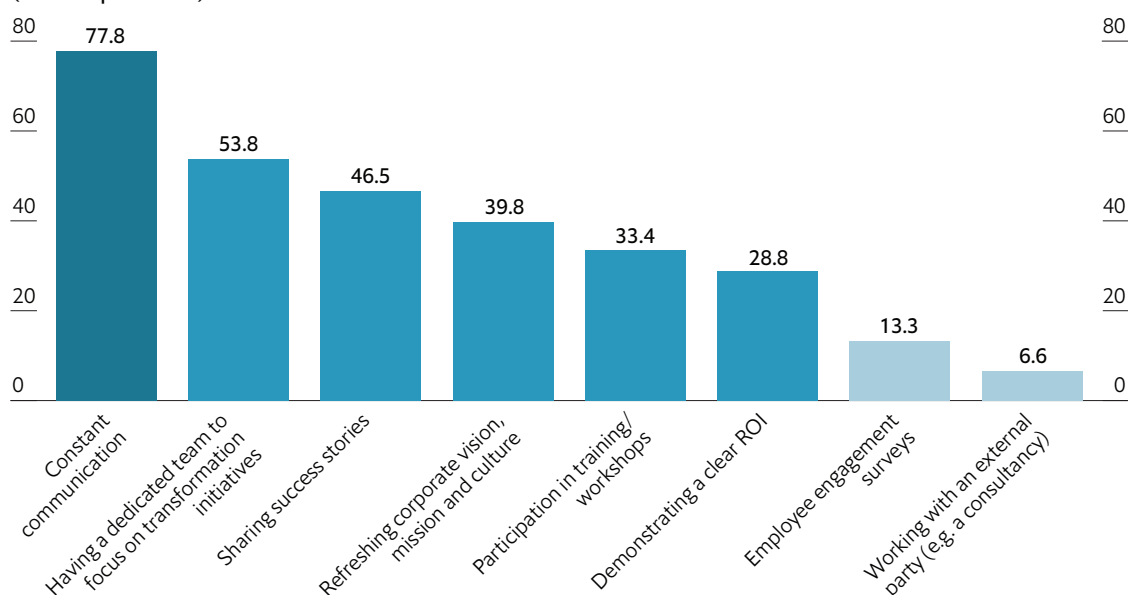
Source: The Economist Corporate Network

How is constant communication best achieved? For large companies, best practice includes regular town hall meetings for all members of staff to update on progress, share success stories and answer concerns. These are best delivered by the senior leadership team in partnership with IT and HR leaders to reinforce the importance of the transformation. Transparent and clearly structured meetings serve to both educate the workforce and reduce scepticism and resistance to change. Quite understandably, many employees will be concerned that change will impact them and their jobs in a negative way. Mid-career employees may question whether they have the right skills to not only retain their post but go on to grow and develop within the new structure.

Let's talk about you

Finally, we asked our participants two questions to gauge a personal assessment of the ability to adapt to an increasingly digital environment and the time spent on people-related issues.

Just over half (54%) report high levels of confidence—taken as the top three responses—in their own ability to adapt to working in an increasingly digital environment; on average, business leaders rank their own ability slightly higher than that of their own company (see Chart 5, page 9). A middle band (5 to 7 on the chart) account for a further 40% of respondents, while a small minority indicate that they are perhaps struggling. Belief in one's own abilities is something of a must-have for business leaders, so the relative paucity of high scores may be an issue of some concern. Senior roles tend to be filled by mid-career individuals rather than the fabled "digital natives" who have grown up in an environment where advanced information and communications technology have been the norm. If they are to lead a digital transformation, business leaders should also recognise that they may need support,

