



Crossing the talent divide

The people outlook from PwC's 21st CEO Survey

Executive summary

In part one of our CEO Survey this year, we saw that availability of key skills was the second-most pressing risk for New Zealand business leaders, behind cyber security. While New Zealand's benefited from reversing migration in the past few years, we're still seeing the country grappling with serious talent shortages.

What's more, these skill gaps sit in areas that are central to how local businesses stay competitive. We are well past the point where strong data skills are a nice-to-have, they're now at the core of what's going to keep our businesses ahead in 2018 and beyond.

So what can we do? We've been discussing talent shortages and the importance of building digital skills for years, but we need more action to match the talk.

Our survey identified the need for companies to both re-think the human resources structures for best managing their people and to develop a corporate purpose in order for organisations to be more attractive employers.

We must also look at how we partner with universities. CEOs are telling us we're not as good at this as overseas and that's got to change. Collectively we have to build a smoother pathway from studying to working. Businesses also have to be more explicit with education providers on the mix of skills they need, not just technical but soft skills as well.

This year's survey insights also reveal we have to find a strong balance in employee upskilling. It's an area more and more companies are investing in, but there's still a lot of confusion about what successful upskilling looks like. In my mind, it's about striking a balance between an organisation defining the skills they need and supporting staff as they pursue them, and staff putting in their own time to undertake self-directed learning.

More at the forefront of CEOs minds than ever before has to be employee experience, and this represents a positive shift in leadership mindset. A few years ago we talked about customer experience and how improving service offering would engender customer loyalty, retention and satisfaction. Now, we rightly see that employee engagement is one of the critical steps to reaping the rewards of that improved customer satisfaction.

Unsurprisingly, when it comes to evolving technologies, CEOs here in New Zealand are continuously aiming to complement roles affected by automation through re-skilling and new job creation.

I hope you enjoy this second part of our CEO Survey coverage, and find value in our deeper analysis of talent in the workforce.



Mark Averill
CEO and Senior Partner
PwC New Zealand

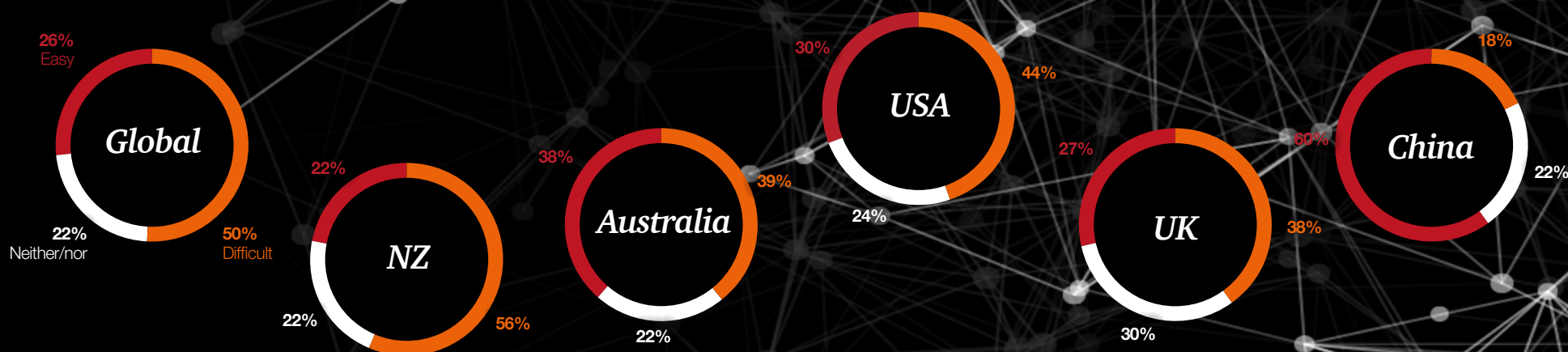
The people puzzle: how does New Zealand compare?

Availability of key skills is the second-greatest risk to business growth in New Zealand



Digital skills are a key area of weakness. New Zealand CEOs said they were struggling to access the digital talent they need.

Q: How hard is it to recruit staff with digital skills?*



This graphic excludes the 'Don't know' responses.

Just how big is the talent gap in New Zealand?

