



HR Health Check 2021: Overview and Implications

Key Insights for Malaysian Leaders

KPMG in Malaysia

July 2021



Introduction

Utilised as a diagnostic exercise, the HR Health Check helps to identify 9 critical elements of the HR function:

Strategy

Serves as the basic foundation on how the HR department organizes their plans.



Learning & Development

The systematic process to enhance employee's skills, knowledge and competency.



Performance Management

The framework used to gauge employees roles, responsibilities and objectives.



Policies & Procedures

Serves to safeguard the organisation from potential threats and lawsuits.



Talent Management

The terms implemented in regard career progression, skill sets & knowledge.



Compensation & Benefits

Refers to monetary and non-monetary factors which keep the workforce motivated.



Recruitment

Addresses the when, why and how of identifying and filling the roles in your organisation.



Employee Engagement

The involvement, commitment and satisfaction of employees' work.



HR Information Systems

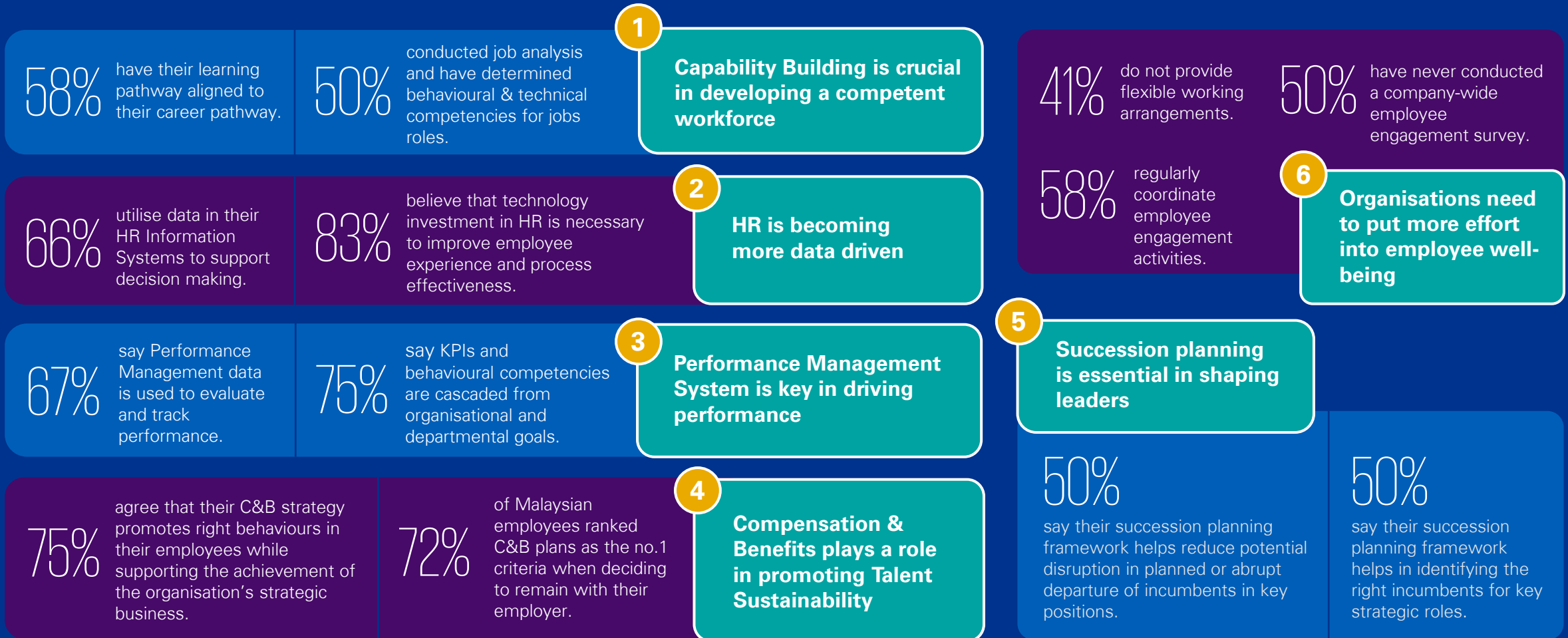
Focuses on the efficiency of software systems that manage HR-related information.



