



**2016
LEADERSHIP TALENT
CHALLENGES IN AUSTRALIA
AND NEW ZEALAND:
IMPACT & SOLUTIONS**

Insights for talent teams in Australia and New Zealand on the extent and effect of leadership talent challenges - and what they can do about it.

LinkedIn Talent Solutions

INTRODUCTION

The success of an organisation is significantly determined by the quality of its leadership. In fact, research suggests the CEO, in particular, is responsible for up to a quarter of a company's performance.¹

Finding quality leaders is critical to your organisation's success, so it's no real surprise that 69% of HR decision-makers in Australia and New Zealand (ANZ) say that it's difficult to fill leadership positions in their organisations.

This report investigates the tangible impact the leadership talent challenge has on the ability of businesses to grow and examines the success of strategies organisations are employing to address the challenge.

We surveyed 352 HR decision-makers from large companies in the Asia Pacific (APAC) region (84 based in ANZ) to understand the challenges they face in recruiting leaders for their organisations.

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¹ Source: Timothy J. Quigley, Craig Crossland and Robert J. Campbell, Shareholder Perceptions of CEO Impact, Strategic Management Journal 2016



EXECUTIVE SUMMARY

- **Filling leadership positions is difficult** and unlikely to become easier in the near future. 69% of ANZ HR decision-makers say that it's difficult to fill leadership positions and 63% are pessimistic about the hiring outlook for leaders over the next five years.
- **They don't have the skills.** The number one reason organisations find it hard to recruit leaders is the candidate's lack of soft skills and leadership competencies. **The difficulty reflects the complexity of modern leadership roles.**
- **This is impacting the business.** A majority are seeing an impact on **Employee Engagement, Innovation, and Collaboration.** Of particular concern, 40% say there has been a large detrimental impact on Innovation in their organisation.
- **Organisations need to shift their thinking on leadership.** They need to change their mindset on how to find, develop, and inspire leaders. Whilst succession planning is the most commonly adopted and successful strategy used, other commonly used strategies are not always the most impactful.

Filling leadership positions is a challenge



There is a significant gap in leadership talent

Organisations are finding it tough to find and attract quality leadership talent. We examined the extent of this problem in ANZ and found whilst the majority of organisations find it tough to fill leadership roles, turnover of these roles is less of a concern.

A deficit of soft skills is seen as the most common quality lacking in leadership candidates and organisations are looking at their own internal future leadership candidates to build those soft skills.

We explored the supply and demand of specific leadership functions and found that technology related roles, including CIO/CTO roles were in the highest demand, with one of the smallest pools available.

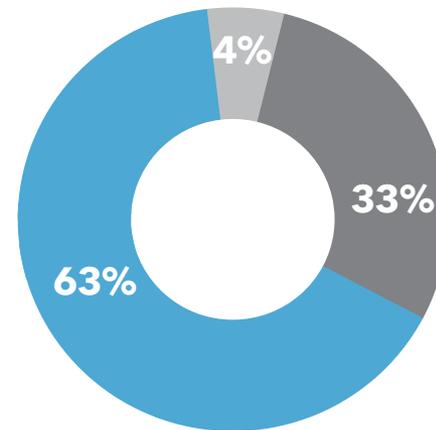
ANZ organisations are struggling to fill the leadership gap

The majority of respondents report that it's difficult to fill leadership positions in their organisation. 63% of HR decision-makers do not see this leadership gap closing in the short term and are pessimistic about the hiring outlook for leadership positions in the near future.

69%

of HR decision-makers in ANZ say that it's difficult to fill leadership positions in their organisations

