

Resetting Horizons
Human Capital Trends 2013



It gives us great pleasure to share with you “Resetting Horizons,” our Global Human Capital Trends 2013 report.

Through analysis, conversations with clients, interaction with experts and industry professionals, and extensive discussions with senior Deloitte Human Capital partners and practitioners around the world, we have identified the critical current and emerging trends shaping talent, HR and global business over the next few years. The 13 trends identified by our global human capital practice leaders cover a range of challenges, from:

- Exploring new approaches, spanning from next generation leadership strategies to the open talent economy;
- To focusing on improving the execution of critical HR priorities, from talent development to human capital analytics.

Taken together, the 2013 global human capital trends present an evolving and shifting talent and HR agenda.

In order to gauge the intensity and relevance of the 2013 global human capital trends we identified, Deloitte conducted an extensive survey of more than 1,300 business leaders and HR executives in 59 countries across the world’s major economic regions. These results both inform and amplify the findings of this report. In addition to this global report, member firms across the Deloitte network will be issuing “country forwards” accompanying this report and highlighting the relevant trends and findings for national markets.

On behalf of the partners and more than 5,500 practitioners across the globe, we are pleased to present this report. We sincerely hope that you find the insights in this report useful and relevant to your organization as you chart your business, HR and talent agenda.



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Global Human Capital Trends 2013

Looking beyond continued uncertainty, the world's leading organizations are raising their sights, and pivoting from the great recession to the new horizons of 2020 with a focus on talent, globalization, growth, and innovation. This report introduces 13 global trends that are driving critical business and human capital decisions. The report provides information on these trends across global markets through results of a survey of over 1300 business and HR professionals from 59 countries. www.deloitte.com/hctrends2013



Exploration

Leadership.Next: Debunking the superhero myth

Yesterday's leadership theories are not keeping pace with the velocity of today's disruptive marketplace. Organizations are seeking a new model for the age of agility.

www.deloitte.com/leadershipnext



How Boards are Changing the HR Game

To seize new opportunities for sustainable growth and manage heightened risks, boards of directors at high-performing organizations are pulling CHROs much deeper into business strategy—and far earlier in the process.

www.deloitte.com/boardschangingHR



Leading Talent From the BRIC

In an era of pervasive globalization, organizations are building multi-directional talent networks that are not only geared toward existing markets, but can also power new emerging markets.

www.deloitte.com/leadingfromtheBRIC



A Global Diversity Dividend

In the midst of ongoing global expansion and a worldwide shortage of critical talent, companies are stepping up efforts – at very different speeds and levels of investment – to recruit and retain a workforce diverse in both demographics and ideas.

www.deloitte.com/diversitydividend



Workplaces of the Future: Creating an elastic workplace

Workplace flexibility has become table stakes for attracting and retaining employees. Now companies must align their flexibility strategy with their core strategy to realize the benefits.

www.deloitte.com/workplacesofthefuture



The Open Talent Economy

Jump ahead to the year 2020. Half the people you rely on don't actually work for you and that's a good thing—if you're ready.

www.deloitte.com/opentalent



Execution

Organization Acceleration

Faced with tougher, more numerous challenges, today's organizations are demanding more from their change initiatives by pursuing strategies that are customized, precise, and sustainable.

www.deloitte.com/orgaccelerationtrend



The War to Develop Talent

The talent management pendulum is swinging from recruitment to development.

www.deloitte.com/developoalent



Transforming HR to Meet New Business Priorities

HR transformation efforts are continuing to shift their focus to business priorities, concentrating on areas such as talent, emerging markets, and the HR organization.

www.deloitte.com/transformingHR



Branding the Workplace: Innovating the talent brand

Social media has erased whatever lines used to exist between the corporate brand and the talent brand. They're two sides of the same coin.

www.deloitte.com/talentbrand



The Aging Workforce: Finding the silver lining in the talent gap

Organizations can capitalize on shifting retirement patterns to help narrow their talent gap.

www.deloitte.com/agingworkforce



The Performance Management Puzzle

Some say traditional ways of managing employee performance are irrelevant in today's fast-changing work environment. Others argue that these methods drive accountability and differentiated compensation. Both are right.

www.deloitte.com/performancepuzzle



Human Capital Analytics: Thinking like an economist

Increasingly, many HR leaders have to answer questions that have an economic issue at their core—the allocation of a scarce resource called talent.

www.deloitte.com/HCEconomist

Resetting Horizons

Five years after the onset of the Great Recession, companies are beginning to reset their horizons. For the last several years, human capital decisions have been largely shaped by that recession and its aftermath of weak economic growth. While the global economy continues to lurch forward, the Deloitte Global Human Capital 2013 Trends report finds companies pivoting from the recession to the new horizons of 2020.

Today, the world's leading organizations are raising their sights, broadening their focus and leaning forward. These companies understand that uncertainty is still part of the business landscape; but instead of merely reacting to change, they are harnessing it and turning it into a business advantage. They recognize that, in a world that is changing rapidly, the speed with which organizations adapt has become a critical business capability.