Concern about the availability of key skills is at the fore of many business conversations in New Zealand this year. As we saw in part one of our CEO Survey, the availability of key skills was the second-highest threat to growth for local businesses behind cyber security. We're an outlier here. Globally this concern is down at 5th while it's only the 14th greatest risk to growth for businesses in Australia.

While CEOs will be feeling the pinch across the board when it comes to attracting and retaining talent, there was one area where we dived a little deeper to really understand the depth of this challenge: digital.

The digital talent gap

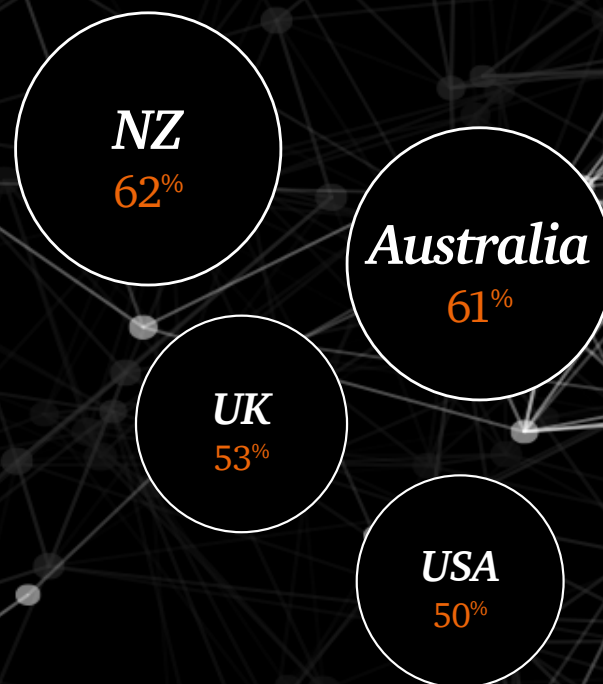
Digital is the word on everyone's lips at the moment, with companies searching for staff with the technical, and soft skills needed to navigate an increasingly virtual business world. There's a set of hard skills that are proving hard to find: data scientists, designers and programmers are all in short supply here in New Zealand, and that's putting pressure on employers to become more attractive.

CEOs in New Zealand are finding it hard to recruit the people they need. In fact, 56 per cent of local respondents said they're struggling to find the digital talent their organisation needs, one of the highest ratings in the countries we surveyed. A further 62 per cent said they thought New Zealand as a country was lacking in the digital skills needed to stay competitive in the 21st century.

It's important to note too that more and more companies are moving past setting up a stand-alone digital team and focusing on integrating digital ways of working into every part of their business. While this helps to embed digital ways of working, it also creates greater demand for digital experts who not only have skills in an area like data analytics, but who can also work within a marketing, sales or customer service team. It's that mix of hard skills in digital disciplines, and more general business acumen, that's driving this overall difficulty in finding the right staff.

How concerned are you about the availability of digital skills in your home country?

Percentage of CEOs who are concerned or very concerned



Automation nation

The question of the moment in businesses at every level is; “When will robots take my job?” The rise of machine learning and Robotic Process Automation is changing every profession, and it’s putting new pressure on our idea of what work looks like in 2018.

A PwC report earlier this year found that a quarter of roles here in New Zealand are at risk of automation in the next 20 years. While that’s a significant number, it’s well below the global rate of 30 per cent, thanks to the large number of roles the country has in hard-to-automate professions.

Despite these positive signs, automation is a very real trend that CEOs are grappling with, not just within their businesses but also in society more generally.

Of the 18 per cent of New Zealand CEOs who are reducing their workforce, 86 per cent said it was at least partially as a result of automation and other technologies.

So, while automation is proving popular among those CEOs who are cutting staff, the vast majority are still looking to add roles and to complement their existing workforce with automation.

