

PwC's 26th Annual Global CEO survey - Workforce angle

Building a winning workforce: Insights from CEOs

April 2023

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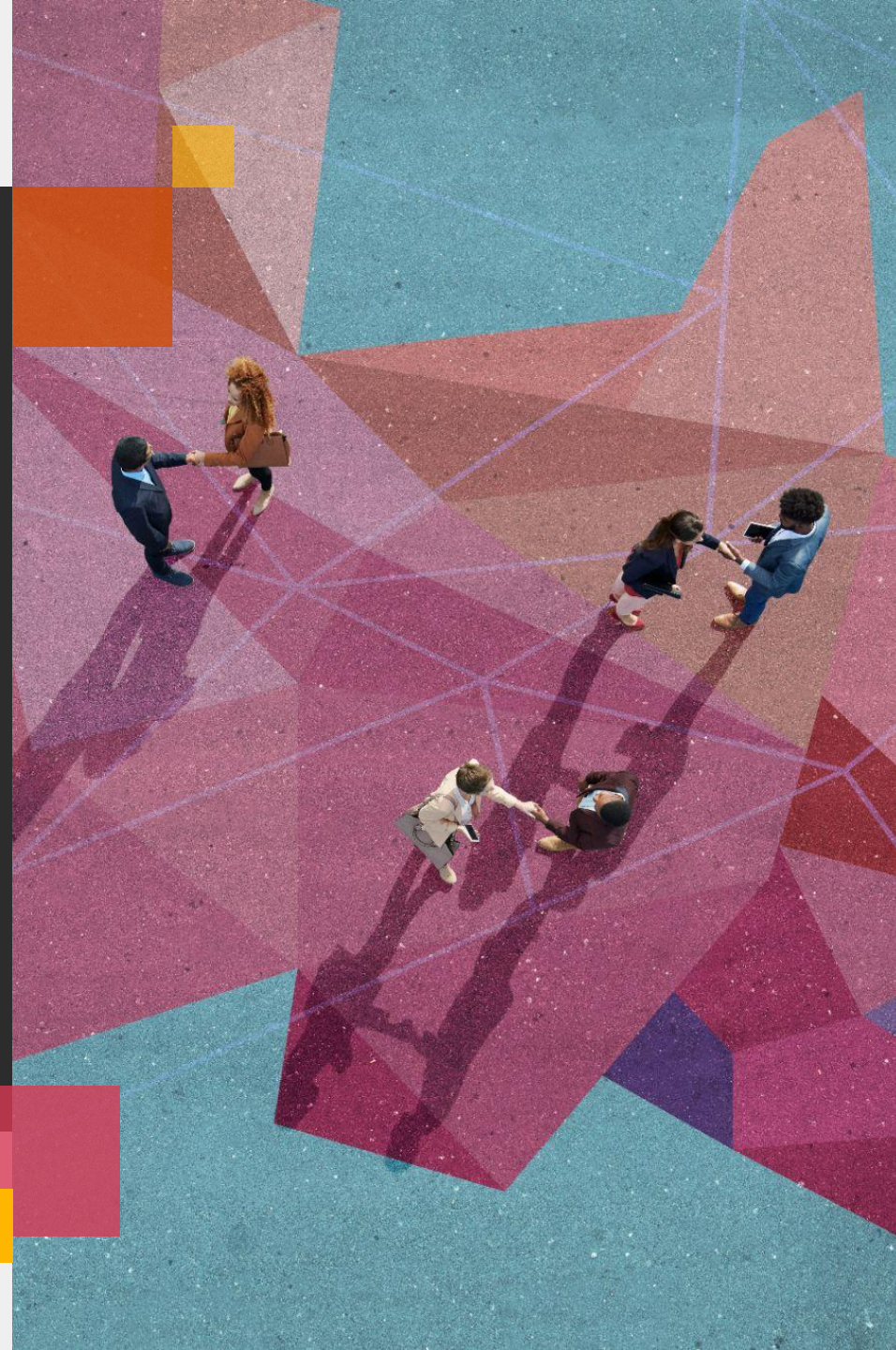


About this publication

In our recent flagship 26th Annual Global CEO Survey, we found that the post-pandemic landscape in Malaysia brought new challenges into focus, including labour supply, ongoing climate issues, and a moderation in economic growth. This publication details further the opportunities that organisations can gain through a highly functional workforce.

