Responding to the Crisis:

The Results of Aon Research Into HR Issues During Asia’s Economic Downturn

May 2009

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In the first half of 2009, Aon Consulting conducted a series of surveys in China, Hong Kong and Taiwan to determine how companies are responding to the global financial crisis. These surveys were augmented by 20 interviews with regional CEOs and HR managers. Together they provide a comprehensive picture of how companies are dealing with the crisis and what plans they have for the future. The article below reveals some of the key findings and elaborates on how individual companies are responding.

An analysis of the survey results and interviews shows that:

Restructuring is an opportunity to address issues that have arisen after years of rapid growth.

Communications is more critical than ever to ensure positive employee morale and retention of key staff.

Staff turnover is still an issue in the long-term due to positive growth prospects and endemic talent shortages.

More people are available as a result of layoffs but hiring the best talent remains a challenge.

Cost-effective training is in vogue for those firms trying to balance the need for cost control and talent development.

Restructuring is an opportunity

“We let people go because we had to but also because we could. We can now operate with fewer people.”

Regional Director, Transport Services Company

According to our recent surveys, throughout Greater China companies selected restructuring (from among the eight choices provided) as the biggest opportunity that has arisen as a result of the financial crisis.

Hong Kong-based companies are the most likely to be looking at restructuring as the silver lining around the cloud of the crisis. Companies in Taiwan are finding opportunities in restructuring and spinoffs of under-performing units.

The mantra of increased efficiency and productivity improvement through restructuring can be heard across Asia Pacific. The regional CEO of a transport services company told Aon Consulting that, “We are 10 times larger than we were 10 years ago, but in the process of growing we created a huge bureaucracy. Before the crisis we were a company that was in trouble. Because of increased complexity, our service levels had dropped and we were disappointing customers. Over the past 18 months we have changed that around. Now we have the highest customer satisfaction score ever which in turn has helped

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1 China: February 2009 (42 participants); Hong Kong: April 2009 (100 participants); and Taiwan: April 2009 (72 participants). Over 70% of respondents were multinational companies.

2 To learn more about the survey and obtain an executive summary of the survey results, please contact Julia Cao at julia_cao@aon-asia.com.
employee morale. We let people go because we had to but also because we could. We have come out as a much better company."

**Communication is critical**

*"We spent a lot of time communicating what we were doing and why we were doing it. We explained it was necessary for our overall survival."*

Regional General Manager, Financial Services Company

Aon Consulting’s survey revealed that companies plan to devote much greater attention to employee communications. In Hong Kong, 68% of respondents expected to devote more attention to employee communication. Communications was also selected as the number one enhanced initiative in both China and Taiwan as well.

![Graph showing Next Steps (Respondents selected up to 3)]

Time and time again, companies report that employee communications is a critical factor in determining the impact of a crisis. One manager whose company just went through a downsizing exercise told us how their organization handled the communication. He explained that, "Communication was done from the Group CEO downwards. We cascaded the message throughout the organization. Regional and country managers added to the message. There were very elaborate templates and messages but the local managers were given a lot of freedom. The local managers took charge when communicating."

Companies that are performing well are also stepping up their communications. One company that has seen a 20% increase in sales in the first quarter of 2009 told us that, "Since November we have stepped up our internal communications especially around company performance and where we stand in relation to the financial crisis. We wanted employees to understand how management was protecting the company from the effects of the financial crisis. In February we brought the top 300 managers from around the region to a conference in Singapore. We also brought in the executive committee from headquarters and 50 of our external stakeholders. The underlying message was that our business fundamentals were strong but that we would experience significant challenges in the short-term. After the conference, the managers went back to their countries and through town hall meetings and leadership meetings conveyed the message to staff. The investment has paid off. The communication gave a real sense of confidence that we know what we are doing. It also helped to have the external stakeholders reinforce the message and confirm that we are guiding the ship in the right direction. Asia is hugely diverse and having the ability to talk with the leadership community with one voice and get co-ownership is vitally important."