In June 2021, KPMG launched its HR Health Check Survey exercise to help organisations obtain an in-depth assessment of their HR function around its effectiveness in achieving its overall purpose and departmental objectives. Each organisation that took the survey received an individualised HR Health Check report. The Key Insights in this document were derived from the responses received from these organisations.

KPMG's Point Of View On-a-Page

Whilst the HR Health Check looks at the 9 critical elements of the HR function, they must be viewed in a holistic manner to achieve optimal wellness within an organisation's HR health. Our analysis suggests 6 emerging themes as opportunities for HR leaders to further drive value that will help their organisations become more agile towards the ever-changing business environment.



Survey Results Summary

Below are the minimum & maximum scores and commentary obtained by organisations that participated in the exercise

38% 92%

Whilst many organisations are aware of the critical impact their HR strategy can have on their business's operations; some have overlooked their HR strategy and it needs to be addressed fast.



32% 92%

Scores above 70% indicate that the organization has a well-established recruitment strategy; however, those below 50% have major improvements needed to maintain remain competitive



10% 86%

The findings show a noticeable gap in organisations that emphasise in talent management where some but not all organisations are well prepared with succession planning



50% 93%

Although many organisations have taken steps to safeguard themselves from potential changes in the business environment, more focus is needed in their policies & procedures to be agile in order to sustain long term business' goals



35% 90%

Whilst some organisations have an effective learning & development plan in place; there are some who have overlooked their learning & development strategies and this must be addressed



Legend:

Min. Score	Max. Score
------------	------------

Survey Results Summary

Below are the minimum & maximum scores and commentary obtained by organisations that participated in the exercise

18% 100%

There is a noticeable lack of focus in some organisations on employee engagement which should be addressed to avoid adverse impacts to the organisation



40% 100%

Organisations acknowledge that a good performance management can contribute to a healthier organisation; however, some have room to improve in this area



37% 97%

Organisations have put great effort in tailoring their compensation & benefits plan to be more competitive; however, some may need to change and adapt their C&B policy to the ever-changing environment



40% 98%

Majority understand the importance of having a HR Information System in place to support their HR strategy; however, system obsolescence and lack of proper training inhibit some organisations from optimal utilisation.



Legend: Min. Score Max. Score

Emerging Themes



Emerging Theme: Capability Building is crucial in developing a competent workforce

People are an organisation's greatest asset. Therefore, business leaders need to assemble a competent workforce by developing skills for long term success. The following results capture a glimpse of the readiness of organisations.



have their aligned their learning and career pathway.



conducted job analysis and determine behavioural & technical competencies required for the job roles.

Key Takeaways:

- The responses suggest many **organisations fail to see the importance of competency**. This was consistent with the findings of KPMG 2020 HR Pulse Survey, where 87% of executives were experiencing or are expecting skill gaps in the workforce within a few years. However, less than half the respondents were certain on how to address it.
- Organisations should **identify core business competencies and integrate them into the HR strategy and employee development plan**. This will equip employees with the competencies, agility and resilience against future, significant skills gap.

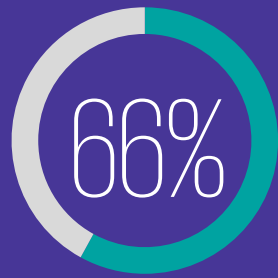


Emerging Theme: HR is becoming more data driven

As the digital age has changed how employees interact and work, HR needs to transform itself into a Digital HR and become more data driven. To support:



believe that technology investment in HR is necessary to improve employee experience and process effectiveness.



utilise data in their HR Information Systems to support decision making.

