
Future of Government Series

Redefining Human Capital for a sustainable future

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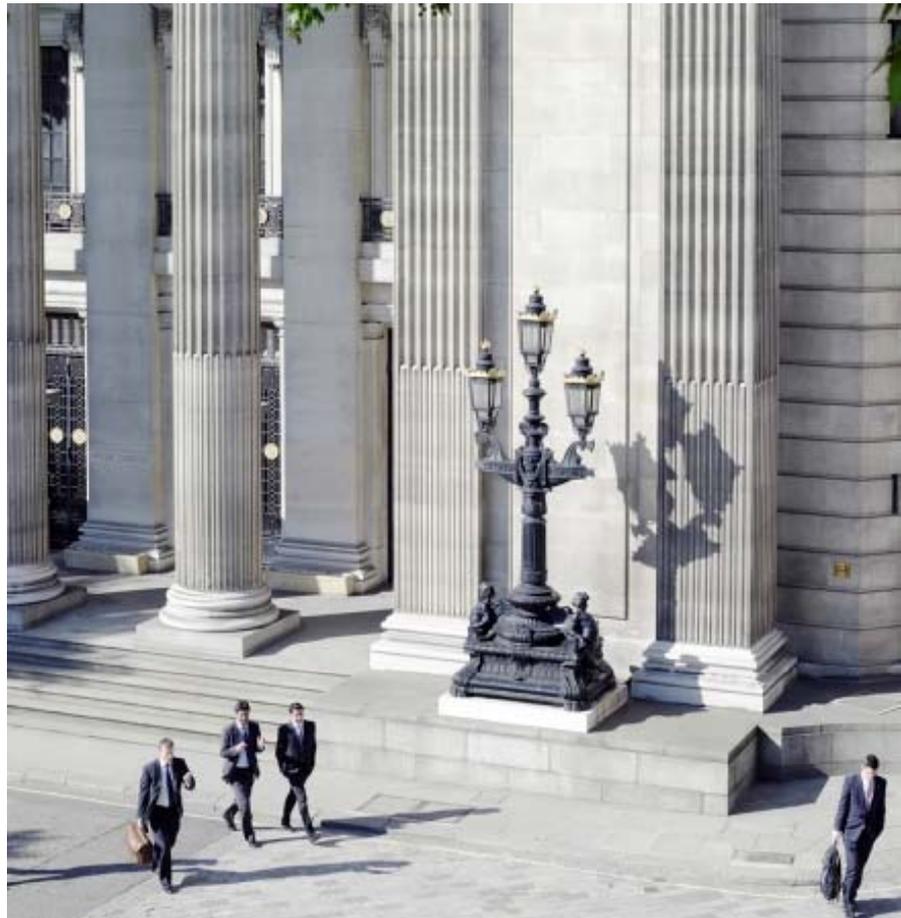
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Malaysia's 2020 aspirations

Top 10 upper-middle income countries in WEF's HCI ranking, 2013

Country	Global rank
1. Malaysia	22
2. Costa Rica	35
3. Panama	42
4. China	43
5. Thailand	44
6. Kazakhstan	45
7. Mauritius	47
8. Jordan	52
9. Hungary	54
10. Bulgaria	56

Source: WEF

High income nation, led by ETP

Malaysia emerged top among upper-middle income nations in the World Economic Forum (WEF)'s first global human capital index (HCI) rankings 2013, beating China, Thailand, Costa Rica and Panama. This index measures a country's ability to develop and nurture healthy, educated and able workers.

