

Aon Hewitt Top Companies for Leaders®

Research Highlights - Asia Pacific

Leading into the Next Frontier

In the recently concluded 2014 Aon Hewitt Top Companies for Leaders® study, CEOs and HR Directors in Asia Pacific identified sustaining their business growth, cost pressures and operational excellence as their top three business issues over the next three years. Talent issues compound the complexity of these business issues, which were identified as insufficient number of ready-now leaders, lack of diverse talent in leadership positions, and changes in demand for talent and skills required for success. In the face of this challenging environment, an unrelenting focus on talent and leadership is how companies can stay on top.

Economic, technological, regulatory, and social challenges across global boundaries have come together to form a ‘perfect storm’ of volatility, uncertainty, complexity, and ambiguity (VUCA). Despite a recent upturn in the economy, today’s environment continuously throws up new challenges for organisations to navigate.

Table of Contents

Leading into the Next Frontier 1-2



How Can Your Organisation Chart the Journey to Success 9

About the Study 9

Aon Hewitt Top Companies for Leaders 2014 Winners Lists 10

In the 2014 study, we saw the emergence of the 'new normal'. What differentiated top companies in the past – those aspects that were considered innovative and market leading – have

already become the norm for any organisation with some focus on leadership. We saw the existence of the following practices across all organisations in our study:



So what differentiated the top companies in the Aon Hewitt Top Companies for Leaders 2014 study?



The top companies identified in the 2014 Aon Hewitt study were recognised for their set of deliberate practices aligned to clear business outcomes and the rigorous measurement of the effectiveness of their activities. They were found to have the edge that supports and enhances their leadership – and leads to great organisational performance. We identified areas where top companies lead the way and raised the bar in their practices. These differentiating areas can be summarised in the following six insights:



Insight 1: Focusing on Outcomes

Although companies are preparing themselves for future business challenges, the top companies in Asia Pacific are doing more. They consistently measure the effectiveness of their talent practices and enforce higher leadership accountability for talent management outcomes than other organisations.

Leadership Accountability for Talent Management Outcomes

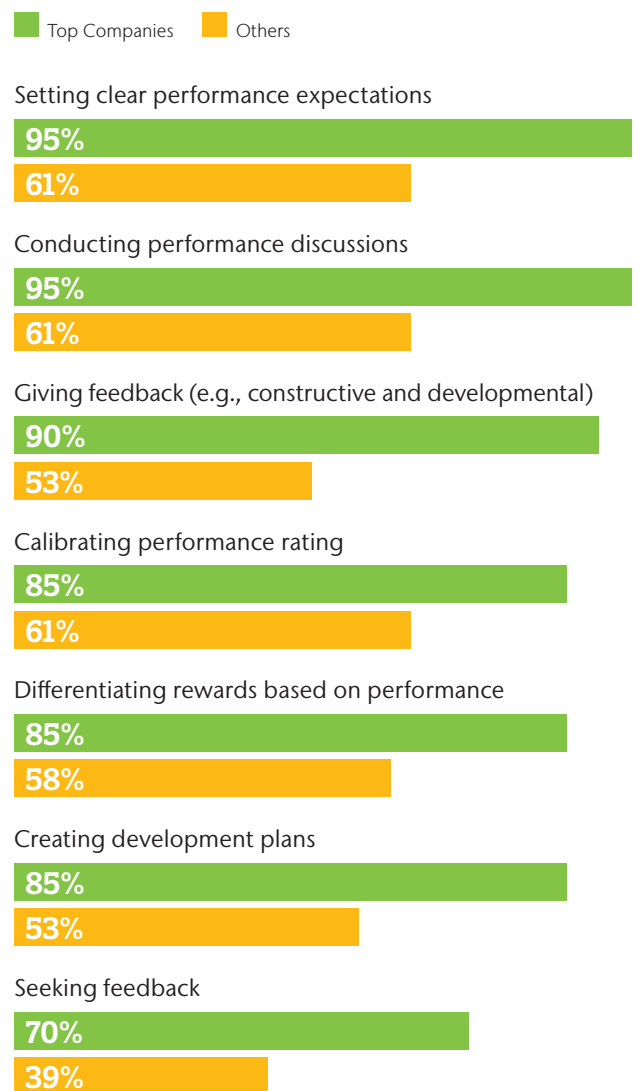


"Z believes that effective leadership is demonstrated in the results. When Z talks about distinctive results or extraordinary results they mean results that are beyond what would have happened anyway (so the human intervention drives the outcome). These can be big game-changing things and sometimes, smaller things."

