OPINION

Selecting internal talent for promotion

IN THE WORKPLACE
REY ELBO

ELBONOMICS: If you don't promote someone from within, what does it tell you about your own competence?

Headhunters are having difficulty finding candidates to fill a management post after a long-time employee retired this year. Aside from headhunting, what's the best way to find a suitable replacement? — Blind Mice.

I'm using the name "Blind Mice" (jokingly) to highlight what you're missing in the process of succession planning to ensure business continuity. Talking to executive headhunters suggests that they don't have a program designed to discover and nurture internal candidates.

Even without a formal succession plan, you should have known a long time ago that someone is retiring. That means you should have actively prepared some people as a possible replacement, assuming that your management decides to distribute the tasks to those who can perform them, which you need to explore as an option.

You can't hide behind the excuse that the organization lacks internal talent. There's no such thing if you know how to discover and nurture people so they can fit into management roles later on. Even if there are many internal candidates, the best approach is to send them to an external service provider who can assess their readiness for the job.

SIX STEPS

Forget the headhunters for a while. Instead, let's focus on the many options that you can pursue under the circumstances. First and foremost, you must promote someone from within the organization. There's no better choice but to look for talent inside the organization, even if the soon-to-retire executive believes no one can replace him yet.

Ignore him. After all, he shares the blame for the lack of talent and the unpreparedness of potential successor to assume the job. Now, do the following:

One, formalize the internal job vacancy announcement. Give applicants a reasonable timeline — not more than three weeks — to apply so potential candidates do not drag their feet. This allows candidates from other departments to come forward and bid for the position.

Outline the application process so internal candidates will know how to proceed, including the need for all applicants to undergo external assessments and the relevance of their performance over the last five years.

Two, require applicants to undergo a competency test. This is the best way to ensure objectivity in the process. Even if there's only one candidate, it's best for him to undergo such evaluations so that your organization will know if they're fit for the job. If there appear to be many potential candidates, a service provider can recommend their number one choice for the job.

Three, ensure the completeness of the provider's system. Central to this is the assessment center approach that includes the in-basket experience, case study and analysis, group discussions and role-playing, among others. All this must include the most common situations that are often experienced by the incumbent.

The more difficult the simulated situations are, the better that all candidates be put through them.

Four, decide on the result of the competency test. Even if all candidates fail the test, choose the candidate with the highest rating. Don't stop there. Validate your decision by reviewing the performance of that candidate over the last five years. You may also include other job requirements but ensure they're all objective and are included in the job vacancy announcement.

Five, consider other relevant leadership factors. This includes the candidate's critical thinking skills, amiability, ability to work in teams, attitude, willingness to volunteer time and many more. Again, these requirements may be included in the job vacancy announcements so that candidates know where they stand at the outset.

Six, use seniority as a tie-breaker. Candidates with the most years of service must not be considered automatic shoo-ins for any promotion, especially if they show an average performance rating or poor attendance.

Last, create an ad hoc management committee to decide. You may include the incumbent executive in the committee. But be cautious about how the incumbent could derail the process or delay the proceedings. Remember that he was part of the problem for not ensuring that a successor is ready to come onboard anytime.

If you suspect as much, prepare for any eventuality. At any rate, I'm sure the department heads have a better sense of what to do, especially if they know that the outcome of the process will greatly benefit the organization's future.

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SGV, Phinma sign deal for teacher tech training

SGV & CO. and Phinma Education Holdings, Inc. have agreed to provide the latter's school teachers with upskilling and training programs covering technology trends in education.

In a statement on Thursday, SGV said the partnership was signed on Aug. 8 in Makati City, and will allow Phinma schools to participate in the SGV iTeach Program, which currently has 7,000 participants, teachers as well as students.

"The program aims to enable educators by updating them on the latest accountancy and technology trends and helping them bridge the gap between theoretical principles and actual practice," it said.

"The SGV iTeach Program aligns with the Firm's commitment to continue its late founder Washington Z. SyCip's advocacy for lifelong learning."

The training programs will have guest lecturers and employ the case method.

SGV said it plans to develop an online platform that teachers can use to collaborate and share modern teaching methods.

The Asian Development Bank (ADB) has said the Philippines needs to boost its adoption of education technology to better prepare its workers, who face the risk of job losses as automation takes hold.

"Preparing for the jobs of tomorrow will require workers to have a robust skill set with technological, higher-order cognitive and behavioral skills underpinned by strong foundational skills developed through solid primary and secondary education," the ADB said in a July report. — **John Victor D. Ordoñez**

China slowdown triggers exodus from big cities

BEIJING — Almost half of Chinese undergraduates returned to their hometowns last year within six months of graduation, state media reported, with the proportion rising to 47% from 43% in 2018 amid a sagging job market.