This reset occurs at a time when the talent agenda itself is undergoing a dramatic revision – with significant implications for CHROs and all senior business leaders worldwide. At today's leading organizations, talent is becoming entirely integrated into business strategies, capital investments and operations. Human capital issues command increasing attention and, in some cases, have become a permanent fixture on board agendas. Senior business leaders consider talent to be perhaps the critical factor in the push for sustainable growth and the need to manage new opportunities and risks in a more complex—and interdependent—world. Whether the growth strategies today are based on new innovative products and services, new market entry or through mergers and acquisitions – all are dependent on talent as the core foundation for success.

As a result, talent is now driving decisions that touch deeply on an organization's core strategy: How should we expand into new markets and which markets offer the best opportunities? Do we have the people we need to drive new product innovation? Is this the best company to acquire and can we integrate successfully? How should we organize our business in a post-digital world driven by social media, mobile technology, and universal access to "big data?"

Listening to clients, conversing with experts and conducting research, senior members of Deloitte's Human Capital team have identified 13 global trends that we believe are driving human capital decisions. Our goal was not to look decades ahead and make predictions about a future that may or may not come to pass. Instead, we sought to identify changes currently afoot that are already shaping the future of organizations, whether they realize it or not.

In our research, two categories of trends emerged: those that are pushing business leaders to explore new paths and new solutions and those that require executives to change the way they execute their talent and business strategies. The report is divided into these two sections: Exploration and Execution.

To better understand the global relevance of these trends, Deloitte conducted a survey of more than 1300 HR and business leaders in 59 countries. The survey results suggest that the 13 global trends presented in this report vary by level of intensity and maturity – from **leading trends** (those considered highly relevant over the next year) to **rising trends** (those considered relevant in the next 1-3 years) to **emerging trends** (those relevant in the next 3-5 years).

Human Capital Trends 2013

	Exploration	Execution
Leading (highly relevant now)	<ul style="list-style-type: none"> Leadership.Next How boards are changing the HR game 	<ul style="list-style-type: none"> Organization acceleration War to develop talent Transforming HR to meet new business priorities
Rising (relevant next 1-3 years)	<ul style="list-style-type: none"> Leading talent from the BRIC Global diversity dividend Workplaces of the future 	<ul style="list-style-type: none"> Branding the workplace Aging workforce Performance management puzzle
Emerging (relevant next 3-5 years)	<ul style="list-style-type: none"> Open talent economy 	<ul style="list-style-type: none"> Human capital analytics

Deloitte believes the real challenge for business and HR leaders today is to ask: What are we doing today to get in front of these trends? How do we make them work for us, rather than against us? In short, what are we going to do differently and how are we going to do it?

It is time to reset human capital horizons. Deloitte looks forward to having this discussion with you.