– Z Energy, New Zealand

A noteworthy aspect of changing the focus from processes to outcomes was seen in the area of succession planning and management. Most organisations in the study focused on identifying talent or 'names in the boxes' for succession, which concentrates on the selection process. However, top companies were seen to raise the standard by accentuating higher leadership accountability for the active management of development plans, in addition to the rigorous identification of high-potential talent.

Leadership Accountability for Succession Management



Insight 2: Developing Engaging Leaders

We have known for years through Aon Hewitt's engagement research that the level of engagement of the leaders themselves is critical to organisational engagement levels.

Therefore, it is not surprising that most organisations in the Top Companies for Leaders 2014 study measured engagement and employee perceptions in one way or other. However, top companies in Asia Pacific not only apply a standardised approach to measuring engagement like others, they exhibit increased ability to:



Leadership Accountability for Engagement

■ Top Companies ■ Others

- Segment and benchmark senior management engagement to zero in on engagement drivers

100% vs. **74%**

- Hold their leaders accountable for employee engagement levels

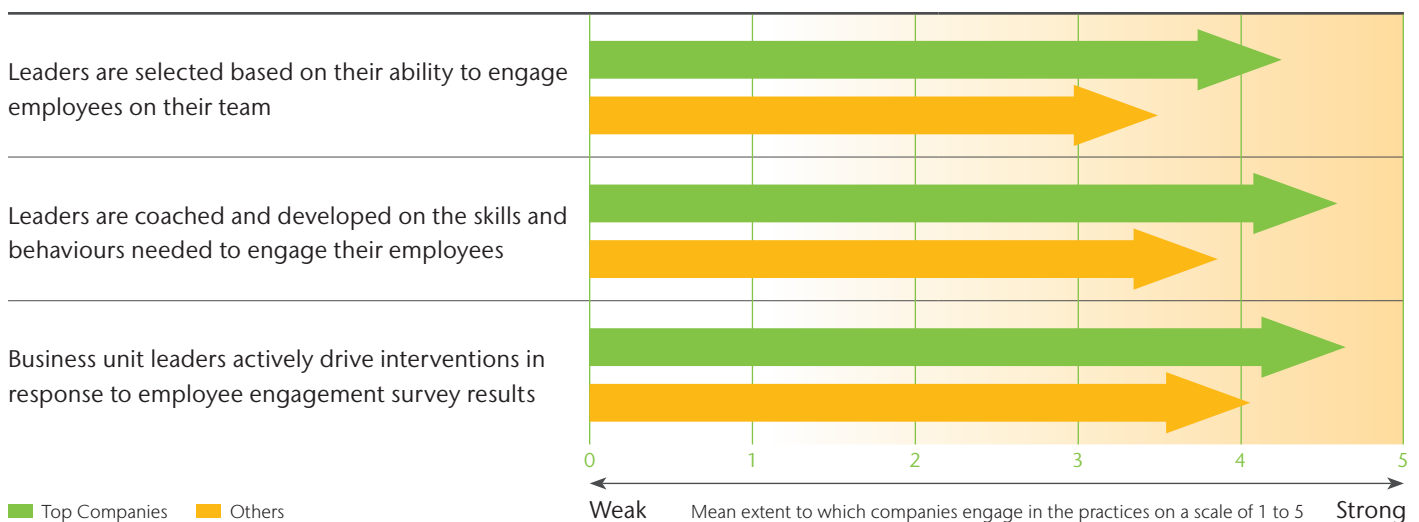
95% vs. **77%**

“Leaders at LION are expected to be open and authentic. The most engaging leaders are those with the highest degree of authenticity – what you see is what you get.”