We explored CEOs' outlook on the workforce, possible justifications for the nuances, as well as case examples of how improvements can be made.

Expansive measures can be taken to support the leadership and transformation agenda in organisations for the future. One of the many factors that CEOs should consider cultivating within their workforce is the feeling of fulfilment. This was evident in our Workforce Hopes and Fears Survey 2022 as 66% of respondents said job fulfilment is extremely or very important when they consider making a change in their work environment.

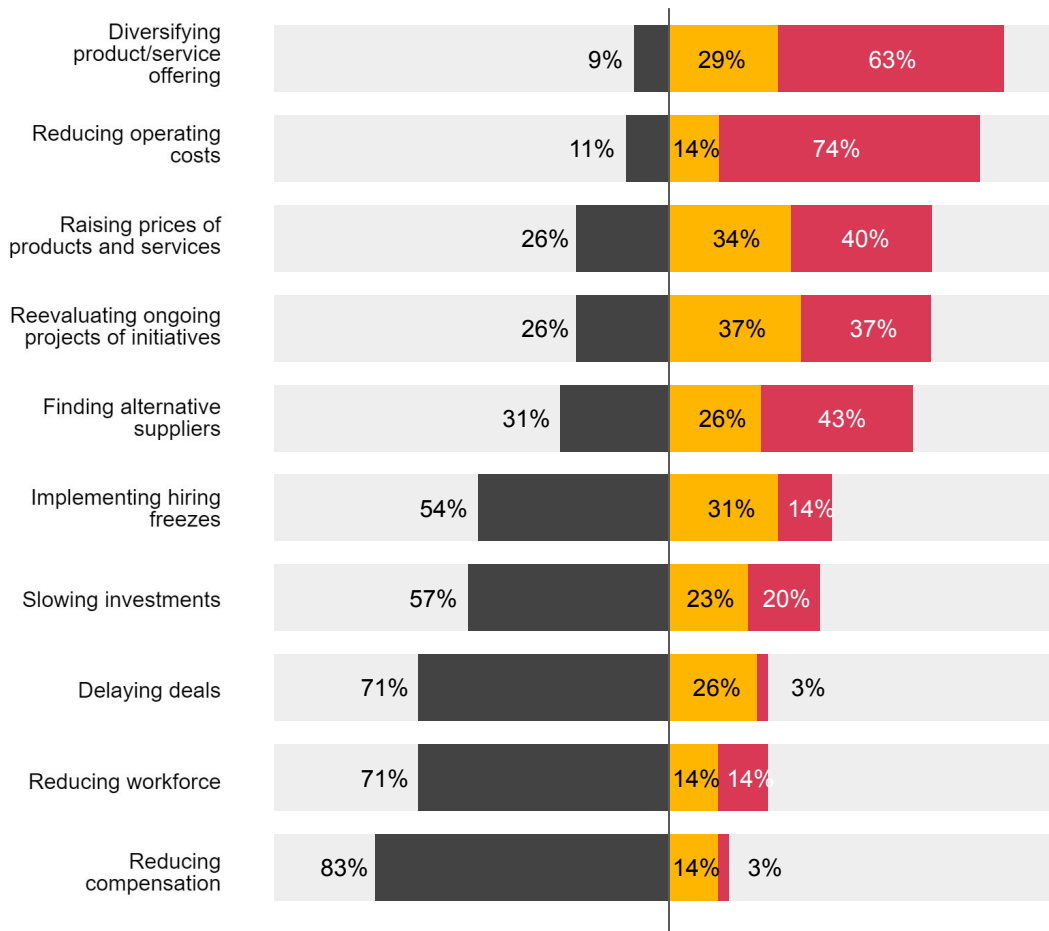


Priorities shift to the workforce

Despite considerations to reduce operating costs, the workforce is not an area CEOs are willing to skimp on

Q. What actions, if any, is your company considering to mitigate against potential economic challenges and volatility in the next 12 months?