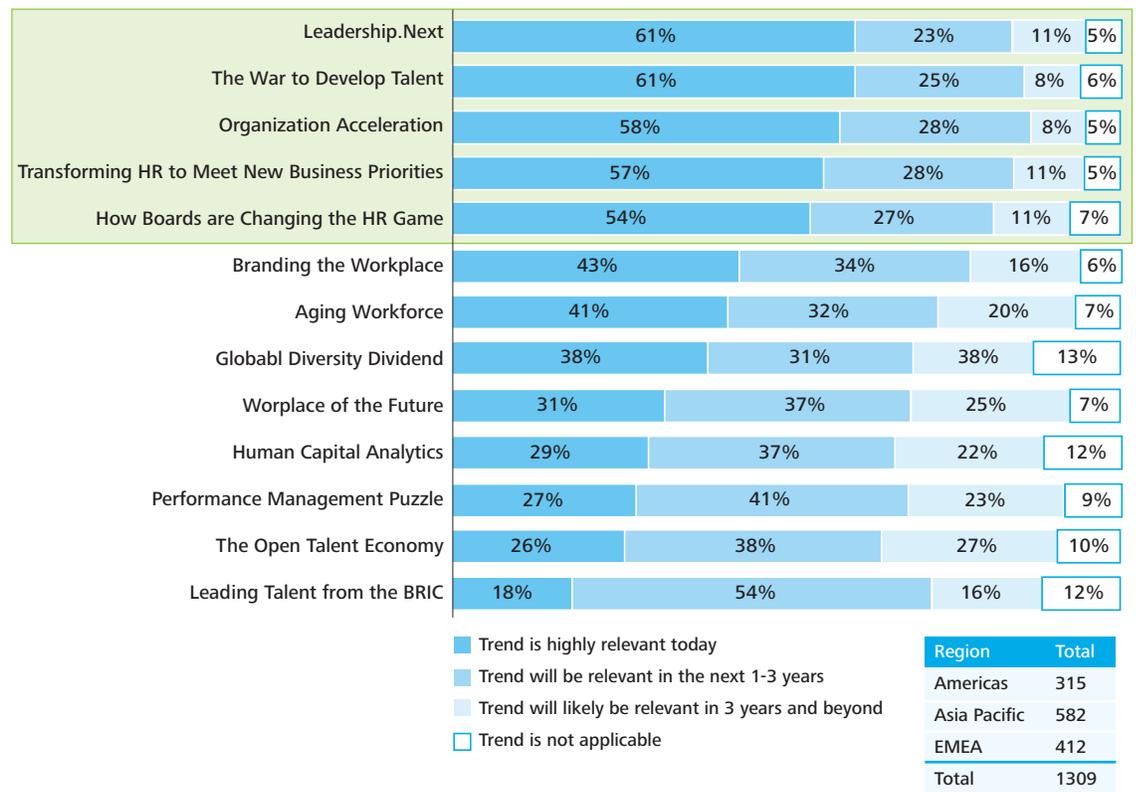
Global Trends Summary

In order to gauge the intensity and relevance of the 2013 global human capital trends we identified, Deloitte conducted a comprehensive survey of more than 1,300 business leaders and HR executives in 59 countries comprising the world's major economic regions. One of our goals was to determine which trends are playing the most significant role today and which are further out on the horizon – or, as we categorized them, which trends are *leading* and highly relevant today, which trends are *rising*, relevant in the next one to three years, and which trends are *emerging* and will be relevant in the next three to five years.

The survey results show that all of the 13 trends we have identified are on the minds of today's corporate executives. At least two-thirds of survey respondents considered all of the trends to be either highly relevant or relevant now and over the next few years.

In our research, two categories of trends emerged. One category is "Exploration," or trends that are pushing business leaders to explore new Human Capital paths and new solutions. The other trend category is "Execution" – trends that require executives to change the way they execute their talent, HR and business strategies.

Top 5 global leading trends



Leading trends

The survey clearly identified five leading trends that are currently shaping – or should be shaping – talent and HR strategies and programs right now. The trends that emerged as most highly relevant today include:

- Leadership.Next
- How Boards are Changing the HR Game
- Organization Acceleration
- The War to Develop Talent
- Transforming HR to Meet New Business Priorities

Rising trends

While the five leading trends are clearly top-of-mind for executives today, there was also a relatively strong consensus regarding which trends are on the rise.

More than seven in ten of the executives who participated in the survey identified Branding the Workplace (77%), The Aging Workforce (73%) and Leading Talent from the BRIC (72%) as relevant now or in the next three years. Survey participants also agreed that Workplaces of the Future (68%) and the Performance Management Puzzle (68%) would be trends rising on talent agendas through 2017.

Emerging trends

Emerging trends may not be as actively shaping current talent approaches, but they promise to be relevant in the years to come. According to the global executives who participated in the Deloitte survey, trends that are just emerging now include The Open Talent Economy and Human Capital Analytics.

Leading, rising and emerging trends

	Exploration	Execution
Leading Trends	<ul style="list-style-type: none"> Leadership.Next 84% How Boards are Changing the HR Game 82% 	<ul style="list-style-type: none"> Organization Acceleration 87% The War to Develop Talent 86% Transforming HR to Meet New Business Priorities 84%
Rising Trends	<ul style="list-style-type: none"> Leading Talent from the BRIC 72% Global Diversity Dividend 69% Workplace of the Future 68% 	<ul style="list-style-type: none"> Branding the Workplace 77% Aging Workforce 73% Performance Management Puzzle 68%
Emerging Trends	<ul style="list-style-type: none"> The Open Talent Economy 64% 	<ul style="list-style-type: none"> Human Capital Analytics 66%

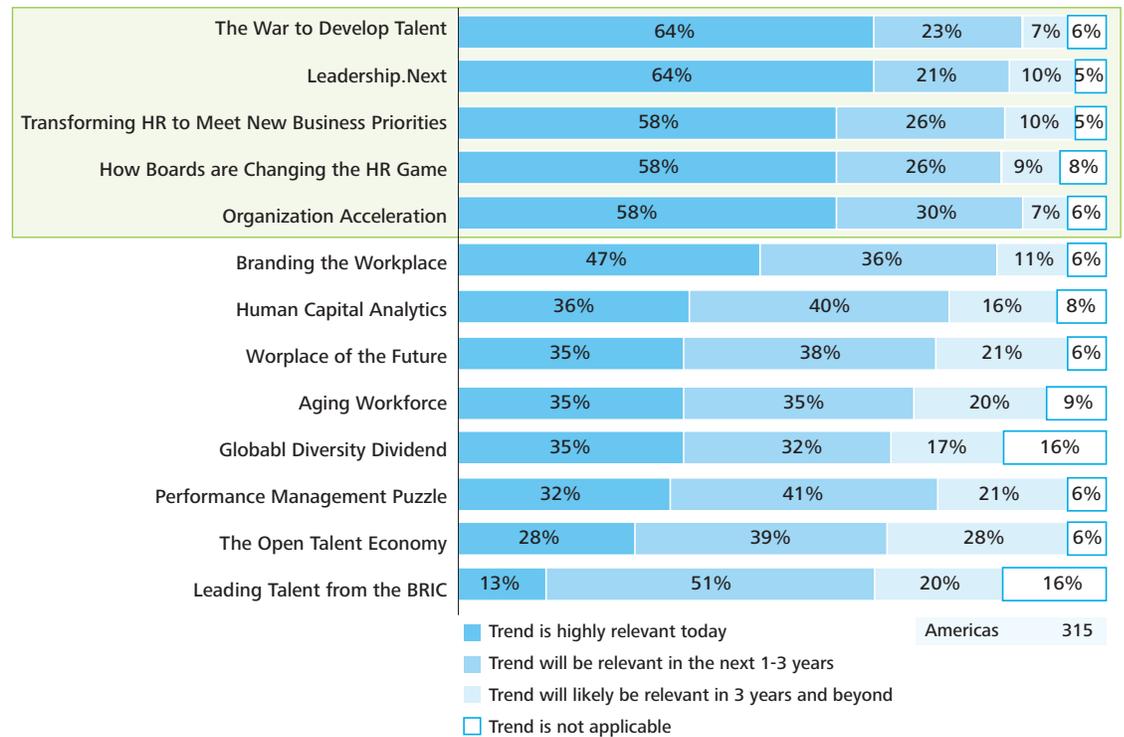
The percentages indicate the total percentage of respondents rating the trend relevant now or in the next 1 – 3 years.