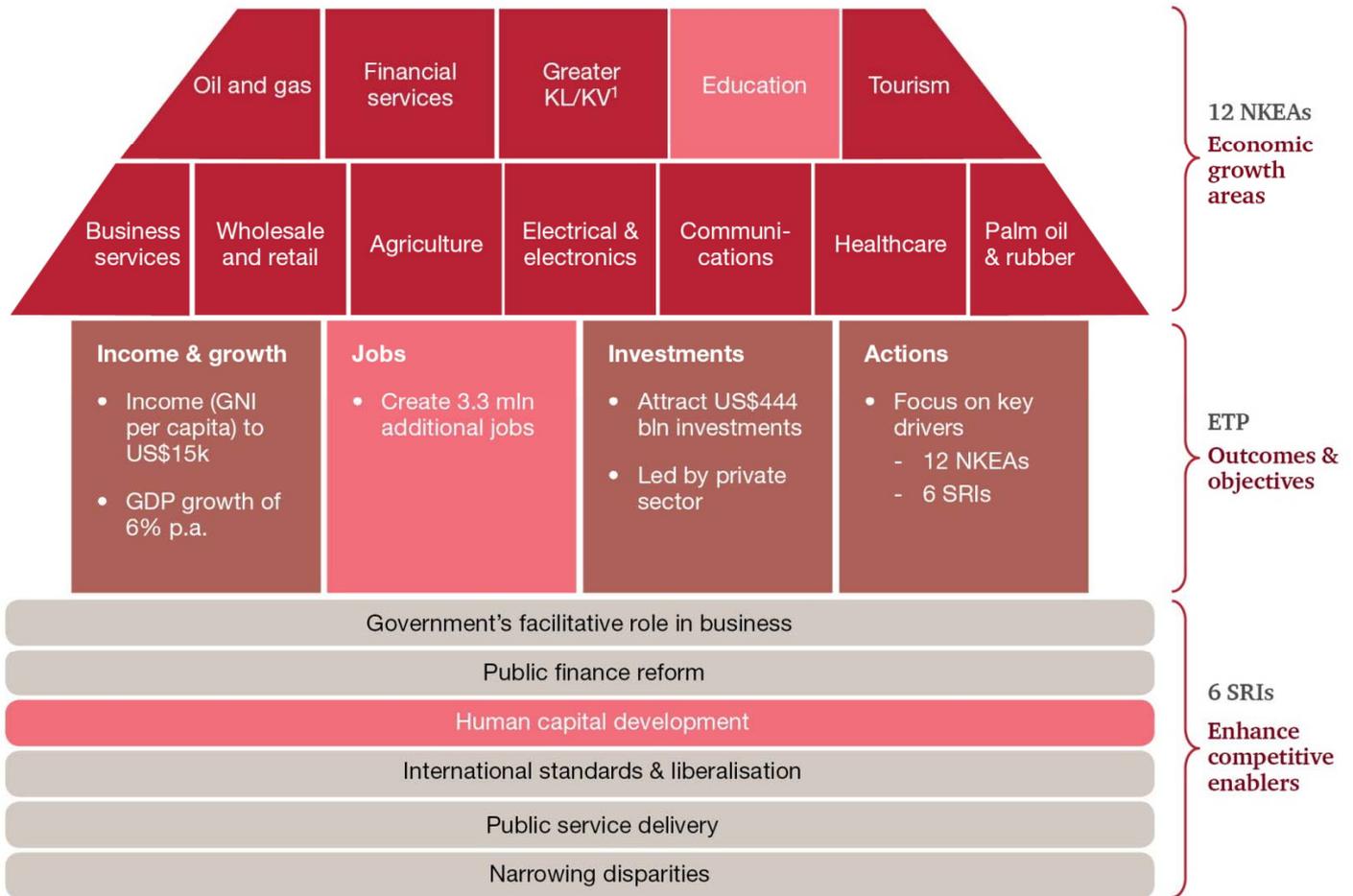
This is a testament to the success of Malaysia's Economic Transformation Programme (ETP) which was formulated in 2010 as part of National Transformation Programme. The ETP is a catalyst for economic growth and investments needed for Malaysia to achieve high-income nation status by 2020.

The Government has also factored in Malaysia's competitive advantages such as its skilled workforce, abundance of natural resources, expertise in manufacturing and its potential to create a niche for itself in the selected sectors.

In enhancing Malaysia's global competitiveness, Strategic Reform Initiatives (SRIs) were also introduced to focus on elevating the competitiveness of Malaysian companies and fostering a business-friendly environment conducive to private investment inflows. Together with the National Key Economic Areas (NKEAs), the SRIs through cross-cutting reforms, support the government's goal of transforming Malaysia into a high-income economy well positioned for sustainable and inclusive growth.