■ We do not plan to do this ■ We are considering this in the next 12 months ■ We are already doing this/have done this



Source: PwC 26th Annual Global CEO Survey - Malaysia

74% of Malaysian CEOs are cutting their operating costs to mitigate the potential economic uncertainty in the next 12 months.

Only **14%** are reducing the size of their workforce and **3%** by reducing compensation.



Approximately 9 out of 10 CEOs in Malaysia believe that the **labour/skills shortages** will impact profitability in their industry over the next 10 years to a moderate or large extent.



75% of CEOs believe that **resignation/retirement rates** will either increase or remain the same in the next 12 months.

Leaders have a role to play

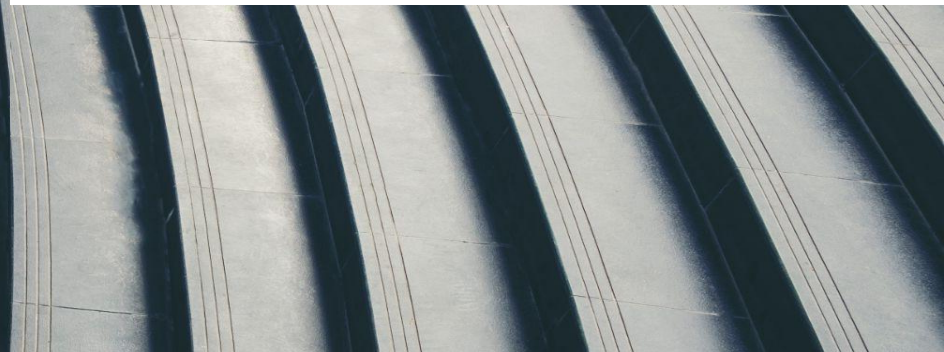


The results from the survey supports the common understanding that the labour and skills shortage is becoming a growing concern for our economy. The migration of skilled workers to the gig economy limits the supply of skilled employees. And the trend is unlikely to disengage any time soon as employees continue to look for roles with more flexibility and better work-life balance.

While the primary focus for CEOs and CHROs during the pandemic's peak was job security as well as health and safety measures, there has been a shift of focus to attracting and retaining talent, hybrid work arrangements, tackling burnout and mental health issues, as well as digital upskilling. These factors have become critical for companies to address to maintain their competitive edge in adapting to the evolving business environment.

Moving forward, organisational leaders will need to consider a **multi-layer approach to proactively respond to the needs of the future of work.**

1. **Focus on higher-value strategic work**, which may entail outsourcing lower-value, operational work as well as embracing the use of technology to perform low-skilled tasks.
2. Support the higher focus on automation with the **upskilling of employees across all levels.**
3. **Improve the overall employer value proposition to reflect changing employee needs.** This includes a 'total wellness' rewards package, applicable to employees at different phases of their lives and careers.
4. Employ a **blended talent strategy** that looks beyond just flexible options of employment. For example, retired employees could be retained for skilled mentorship opportunities.