Trends by region

While the top five trends remain consistent across the three major global regions, executives report that some trends are more pressing today than others. Talent and HR leaders and business executives in the Americas, for example, are more focused on the War to Develop Talent than their counterparts in Asia.



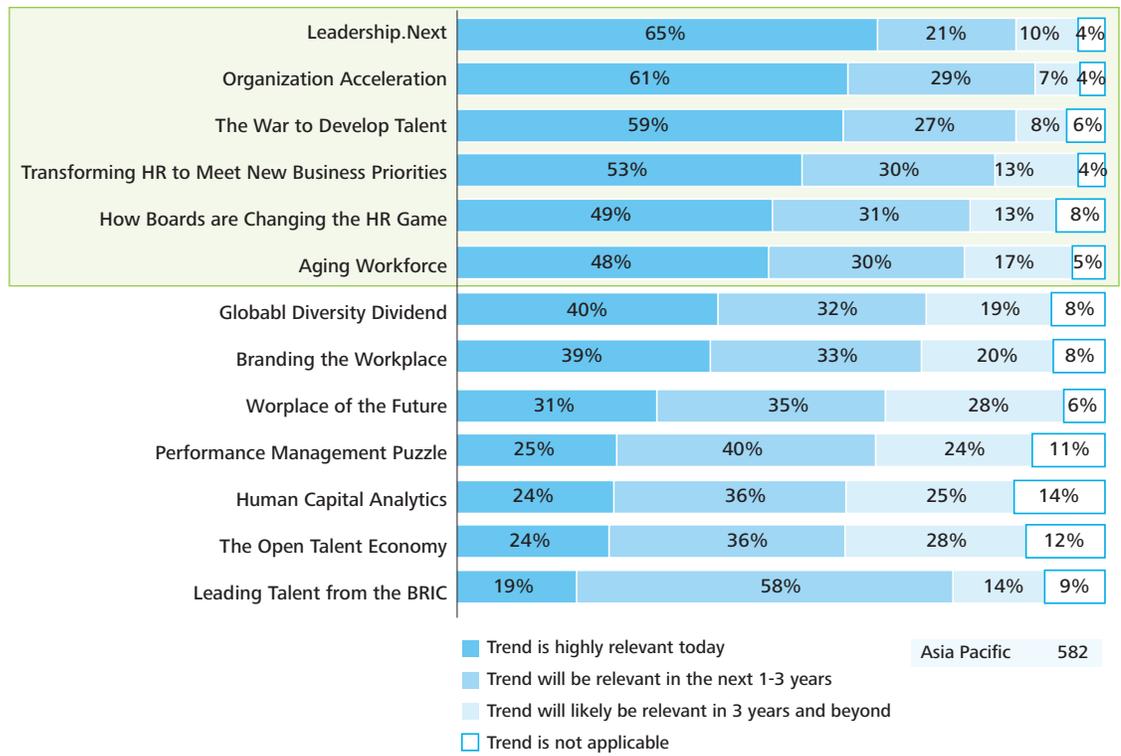
Top 5 leading trends in Americas



By contrast, executives in the Asia Pacific region are most strongly focused on the need to develop their leadership pipelines and prepare the next generation of leaders within their organizations. This emphasis on leadership development may be driven by concerns over another highly relevant trend in the region – The Aging Workforce. In fact, executives from Asia Pacific were the only ones to cite workforce aging as one of the top five trends facing their organizations today.



