

The Road Ahead: People Strategies for the New Economic Reality

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The COVID-19 pandemic has brought into sharp focus the impact that human capital has on business performance and the economy.

Willis Towers Watson interviewed CEOs and CHROs at ten leading large local and multinational companies in Hong Kong, to gain insights into how they are preparing themselves to operate under the new economic and consumer reality brought about by the pandemic.

The pandemic has challenged many of the assumptions and behaviors that have underpinned business for decades. But rather than proving problematic, the leaders we spoke to recognize it as a catalyst for much needed change. As one executive put it, “a crisis is a terrible thing to waste”. None of those interviewed were missing the opportunity to transform, and we identified 6 key focus areas which are top of mind with Hong Kong business leaders:

- Embracing **agility** to deal with an ever-changing business environment
- Accelerating the focus on **digital capabilities** to meet consumers’ new-found affinity with digital channels
- Changing the **mindset** of the business, revising the role of middle managers and truly empowering employees
- Embracing a **broader set of stakeholders**, taking more explicit responsibility both for employees and the community
- Caring for employee **wellbeing** in highly stressful, unprecedented times
- Rethinking the **employee experience** to bring the other focus areas to life

We have summarized below the main themes that emerged from our conversations with these leaders, and how they are leveraging the current environment to shape the human capital agenda in their organization by first restoring stability and then positioning their organizations to effectively operate post crisis.

What we heard: Themes



Embracing agility to deal with an ever-changing business environment

Coping with the enforced remote working environment has generally proven a success in Hong Kong. Virtually all the executives interviewed want their companies to retain the agility and flexibility learned through working remotely and not return to work “as it was”. Embedding these new capabilities requires strong linkages to themes of digitization and organizational culture.

Transformation initiatives that were planned or pending have been accelerated, with CEOs taking a chance to revisit what is essential versus what is nice to have. New ways of getting work done are being explored with a sense of urgency and with enhanced interest in thoughtful automation, augmentation, AI and using alternative sources of talent, including contingent workers. These changes in turn will enable productivity gains, flexibility and cost reductions – all key considerations for organizations needing to operate as efficiently as possible in an environment of uncertain demand with unknown timeframes for recovery.



Accelerating the focus on digital capabilities to meet consumers' new-found affinity with digital channels

The pandemic has accelerated digital transformation for all those we spoke with. One executive noted that “we thought we had five years [to go digital], but now we think we only have 18 months”. The consensus is that the need for interaction technologies and streamlining/digitizing of processes and systems will require both mindset changes and new types of talent.

Many organizations reported to us that, despite depressed demand, they are still looking at hiring externally right now to acquire or reach critical mass in such digital skills, even in the face of generally “stringent” hiring policies. The current economic environment has opened up new talent sources, having allowed some organizations to hire talent that was not previously accessible due to competition in the market and perceived attractiveness of tech firms - for example some of those we spoke to were actively hiring from start-ups and smaller technology firms, with candidates seeing benefit in a less-risky career with a major group.

However, it's not simply just about hiring – leaders mentioned a need to have organizational clarity in terms of where these digital skills will “sit” and interact in the company, and how to ensure they can be appropriately integrated in the company culturally and allowed to flourish.

Aside from external hiring, multiple respondents emphasized both a desire and actions already in place to augment current workforce capabilities, to enable employees to work on more value-add activities. This will require a change in learning and development mindset with a stronger focus on employees to take ownership of their development and greater use of online learning experiences.



Changing the mindset of the business

All executives we spoke with observed an increase in employee empowerment in terms of getting work done, with managers having to let go of some direct oversight. As starting points differed, for some this represented quite a large shift, for others less so.

Several companies commented that they had previously wanted to affect a shift in mindset in this direction but had faced hurdles before (particularly from middle managers).

Instead we heard over and over that in this forced environment, managers and employees embraced and thrived in the new reality and this has accelerated, forced and enabled change. There has been a shift in

management competencies and a requirement to use new “management muscles”, often relying on softer skills, empowering, engaging and influencing team members rather than the standard command and control approach.

Despite these positive developments, there are challenges ahead: in this initial stage of remote working, companies have been living off the corporate culture, collaboration values and historically established relationships. How they can now continue to take advantage of the shift in working practices and mindset in the longer term without compromising or losing cohesiveness and embracing the organization's culture, is something that remains a work in progress and is high on the agenda of our interviewees.