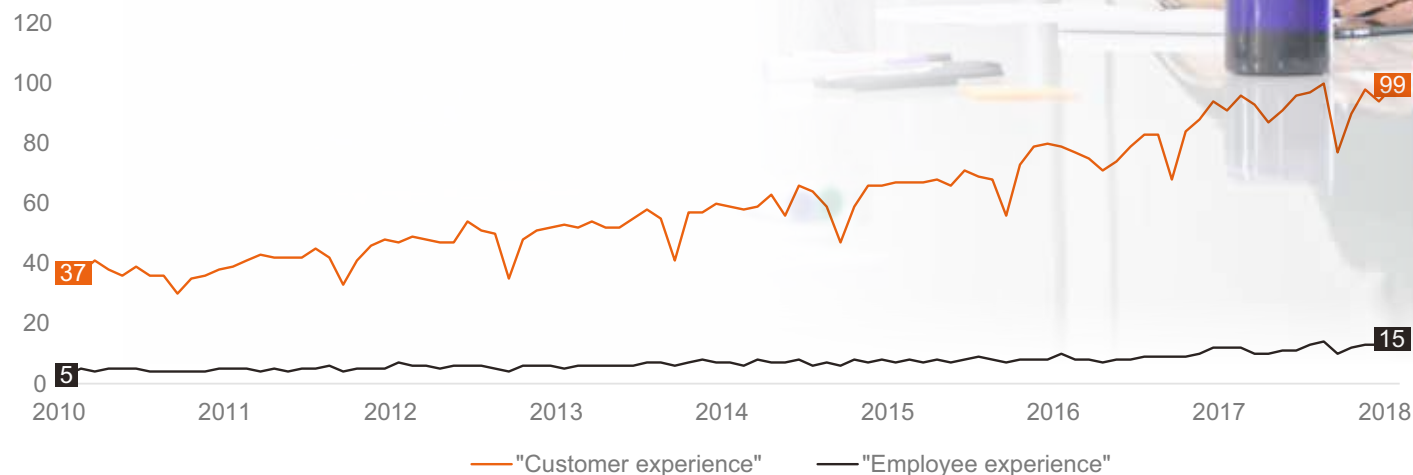
How firms are responding to this need for talent

There are now many policies companies are implementing to attract talent. At a more fundamental level, we're seeing companies rethink the way they engage with staff.

For the last few years, customer experience has been front of mind for CEOs, but this attention is now diverting to the employee experience. Business leaders are now recognising that a great customer experience isn't just delivered by seamless technology, it's delivered by employees who are passionate and committed to their work.

Employee experience is still catching up in awareness though, compared to customer experience. Consider this graph of the two search terms in Google from the last eight years. While both have tripled in search frequency over that time, employee experience remains a much less common search term. For now, at least.

Customer vs employee experience in Google searches



Source: Google Trends data, PwC Analysis. Retrieved on 16/4/2018.

So what will it take to address the skills gap New Zealand businesses are currently facing?

We've identified four areas in our research where local organisations can start to make inroads:

Working with universities

For all the talk of improving the skills pipeline, New Zealand CEOs we surveyed were actually a lot less likely than our global respondents to be working with universities to build a stronger talent pipeline. Almost half (41 per cent) reported they aren't working in any capacity with local education providers, globally it's only 22 per cent and China is leading with only 10 per cent of CEOs not working with educational institutions to develop digital talent.

Upskilling staff

Our survey results showed that CEOs here are aware of the importance of upskilling and retraining, especially in the face of automation, with 68 per cent expecting to retrain staff whose work is replaced by technology.

Upskilling has to strike a balance though. Businesses can't expect employees to take on retraining themselves, but equally they can't be expected to provide all training themselves in a formal structure. Flexible learning has to be the name of the game, with employers providing the structure and freedom for staff to reskill, and staff taking responsibility for their own learning.