**Leadership hiring difficulty:
Outlook over the next 5 years**



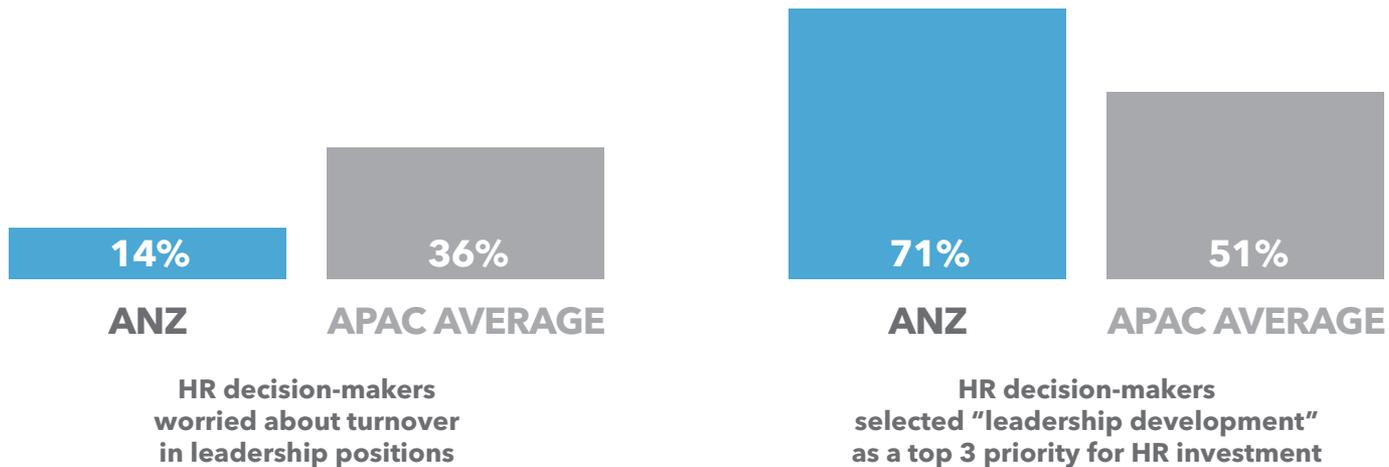
■ Optimistic ■ Pessimistic ■ Not Sure

** In your organisation in your region, how difficult is it to fill leadership positions (senior management and above)?*

** In your region: Do you think it will become more or less difficult to fill leadership positions in your organisation over the next 5 years?*

However, leadership turnover is less of a concern in ANZ

ANZ organisations are less concerned about leadership turnover and are more focused on developing internal leaders than the rest of APAC. This focus is leading to a higher confidence in retaining leaders.



* In your region: Are you concerned about the current level of turnover in leadership positions in your organisation?

* In your region: What are the top three priorities for HR investment in your organisation?

Leaders in ANZ with the required key leadership skills and competencies are hard to find

Soft skill and competency deficits, as well as unattractiveness of the role's geographic location add to the leadership talent challenge

The number one perceived reason for difficulty in leadership hiring, endorsed by 45% of ANZ respondents, is an applicants' lack of soft skills and leadership competencies. This shortfall reflects the complexity of modern leadership roles and the range of skills required to be a successful leader in the APAC region.

Lack of an internal leadership development focus was the least endorsed reason (13%) for hiring difficulty in ANZ, despite being perceived as a key concern in the overall APAC sample (27%). This is unsurprising given 71% of HR decision-makers cited 'leadership development' as a top three priority for HR investment.

Reasons for difficulty in filling ANZ leadership positions



** In your opinion, what are the main reasons that your organisation is having difficulty filling leadership positions?*

Competition for exceptional leadership talent has intensified

Organisations have raised their expectations of leadership candidates, requiring exceptional soft skills as well as skills and competencies needed for today's complex and fast changing technological environment

Fierce Competition

“

Organisations will need to continue to differentiate themselves in order to be front of mind for candidates... Whilst I think our organisation is getting better at developing internal talent and attracting external talent, so are other organisations so the pace of improvement is really important.”

“

Increasing competitiveness for talent in [a] growing region with [a] limited pool of qualified candidates, increasing pressure and [the] complexity of labour laws [is] impacting global mobility.”

Increasing Expectation for Leadership Roles

“

There is not enough talent that can come at leadership roles and manage the complexity, agility and vision needed to succeed. A lot of talent will be younger because these technologies are new - Cloud, Social Cognitive, Mobile, [and] Analytics etc but they lack the leadership maturity [e]specially in growth regions.”

“

...leadership skills needed for [the] future are more [focused] on EQ [Emotional Intelligence] which is increasingly difficult to find and develop.”