Feeling the pinch of rising living costs, jobless Chinese youth have been leaving mega-cities, traditionally the stepping stone to middle-class wealth and beyond, for their hometowns with a slowing economy this year further pushing them away.

The proportion of undergraduates returning home six months after graduation climbed to 47% in 2022 from 43% in 2018, state-run China News Service reported, citing a private sector survey.

Those going home varied, with the well-developed east seeing the highest percentage of 59% versus 44% in the west and 24% in the northeast rust belt.

China's youth jobless rate jumped to a record 21.3% in June with limited offers during the traditional job-hunting season, alongside a dim economic outlook, employment mismatch, salary cuts and previous regulatory clampdown that bruised the property, tech and education sectors.

Also pushing the young to return home are continued increases in rents. Among China's biggest first-tier cities, rents in Beijing soared 5.0% by the end of June from December followed by 2.8% gains in Guangzhou and Shenzhen, according to state-run Xinhua news agency.

The rental market is widely expected to heat up in August, with fresh graduates looking to find lodgings in big cities. The education ministry has predicted the number of 2023 graduates would reach 11.58 million, up 820,000 from last year. — ***Reuters***

FDI,

from S1/1

Nonresidents' net investments in equity capital (other than reinvestment of earnings) reached \$235 million, more than doubling from \$91 million a year ago.

Equity capital placements surged by 148% to \$257 million, while withdrawals jumped by 70% to \$22 million.

The equity placements were mainly from Germany, Japan and the United States. These were invested mostly in the manufacturing and real estate industries.

Reinvestment of earnings slipped by 5.4% to \$91 million.

For the first five months of the year, total FDI net inflows slumped by 20.8% to \$3.41 billion from \$4.3 billion of net inflows in the same period last year.

Reinvestment of earnings also declined by 6.4% to \$370 million.

Meanwhile, investments in equity capital rose by 4.1% to \$632 million in five months, as placements rose by 16.5% to \$791 million. Equity withdrawals surged by 120% to \$159 million.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said elevated inflation and higher interest rates have raised the cost of investments.

Uncertainty surrounding the US debt ceiling in May also added to investor concerns, he said.

China Banking Corp. Chief Economist Domini S. Velasquez said net FDI inflows remained weak due to a more challenging global environment.

The Philippines also appears to be a less attractive investment destination compared with neighbors like Indonesia, Thailand and Vietnam, she said.

"This is despite the various liberalization laws passed by Congress. Philippine-specific factors, such as high electricity rates, the state of the country's infrastructure, and red tape could be possible factors preventing investor interest," Ms. Velasquez said.

Mr. Ricafort said membership in the Regional Comprehensive Economic Partnership trade deal would help attract more FDIs in the coming months.

Eventual policy rate cuts, especially in 2024, would help reduce borrowing costs for investments, he added.

The central bank sees FDI net inflows reaching \$9 billion this year. — **Keisha B. Ta-asan**

Pause,

from S1/1

Ryota Abe, an economist of the Global Markets and Treasury Department, Asia Pacific Division at Sumitomo Mitsui Banking Corp. (SMBC), said weak economic growth could prompt the central bank to cut rates later in the year.

"The latest GDP data will no doubt make BSP more wary than ever of an economic slowdown. BSP's concern is expected to shift from inflation to the economy going forward," Mr. Abe said in a note.

He noted that elevated prices and high interest rates have had a moderately negative impact on household consumption.

However, since the BSP is still concerned about high inflation, it will be difficult to start easing immediately, Mr. Abe said.

The policy rate may be kept at 6.25% at the Aug. 17 meeting.

"Currently, there are concerns in Asia about a sharp rise in rice prices and food prices due to the El Niño phenomenon. In light of these factors, it is likely that data will not confirm that inflation has fallen sufficiently until the November meeting," Mr. Abe said.

Makoto Tsuchiya, an assistant economist at Oxford Economics, said he expects the BSP to keep rates steady next week.

"Inflation is steadily declining, and the peso is not at the level that will prompt the BSP to hike to fight against depreciation pressures," he said.

However, second-quarter GDP data raised the possibility that the central bank may start cutting before the yearend, as the Philippine economy is starting to feel the pain of monetary tightening, he said.

"Given the bleak outlook for the global economy, the BSP may feel the need to prop up domestic demand by pivoting sooner," he said.

Meanwhile, the BSP governor also said they are comfortable with the narrower interest rate differential with the US Federal Reserve.