Chart 25. How confident are you in your own ability to adapt to working in an increasingly digital environment? Select on scale of 1 to 10 where 'Not at all confident'=1 and 'Very confident'=10 (% of respondents)
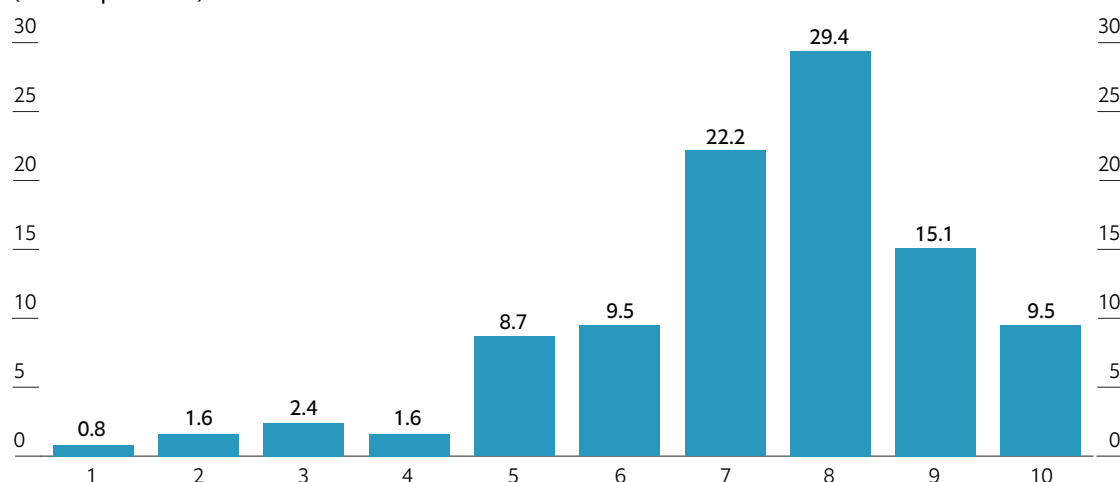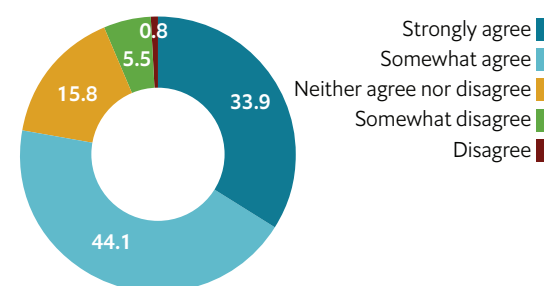

Source: The Economist Corporate Network

development and training to allow them to be both comfortable and confident in navigating the digital workplace. Reverse mentoring—learning from digital natives—is one possible solution.

In a 2016 report from this series, more than 80% of respondents claimed to spend more time on thinking what skills their business would need in the future than they had previously.[9] A similar proportion (78%) in the survey that fed this report said that they seem to spend more time on people- and skills-related issues than they used to, which suggests a fairly consistent trend over the past few years. This may simply reflect changing priorities as executives move into leadership roles, or of growing importance of people in an increasingly digital world—or a combination of both. What is clear, however, is that if we accept the premise that success or failure pivots on an organisation's workforce, business leaders are right to be paying more attention to people and skills.

Chart 26. I seem to spend more time on people/skills related issues than I used to. (% of respondents)

Source: The Economist Corporate Network

Summary points

- Drive rather than delegate efforts to build the future-ready workforce.

- Counter obstacles to change through constant communication, sharing success stories and establishing a dedicated transformation team.

- Ensure that your senior leadership team are transformation champions.

- In addition to the workforce as a whole, make sure to give sufficient thought to your own skills and ability to operate effectively in an increasingly digital environment.

[9] Skills 4.0 How CEOs shape the future of work in Asia. (2016) The Economist Corporate Network

The view from Asia

In order to get a better understanding of how businesses are getting their workforce ready for the future, ECN conducted a series of focus group discussions with senior executives from the companies in Japan, South Korea and China.

The Korean perspective

For the companies in Korea the lack of diversity in the workforce is becoming one of the crucial challenges in their transformation journey. Traditional career path in Korea is still based on the idea of lifetime employment in one company which strips the employees of opportunities to learn and broaden their experience by working in different spheres and new roles. All executives stressed the absolute necessity of flexibility and openness to change and that is very difficult to achieve in a rigid working style system that is dominant in major Korean companies. Introducing and encouraging non-linear career trajectories can help in creating the workforce that will be much more adaptable and ready for whatever comes in the future. As noted by one of the participants in the discussion, for the same reasons retaining the best talent is a bigger problem for Korean companies than acquiring it—employers cannot offer the environment to learn, experiment and grow and many eventually leave.