Embracing a broader set of stakeholders

The leaders we spoke to recognized the important role that their organizations play in the Hong Kong community and in their employees' lives, and have tried to protect their workforces from the full impact of the crisis. Beyond supporting working from home and other health-related measures, most had focused on:

- Safeguarding jobs and pay levels where possible (except in a few cases where corporate survival was threatened)
- Avoiding knee jerk reduction in total reward plans (and in some cases enhancing employee benefits). In general there was a recognition that the environment will improve at some point, leading to a desire to look at the compensation and benefits package holistically and not make piecemeal changes or sacrifice benefits that are seen as part of the organization's core employee value proposition, at least until some of the underlying uncertainties lift.
- Balancing employee needs with those of other stakeholders, and not just catering to shareholders. We heard a comment summarizing this mindset that “unless you are in survival mode, asking employees to take a pay cut is tantamount to shifting that money from employees' pockets to shareholders, and we are not comfortable with that message right now”.

The last point is in line with the global trend towards “stakeholder capitalism” and a broader perspective on corporate purpose. Nonetheless, most of the executives acknowledged that the financial sustainability of this broader, more compassionate stance will to some extent depend on improvements in economic conditions.



Caring for employee wellbeing

Wellbeing is now a key part of the employee experience journey, and many executives acknowledged that employees have been challenged on all aspects of wellbeing - physical, emotional, financial and social.

Most of those we spoke with reported a rapid escalation in wellbeing practices – portals and micro-sites have been created to be a central repository of wellbeing support, including online yoga classes, nutrition information, work from home ergonomics and emotional support. In addition, a majority reported having re-looked and often having tweaked their EAP (Employee Assistance Program) proposition for employees. A number of companies operating across multiple countries expressed frustration around the inconsistency of EAP support outside of Hong Kong.

Challenges mentioned in this area are around structuring such wellbeing support in a cohesive manner for employees going forward, given that many such measures during the pandemic were inevitably implemented in a more piecemeal fashion.



Rethinking employee experience

Through the initial managing the crisis period, companies needed to find ways to stay connected with employees and keep them engaged in a remote working environment.

In a similar vein to the positive productivity results of remote working, all of the executives we spoke with were satisfied with their success in keeping employees engaged and connected so far. A universal comment we heard was that senior leaders had materially increased their outreach to employees, fostering active dialogue and engagement. This appeared to be true both for companies with C-suite leadership based in Hong Kong and for multinationals where some global leaders may be based in US or Europe, who nonetheless committed to routinely reach out to employees in Hong Kong and Asia.

As a result, we heard that the companies who continued to measure engagement via active employee listening have recorded improved engagement scores.

There was also a consensus that continuing this positive path and ensuring ongoing meaningful employee experience will require companies to pivot and rethink how messages are delivered to their talent, and how employees can absorb a corporate culture remotely. Common questions included how should a work from home policy be made more permanent and formalized; how can employee wellbeing support be embedded; and how will new types of digital talent be attracted and

engaged? These issues require a holistic rethink of what experience employers want to provide to their talent in order to succeed in this new environment.

And in the meantime, life goes on...

In parallel to the broader strategic themes above, we consistently heard that HR teams are having to provide their contribution to this longer term thinking while also dealing with the unique near-term circumstances thrust upon them by the pandemic. A number of issues within compensation and benefit plans came up multiple times in our discussions:

- 2020 pay decisions and impact on this year's performance management process, which includes everything from possibly re-defining what "good" performance means this year, to assessing the right period over which to assess performance (for example is one year "too long"?) and rethinking KPIs for certain categories of employees.
- Supporting employees who need help with equipment for remote working – typically achieved with a combination of near-term fixes like relocating office equipment and in some cases new monetary allowances/benefits for such equipment for home use.
- Decisions on the management of employee leave both in terms of impact on the company (ensuring capacity is available when demand rebounds, financial implications of untaken leave and carry-forward arrangements) and a commonly acknowledged employee wellbeing issue of not being able to "switch off" while at home. Those we spoke to are looking to encourage (either lightly or more forcefully) employees to take leave, or trying to make "staycations" attractive, while a small minority told us they have or are considering announcing relaxations in carry forward leave policies at the end of 2020.
- Enhancing health plans to be more digital and less high touch - with a large section of the population not so keen on physical visits to doctors and hospitals, corporate healthcare plans had to try to adapt and become more virtual with increased take-up of items such as virtual consultations, e-card adoption, online claims submissions, medicine home delivery.
- Temporary cash allowances for sections of the workforce that have been forced to continuously attend the office for role-related reasons. A minority offered extra personal leave days to take later in 2020 to these employees as well.