Blended talent strategy



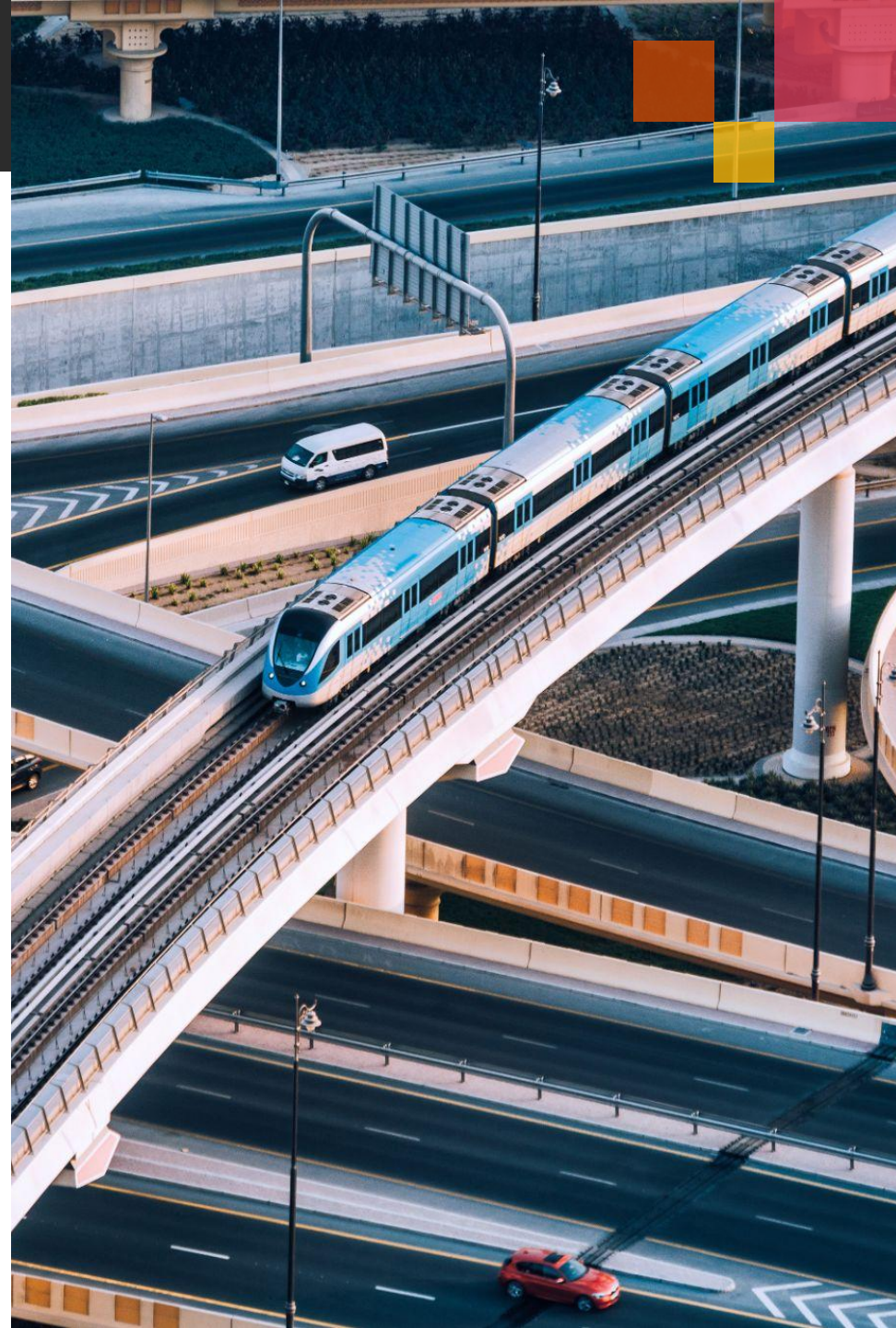
Case Study

A Malaysian telecommunications player wanted to develop an agile and future-ready workforce within their existing culture.

More specifically, they had the intention of structuring cross-functional teams for employees to explore roles beyond the “business-as-usual”, especially across business units. This was one of few methods that the telco was interested in pursuing, all to ensure that employees are living up to their purpose, while becoming more responsive and innovative to the changing market.

The telco launched an Agile Leadership Development Programme, which included certifications and workshops focused on enhancing business agility. A fit-for-purpose operating model was then built based on the fundamentals of the programme.

