

Media Release

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

Talent2 Announces Global Renewed Business Focus and Rebranding

13 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 Australia, China, Singapore and Hong Kong 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 Australia, Hong Kong, 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, John Rawlinson, CEO of Talent2 Group, 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 organisations. This research reinforces that ongoing skills shortages are hampering organisations 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. Nelson Hall's June HR Outsourcing Index backs this up with the industry reporting a 10% increase in confidence in the HRO sector over the last quarter. It clearly shows that outsourcing is now being considered as a strategic solution, rather than a cost-cutting tactic in response to the GFC," Rawlinson continued.

¹156 surveys were completed by senior HR and C-suite executives Australia. For the rest of the region: China (100), Hong Kong (132) and Singapore (182).

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

Study Findings

Across the region, all markets are seeing strong utilisation of outsourcing as a solution to many HR challenges, with 95% in China, Australia and Singapore seeing clear benefits of outsourcing; in Hong Kong, 91% are seeing clear benefits of outsourcing. Regionally 16% of HR managers are turning to outsourcing as a means of addressing skill shortage problems. Whereas in China, 27% are addressing skills shortages through outsourcing.

Training remains a priority for many HR executives, with 50% looking to increase investment in learning and development over the next 12 months. In China 56% will invest more in learning and development. Few across the region (2.5%) expect to cut investment in learning and development.

In addition to search and recruitment identified as the key challenges for HR executives in the region (64%), the next biggest challenges to emerge were employee retention (52%), learning and development (31%) and employee engagement (29%). Executives in China find search and recruitment most challenging (76%), whereas executives in Australia found it least challenging (49%).

A similar finding is observed in relation to employee retention (52%), with fewer Australian based HR executives (33%) and more China based HR executives (65%) considering this a challenge.

A summary of key findings are as follows:

Outsourcing:

- » In the case of search and recruitment, 71% of HR executives across Asia outsource all or part of this function. Employee learning and development (41%) and HR consulting (40%) are other functions likely to involve an element of outsourcing.
- » Australian based HR Managers are more likely to find benefits from the specialised knowledge of the outsourcing company (67%) than others (59%). While those in China benefit in the improved operational efficiency (49%) more so than the others (32%).
- » 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 (53%).
- » Outsourcing also offers stability to many businesses, with 42% finding it to be a benefit in relation to coping with peaks and troughs in business activity.
- » Some drawbacks are associated with outsourcing, with the main one being that external providers lack detailed knowledge about the business (65%). Cost (48%) and a lack of consistency from outsourcing companies (47%) are also considered drawbacks by some HR executives. Interestingly, in China, security and confidentiality issues were cited as an obstacle for considering outsourcing (44%).
- » As many as 58% of HR executives in the region would consider starting to outsource or increasing their commitment to outsource some HR functions in the next 12 months. In China this increased to 66%.

- » Search and recruitment (40%) is the function most likely to be considered for outsourcing, followed by employee learning and development (17%) and payroll (12%). 42% of executives in Singapore were already outsourcing their payroll function.
- » More executives in Australia (33%) than the rest of the region (21%) found that outsourcing has either been on the old systems or exceeded expectations. This compares to China where only 14% have seen an improvement. 60% acknowledge, however, that outsourced service delivery has been inconsistent.

Skills Shortage:

- » 73% of HR executives report having experienced problems in recruiting due to skill shortages. Skills shortages were of most concern in Hong Kong (78%), whereas Australian HR managers (67%) were the least concerned in the region. Though, skill shortages are a particular problem for Australian companies with over 250 employees (77%).
- » 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 (68%), or hire contract/ temporary staff to help alleviate high workloads (46%). Australia (55%) and Singapore (50%) seem to favour hiring contract/temporary staff whereas.
- » Hiring new staff from overseas is an approach adopted by 45% across the region, with 56% of Singapore's HR managers taking this approach and only 34% in Australia. As many as 28% will make do by having existing staff work longer hours. China's HR managers (23%) were the least likely to adopt this 'make do' strategy; whereas in Hong Kong 31% would.

General Findings:

- » The majority of businesses either already have a completely online HR process model (24%) or are planning to increase the online component of their HR processes (43%). Singapore (33%) had the highest number of companies with a complete online HR process model, whereas only 18% of businesses in China were completely online.
- » However, across the region many continue to stick to more traditional HR processes, with 23% indicating that they have no plan to move online. In China, 32% indicated they have no plan to move their HR processes online.
- » Many HR executives (85%) are exploring new ways of doing business, the most popular being performance management (67%). Other ways of doing business that are being explored are 'on boarding' and induction (49%), mentoring (45%) and training and mobile learning (41%).

Rawlinson continues: "Talent2 has a deep heritage in the local market as well as the global HR industry. We understand the skills shift that is occurring in business in Australia and around the world: we need to be ready to evolve quickly as the impact of globalisation, technology advances and economic uncertainty are fully realised. Talent2 is a pioneer in recruitment process outsourcing (RPO) in Australia and throughout APAC and our 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.

"The Study clearly demonstrates that Australian companies are continuing to consider outsourcing as a compelling solution to many of the HR challenges cited - skills shortages, recruitment and employee development and many more - and they are also interested in thinking about new ways of running their HR and their business. We look forward to playing a role in continuing to help Australian companies meet their challenges and ultimately become more productive in an era marked by challenge and change," added John Rawlinson, CEO, Talent2, Group

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 Australia and around the region.

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

####

For more information, or for a copy of the report, contact:

Elaine McGrath | t + 61 2 9087-6895 | e Elaine.McGrath@talent2.com

Pip Giles | t + 612 9956-5733 | e pip.giles@text100.com.au

About The 'Talent2 - Market Pulse Study'

The Study was commissioned by Talent2 and conducted by Galaxy Research across Australia, Singapore, Hong Kong and China 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.