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Revolution in Internal HR Departments - APAC Research Finds Step Change in Adoption of HR Outsourcing in HK, China, Singapore and Australia

Talent2 Announces Global Renewed Business Focus and Rebranding

Hong Kong, 14 July 2011 - The broad adoption of HR Outsourcing across Asia Pacific has emerged as the main finding of regional research conducted by Talent2 (ASX:TWO), the leading HR BPO organisation and market leader in end-to-end talent management solutions. The 'Talent2 APAC Market Pulse Study', was commissioned by Talent2 and conducted by Galaxy Research to understand the current state of the HR industry across Asia Pacific.

The 'Talent2 APAC Market Pulse Study' was conducted to coincide with the company's recent global rebranding and renewed business focus. 576 senior HR and C-suite executives from Hong Kong, China, Singapore and Australia participated in an online survey to share their views of the challenges in the HR industry and their current business practices¹.

The Study found that across Hong Kong, Australia, China and Singapore the majority of HR executives (80-90%)² are now considering HR Outsourcing as a solution to key challenges cited, including Search and Recruitment (64%) and Employee Retention (50%).

Commenting on these findings, Caleb Baker, Managing Director, Recruitment Managed Services - Asia-Pacific, said: "As Talent2 moves into a new phase of its business with a new look and a sharpened focus on its core offerings of HR Advisory, Recruitment, Payroll and Learning, it is important to understand the HR industry across the region and the people related changes impacting organizations. This research reinforces that ongoing skills shortages are hampering organizations across Asia from finding the people they need to drive top line business growth. What's interesting here is that HR executives are focusing on different ways to address these challenges – namely through outsourcing, and investment in learning and development.

"The fact that the overwhelming majority of HR executives are outsourcing HR functions (or are considering doing so) represents a massive shift in the industry – even compared to five years ago. It clearly shows that outsourcing is now being considered as a strategic solution, rather than a cost-cutting tactic in response to the GFC," Baker continued.

¹ 138 surveys were completed by HR Managers in Hong Kong. For the rest of the region: China (100), Australia (156) and Singapore (182).

² Breakdown by country: Hong Kong (80%), China (90%), Australia (87%), Singapore (90%)

Study Findings – Hong Kong

Consistent with APAC findings, Hong Kong is seeing strong utilization of outsourcing as a solution to many HR challenges, with 80% outsourcing one or more HR functions and 91% seeing clear benefits of outsourcing.

Training remains a priority for many HR executives, with 49% looking to increase investment in learning and development over the next 12 months. Few (3%) expect to cut investment in learning and development.

Search and Recruitment was identified as the most challenging (69%) HR function by Hong Kong respondents, followed by Employee Retention (56%) and Employee Engagement (26%). When asked about the main challenges facing their organisation this year, these areas appeared in the same order of priority.

In addition, some interesting contrasts emerged in the Study between Hong Kong and the region. Whilst 73% of APAC HR executives report having experienced problems in recruiting due to skill shortages, this was most acute in Hong Kong with 78% experiencing this. Interestingly, more Hong Kong companies (31%) make do by having staffs work longer hours, compared to the APAC average (28%).

A summary of key findings for Hong Kong are as follows:

Outsourcing:

- » In the case of search and recruitment, 67% of HR executives outsource all or part of this function. Employee learning and development (41%) is also likely to involve an element of outsourcing.
- » Specialised knowledge of the outsourcing company (59%) is the most commonly cited benefit of outsourcing. Another key benefit of outsourcing was that it enables businesses to free up resources and play to their strengths by focusing on their core competencies (41%).
- » Outsourcing also offers stability to many businesses as it assists in dealing with the challenge of employee recruitment and retention, with 40% indicating that it is good for areas in which it is difficult to recruit and keep staff.
- » Some drawbacks are associated with outsourcing, with the main one being that external providers lack detailed knowledge about the business (62%). A lack of consistency from outsourcing companies (51%) and cost (50%) are also considered drawbacks by some HR Managers.
- » As many as 56% of HR Managers would consider starting to outsource or increasing their commitment to outsource some HR functions in the next 12 months. Search and recruitment (38%) is the function most likely to be considered for outsourcing, followed by employee learning and development (13%) and payroll (10%).
- » For many (21%) outsourcing has either been an improvement on the old systems or exceeded expectations. A further 59% acknowledge that it has been inconsistent in service delivery, sometimes good but sometimes not so good.

Skills Shortage:

- » As many as 78% of HR Managers report having experienced problems in recruiting due to skill shortages.
- » Those that have experienced skill shortage problems have adopted a range of strategies to alleviate the problem. The most popular are to upgrade the skills of existing staff (64%), or hire new staff from overseas (44%).
- » Hiring contract/ temporary staff to help alleviate high workloads has been adopted by 37%, while as many as 31% will make do by having existing staff work longer hours.

General Findings:

- » The majority of businesses either already have a completely online HR process model (25%) or are planning to increase the online component of their HR processes (44%). However, many continue to stick to more traditional HR processes, with 21% indicating that they have no plan to move online.
- » Many HR executives (83%) are exploring new ways of doing business, the most popular being performance management (63%). Other ways of doing business that are being explored are mentoring (43%), training and mobile learning (43%), and 'on boarding' and induction (41%).

"The Study clearly validates that search and recruitment as well as employee retention continue to be the top issues plaguing organisations in Hong Kong and China. However, the underlying causes and employee motivators are different between Hong Kong and China, and organisations need to adopt different strategies to address them. On a positive note, the survey shows that organisations are interested to find new ways of running HR and their business", said Gina McLellan, Managing Director, Recruitment & Contracting – Asia.

"The HR industry is evolving and Talent2 looks forward to leveraging on our deep heritage in the local markets as well as global HR industry to continue helping these companies deal with their challenges and ultimately become more productive. As a pioneer in recruitment process outsourcing (RPO) throughout APAC, Talent2's business refocus puts us in a strong position to take the HR industry through its next iteration, which we believe will surely focus on HR BPO."

Talent2 Brand and Business Refocus

The findings of the Study were released in line with a business refocus and rebranding initiative that sees Talent2 strengthen its business under four offerings, HR Advisory, Recruitment, Payroll and Learning. Supporting this initiative, Talent2 is reviewing its own back office and operating platform and will announce several new senior hires in Hong Kong and around the region.

For more information on the new business and rebranding initiative, visit the new Talent2 website: talent2.com

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About The'Talent2 - Market Pulse Study'

The Study was commissioned by Talent2 and conducted by Galaxy Research across Hong Kong, China Australia and Singapore between June 16 -27 2011. The study was sent out online to Talent2 clients and 576 responses were received.

About Talent2

Talent2 was founded in 2003, is listed on the Australian Stock Exchange (ASX: TWO) and operates in over 40 offices in 30 countries across the Asia Pacific region, Middle East, UK and USA. It is the leading HR BPO organisation in the Asia Pacific region, working with clients across diverse organisation types and industries to deliver end-to-end talent management solutions that put people first. These include HR Advisory, Payroll, Recruitment and Learning. Talent2's end-to-end talent management solution gives it a unique capacity to fulfil the rapidly evolving business needs for talent management and to help organisations be more successful by improving power and productivity of their people.