Need for Internal Pipelining and Development

“

The majority of our leadership positions are filled from our internal succession plans so it is important we continue to engage and retain our future talent with potential.”

“

Internally, without an effective leadership development programme in place, there is no deep bench in the leadership pool.”

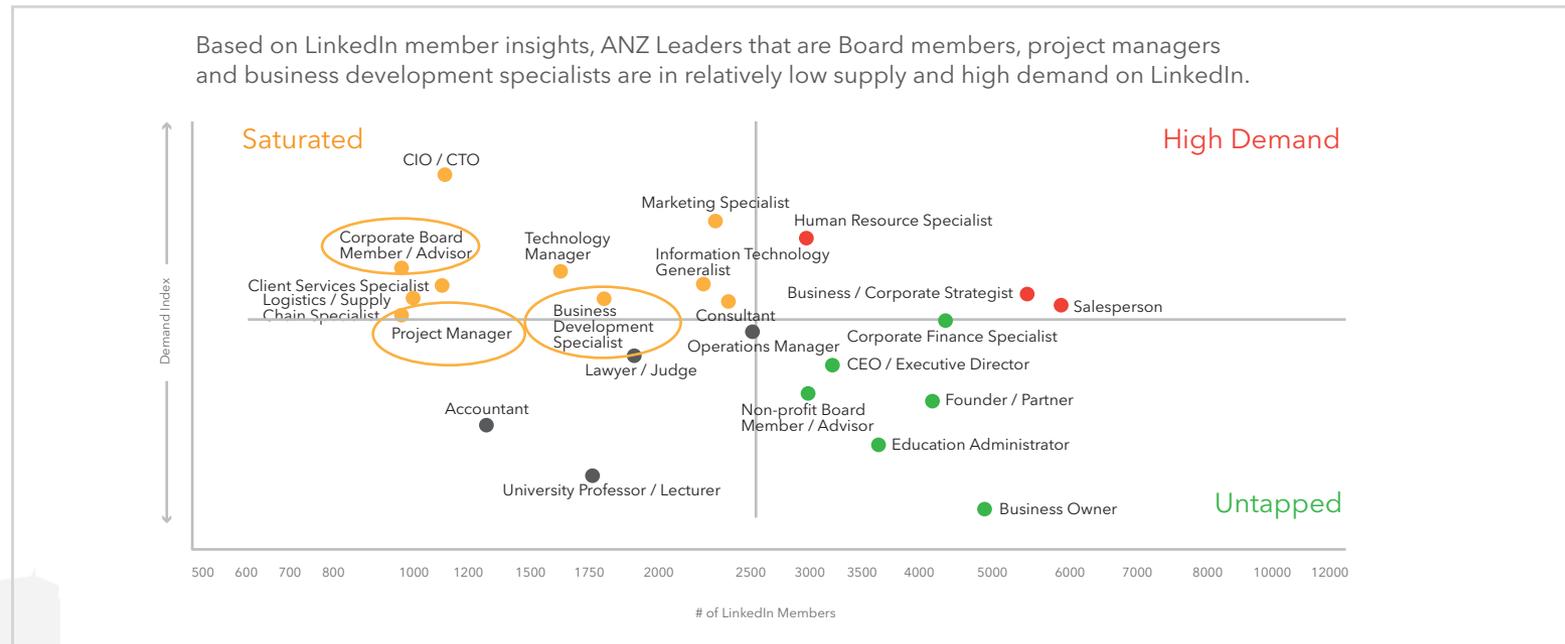
** Why do you think it will become difficult to fill leadership positions in your organisation over the next 5 years?*

Leaders in business development and program/project management are the most difficult to hire

Low supply and relatively high demand is causing hiring difficulty for leaders in specific functions

Across APAC HR decision-maker respondents, the functions with the greatest leadership hiring difficulties are:

- Business Development
- Program & Project Management
- CEO/Board of Directors



* The following is a list of functions that your organisation might recruit for. In which function(s) do you have knowledge of your organisation's leadership recruitment efforts and outcomes?

* In your region: How difficult is it to fill leadership positions (senior management and above) in the following function(s) in your organisation?

