

PRESS RELEASE

Battle For Talent In Asia Could Threaten Business Growth

Skills shortages and high wage demands greet companies expanding in Asia - on top of credit crunch

Düsseldorf, January 31, 2008 – Companies looking to expand in Asia are bracing themselves for significant difficulties in recruiting and retaining skilled employees and a high wage bill as the war for talent in the region intensifies, according to a major global research report of business leaders' views released today by StepStone, one of the world's largest providers of on-demand, talent management solutions.

The StepStone Total Talent Report 2008, researched and prepared by the Economist Intelligence Unit, concludes that “the idea of Asia as low-cost utopia with an abundance of labour is long-gone”.

Executives in Asia cited four major recruitment and retention obstacles which businesses faced:

- rising wage and pay demands among potential candidates
- a lack of suitable candidates to recruit and a lack of appropriate skills among potential candidates
- a perceived lack of career opportunities among current employees
- employee perceptions that pay and benefits could be better elsewhere

Asian business leaders also feared an increasing expectation among employees to switch careers and jobs as the most likely cause of talent shortages in their organisation over the next three years.

Sub-prime be damned: Asia remains the long term growth prospect

Despite the difficulties, 44 per cent of all business leaders surveyed globally believed the Asia-Pacific region offered their business the best opportunities for revenue growth over the next three years, shaking off short-term fears of the sub-prime led credit crunch for a positive longer-term view. Eighty-seven per cent of global business leaders expected either slight or significant improvement in their company's

growth prospects over the next three years, with only 29 per cent saying the rising cost of credit had caused them to be less optimistic about their organisation's future prospects.

“While recent surveys and financial analyst predictions indicate a drop in business confidence in the next year, it's clear that most business executives are still bullish on Asia as the growth machine in the longer term,” StepStone CEO, Colin Tenwick, said.

“While the credit crunch might be dismissed in boardrooms as a short-term speed bump, it would be folly for Western businesses rushing to invest in high-growth Asian economies such as China and India to ignore the clear signs of longer-term talent shortages in Asia. This research shows that many companies will have to prepare themselves for a huge battle for talent, one that is even tougher than in Europe and North America.

“Asia is seen as the engine for growth but without the right people, businesses will see their engine splutter and may not get out of first gear. Without a clear, formal talent management strategy in place, companies will find it difficult to get - and more importantly, keep - the people they need and may struggle to realise the growth they are promising their shareholders.”

Recruitment grows tougher globally

Globally, business leaders unanimously agreed that recruiting and retaining talented employees was getting tougher - 46.5 per cent saying it was becoming slightly more difficult and 41 per cent believing it was becoming significantly more difficult. Yet only a quarter of organisations surveyed had a formal, company-wide talent management strategy in place and a staggering 16 per cent did not have a talent management strategy at all.

“To compete for the best people it is clear from this report that many organisations need to address how they are going to manage their talent in a far more structured way or they place their ability to grow under serious threat,” Mr Tenwick said. “Given the low number of businesses with a formal talent management strategy in place, it's unsurprising that a third of respondents said their organisation was poor at forecasting talent requirements and retaining talent in the organisation.”

While it was in Asia where recruitment and retention difficulties were most acute, business leaders in Western Europe and North America agreed that employee career switching would be a major issue in fuelling talent shortages. However, they were more concerned than their Asian counterparts of the effects of an ageing population and a lack of alignment between education and the needs of business.

Older workers will return

“The difficulty in finding talent coupled with an ageing workforce presents a serious challenge particularly to businesses in developed economies in Western Europe and North America. With almost half of executives in those regions viewing an increased use of older workers in a positive light, it appears likely that we will see more older workers returning to the workforce or perhaps postponing retirement to fill skills gaps,” Mr Tenwick said.

The report found that organisations are also building their own online recruitment portals, turning to headhunters and outsourcing work to cover skills gaps. Middle management is the talent ‘pain point’ for most businesses - finding commercial and business unit heads was the number one recruitment headache, followed by staff in operations, sales and marketing, and information technology.

Employees in operations and sales and marketing were cited as the hardest to retain, with organisations using money as their greatest weapon in keeping staff - 64 per cent increasing pay and 48 per cent improving benefits to hang on to key employees. Other popular strategies included improving training, introducing mentoring programmes and flexible working hours.

The credit crunch - still a factor

“With most economies growing and shortages of talent becoming common, candidates and employees have held the upper hand in workplace negotiations in recent years. However with the fallout from the sub-prime financial crisis taking root and speculation that a U.S. recession could trigger a global business slowdown, the position of power in employment negotiations may soon change,” Mr Tenwick said.

While recent business surveys and financial analyst speculation around the world have pointed to reduced business confidence as a result of the credit crunch, executives who responded to the EIU research had a

more positive long-term view. In September/October 2007 (during the first stage of the sub-prime impact), 87 per cent of executives polled believed their organisation's growth prospects would improve over the next three years, and this view still held true in December when the wider impact of the credit crunch was being felt: 90 per cent believed growth prospects would improve over next three years.

“In potentially volatile economic conditions, not only is a talent management strategy vital but so is technology which allows an organisation to put the strategy into action and identify where talent gaps exist, or where headcount could be reduced. Whichever way the world economy turns, having the knowledge and agility to make swift decisions on the company's employee base could make all the difference in being able to retaining the best people and maintaining business momentum.”

About the research

The Economist Intelligence Unit surveyed 392 senior executives from the around the globe during September/October 2007, with most respondents from Asia (29%), Western Europe (28%) and North America (21%). The survey sample was extremely senior: all were management, with 67% operating as board members, CEOs and other C-level executives, or as senior vice-presidents, heads of business units and heads of departments. The executives surveyed represented all key employer sectors, including financial services (20%), professional services (14%), IT and technology (8%), manufacturing (7%), energy and natural resources (7%) and healthcare (5%). The organisations that the respondents worked for were predominantly large: 34% had annual revenues between \$500m and \$10bn, with 20% generating revenues of \$10bn or more. In December 2007, the Economist Intelligence Unit re-surveyed senior executives to gauge the impact of the sub-prime credit crunch on business outlook.

The Economist Intelligence Unit's editorial team executed the online survey, conducted the interviews and wrote the report.

About the Economist Intelligence Unit

The Economist Intelligence Unit is the business information arm of The Economist Group, publisher of The Economist. Through our global network of more than 700 analysts and contributors, we continuously assess and forecast political, economic and business conditions in 200 countries. As the world's leading provider of country intelligence, we help executives make better business decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies.

About StepStone Solutions

StepStone was founded in Norway in 1996 and pioneered the development of online recruitment. The business unit StepStone Solutions delivers a complete suite to reinforce each element of the recruitment and retention process from the initial pre-hire attraction of candidates, through on-boarding to Total Talent Management of employees

post-hire including HR Management, Performance Management, 360 Degree Feedback, Compensation Management, Skills & Competency Management as well as Career & Succession Planning, Learning Management System and Organisational Charting. StepStone's fully web-based software solutions have been deployed by more than 1250 companies such as Akzo Nobel, Bacardi, Bayer, BASF, BHP Billiton, Cable & Wireless, DHL, DuPont, Financial Ombudsman, Lufthansa, McDonald's, Metro, Novartis, Pearson, Reed Elsevier, Siemens, Thames Water and Volkswagen. Gartner, one of the world's leading technology analysts, reviewed StepStone's solutions, positioning them as a 'Leader' in the e-Recruitment software sector (Magic Quadrant for e-Recruitment Software, 2006). StepStone is the only European based organisation to receive this status. More information: www.stepstonesolutions.com

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