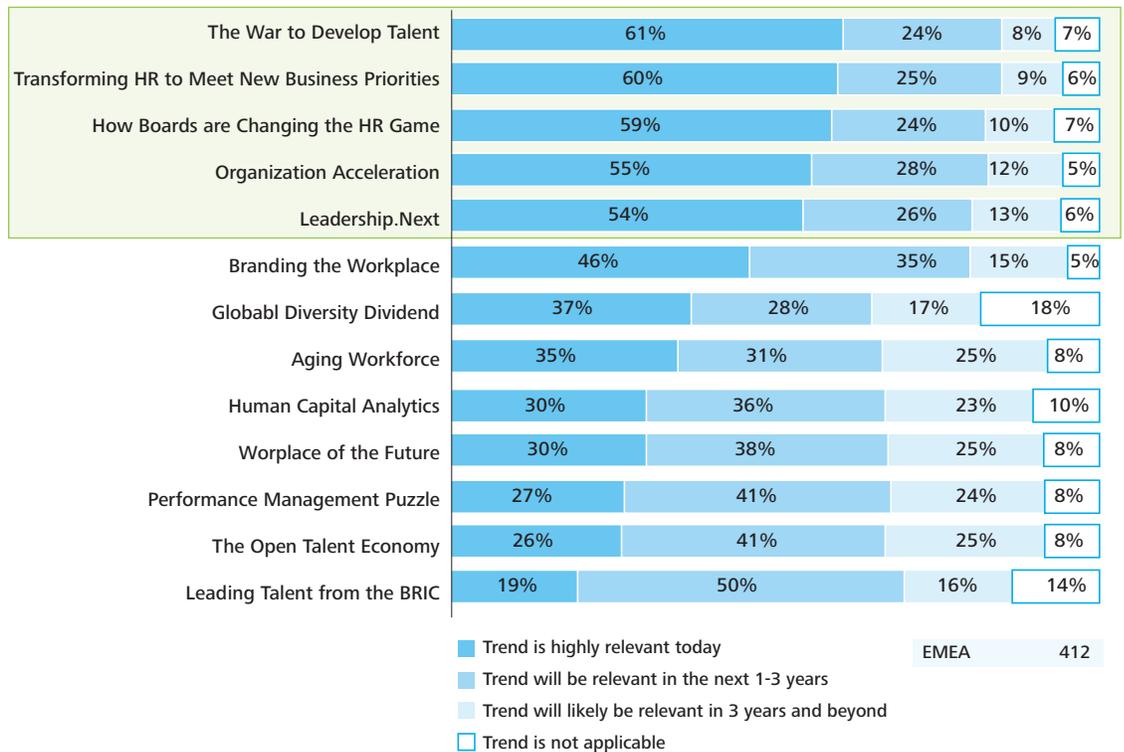
Top 6 leading trends in Asia Pacific



In Europe, the Middle East and Africa (EMEA), business leaders cite talent development as today's most pressing trend, similar to their counterparts in the Americas. However, Transforming HR to Meet New Business Priorities also ranked highly, along with boards of directors increasingly engaged on the talent front. Both suggest that EMEA executives are more tightly focused on better aligning HR with overall business strategy.