Note: LinkedIn Recruiter activity and member data are used to measure supply and demand for talent

The leadership challenge is proving to have a business-wide impact



The leadership talent challenge is having a business-wide impact

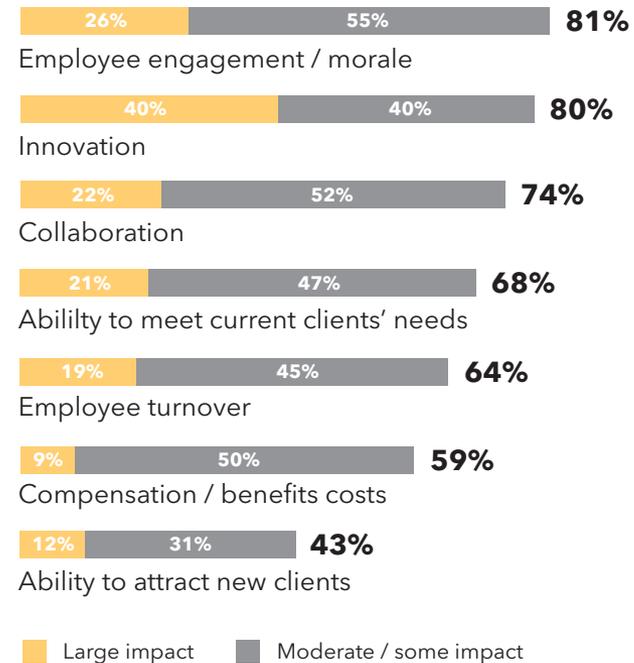
The impact of leadership hiring difficulties is felt in areas vital for an organisation's future success and growth

The majority of the ANZ HR decision-makers experiencing difficulties filling leadership positions are seeing a consequent negative impact on many areas of their business.

The majority of respondents are seeing an impact on **Employee engagement, Innovation, and Collaboration** - three core areas underpinning future organisational growth and success. Of particular concern, 40% say there has been a large impact on **Innovation** in their organisation.

Even the least impacted area, **Ability to attract new clients**, is reported to be affected in a significant minority (**43%**) of cases.

Negative business impact from difficulty to fill leadership position in ANZ



* You mentioned that it was difficult to fill leadership positions in your organisation. To your knowledge, how much, if at all, has this difficulty negatively impacted any of the following.

Strategies to address
the leadership challenge



Strategies are being put in place to reduce the challenge

Respondents who were optimistic about the future leadership talent landscape have strategies in place to address succession planning, talent branding and leadership development

Succession Planning / Internal Pipeline

“ [W]e are focusing more on talent development /succession planning. We prefer to create homegrown talents that we will promote to leadership roles when the need arises[.]”

“ We have an active succession plan and talent pipeline so our next in line leaders are currently being developed for more senior roles.”

Employer Brand

“ We are building our brand in different areas and diversifying our staff and culture which should result in better attraction of the right people in the future.”

“ We have a clear employer brand, and a clear strategy for the business and what we want in leaders.”

Leadership Development

“ We have designed and put in place a structured leadership program which is a combination of theory and realtime projects. This focuses on different aspects including situational leadership, risk taking, strategic thinking, etc.”

“ As an organisation we are making a lot of investment in developing leadership internally. Hence we would see the impact of that investment in the next 5 years.”

** Why do you think it will become less difficult to fill leadership positions in your organisation over the next 5 years?*