Overview of ETP, NKEA and SRI and the human capital perspectives



¹ Greater Kuala Lumpur / Klang Valley

Human Capital – A key enabler

As of 23 Aug 2013, there are 153 Entry Point Projects (EPPs)¹ under the ETP, with RM218.3 billion investment commitments that will require 434,268 new jobs to be filled.

Source: Pemandu

¹ *The number of EPPs has grown from 131 since ETP inception in 2010.*

Talent, strategic to national building

The key drivers of economic growth for any country or institution are the talents, skills and capabilities of its people. Developing a workforce ready to meet the country's economic needs is no mean feat.

Under the SRI Human Capital Development initiative, various efforts have been made to catalyse structural reforms through high-impact projects targeted at various sectors within the Regional Economic Corridors and across Malaysia.

With the 12 NKEAs identified under the ETP sector focus, there will be challenges as these high growth sectors will be clamouring for talent with the right technical skill sets.

Talent challenges ahead

As it is, the industry is already faced with talent shortages. Hence, it will be imperative to focus on how to plug these shortages in the short term and longer term; even more so in the context of shifting population dynamics and limited resources.

PwC has been involved in conducting various studies to assess the talent needs of several NKEA sectors such as manufacturing, tourism, oil and gas, creative services, and specialist medical services. Over half of the employers we surveyed told us they were unable to find the talent their organisations needed.



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Lack of available candidates with the right technical expertise and employable skills were among organisations' main concerns.

Source: PwC Malaysia



When we asked employers to identify why they were experiencing problems filling positions in their organisations, we found out that a lack of available candidates with the right technical expertise and employable skills were among their main concerns.

This talent mismatch will continue to challenge employers as they have to contend with the continued growth of emerging markets, globalisation, and the expanded use of increasingly sophisticated and rapidly changing technologies.

Emerging trends are placing unprecedented value on talent as the driver of business success. This will only increase the competition for proven, talented employees with skills highly sought after by employers. Furthermore, individuals with in-demand skills will become more selective as they evaluate their employment options, compelling companies to develop better recruitment and retention strategies.

Similarly, this lack of talent will force organisations to adopt a new mindset about talent development, where upskilling their existing employees and developing candidates with potential becomes the new norm.

Building Malaysia's human capital

“Talent shortages and mismatches are impacting profitability now.

- One in four CEOs said they were unable to pursue a market opportunity, or have had to cancel or delay a strategic initiative because of talent.*
- One in three is concerned that skills shortages impacted their company's ability to innovate effectively.”*

PwC 15th Annual Global CEO Survey 2012

Addressing talent needs for ETP

Malaysia needs to ensure talent availability to support growth and economic transformation. To support the ETP momentum, a broad range of reforms are being undertaken to address long term talent needs.

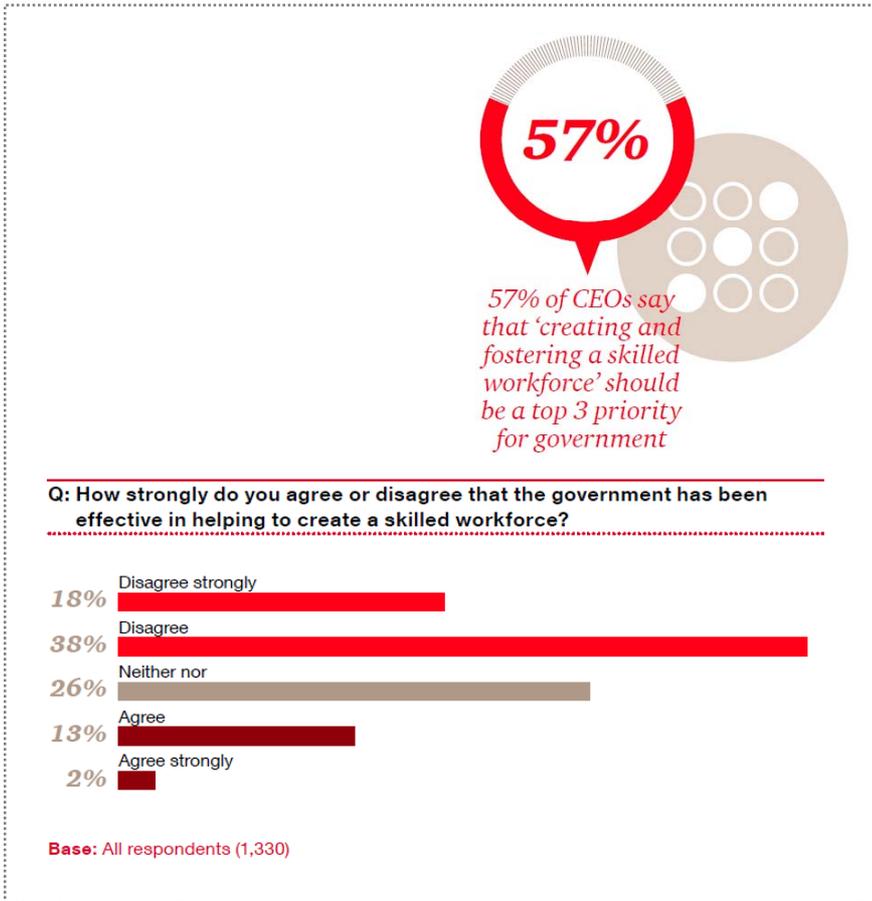
While these structural reforms are being implemented, there are currently immediate talent requirements and critical skills gaps faced by priority sectors and leading companies, particularly those moving up the value chain and transforming internationally.