– LION, Australia

Top companies acknowledge the critical role of leaders in driving organisational engagement. Therefore, selection, attraction and development of leaders who can create higher employee engagement are top priorities for these companies.

Practices to Develop Engaging Leaders



Insight 3: Driving Inclusion

Nearly all organisations in the study cited ‘lack of diverse talent in leadership positions’ as a key talent issue today. Most organisations recognised the importance of diversity and had a clear strategy on diversity; however, top companies went further to champion the concept of inclusion. The aspiration in top companies is that all employees should feel included and one with the organisation, regardless of their level, gender, or tenure with the company.

Through our survey and interviews with the CEOs and HR Leaders of top companies, we learned how they have been promoting diversity, especially inclusion, by taking a sustainable view rather than a programmatic one:

Practices to Drive Diversity and Inclusion

		Top Companies	Others
Create the culture for inclusion	Leaders are successful in driving a culture of inclusion	63%	22%
	Diversity and inclusion are fully integrated in selection and development practices for leaders	50%	3%
	Leaders understand the impact diverse perspectives can have on the business	63%	30%
Focus on assimilation and inclusion of diverse talent	All hires (external, transfers and promotions) go through facilitated assimilation meetings with teams	85%	54%
	All external hires have in-depth culture training/orientation	90%	72%
Facilitate diverse experiences and mobility	Leaders typically hire and promote candidates with different career paths from their own	40%	26%
	A formal strategy is in place to move talent to different geographical locations	95%	51%
	All hires (external, transfers and promotions) have planned developmental experiences	65%	51%



“ We have a long history of successfully developing and promoting leaders from within, but we are also open to bringing in the best talent globally and integrating them into Singtel culture. Thirty percent of Singtel’s current top 100 leaders have been brought in from outside, especially in our new areas of business. We found that the balance between diverse perspectives of home-grown and new talent allows us to lead and shape the industry.”

– Singtel, Singapore

Insight 4: Focusing on Leaders Developing Leaders

Top companies have moved beyond expecting their leaders to blaze the trail by having a large number of followers who are good at executing their commands. One strong and powerful leader directing a group of able and disciplined followers is no longer the formula for success in top companies. Top companies have a leadership mindset where leaders believe that their primary role is to identify, nurture and develop other leaders. This mandated approach ensures sustained success for the company.

Elements from Leadership Mandate to Develop More Leaders

■ Top Companies ■ Others

- Leaders have a strong reputation internally for cultivating talent throughout the organisation

90% vs. **63%**

- Leaders are held accountable (e.g., compensation, rewards, opportunities) for the strength of the talent pipeline in their business unit(s)

85% vs. **50%**

Top companies have a robust and sustainable approach to creating more leaders. Top companies understand that standardised programs for development simply don't work, so they utilise a wide array of highly individualised plans,

including exposure to senior leadership and philanthropy activities, in order to develop leadership capabilities deep into the hierarchy. This is coupled with their practice to drive higher leadership accountability of their successors.

Practices to Develop Leaders

	Top Companies			Others		
	Senior	Middle	Frontline	Senior	Middle	Frontline
Developmental assignments matched specifically to individual development needs	80%	75%	65%	58%	47%	31%
Exposure to CEO/senior management	85%	85%	65%	61%	53%	19%
Internal coaching	65%	75%	65%	32%	42%	16%

Leadership Accountability for Leadership Pipeline

■ Top Companies ■ Others

Retention rate of successors



Increased readiness to advance



Movement of talent across function/ business/ geography



Attrition rate from the succession pool



Higher leadership accountability for performance of placed successors over time

“ At Hindustan Unilever, we have an ingrained culture of leaders building leaders. Our leaders understand that success depends not only on our current breed of leaders, but very importantly on developing a pipeline of leaders.”