**Staff turnover is still an issue**

*"When we do see the global economy pick up, I anticipate that companies will increase the proportion of expansion plans into Asia. This will increase pressure on talent retention."*

Regional Director, Biotechnology Company

The level of voluntary staff turnover has fallen off the charts as an issue of primary concern to HR managers, according to our recent survey. Not surprisingly, few companies report a rise in turnover although one regional CEO of a pharmaceutical company said to Aon Consulting that, "Turnover rates have remained constant – they have not gone down. It still amazes me how frequently people move jobs in Asia."

An HR manager we spoke with agrees. "Retaining the good talent is still a problem. The demand for good talent is getting greater. In bad times like this, companies are willing to pay more for the good talent that
are able to steer the company out of trouble. Recently, we lost someone even though we were willing to offer promotion and pay adjustment. Companies are not shying away from recruiting good talent. Rather, they are being more aggressive in recruiting good talent."

Attraction and retention has taken on a different shape with the change in economic fortunes. "The challenge is balancing between attraction and retention with cutting costs. Thus we focus on the good talent that will help take us out of these hard times," says the regional head of a food products company.

Many top executives report an increased concern that retention will be even more difficult once the economy bottoms out and growth begins again. The regional head of a company currently expanding into the region says, "The financial crisis has made some talent available that was not available previously but we are still very guarded about making sure we have the right talent retention practices in place. My view is that Asia Pacific will bounce back faster and will experience less of the downside. When we do see the global economy pick up, I anticipate that company will increase the proportion of expansion plans into Asia. This will increase pressure on talent retention."

**More people are available**

"We have found good people and made them an offer but they have been hesitant to make the move and leave the status quo that they know."

Asia CEO, Pharmaceutical Company

Many multinational banks and financial services companies went through global headcount reductions at the end of 2008. Those cutbacks look like they are extending to capital goods and high-tech manufacturers. Aon Consulting’s survey of the financial crisis in Hong Kong indicated that downsizing was a key initiative of about 30% of respondents in both of these sectors.

Despite the availability of talent as a result of redundancies, many firms report that finding the right talent is still a challenge.

The HR manager of a food products company told us that; "It is more difficult to find good people than in past years. We are looking for capabilities of the present and future. When we evaluate capabilities, we are not just looking at what that person has done in the past. Rather, we look at what a person’s capabilities can offer us in future years. We cannot focus on a person’s performance only during good times."

One senior executive who is actively recruiting has had a mixed experience with recent recruitment, "We hoped that the financial crisis would allow us to select from a broader pool since we would be one of the rare few that are recruiting. To some extent this has been true. In some cases though, we have found good people and made them an offer but they have been hesitant to make the move and leave the status quo that they know. It is a leap too far for them."

**Cost-effective training is in vogue**

"We still invest heavily in training. But in the past we brought people together for training. Now, we arrange training on the company premises and send a trainer to each country or conduct the training online."

Regional HR Manager, Financial Services Company
According to our survey participants and those whom we interviewed, training continues to be of critical importance to most organizations. The chart on the left shows that across all three geographies of the Greater China region, companies report that they are continuing to focus on leadership development to ensure effective talent management during the downturn.

At the same time, understandably, companies are far more cost conscious. One regional CEO reports that, “We have maintained our training and development budget but deferred much of the training to the second half.” An HR manager of a financial services company says, “After the start of the financial crisis we decided to continue to invest heavily in leadership training. We didn’t want to give up on what we believe is important for our employees. In the past, we would bring people from across the region together to attend the training. Now, since we are faced with budget constraints, the training is held within each country and we arrange for the trainer to fly there or our employees attend the training online.”

In Conclusion

The global financial crisis has impacted companies across all sectors and all countries of the Asia Pacific region. Yet, the Aon Consulting surveys and interviews have revealed that many companies are coming to grips with the impact and preparing for the future. All firms are more attentive to costs but some companies have turned the necessity of cost control into an opportunity to improve efficiency and productivity.

Those that prepare now will benefit when the up turn begins. Heightened employee communication, continued yet more cost-effective training, a shift in focus toward performance and an attentive eye on sustaining attraction and retention policies and practices will help ensure that companies are stronger in the future.

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