An agenda for action

The governments' role in developing the necessary talent today to fuel the industry of the future cannot be underestimated. Based on PwC's 16th Annual Global CEO Survey, more than half of CEOs believed that it should be a government priority to create and encourage a skilled national workforce.

At the same time, a similar percentage of CEOs disagree that the government has been effective in helping to create a skilled workforce. There are however success stories. Half of CEOs in the Middle East felt that their government had been successful in creating a skilled workforce, through significant investment in universities.





With the need for greater government involvement in talent, there is room for public service bodies to collaborate more effectively with the private sector to address talent issues from development, attraction to retention. To help with the process, there are three key strategic areas to focus on:

- I. Strategic people planning
- II. Talent management
- III. HR function effectiveness

PwC 16th Annual Global CEO Survey 2013

Previously, people planning is just an extension of the budgeting process.

In the new approach, people planning involves identifying and bring the right people to drive value creation.

Source: PwC Malaysia

I. Strategic people planning

Effective people planning may be one of the most challenging but value added areas in the field of HR management today. But it's currently among the least advanced and least understood areas.

People planning in the past

In many companies, people planning is just an extension of the budgeting process and describes little more than the cost of the workforce. It often deals only with head count and misses the linkage of people to strategy and business value drivers. So long as people planning is set up primarily as a control mechanism – i.e. to control costs and head count – it will rarely enable strategy. Instead, it will continue as a damage control function.

Going forward

People planning is the very foundation of effective talent management in large (complex) organisations. It requires a detailed understanding of what kind of support the business needs, and when.

This involves a complex mix of hiring, retraining, relocation, retaining and a culture change for thousands of employees. The new approach is to hardwire people planning and delivery to corporate processes – we call this Strategic People Planning (SPP). Having the right people can be viewed as the engine driving the creation of value, which means that identifying and bringing in the right people is where the whole HR process starts.

The six unique features of SPP

1. Cloud resourcing

Here, the definition of people is broadened to include full time/ contract/temporary staff, consultants, contractors, etc. This shows you where and what your resource pools are.

2. Activity profiles

Key events or projects are taken into consideration, because these impact resource levels. It's important to define these upfront so that it's on your radar.

3. Driving delivery

Monthly and quarterly reports are used to monitor against actual performances. Gaps are addressed and realigned to ensure the integrity of the overall manpower plan.

4. Key event controls

Built in controls help highlight workforce drivers which may significantly impact the numbers and skills mix of the workforce. Examples of workforce drivers are technology, marketplace skills scarcity, job or organisation design.

5. Scenario planning

Planning for various scenarios helps organisations identify current job roles and staffing levels, and estimate the demand for employees for each scenario.