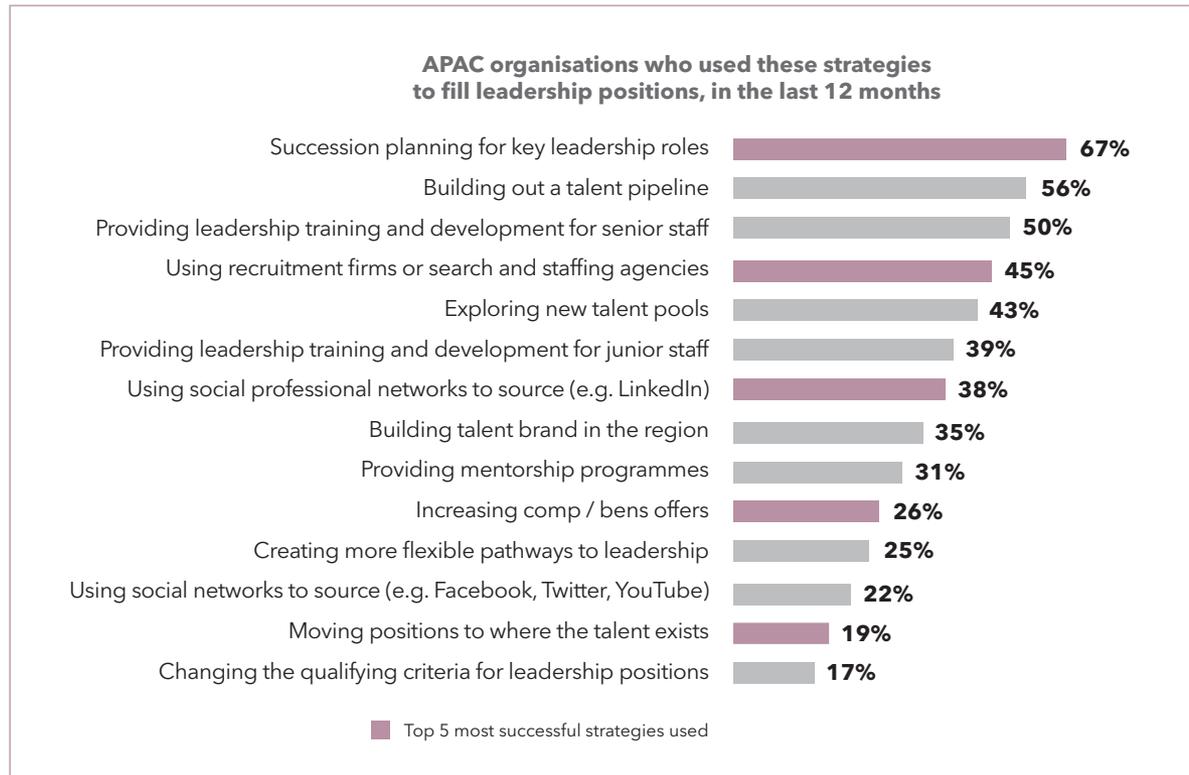
Succession planning is the most commonly adopted and most successful strategy used to address the leadership talent gap

Organisations are implementing numerous strategies to address the leadership gap, these strategies are not always the most successful methods

Succession planning is the most commonly used strategy (by 67%) and the most successful strategy (for 70% of adopters) used to address the leadership talent gap.

Despite this, 1 in 3 HR decision-makers reported that their organisation had not engaged in succession planning for key leadership roles in the past 12 months.

Strategies that proved successful for adopters but are less commonly used in APAC represent an opportunity for organisations to gain a competitive advantage in the search for leaders. These include: **using social professional networks to source talent, moving positions to where the talent exists, and increasing compensation/benefit offers.**



* Which, if any, of the following strategies has your organisation actively pursued in the past 12 months to help fill leadership positions?

* Which, if any, of the strategies pursued in the past 12 months have been successful in helping you fill leadership positions?

What you can do to identify and build your talent pipeline



ANZ organisations need to shift their mindset

What can you do to identify and build your leadership talent pipeline?