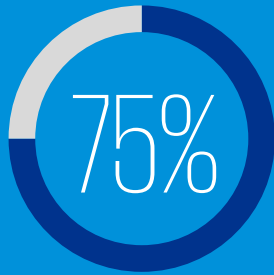
Key Takeaways:

- The findings suggest that organisations are **increasingly aware of the value in good HR technologies to manage and analyse the workforce**. This is consistent with the KPMG 2020 HR Pulse Survey, where there is 4x increase in planned investment towards technological compared to previous years.
- **Organisations actively utilise data attained to support decision making**. This is depicted in KPMG 2020 HR Pulse Survey, where exemplary global organisations **utilised workforce analytics to effectively manage their workforce**.

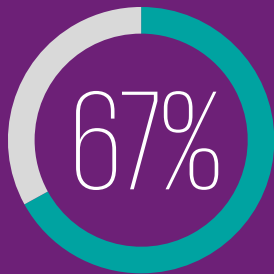


Emerging Theme: PMS is key in driving performance

To improve a business's overall performance, a good performance management system ("PMS") is arguably indispensable. Our HR Health Check deduced that:



Say Key Performance Indicators (KPIs) and behavioural competencies are cascaded from organisational and departmental goals.



say Performance Management data is used to evaluate and track performance.

Key Takeaways:

- The responses suggest a fair number of organisations realised **the necessity of a structured and centralised "PMS"** to **effectively analyse performance, align business and individual goals, and enhance** employee performance. However, some organisations **lack the technical expertise and integration with the wider organisational IT systems** to conduct meaningful analysis.
- To address this, organisations should **look into their current "PMS" and consider investing in one** that would serve and meet their requirements better. Organisations should also consider rolling out **formal and structured trainings** for all employees to utilise their "PMS" optimally.



Emerging Theme: C&B plays a role in promoting Talent Sustainability

The COVID-19 pandemic has shown the importance of digitalisation and the right incentives in retaining the right talent in the workforce. With hybrid working being prevalent, a one-size-fits-all compensation and benefits (C&B) plan can be counter-effective.



Agree that their **C&B strategy promotes right behaviours in their employees** while supporting the achievement of the organisation's strategic business.

Key Takeaways:

- The findings indicate that a considerable amount of organisations agree that **C&B strategy helps to align people's behavior** with the company's business goals and generates better performance.
- Organisations should design a **C&B plan** that strikes a balance between accommodating an organisation's budget plan and meeting the needs of employees; bearing in mind the **employee demographics** to consider all possible employee needs from different backgrounds.

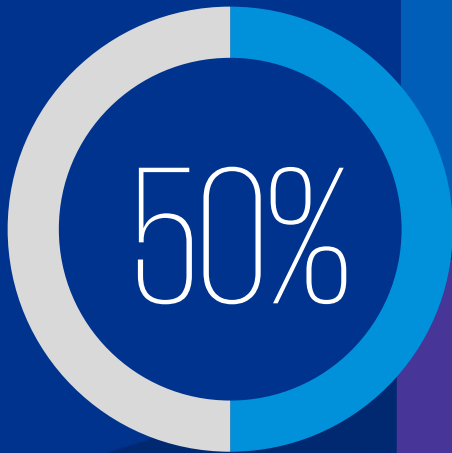


of Malaysian employees ranked C&B plan as the **no.1 criteria when deciding to remain with their employer.**

Source: 2021 Randstad Malaysia's Employer Brand Research

Emerging Theme: Succession planning is essential in shaping Leaders

In today's business environment, succession planning still holds prevalent importance in keeping businesses afloat thanks to the pre-emptive planning it takes for the seamless transfer and retainment of talents. We found that:



say their succession planning framework is good in reducing potential disruption in the planned or abrupt departure of an employee in a key position.

of the organisations' succession planning framework is good in identifying the right employees for key strategic roles.

Key Takeaways:

- A fair number of participants shared that their organisations already **have the necessary tools, trainings, personnel and resources to upskill** individuals. However, some organisations still encounter limitations such as restriction of resources or have poor implementation of it.
- In today's economic climate, **skills shortages** are a common concern. With the increasing retirement of baby boomers, opportunities for comprehensive succession planning to fill the forthcoming shortages in talent are present.