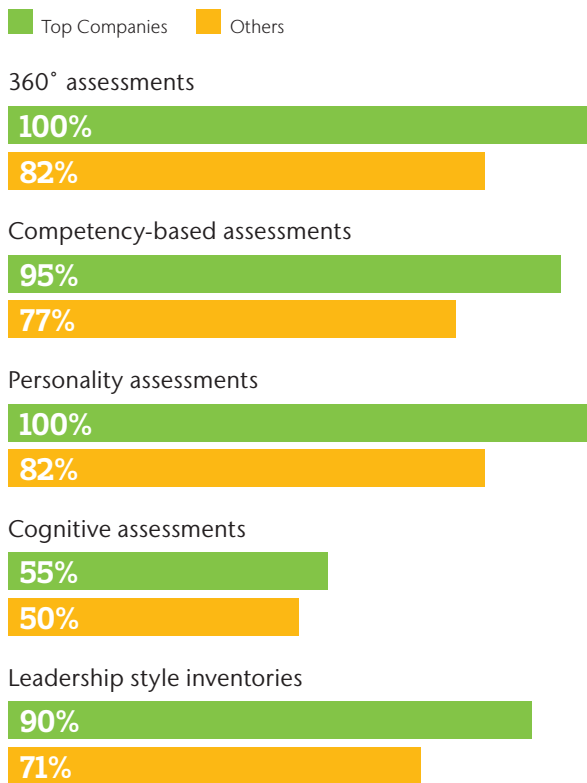
– Hindustan Unilever, India

Insight 5: Aligning for Fit

All organisations in the Top Companies for Leaders study have been focusing on assessing skills and deploying assessment tools measuring the current performance and skill levels of employees.

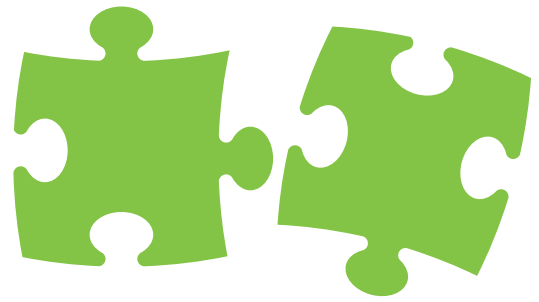
However, top companies go a step further concentrating on assessing potential far more frequently and rigorously than the others. They include a full spectrum of assessment tools designed to assess the skills and behaviours required for future organisational success.

Assessment Tools Used to Evaluate Skills Required for the Future



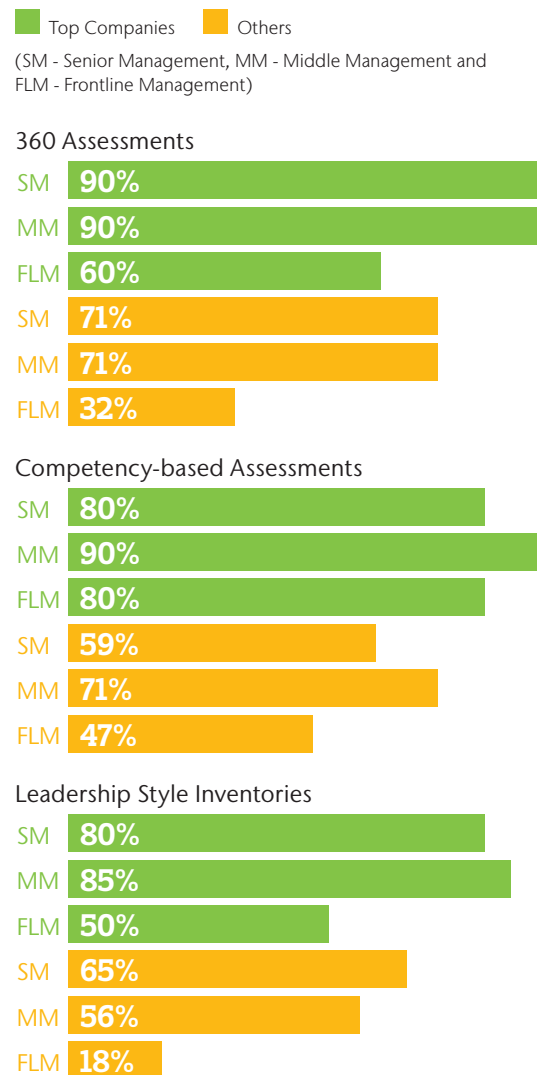
"Godrej philosophy is to look at a leader as a whole. Therefore, the way we recruit, develop and retain leaders is aligned to this philosophy. We believe that leadership starts with the individual first and, at every stage, we assess and create a reflection point for the individual to forward them in their leadership journey."