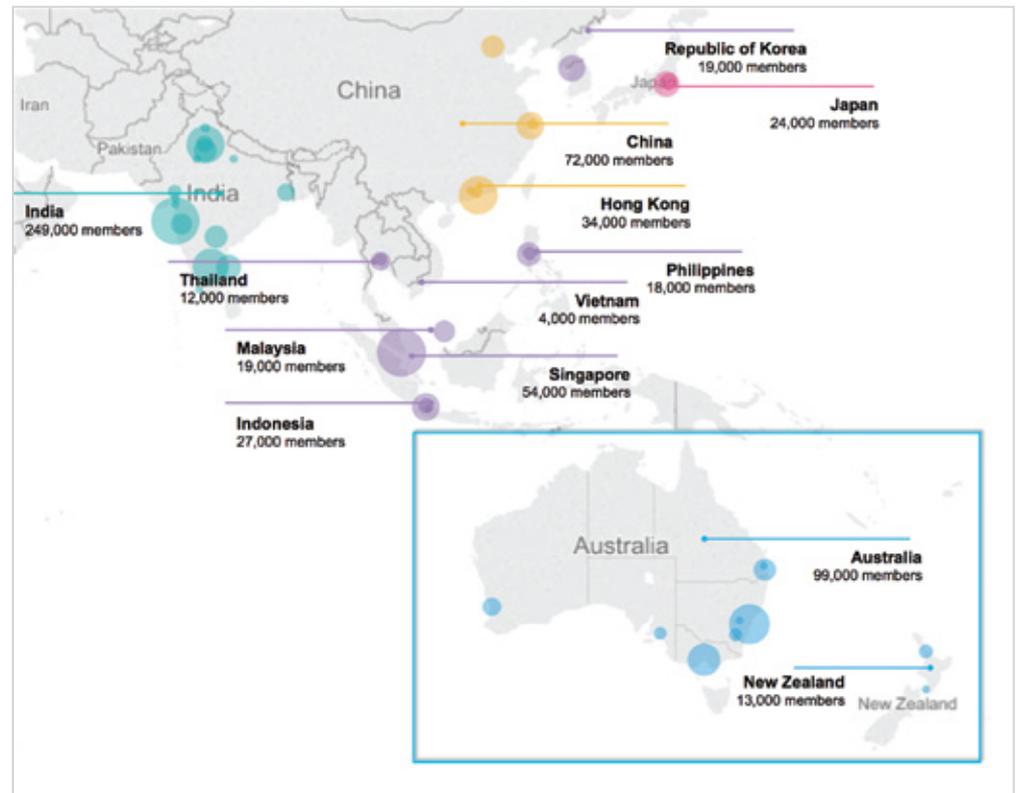
- 1 Align your leadership talent strategy with your business strategy - Determine which skills, behaviours and roles are needed to successfully execute your business strategy. Your organisation's success depends on the effectiveness of your leadership pipeline.
- 2 Embrace data to identify and broaden your leadership talent strategy - LinkedIn can help you with talent pool analyses, providing detailed information about talent in a particular area and/or industry. These reports can help you determine where to recruit based on the overarching supply and demand for a particular type of leadership talent with different skills in a given region.
- 3 Utilise LinkedIn survey data to build your talent brand - Survey data can bridge the gap between what is being offered and what leaders want. By knowing what's important to leadership talent, you can craft your organisation's brand to reflect your strengths and appeal to your target audience.
- 4 Think horizontally as well as vertically when building your leadership pipeline - Organisations tend to focus their efforts and their dollars on the top end of their leadership pipeline. To ensure your talent and leadership pipeline stays full, leadership development should extend to all levels of the organisation and to your most critical roles.
- 5 Provide learning and development at the moment of need - Leaders have limited time to devote to learning. To bridge the skills gaps of your current leaders and accelerate the development of future leaders, your leadership development programme should include a blend of approaches and technologies that are available when and where needed.

Locating local talent for your leadership talent pipeline

There are over 680,000 leaders* in APAC on LinkedIn

Across the APAC region, **Singapore**, **Mumbai** and **Sydney** are the cities with the greatest number of leaders on LinkedIn.

Sydney and **Melbourne** are the top cities, by number of LinkedIn members, in the ANZ region.



Top 10 Locations	# LinkedIn Members
Singapore	54k
Mumbai, India	53k
Sydney, Australia	37k
Hong Kong	34k
New Delhi, India	33k
Bengaluru, India	29k
Melbourne, Australia	24k
China	24k
Shanghai City	17k
Indonesia	17k

Note: See methodology for LinkedIn Insights definitions of 'leaders', note that it differs from the LinkedIn Research Survey

Employer branding can help bridge the gap between what is being offered and what leaders want

LinkedIn survey research enables us to assess the needs of leaders across ANZ when assessing job opportunities

By knowing what's important to leadership talent, you can craft your organisation's talent brand to reflect your strengths and appeal to your target audience.

Our research for ANZ confirms that excellent compensation and benefits is the top consideration when ANZ leaders are looking for a job.

The ability to make an impact in their position is also a key driving consideration that could be incorporated into your employer branding strategy.