When it comes to digitalisation and adoption of the new technologies like AI, in Korea expectations are high that companies would be able to get rid of a big chunk of routine work which would in turn benefit the workforce. One issue, however, is that AI is now doing many tasks that were done by entry-level employees, and in highly specialised spheres, especially in professional services, that was in a sense a part of training for new workers.

"Law firms, tax firms, consultancies—their talent pipeline is drying up. Senior executives at those companies had to go through the training, crunching numbers and contracts, but new hires cannot do it, because AI is doing all of this," said Yan Uhl, CFO of SAP Korea. In this reality a lot more is expected from employees in terms of how they can educate themselves and their openness to learn. "The future of talent is more how you learn when you join the company, how you can absorb and summarise [new knowledge] by yourself and how you can communicate to others," added CEO of Marsh Korea, Hank Lee. On the other hand, reverse learning programs when a junior employee is coaching executives or senior peers could become an especially important tool in upskilling in times of digital transformation.

The picture in Japan

When talking about the main driver of change in the working environment, executives in Japan are pointing to the customer side. The clients are becoming smarter demanding cloud solutions and new digital products and adapting to their expectations requires companies to build new workforce capable of delivering that.

On the other hand, as pointed by one of the executives in the tech company, Japan is in a peculiar situation where demographic change is adding a new angle to the topic of diversity and inclusion. Conservative senior customers cannot be ignored by companies, especially because the ageing trend already pronounced in Japan will only accelerate in other countries in the near future and thus Japan can offer a unique opportunity to understand this new reality better. This in turn leads to reevaluation of the 'legacy' workforce— workers who may not be the best in adopting to new technologies, but who can sense the needs of their clients better.

Companies are changing the way they hire new people and place more importance on the ability of employees to work in digital environment, automate and look for new ways of operating. The specific skillset, though, is not the biggest priority. As noted by one of the participants of the focus group discussion, being comfortable with not-knowing and being able to suggest and promote new ideas without oversight from the management is the biggest differentiator. New technologies are introduced with an accelerating pace and micromanagement is becoming practically impossible. Employees are now expected to take a proactive approach to learning new skills and creating new frameworks rather than wait for their companies to educate them and tell them what to do. The same is true of how companies are upskilling and educating their employees. While traditional schemes of on-the-job training are still in use, executives are also expecting their workforce to take advantage of the myriad of tools and techniques to educate themselves that are now widely available online.

One of the topics brought up continuously in discussions with experts in Japan was the need for the wider adoption of remote working and flexible working arrangements. The labour shortage in Tokyo where most companies are based is not getting any easier and more and more companies are trying to be able to hire people in other cities and countries. It is a part of a broader world-wide trend and executives are trying to be among the leaders in this sphere. "If we fast-forward, the world is not going back, it is moving to virtual reality, Star Wars-like holograms and when that happens you want to be in a leading pack," said Christian Barrios, Vice-President of IBM Japan. Some executives are worried whether corporate culture and team building could be hurt if employees are not regularly brought together to the office and when they communicate via e-meetings more than in person. The experience of companies that already operate that way suggests otherwise and with sufficient technological support remote working does not hamper relationships with either co-workers or clients.

Experts agree, that Japan is not yet in the position where remote working can replace traditional working culture, however external factors are pushing companies in that direction. The most extreme example here is the coronavirus pandemic that started to spread in Japan in mid-February 2020. Both Japanese and foreign companies were forced to offer 'telework' options or even had to shut down their offices. This created a nation-wide experiment of promoting remote working and after seeing its results both employees and their managers may find it encouraging to adopt these practices on a permanent basis.

The view from China
Originally scheduled for February, the China focus group session was postponed due to the Covid-19 pandemic. It was convened in early June and as a result offered an opportunity for participants to reflect on how the pandemic has impacted the attitudes toward and perceptions of talent, technology and transformation.

The first six months of 2020 have been a "peak into the future" for companies based in China. Pre-Covid, many operations in China had already achieved an advanced level of digitisation in their manufacturing and business processes. This reflected relatively recent investments in facilities and equipment, as well as China's early adoption of digital payments and online commerce. Many in the local workforce were already highly evolved "digital natives" in their private lives.