– Godrej Industries Limited and Associated Companies, India



In top companies the use of assessment tools is not limited to a specific leader level in the organisation. Top companies employ a full spectrum of assessment tools starting from early career. Top companies use these tools twice as much the other organisations, especially at frontline management level.

Assessment Tools by Levels



Insight 6: Striving for Higher Purpose

Leaders at top companies are expected to think about how they contribute to the ‘whole company’ performance rather than just how their area of responsibility is performing. Leaders are assessed and rewarded for thinking and behaviour that are aligned with a ‘whole company’ perspective.

Top companies were seen to achieve this by shifting their employees’ focus from outcomes related only to their own function or business unit, over to outcomes related to the organisation as a whole. In the 2014 Aon Hewitt study, top companies assigned higher weightage to company goals than individual business unit performance in determining compensation for leaders. The reverse trend was observed in other organisations.

Weightage of overall company vs. individual business unit performance to determine compensation (incentives and base pay) of leaders

■ Top Companies ■ Others

Mean % weightage for evaluating performance of leaders



Additionally, top companies are innovating on how they provide different development experiences for their leaders and high potentials through their Corporate Social Responsibility (CSR) agenda. This provides a ‘win, win, win’ scenario for all stakeholders – the company furthers

its philanthropic efforts beyond just donating money, the individual gets meaningful exposure and development, and the social enterprise gets really skilled, smart people to help it perform better.

Development Experiences for Leaders through CSR Agenda

	Top Companies			Others		
	Senior	Middle	Frontline	Senior	Middle	Frontline
Service on nonprofit Board	40%	30%	20%	18%	0%	0%
Corporate philanthropy exercises (e.g., running fundraiser, project management for relief effort)	65%	65%	65%	12%	11%	19%
Community involvement on behalf of the organisation (e.g., events, volunteerism, CSR initiatives)	26%	35%	32%	5%	6%	6%

“ At Merck Thailand, our CSR program is very important for us and our way of giving back to Thai society. In fact, it is part of our mission and vision now. Every year our leaders take up CSR projects that are not necessarily related to our business. Our leaders feel happy that they are able to contribute to society and feel engaged that they work with an employer that promotes real corporate social responsibility.”

– Merck, Thailand



How Can Your Organisation Chart the Journey to Success

Through a sustained focus and discipline, on comprehensive and consistent leadership practices, top companies have created a culture that nurtures and develops the talent required for tomorrow's increasingly complex environment.

So the key question for our reader is how can your organisation chart its journey to success? What can you do to get ahead of the market trends?

We offer three broad areas of advice to stand your organisation in good stead:

1. Challenge your core practices and assumptions to respond to rapidly-changing market conditions

With relatively little innovation in leadership practices over the last 11 years, organisations MUST review their assumptions and practices in the light of constantly changing business environments. Most organisations recognise that they probably don't have the skills they need for the future, and hence need to rapidly challenge their practices to mitigate these risks.

About the Study

Founded in 2001, the Aon Hewitt Top Companies for Leaders study is one of the most comprehensive longitudinal studies of talent management and leadership practices around the globe. Our first results, published in 2002, demonstrated the link between financial success and great leadership practices, and identified differentiating elements found only in top companies. The current study, conducted in 2014, marks the eighth iteration of this foundational research.