* Please select the 5 most important factors when considering a job opportunity. Source: LinkedIn Talent Drivers Survey Q3 2015, 507 Australian and New Zealand leader respondents.



Research Methodology

We surveyed 177 HR Managers and 175 HR Directors or above working in large companies (500+ employees) in the APAC* region about the unique challenges they faced filling leadership positions in their organisations. Members working in companies in the Staffing or Government industries were excluded.

LinkedIn members who met the above target criteria (based on the information on their LinkedIn profile) were invited to participate in an 8-minute online survey via an e-mail invitation in March 2016. The survey was provided in English only.

Survey screener questions confirmed that our respondents worked in a corporate HR department and had at least some influence on HR strategy and budget allocation.

** Countries included: Australia, New Zealand, Singapore, Hong Kong, India, Malaysia, Japan, Korea, Taiwan, Philippines, Vietnam, Indonesia and Thailand*

Insights Methodology

The insights and analysis in this report represent the world as seen through the lens of LinkedIn data as at May 2016. As such, it is influenced by how members choose to use the site, which can vary based on professional, social, and regional culture, as well as overall site availability and accessibility.

Our LinkedIn data analysis classified 'Leaders' as members identified as either Directors, VPs, CXOs, Partners or Owners with greater than 10 years experience that are employed at companies with more than 500 members.

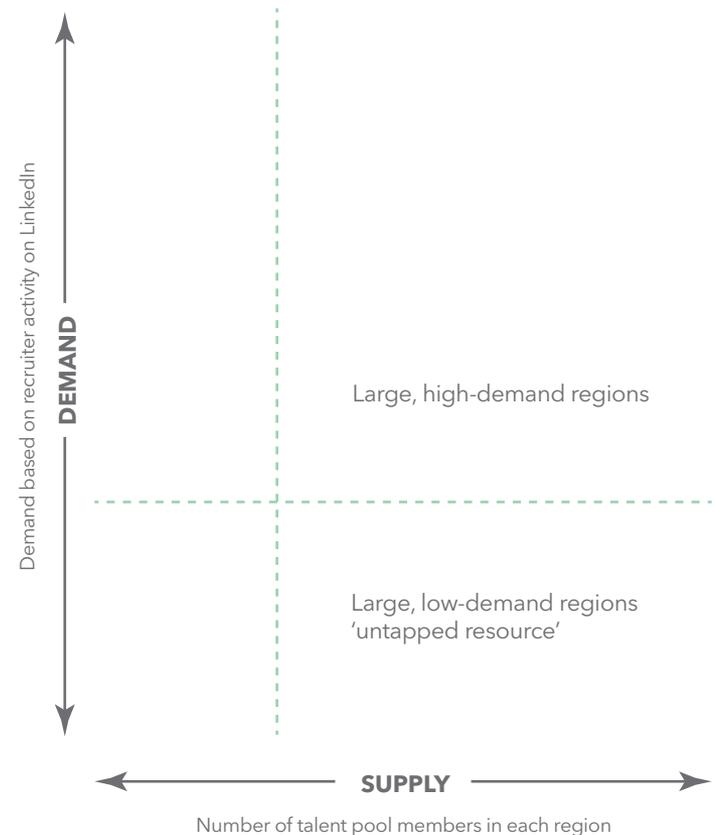
'LinkedIn Q3 2015 Talent Drivers Survey' is undertaken once a year and is a representative sample of LinkedIn members:

- In Q3 2015, 404k+ professionals in NAMER, Europe, APAC, LATAM and MENA took this survey.
- Survey asks respondents to 'Please select the 5 most important factors when considering a job opportunity'.

'Supply and Demand' on LinkedIn are determined by member volumes and LinkedIn Recruiter activity.

- A higher demand index means that professionals in those professions are receiving relatively more contact from recruiters than their peers in other professions on LinkedIn.

LinkedIn Supply & Demand



About LinkedIn Talent Solutions

LinkedIn Talent Solutions offers a full range of recruiting solutions to help organisations of all sizes find, attract and engage the best talent.

Founded in 2003, LinkedIn connects the world's professionals to make them more productive and successful. With over 450 million members worldwide, LinkedIn is the world's largest professionals network.



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