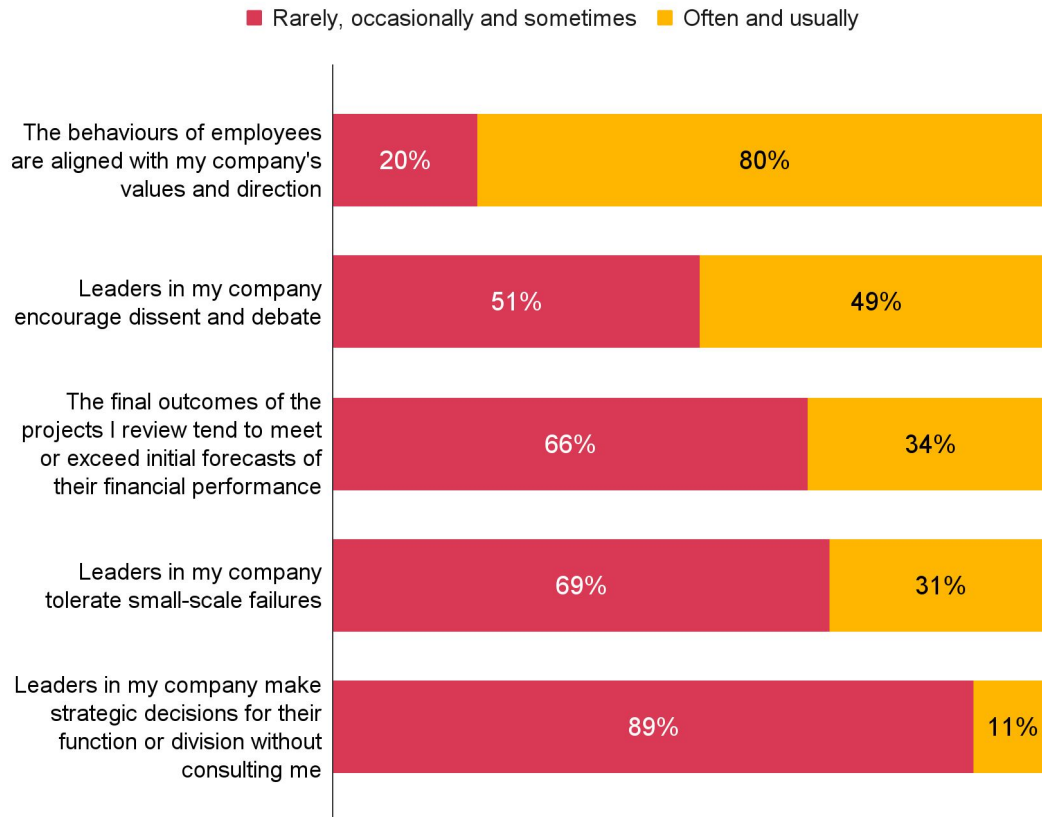
As a result of these efforts, the added flexibility for employees to move around functional teams promoted greater job fulfilment amongst employees in a broader aspect. Motivation was kept high as employees were able to enhance and diversify their skill sets. This was evidence that a blended talent strategy can give firms a competitive advantage while meeting changing employee needs.



High dependency on leadership

As objectives are not being met, are the high dependencies on leaders an impetus or an obstacle?

Q. For each of the statements below, please indicate how frequently these occur in your company:



Source: PwC 26th Annual Global CEO Survey - Malaysia

Only **11%** of CEOs say that their leaders frequently make strategic decisions without consulting them.

This is despite **80%** of CEOs saying that employee behaviours are aligned with the company's values and direction.



Half of the CEOs claim that the company often **encourages dissent and debate**, yet only 1/3 claim that small-scale failures are often tolerated by leaders.



Despite the dependent structure, only a third of CEOs claim that the final outcomes of their reviewed projects frequently **meet or exceed initial forecasts in financial performance**.

Culture as a precursor to empowerment



A learning culture precedes an empowering culture, and learning happens where people are able to make mistakes and, especially, learn from their failures. Without the enabling ecosystem for such learning to occur, the acceptance of empowerment and the inculcation of courage in leaders may appear more as a lip service than an actual realisation.

This is further accentuated by the fact that the current Malaysian cultural norms are already embedded with pronounced power distance, visible not just at the organisational level but also at the public, private and societal levels. Power distance reflects an environment where, as defined by Hofstede Insights, "...the less powerful members of society accept and expect that power is distributed unequally," which would have been nurtured at various levels of the society, e.g., education, family, and interpersonal relationships.