Top 5 leading trends in EMEA



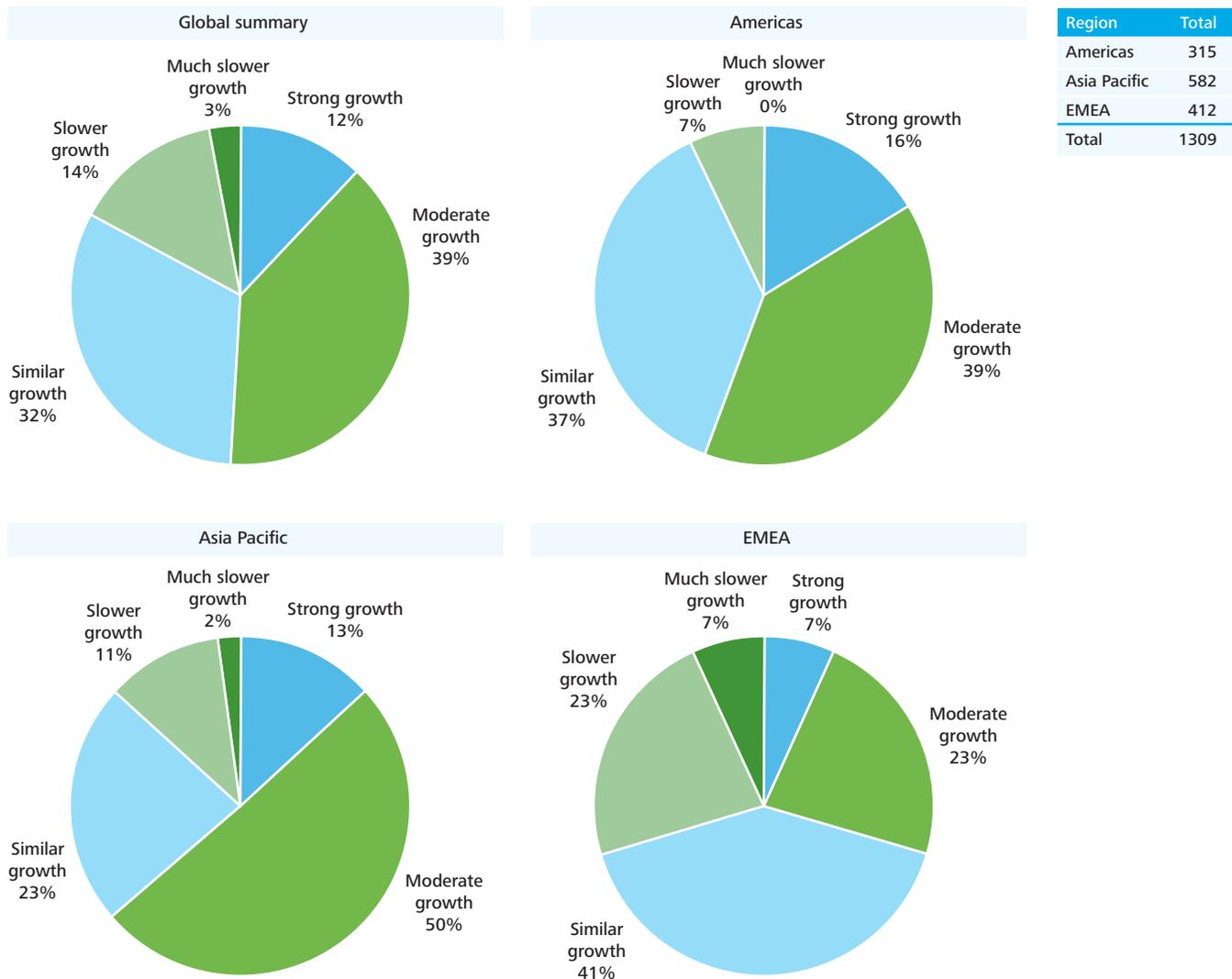
A pivot point in economic expectations

Many executives who participated in Deloitte’s survey appear to recognize 2013 as a pivot point in terms of economic expectations, with recession fears fading and optimism growing as they look toward the year ahead. According to our survey, a majority (51%) believes their company will enjoy either moderate (39%) or strong (12%) growth in 2013.

Economic optimism is not uniform across all regions, however. Growth prospects look much brighter to business leaders in the Asia Pacific region, where nearly two thirds (63%) of executives are looking for strong (13%) or moderate (50%) growth in the coming year. More than half (55%) of Americas’ business leaders also report confidence for expansion in the next several months – with 16% saying that growth will be “strong,” the highest of any region.

Only in EMEA are prospects for growth less than robust. Only 30% of EMEA executives forecast moderate (23%) or strong (7%) growth this year, while 41% expect growth to be flat as compared to 2012.

General Business Outlook in 2013 compared to 2012



Most executives see need for HR and talent upgrades

While nearly four in ten (38%) respondents rate the strength of HR and talent programs as “adequate” very few believe their HR programs are truly exceptional. In fact a mere 3% rated their talent programs as “world class” across the board. This reflects a renewed desire to strengthen corporate talent development.

Although a larger group of executives surveyed – one in five (21%) – believe that their programs are “world class” in some areas, far more executives express concern about their talent programs. More than one in three (37%) of business leaders surveyed say their HR and talent programs require “significant” (23%) or even “radical” (14%) improvements.

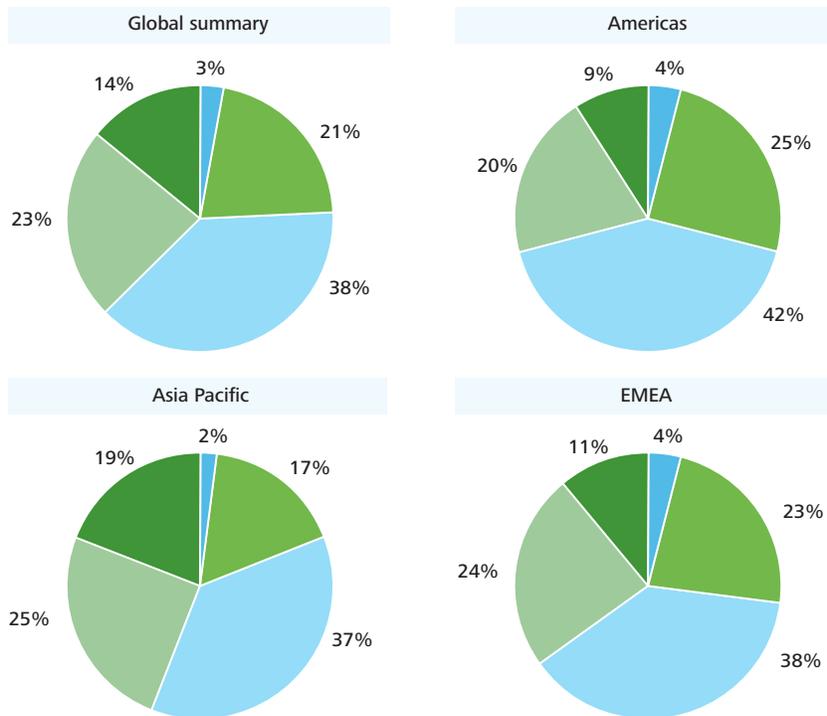
Executives in the Americas are most likely to express confidence about the strength of their programs. While only

a handful (4%) tout their programs as “world class” across the board, one in four (25%) say they are “world class” in at least some areas. However, a nearly equal percentage reports their talent programs need “significant” (20%) or “radical” (9%) improvement.