"What the market seems to be focusing on is what happens on the differential over time. Forward guidance from the Fed matters, forward guidance from the BSP matters," he said.

The US central bank raised the federal fund rate target by 25 bps to 5.25-5.5%, the highest level in more than two decades.

Mr. Abe said the BSP might even cut rates ahead of the US Federal Reserve, as SMBC only expects the Fed to start easing in the first quarter next year.

"Based on the view that BSP cuts rates first, the interest rate differential between the US and the Philippines will narrow. From this perspective, the possibility of the peso depreciating against the dollar cannot be ruled out," he said.

"If the rise is significant, BSP may hesitate to cut rates, even if the economic slowdown intensifies. As such, a rate cut by BSP in the near future can be justified from the real economy perspective, but not if there is excessive volatility in the currency markets," he added.

After Aug. 17, the BSP will hold policy-setting meetings on Sept. 21, Nov. 16, and Dec. 14. — *with* **Luisa Maria Jacinta C. Jocson**

Rich list,

from S1/1

The six Sy siblings, namely Teresita, Elizabeth, Henry Jr., Hans, Herbert and Harley, are still the richest in the Philippines with a combined net worth of \$14.4 billion, \$1.8 billion higher than the previous year's \$12.6 billion. They inherited the wealth from their late father and SM Group founder Henry Sy, Sr., who was the richest man in the Philippines until his death in January 2019.

Property tycoon and former politician Manuel B. Villar is the second richest on the *Forbes* list as his net income increased by \$1.9 billion to \$9.7 billion this year. He is still the wealthiest person on the *Forbes* list.

Mr. Villar owns several listed companies, such as Vista Land & Lifescapes, Inc., VistaMalls, Inc., Golden MV Holdings, Inc., VistaREIT, Inc. and Premiere Island Power REIT, which raised about P2.4 billion when it went public last year.

Ranked third on the list is Enrique K. Razon, Jr., chairman and president of International Container Terminal Services, Inc. (ICTSI). His net worth jumped by \$2.5 billion to \$8.1 billion.

Mr. Razon is this year's biggest dollar gainer on the list, as shares in ICTSI surged by 24% year on year.

San Miguel Corp. (SMC) President and Chief Executive Officer (CEO) Ramon S. Ang is now the fourth-richest in the Philippines, climbing five spots on the list. His net worth surged by 40% to \$3.4 billion after his company Eagle Cement was acquired by San Miguel Equity Investment, Inc. for about P12.62 billion.

On the fifth spot is Tony Tan Caktiong, Jollibee Foods Corp. founder and chairman, whose net worth increased by \$600 million to \$3.2 billion.

The Aboitiz family ranked sixth with an 8.6% increase in net worth to \$3.15 billion.

Ranked seventh on the *Forbes* list are JG Summit Holdings, Inc. President and CEO Lance Y. Gokongwei and his siblings, as their net worth slipped by 3% to \$3 billion.

DMCI Holdings, Inc. Chairman Isidro A. Consunji and his siblings ranked eighth on the list as their net worth increased by 9% to \$2.9 billion.

Former Ayala Corp. Chairman Jaime Zobel de Ayala and his family are in ninth place as their net worth rose by 7.6% to \$2.8 billion.

Rounding out the top 10 is Lucio C. Tan, chairman and CEO of LT Group, Inc., with a net worth of \$2.6 billion.

The three new entrants to the *Forbes* list all inherited their wealth.

The Gotianun family, who inherited the wealth of Filinvest group co-founder Mercedes Gotianun after her death last year, ranked 22nd on the list with a net worth of \$850 million.

The Yuchengco family, heirs of tycoon Alfonso Yuchengco and the biggest shareholder of Rizal Commercial Banking Corp., landed 33rd place in the list with a net worth of \$420 million.

Lopez Holdings Corp. CEO Federico R. Lopez and his family ranked 42nd on the list with a net worth of \$300 million. He took over the Lopez Group after his father Oscar died in April.

The minimum net worth to make it to the list was \$180 million, down from \$185 million in 2022, according to *Forbes*.

BEST UNDER A BILLION

Meanwhile, four Philippine companies were included in *Forbes Asia*'s latest list of top-performing publicly traded small and mid-sized companies in the Asia-Pacific region.

The four companies included this year are Cityland Development Corp., D&L Industries, Inc., SSI Group, Inc., and Wilcon Depot, Inc.

The annual "Forbes Asia's Best Under A Billion" includes the top 200 companies out of 20,000 publicly listed companies in the region with sales above \$10 million and below \$1 billion.

"Companies on this year's list outperformed despite stiff global headwinds like inflation and rising funding costs," *Forbes Asia* said in a press release. — **AHH**