6. Data mining

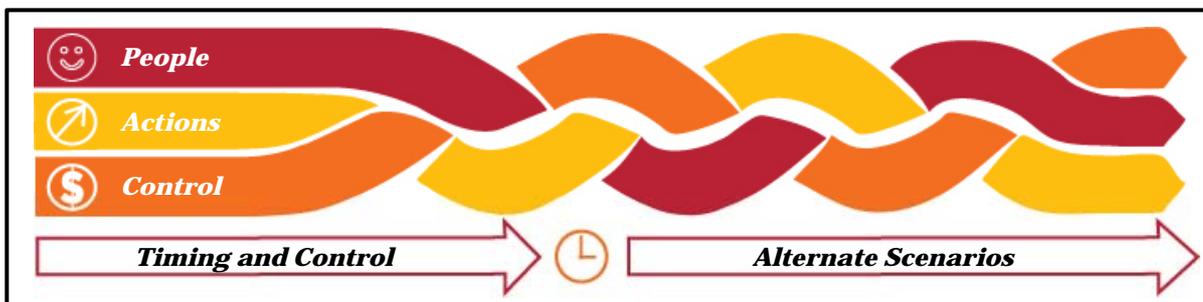
Data can be sliced by level or project, which provides analytics to drive efficiencies. Organisations can develop strategies to balance demand and supply, and to bridge any forecast gaps to maximise the efficiency and effectiveness of their human capital resources.

How the public service bodies can facilitate

For government ministries and agencies, the SPP model provides further insights on where the public and private sectors can collaborate. It highlights critical talent issues companies would be facing.

For example, in 'cloud resourcing' industry labour supply issues goes beyond full time staff. Also 'activity profiles' and 'event controls' can be used to estimate and manage industry talent demands.

These six unique features manage the interlink between People, Actions and Control. This, along with the timing of key events, controls needed in place, and alternate scenarios identified, give management insight and control of their workforce.





II. Talent management

There is only one certainty – Change

In the labour market, we are seeing baby boomers exiting the workforce and generational shifts causing changing employee expectations. There is also a more diverse and distributed workforce to manage.

In the corporate sector, there is a chronic skills gap and a mismatch between demand and supply of talent. These have made it more challenging in getting (and keeping) the right people in the right places at the right time.

Managing talent to deliver value

If organisations don't transform themselves to ensure that they can attract, inspire, motivate, manage, develop and reward their people appropriately – they may lose their most valuable assets.

An organisation who knows what makes their people tick will gain sustainable competitive advantage. An effective Talent Management strategy ensures that an organisation has the people and skills, now and in the future, necessary to achieve its business strategy.

Talent management encompasses the range of activities an organisation uses to align its workforce and capability to ensure workforce performance to deliver the business plan.

Push and pull factors impacting how talent needs to be managed

Supply and demand

- National and global workforce and population trends
- Migration
- Worker mobility
- Aging population
- Education constraints
- Drain of skills and experience
- HR metrics turnover, morale

Changing demographics

- Understanding and managing a diverse and changing workforce
- Gender/race/ethnicity/sexual orientation diversity

Expectations and values

- Generational values, expectations and workplace adaptations
- Worker mobility
- Work/life balance
- Salary and benefits

Change nature of work

- Influence of technology on the workplace
- Globalisation
- Virtual office

How the public service bodies can facilitate

Government ministries and agencies can collaborate with the private sector to acquire a strong understanding of what makes people tick.

This can be done through data collection, analysis and engagement with key industry players. The body of knowledge acquired can be used to address critical skills gaps and talent issues. For example through:

1. Policy advocacy
 2. Public-private collaboration
 3. Implementing interventions
-

III. HR function effectiveness

Generally, most HR functions are administrative focused. In this unprecedented era of talent challenges, HR needs to play a critical role in helping organisations grow their bottom line. As the custodian of human capital, the role of talent attraction and retention really falls within the HR function.

Where the HR function is in dire need for change, the key to transforming HR resides in reconnecting the HR model to the business in four key areas:

1. Brand
2. Corporate vision and strategy
3. Employee performance
4. Corporate performance



How HR can help the bottom line:

1. Build the brand

A HR department serves the dual role of supporting the external brand and internally promoting the desired corporate culture. By aligning approaches and practices with how HR wishes to be perceived externally, companies can successfully use HR to enhance corporate reputation.

3. Develop talent

By all means, save costs on HR back-office operations. But excellent HR departments add value through talent and leadership development and creation of a high performance culture.