How the Aon Hewitt Top Companies for Leaders were selected

Aon Hewitt invited organisations from around the world to participate in the Aon Hewitt Top Companies for Leaders study in 2014. Study participation was open to organisations of any type (e.g., public, private, nonprofit), size (employee and revenue), and location. From those invitations, 180 companies participated globally. Participating companies completed a detailed questionnaire examining the factors influencing both the depth and quality of their leadership. Aon Hewitt analysed all entries for responses consistent with strong leadership practices and identified 111 global finalists. Each finalist company completed in-depth interviews with Aon Hewitt

2. Create accountability to generate sustained change

Creating a culture of accountability in which leaders are responsible for the development of other leaders will be essential to ongoing success. The improved use of technology to drive greater efficiencies in measurement needs to be embraced. Leaving leadership development in the Human Resources domain will now become a barrier to organisational success. Leaders must continue to lead the way and develop other leaders in their sway.

3. Build a distinctive 'culture' through leaders at every level

Creating a focus on higher purpose – nothing new here – but activation on this is critical. This needs to be shaped through the development of a cadre of leaders who align their own behaviours, as well as promote the behaviour of others across the organisation, to achieve a higher purpose. Organisations cannot expect charismatic leaders to create this culture solely on their own. Leadership as a core competence must be embraced to create sustainable cultures in the new, less stable environment. Improved decision-making and accuracy in leadership identification and development will also become essential, as the room for error will become smaller.

leadership consultants to provide greater clarity and precision around their specific leadership practices. In addition to the HR and senior executive interviews, we interviewed CEOs in a majority of the finalist companies. Aon Hewitt scored company survey data by assigning points to questions and responses, yielding both category and overall scores. Aon Hewitt also analysed the financial performance, relative to industry, for all finalist companies.

An esteemed panel of judges—composed of authors, academics, and journalists—gathered in North America, India, Southeast Asia and Australia to select the 2014 Aon Hewitt Top Companies for Leaders. The judges considered many variables in selecting the lists, including survey and interview data, company reputation, leadership culture and values, diversity of the leadership team, and business performance over three- and five-year periods. Finally, a separate judges panel, composed of one representative from each regional panel, considered all Top Company winners (53 total) and the finalists from Latin America and Europe to select a global Aon Hewitt Top Companies for Leaders list.

Winners

Global Winners

Aon Hewitt Top Companies for Leaders

Rank

1. General Electric Company - United States
2. International Business Machines - United States
3. Hindustan Unilever Limited - India
4. General Mills, Inc.- United States
5. ICICI Bank Ltd. - India
6. The Procter & Gamble Company - United States
7. Colgate-Palmolive Co. - United States
8. 3M - United States
9. Novartis AG - Switzerland
10. Mahindra Group - India
11. McDonald's Corporation - United States
12. Intel Corporation - United States
13. Whirlpool Corporation - United States
14. ArcelorMittal - Luxembourg
15. WEG - Brazil
16. Deere & Company - United States
17. Eli Lilly and Company - United States
18. DBS Group Holdings Ltd. - Singapore
19. Royal Dutch Shell plc - Netherlands
20. Singtel - Singapore
21. Sonoco Products Co. - United States
22. Sime Darby Berhad - Malaysia
23. Cargill, Inc. - United States
24. American Express Company - United States
25. Raytheon Company - United States

Australia & New Zealand Winners

Aon Hewitt Top Companies for Leaders

DHL Express (Australia) Pty Ltd.

LION

Z Energy

India Winners

Aon Hewitt Top Companies for Leaders

Rank

1. Hindustan Unilever Limited
2. ICICI Bank Ltd.
3. Mahindra Group
4. Marico Limited

Top Multinational Companies

Rank

1. PepsiCo. India Holding Pvt Ltd.
2. Vodafone India Limited

Special Recognition

Godrej Industries Limited and Associated Companies (GILAC)

Southeast Asia Winners

Aon Hewitt Top Companies for Leaders

CP All Public Company Limited - Thailand

DBS Group Holdings Ltd. - Singapore

KASIKORNBANK PCL - Thailand

McThai Co., Ltd. - Thailand

Sime Darby Berhad - Malaysia

Singtel - Singapore

Top Multinational Companies

DHL Express Thailand - Thailand

Merck Ltd. - Thailand

Special Recognition

Bangkok Dusit Medical Services Public Company Limited (BDMS) - Thailand

PTT Exploration and Production Public Company Limited - Thailand

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