Emerging Theme:

Organisations need to put more effort into employee well-being

To maintain a healthy level of productivity, organisations now need to consider ways to maintain wellbeing stamina of our workforce as we navigate a course through this pandemic. We discovered that:

40%

do not provide flexible working arrangements.

50%

have never conducted a company-wide employee engagement survey.

58%

regularly coordinate employee engagement activities.

Key Takeaways:

- Employers should understand the circumstances employees face when working remotely. **The organisation's business processes and HR policies** should reflect this to prevent irreversible negative effects. However, the responses obtained suggest differently.
- Organisations should begin **gauging employees' needs & morale through focus group discussion or survey**. KPMG 2020 HR Pulse Survey revealed that 47% of HR executives globally have taken steps to safeguard employee experience and well-being. In return, organisations will see a boost in employee productivity and their reputation.



Call to Action

Based on our findings and analysis, it is imperative that organisations consider the following **“Call to Actions”** in order to increase the effectiveness of their HR Function in achieving its overall purpose and departmental objectives:

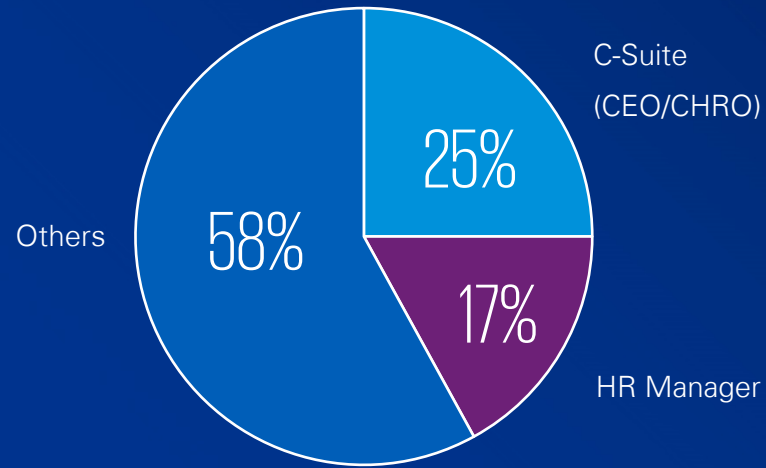
1. To review and relook into their **organisation’s learning and development initiatives and identify improvements** to cultivate a competent workforce.
2. **Leverage on the convenience and usefulness** of utilising workforce analytics to support better informed decisions amongst management.
3. Review and consider **investing in a good PMS and complement it with formal trainings** to drive employee performance to meet business goals.
4. **Assess and promote a well balanced C&B plan**; where necessary, to attract and sustain the right talent.
5. **Evaluate and check that proper succession planning framework** has been put in place to secure a seamless pool of talent transfer.
6. **Shift the focus on looking after employee’s well-being** rather than just the profits as people are an organisation’s greatest asset.



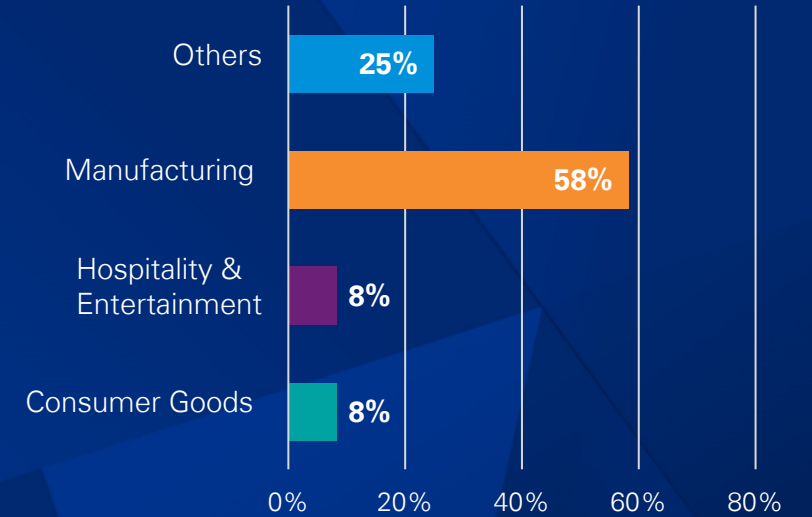
Survey Demographics

The HR Health Check has captured the perspectives of Malaysian HR executives from diversified industries:

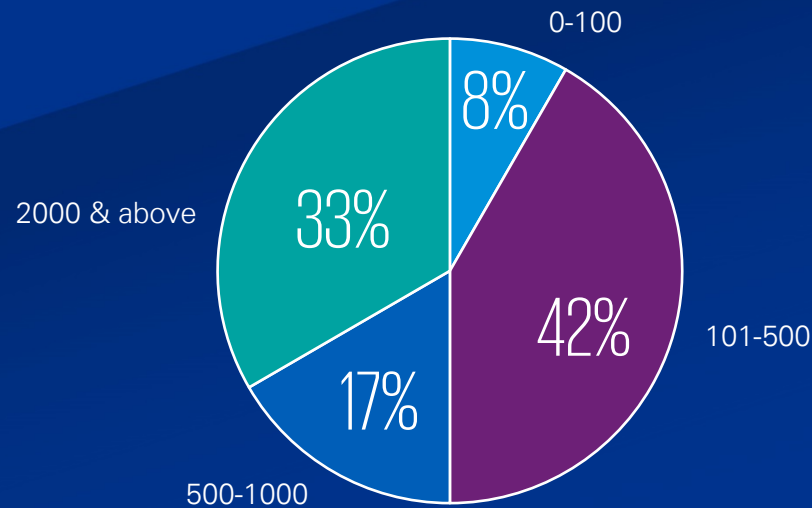
Respondents' Job Titles



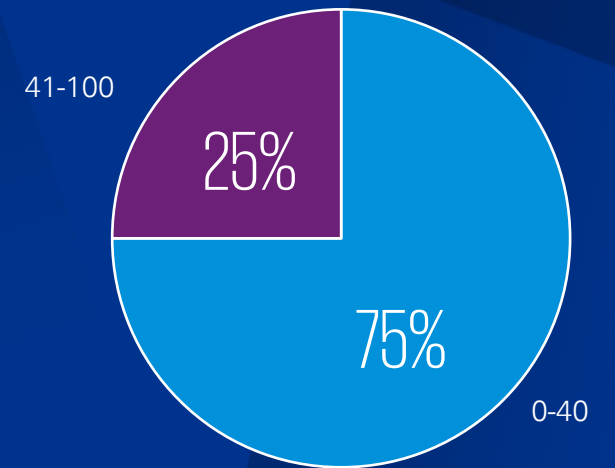
Respondents' Industries



Approximate Headcount of Entire Organisation



People Resources Performing HR Activities



Thank you

This exercise is on-going. The Insights will be updated as and when more responses from organisations are received and collated.

To participate in KPMG's FREE HR Health Check, please visit
<https://www.kpmg.com.my/PnC/HRhealthcheck>



Steps to participate



Fill up the form and we will be in touch to provide a unique link to the questionnaire



Complete the KPMG's HR Health Check questionnaire (takes less than 10 minutes)



We will email you a copy of your HR Health Check Report tailored to your organisation



Read your report and learn what you can do to improve your organisation's HR "health"



For further information, reach out to us and seek our consultation based on your HR Health Check results



Chan Siew Mei

Partner, Head of Advisory
E: siewmeichan@kpmg.com.my

Sharmini Ann Jacob

Executive Director, People & Change
E: sharminijacob@kpmg.com.my

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



www.kpmg.com.my/PnC/HRhealthcheck

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 KPMG Management & Risk Consulting Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.