2. Align talent and corporate strategies

HR professionals need to identify the pivotal talent that can help turn a strategy into reality.

4. Measure success

HR not only needs to measure its impact on business results, but also enable the business to predict their talent needs in the right place at the right time.

How the public service bodies can facilitate

Government ministries and agencies can play a role in providing a platform to share HR best practices, recommendations and views on the key HR functions mentioned.

For example, they can help organise industry HR forums, talks by subject matter experts, surveys and awards to promote HR best practices. In addition, they can use social media or other online forums to stimulate real time discussions of HR issues.

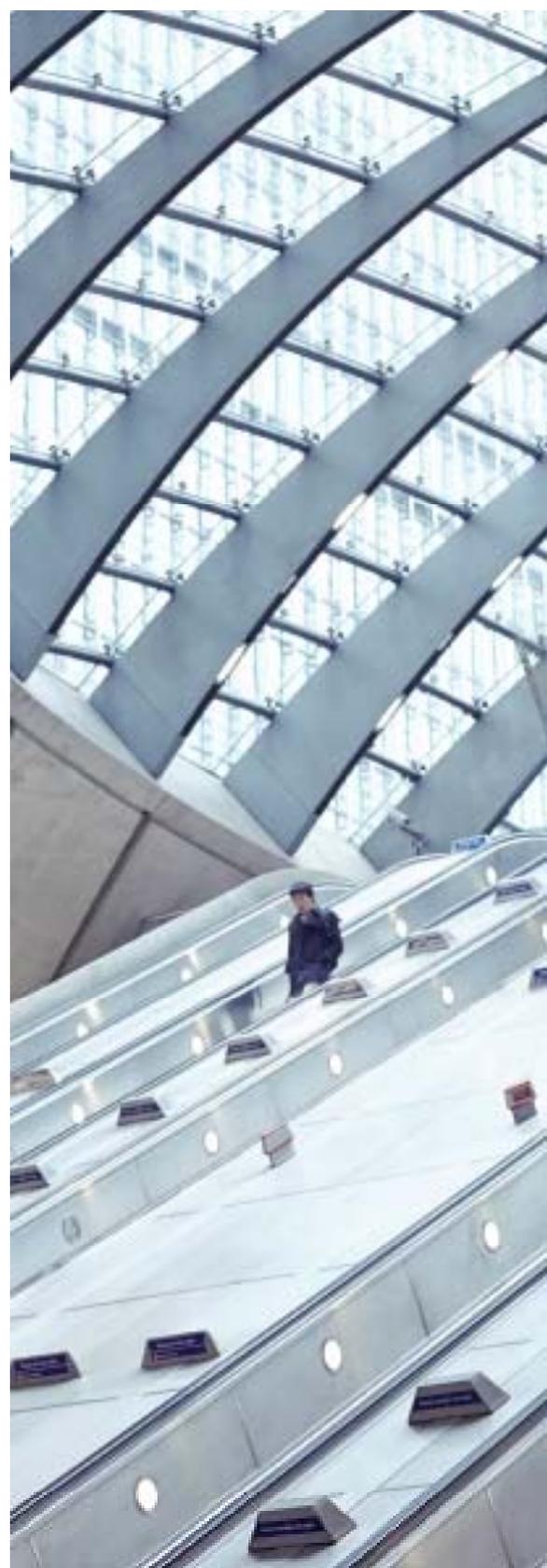
Conclusion

Today's talent challenges and how we respond to them will significant impact our ability to sustain the nation's transformation efforts.

We have made significant progress since the start of ETP in 2010. Private investment growth has tripled to a record of 22% in 2012 compared to an average of 6.7% between 2000 and 2010. The number of people employed also has risen by 1.1 million between 2010 and 2013.

Sustaining the ETP's performance going forward will be more challenging amidst slower global growth and growing worldwide competition for goods and investments. It will require public bodies to operate much more effectively, corporately and with strong political engagement.

As our government continues to emphasise on impact and outcomes, public bodies will need to build their talent pools so that they can respond to these changes effectively and with agility. In doing so, there is a significant and continuing need for the public sector to engage and collaborate more effectively with citizens and companies to keep a pulse on their needs and the emerging trends driving talent development.



Let's talk



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