Just over a quarter of EMEA survey participants believe their talent programs are either “world class” overall (4%) or “world class in some areas” (23%), compared to 35% who report their organization’s programs are in need of “significant” (24%) or “radical” (11%) improvement.

Executives from Asia Pacific appear to have less confidence than their counterparts in the quality of their talent programs, with fewer than one in five (19%) rating them as “world class” overall (2%) or “world class” in some areas (17%). By contrast, 25% suggest their talent programs require “significant” improvement and another 19% see the need for “radical” overhaul.

Most Executives See Need for HR and Talent Upgrades



- We are world class in HR and Talent programs
- We are world class in some areas of HR and Talent programs while we need to improve in several key areas
- We have adequate HR and Talent programs for our industry but we need to improve
- We are getting by in HR and Talent programs but significant improvements are needed
- We are underperforming in HR and Talent programs and radical improvements are needed

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Leadership development tops list of talent concerns

When executives were asked to name the top three most pressing talent and HR concerns facing them today, the answers indicate that corporate leaders are squarely focused on the need to develop new leaders and plan for leadership succession. Perhaps this indicates that the global demand for new leaders is outpacing the supply, and why respondents placed the global human capital trend, Leadership, next, at the top of the list as today's most relevant trend.

“Sustaining employee engagement/morale” was the consensus choice as the second most pressing talent concern for executives worldwide. This echoes the fact that The War to Develop Talent was also cited by respondents as a top human capital trend in all regions. Clearly, executives are eager to improve employee engagement.

With the exception of the Americas, corporate leaders report they are also highly-focused on connecting HR to critical business priorities. Perhaps this is why respondents cited Transforming HR to Meet New Business Priorities and How Boards are Changing the HR Game as highly relevant human capital trends in 2013.

Top 3 pressing HR and talent concerns (Based on respondents)

Ranking	Global	Americas	Asia Pacific	EMEA
#1	Developing leaders and succession planning (55%)	Developing leaders and succession planning (62%)	Developing leaders and succession planning (56%)	Developing leaders and succession planning (49%)
#2	Sustaining employee engagement/morale (39%)	Sustaining employee engagement/morale (42%)	Sustaining employee engagement/morale (34%)	Sustaining employee engagement/morale (46%)
#3	Connecting HR and talent with business critical priorities (33%)	Creating career paths and challenging job opportunities for employees (35%)	Connecting HR and talent with business critical priorities (33%) Creating career paths and challenging job opportunities for employees (33%)	Connecting HR and talent with business critical priorities (35%)

The percentages indicate the percentage of respondents rating the concern 1, 2 or 3.

Exploration

1 Leadership.Next: Debunking the superhero myth



Yesterday's leadership theories are not keeping pace with the velocity of today's disruptive marketplace. Organizations are seeking a new model for the age of agility.

Many companies have spent decades trying to identify and clone the mythical "perfect leader." But it turns out there is no such thing. Businesses today face a virtually unprecedented variety of challenges, from harvesting profits in mature economies with flat or declining growth, to establishing toeholds in emerging countries, to creating the next wave of disruptive innovation, to working through the complexity of changing regulations—and everything in between. Each of these unique challenges requires a unique kind of leader. One size does not fit all.



What's driving this trend?

Jagged markets. It wasn't long ago that mature markets were the ones that really mattered. And while those key markets might have been on different continents and separated by thousands of miles, from a business perspective they were more alike than different. Not anymore. Today, companies should find ways to operate successfully in markets that are worlds apart in every way—socially, technologically, and economically. This requires a new type of leadership.

Perpetual uncertainty. Companies used to operate in a relatively stable and predictable business environment where the future looked a lot like the past. But in an increasingly complex and fast-paced business world, businesses know that the future is unknown—and unknowable—and design their leadership strategies accordingly.

Instant obsolescence. Today, disruptive innovation is the rule, not the exception. Virtually any company could be weeks or months away from facing potential breakthroughs and new competition that could make its entire business obsolete. Leadership styles that worked well in the past simply aren't good enough to cope with this dynamic environment.

To be effective, companies need leaders who—individually and collectively—can operate across different environments and adapt to the unexpected.

Practical implications

Organizations have arrived at a turning point in the evolutionary arc of leadership, where yesterday's theories struggle to keep pace with the velocity of today's disruptive marketplace. Although many companies continue to pursue a singular vision of the ideal leadership style, the humbling truth is that tomorrow's leaders should be able to thrive across multiple complex environments including: hyper-growth in emerging economies; value-harvesting or turnaround in mature markets and product segments; entrepreneurial innovation in start-up categories; and enterprise re-engineering for end-to-end value chain optimization.

These are just a few of the business contexts that form the playing field for the 21st century—a jagged landscape that forces companies to launch multi-prong strategic plans in order to gain competitive advantage across a diverse array of contrasting market spaces.