To break away from the cultural norms of power distance in Malaysia and its negative implications, it will require:

- **Highly concerted efforts in Malaysian organisations from the next generation of leaders.**
 - There is a need to counter the power distance that would have been ingrained in them from outside of the organisational context.
- HR practitioners to work closely with leaders at all levels to **ensure that there are pillars in place within the organisation to support a more inclusive, empowering, and learning environment.** These could come in the form of workshops to address unconscious bias, as well as formalised practices in key areas.
 - The outcome of these initiatives should be integrated together with the rest of the talent management and development strategies to ensure an effective cascading of practices throughout the organisation.



Pillar of empowerment



Case Study

Another telecommunications player in Malaysia successfully transitioned their workforce towards the active use of SAP SuccessFactors. The telco had been looking for an upgrade to their “perform to reward” process while promoting fairness and objectivity.

Utilising SAP SuccessFactors’ tools, employees were able to monitor their goals and performance with minimal subjectivity, allowing their supervisors to evaluate them on a standardised basis. As a result, pillars were set in place to support an empowering culture for the employees to defend and promote their rights. This kept morale at a high, further enabling opportunities for enhanced productivity in operations.

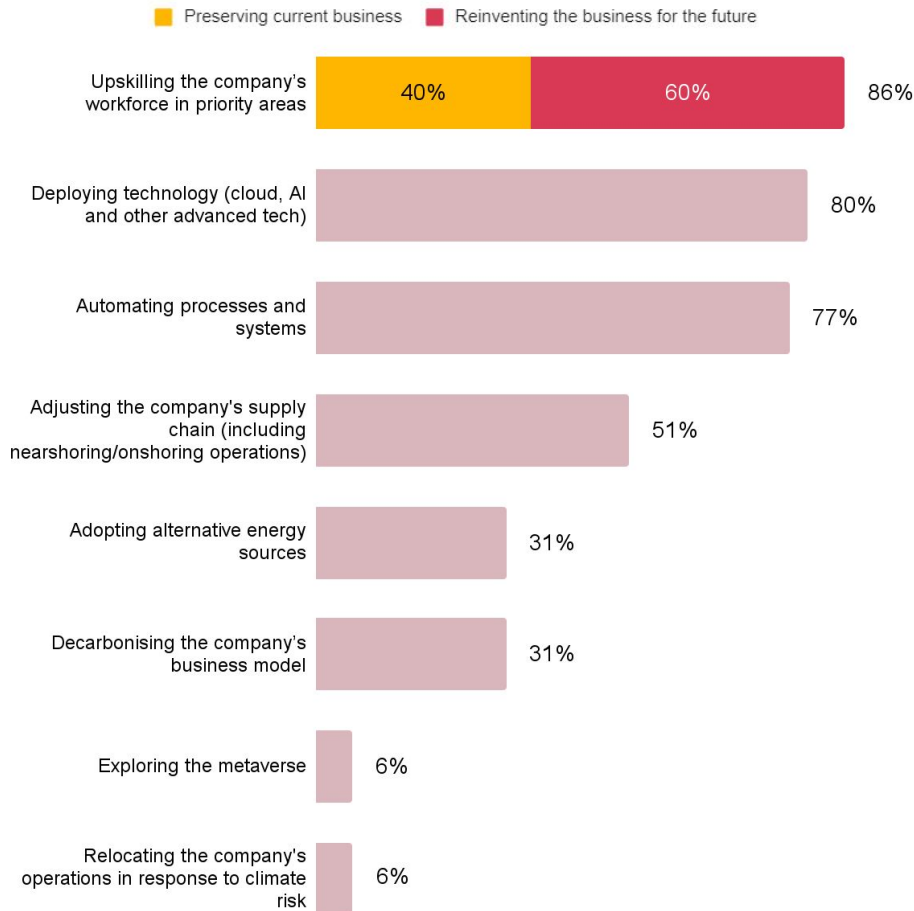
As with any significant change, the challenge came in the form of full adoption, especially amongst the long-tenured employees. This process was facilitated through effective engagement with the Change Agent Network, a selected group of individuals within various divisions of the telco. The engagements included role-based hands-on training as well as internal competitions to drive the adaptation of the new system, among others.