Rethinking Human Resources

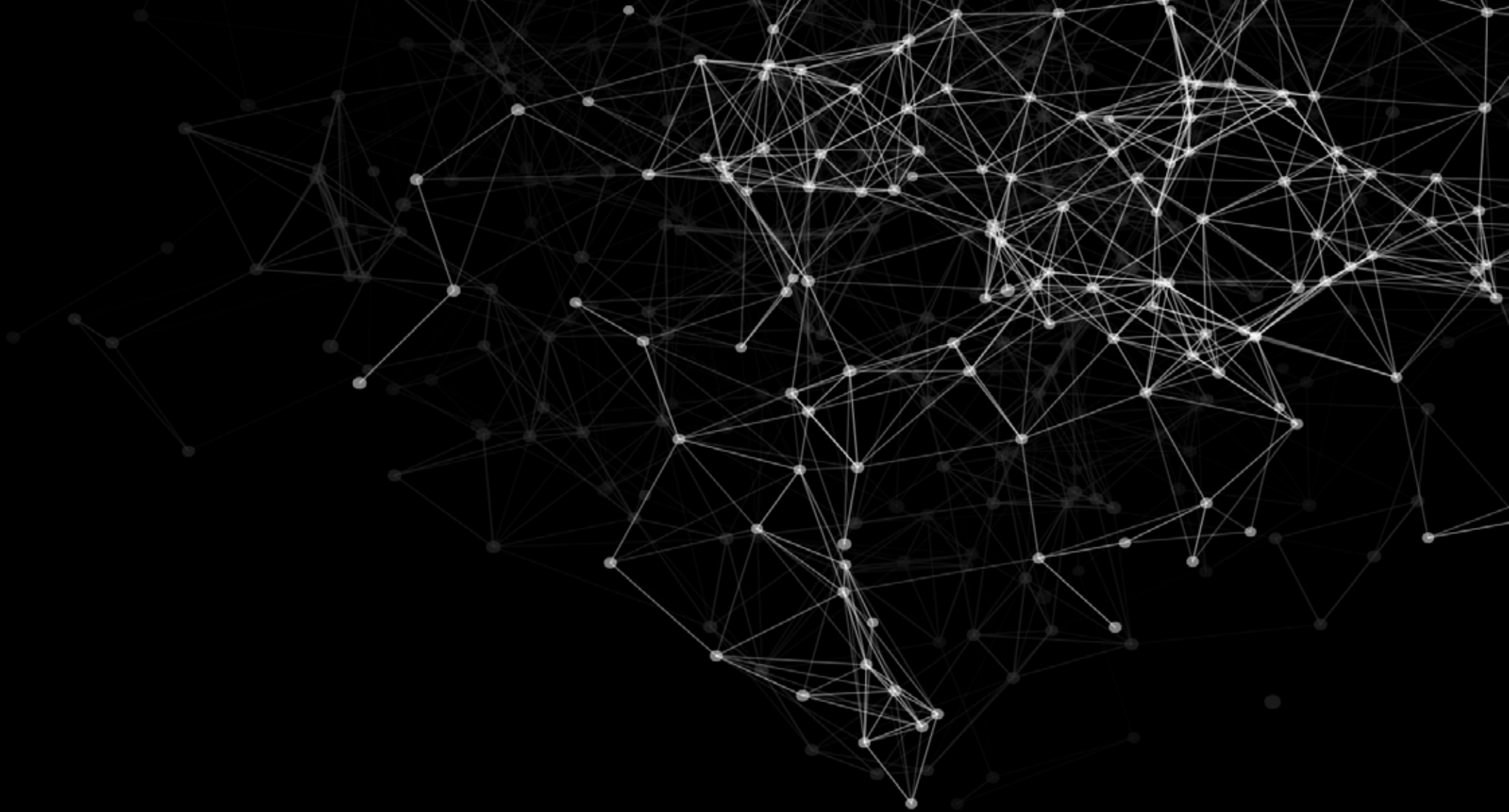
Yesterday's processes and policies aren't always going to be right for solving tomorrow's business problems. It's perhaps no surprise then that 41 per cent of CEOs here are rethinking their approach to HR. While still low by global standards (it's 60 per cent internationally and 73 per cent in China), it underscores how many companies in New Zealand are working to understand what support structures they need to have in place to best manage their people.

Putting corporate purpose to work

What makes a company an attractive employer? What are the triggers that will appeal to highly sought-after staff as they look for new opportunities? While every employee is different, we're seeing a growing awareness that strong corporate purpose is key.

We're already seeing the results of this renewed focus. When we asked CEOs how they were building trust with their workforce, the top strategy was to be transparent with the organisation's values.





About the New Zealand report

1,293 CEOs from New Zealand and around the world took part in our 21st CEO Survey, completing an online survey between September and November 2017.

The global survey was released at the World Economic Forum held in Switzerland on 16 January 2018. It provides a unique snapshot of how business leaders across New Zealand and around the world are planning for growth in 2018.

© 2018 PricewaterhouseCoopers New Zealand. All rights reserved. 'PwC' and 'PricewaterhouseCoopers' refer to the New Zealand member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