We anticipate that some of these 2020 total rewards changes may endure, ending up as longer-term features of companies' plans, while others will end up being shelved as a short-term pandemic related fix.

What does this mean: Looking ahead

As Hong Kong reopens and the economy faces uncertainty, some important insights have emerged:

- Restoring stability is not just about reopening workspaces, but equally about operating successfully through what may be an extended period of uncertainty.
- Specific actions companies have taken over the last few months will represent temporary coping mechanisms that they will gradually suspend, while others present accelerating opportunities that will endure in some form even after the pandemic is over. It is however clear for business leaders that we will not be going back to operating as before the crisis and that the economic rebound will demand time.
- How successfully a company can harness and extract the value added of these accelerating opportunities will differentiate the winners and the losers in terms of human capital management in the post-crisis environment.

Drawing the feedback together we have summarized below a shortlist of actions companies can start taking now as they focus on delivering value to their stakeholders in a post-pandemic world.

Work

- Consider what Operating model changes may be required to move to a more agile organization
- Accelerate investments in automation, digital transformation and focus on building digital talent and reskilling programs
- Increase focus on workforce planning and analytics to identify efficiency improvements, critical roles and skills surpluses or gaps based on projected demand and business outlook
- Commence pilot testing opportunities to redesign jobs with automation, digital tools, right-shoring, skills-based deployment and use of alternative talent

Pay

- Realign reward plans, performance approach and metrics with new ways of working
- Explore implementation of segmented reward strategies in order to attract and retain critical roles, including premium pay positioning, incentives tied to the completion of projects, new recognition programs and expanded eligibility for Long Term Incentives
- Appropriately weigh up interventions on total reward plans by considering employee reactions, community impact and shareholder demands

Health

- Enhance offerings of healthcare digitization solutions such as telemedicine, home medicine delivery and online claim submissions
- Adopt new benefits technology to enhance remote working and digitize the employee experience across the health and benefits spectrum
- Review performance of the healthcare plans during the pandemic and as a result consider refinements in terms of plan design and vendor management

Retirement

- Review design of retirement plans to ensure alignment with the reward objectives of new ways of working and fitness for purpose for all types of workers, whether full-time or not
- Enhance employee communications in the area of financial wellbeing to equip employees to make well-informed retirement planning decisions, including drawdown
- Manage and scenario test financial impacts of any ORSO defined benefit plans to avoid surprises at year-end close

Wellbeing

- Make wellbeing a key component of the Employee Value Proposition
- Ensure current employer-provided wellbeing tools are integrated within a holistic framework across the dimensions of physical, emotional, financial and social wellbeing
- Review the design, features and utilization of Employee Assistance Programs to identify changes to enhance support and facilitate access for employees in stressful times

Employee Experience / Culture

- Increase use of active employee listening strategies to gain direct insights and collect frequent data on concerns and needs related to remote working, flexibility, wellbeing, new work arrangements and the pace of change
- Reevaluate and formalize the employee experience in a holistic fashion across talent segments acknowledging and bringing the organization's transformation to life
- Upskill managers to continually assess and drive performance, engage their teams, and to treat employees with empathy and understanding
- Design activities, programs and experiences to retain company cohesiveness and reinforce corporate culture in an agile working environment
- Redesign onboarding to enable new hires to absorb and align with company culture, purpose and values in a more virtual, more remote-working environment

In conclusion

Unprecedented times will require for unprecedented thinking and solutions. This will require holistic thinking about how human capital will continue to play a vital role. To remain successful, organizations will need to ensure they operate from a sound foundation of company purpose and values which should be brought to life via a re-booted employee experience. Organizations who manage human capital aspects proactively will be better able to navigate through these times of continuous change and ultimately deliver business success.

We wish to thank all the Hong Kong business leaders who contributed their valuable time for our interview.