The Covid health crisis and subsequent lockdown in China abruptly forced businesses to shift all their operations to a digital platform. In many instances, this meant adapting software so that it could stretch from occasional, back-up use to become the new medium of connectivity as the entire China workforce switched to online processes. Some of the transition was tangible: secure laptops had to be purchased and couriered to employees' homes, and additional servers and Virtual Private Networks had to be installed (or expanded) to facilitate communication with home offices. Initiative and ingenuity were needed to overcome engineering and logistical challenges, as well as leadership and close collaboration with core business functions. Having overcome the technical obstacles for business continuity, corporate leaders had to expend considerable effort liaising with local government officials to ensure that health and safety provisions were in place for re-opening businesses.

Other challenges were psychological, and many respondents referenced the need for ongoing communication with homebound, isolated team members, using teleconferences, WeChat or other social media channels to boost morale and respond to queries about health and welfare. As the weeks wore on an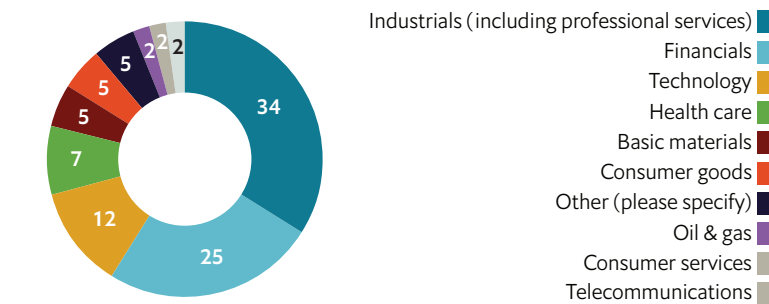d the health crisis receded in severity, social media channels were essential for transmitting information about plant re-opening protocols and providing support for employees stranded due to travel restrictions.

What were the results of the Covid lockdown experience? Some cultural differences were noted –while many employees embraced working from home, others were eager to return to the work place, keen to resume human contact with their team members. Many had found working from home onerous, with family responsibilities and cramped apartments hindering productivity. Business heads may have been satisfied with the work output from their "virtual teams", but many missed the dynamics of offline collaboration and team building.

What organisational changes are likely to ensue from the Covid "crisis management" exercise? Certainly the health crisis accelerated the redistribution of work to online processes. Remote working proved its viability for many work functions, but its desirability is still debatable. Another key factor in determining whether new digital processes will become permanent is if they will require further modification from current "China-specific" expedience to meet global corporate standards.
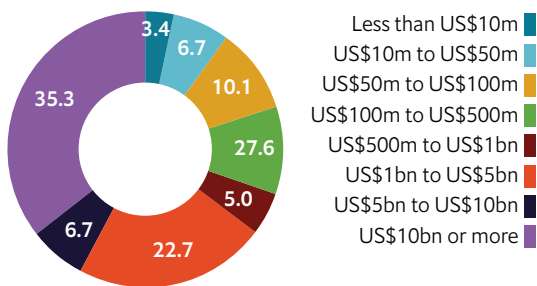
Appendix

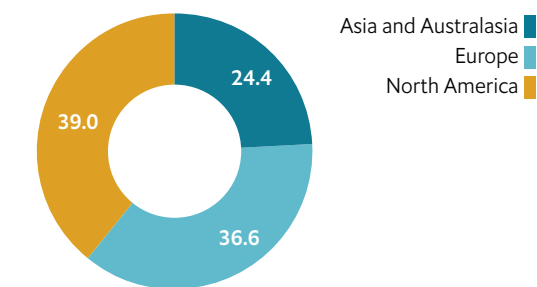## What is your company's primary industry?
(% of respondents)

Industry	%
Industrials (including professional services)	34
Financials	25
Technology	12
Health care	7
Basic materials	5
Consumer goods	5
Other (please specify)	5
Oil & gas	2
Consumer services	2
Telecommunications	2

Source: The Economist Corporate Network

What are your organisation's annual revenues?
(% of respondents)

Revenue	%
Less than US$10m	3.4
US$10m to US$50m	6.7
US$50m to US$100m	10.1
US$100m to US$500m	27.6
US$500m to US$1bn	5.0
US$1bn to US$5bn	22.7
US$5bn to US$10bn	6.7
US$10bn or more	35.3

Source: The Economist Corporate Network

Where is your firm's global HQ?
(% of respondents)