Transformation needs to happen faster

Workforce is top of the transformation agenda, as CEOs invest in the upskilling of the future labour force

Q. Which of the following investments, if any, is your company making in the next 12 months?



Source: PwC 26th Annual Global CEO Survey - Malaysia

86% of CEOs in Malaysia plan to make investments in upskilling the company's workforce over the next 12 months.

60% of their investments are currently allocated to reinventing the business for the future, as opposed to preserving the current business.



While the allocation of investments towards current and future needs are similar to the local scene, global CEOs seem **more keen on investing in automation processes and systems** (76%) as compared to upskilling (72%).

Opportunities for upskilling

The advancement of automation and digitalisation as aligned with The Fourth Industrial Revolution (IR 4.0) provides an opportunity for the workforce to be equipped with specific skills to improve productivity and efficiency, potentially offsetting the worry of jobs being replaced. Automation will have a lesser effect, especially, on jobs that involve managing people, applying expertise, and requiring social interactions.

Our recent report [Upskilling for shared prosperity in Southeast Asia: Fostering sustainable growth](#) estimates that upskilling could grow Southeast Asia's GDP by 4% by 2030—a cumulative boost valued at US\$250 billion—and unlock up to 676,000 new jobs. These economic benefits will be especially felt in four key sectors: manufacturing, agriculture, energy and utilities, and financial services. The report also highlights that across industries, the benefits of upskilling and reskilling will not be realised in the same way. The sectors that stand to gain the most from upskilling are those that face the biggest risks of labour displacement due to automation or the net zero transition.

Supported by better access to learning methods and skills enhancement powered by edutech, Malaysians will be able to not only land well-paying jobs but also compete with their regional, if not, global peers. These opportunities could also extend to the rural areas through social enterprises and help bridge the rural-urban digital gap.

Leaders could facilitate this process within their organisation through:

- **Effective identification of relevant areas and roles most affected by digitalisation and automation**, and implement relevant development strategies to prepare the affected employees for the inevitable transition.
- **Taking on the pivotal role of managing employees' anxieties and concerns**, a vital process to enable change to happen effectively.



Digital transformation



Case Study

A wealth management outfit based in Malaysia engaged in an upskilling initiative, successfully embedding a digital culture within their business environment. This was an outcome from the integration of a Digital Academy into the firm's existing learning and development programme.

It was clarified that the investments space had much opportunity for digitalisation, of which the organisation's leaders had hoped for their employees to be able to manoeuvre effectively.

Through effective collaboration with external parties, a Digital Academy was designed, reflecting the right skills and behaviours for employees to master during their digital journey. The end product was an integrated learning management platform which comprised of multiple curated digital modules that kept employees up to date on trends and growing skill demands. The implementation of the academy led to a comprehensive, seamless learning and upskilling experience for the organisation's employees.



Key takeaways

While the findings in this publication highlight the importance of investing into our workforce along with its examples, they are by no means exhaustive. C-suites have the responsibility going forward, to explore the various avenues that can substantially improve the quality of their workforce. Markets will have to find this new equilibrium, and be further prepared for eventual transitions. To summarise, here are some key insights that our readers should gain from this publication:



Get on the ground

- Respond proactively, with greater focus on higher-value work
- HR professionals should pilot blended talent strategies with full-time and part-time options
- Balance what worked well in the past with the needs of the future



Improve your leadership style

- Revisit your value proposition as an employer
- Manage employees' anxieties and concerns in times of change
- Create an enabling ecosystem for learning to translate into empowerment



Upskill comprehensively

- Identify roles within your organisation that can benefit greatly from these initiatives
- Collaborate with L&D experts to develop a stable and growth-capable learning environment



Contacts



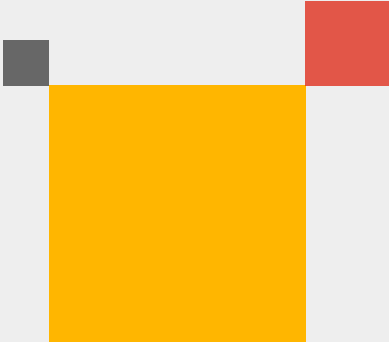
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