Region	%
Asia and Australasia	24.4
Europe	36.6
North America	39.0

Source: The Economist Corporate Network

TALENT, TECH AND TRANSFORMATION
THE ROLE OF THE BUSINESS LEADER IN ASIA

What is the geographic scope of your responsibilities?
(% of respondents)

Global CEO/President
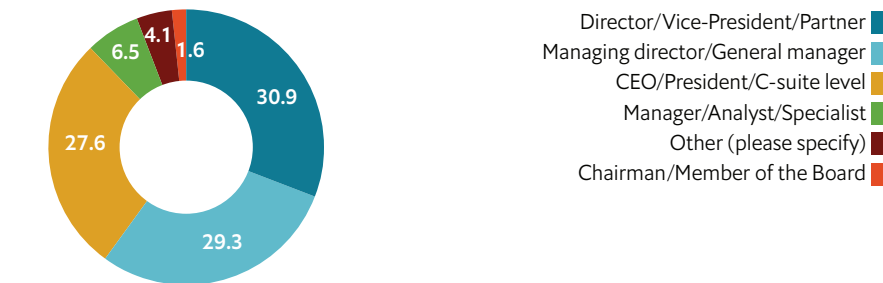Regional CEO/President
Country CEO/President

8.7
53.0
38.3
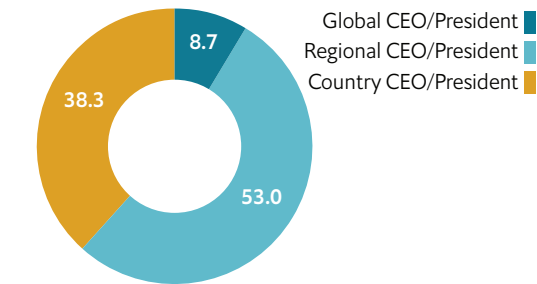
Source: The Economist Corporate Network

How many employees work within the organisation that you have responsibility for?
(% of respondents)

Less than 10
Between 10 and 50
Between 50 and 150
Between 150 and 500
Between 500 and 1500
More than 1500

5.8
12.4
19.0
24.8
20.7
17.4
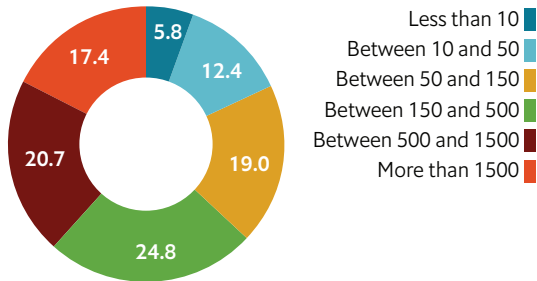
Source: The Economist Corporate Network

Which of the following best describes your title?
(% of respondents)

Director/Vice-President/Partner
Managing director/General manager
CEO/President/C-suite level
Manager/Analyst/Specialist
Other (please specify)
Chairman/Member of the Board

30.9
29.3
27.6
6.5
4.1
1.6

Source: The Economist Corporate Network

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Combining Academic Rigor and Regional Expertise

The Asia School of Business (ASB) is a collaboration between Bank Negara Malaysia (The Central Bank of Malaysia) and MIT Sloan School of Management. It combines the MIT Sloan academic rigor and discipline with regional expertise, insights and perspectives of Asia and emerging market economies, in its mission to be the premier business school and global knowledge hub of the region.

Established since 2015, ASB offers both degreed and non-degreed programs which are taught by MIT Sloan's world-renowned faculty and ASB's resident faculty, who are also International Faculty Fellows at MIT.

Starting with its flagship MBA program, ASB has expanded its offerings to include an MBA for Working Professionals, with students from more than 30 countries have enrolled in these programs. ASB is currently recruiting for its inaugural class for the Master of Central Banking program in 2021 to cater to the needs of the modern central banking world.

With its signature Action Learning at the core of all its curriculum, the programs have shown impactful results, collaborating with close to 150 hosts from more than 26 countries around the world. ASB has since built a reputation for producing a pipeline of highly-qualified, industry-ready and globalized talents who are able to serve the exponential growth and opportunities of Asia and the Emerging Markets upon graduation.

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To learn more about ASB, please visit www.asb.edu.my.

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