Different situations require different kinds of leadership. For example, capitalizing on hyper-growth in emerging markets requires leaders who embrace chaos and have a high tolerance for risk and failure. In fact, some businesses are pursuing a deliberate strategy of "fast failure" to rocket up the learning curve and accelerate their success. Leaders in this kind of environment must be willing to shun conventional thinking about which markets are worth targeting. They also should be obsessively committed to operational efficiency and execution to squeeze profits from even the smallest opportunities, and should be able to adjust their strategies and goals on-the-fly in response to lessons learned and rapidly changing market conditions.

By contrast, a turnaround in a mature market requires leaders who are practical and realistic, yet also inquisitive and adventurous. They should be able to make deliberate choices that help the company extract the most value from existing assets; yet they must also be able to drive disruptive innovations that can take a business in entirely new directions. Curiosity and a willingness to learn are key, so is the passion to engage employees and bring them along on the journey.

These examples illustrate the need for a pool of leaders with diverse skills, personalities, experiences, and capabilities. They also underscore the importance of flexibility and adaptability. To be effective, companies need leaders who—individually and collectively—can operate across different environments and adapt to the unexpected.

Lessons from the front lines

Companies around the world are actively looking for ways to develop new types of leaders. For example, Unilever has a major initiative to develop 500 global leaders through intensive leadership development programs designed to position them for expanded roles. According to CEO Paul Polman, “Unilever’s Leadership Development Programme prepares our future leaders for an increasingly volatile and uncertain world where the only true differentiation is the quality of leadership.”¹

Here are some specific strategies that may help companies unlock the answer to tomorrow’s leadership puzzle.

Get rid of the cookie cutter. Instead of trying to clone an army of identical superleaders, embrace the idea of leadership diversity. According to the Chief People Officer at Southwest Airlines, Jeff Lamb, one of the things that makes the airline a great place for leaders is the “freedom to be yourself.” Strive to create a pool of leaders who have different skills, styles, and experiences—and then work hard to assign people to leadership positions that fit their unique capabilities. Proctor & Gamble, for example, analyzes each individual leader’s capabilities and targeted leadership role, and then maps out a unique path for reaching the destination.²

Focus on resilience and adaptability. To thrive in an unpredictable environment, select and cultivate leaders who—both individually and collectively—can readily adapt to a future that is constantly in motion. Support them with leadership training, tools, and coaching that can help them get up to speed as quickly and effectively as possible. Also, be willing to change leaders if necessary. Proctor & Gamble purposely moves leaders across regions and countries to give them “discontinuous” experiences that accelerate their growth and help them learn to operate in a multi-dimensional business environment.³

Be disruptive. Today, many effective companies push the envelope on innovation. They create change ahead of the curve, even if it threatens to make their existing products and business models obsolete. This “creative destruction” requires a special kind of leadership. For example, many of Amazon’s biggest innovations initially appeared to be money-losing distractions. However, as CEO Jeff Bezos explains, Amazon is “willing to be misunderstood for long periods of time.”⁴ Creating your own disruptions enables you to shape the future of your industry in a way that plays to your company’s strengths. It’s risky, but not as risky letting your competitors make the rules.

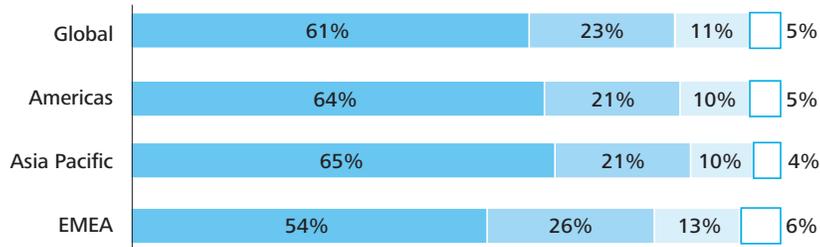
Don’t shy away from conflict. Traditionally, when leaders clash, one side wins, the other side loses, and everyone learns that open conflict is something best avoided—which ends up stifling creativity and innovation. Companies today must create a leadership environment where individuals can be “creatively abrasive,” standing up for what they believe in and openly challenging each other when necessary—without pouting or shutting down if they lose.

Although many companies continue to pursue a singular vision of the ideal leadership style, the humbling truth is that tomorrow’s leaders should be able to thrive across multiple complex environments.



Leadership.Next: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- Both HR executives (61%) and other business executives (62%) rank this trend in the top two as the most highly relevant today
- Among industry respondents, Manufacturing (68%) and Life Sciences and Health Care (60%) rank Leadership.Next as the most highly relevant today

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Endnotes

- ¹ "A New Era for Global Leadership Development", *Harvard Business Review* website, February 17, 2012.
- ² "How Companies Develop Great Leaders", *BloombergBusinessWeek*, February 16, 2010.
- ³ Ibid.
- ⁴ "Jeff Bezos Reveals His No. 1 Leadership Secret", *Forbes*, April 23, 2012.

2 How Boards are Changing the HR Game



To seize new opportunities for sustainable growth and manage heightened risks, boards of directors at high-performing organizations are pulling CHROs much deeper into business strategy – and far earlier in the process.

Up until recently, the main talent discussion in most boardrooms centered on CEO succession and setting compensation for the most senior executives. Now boards are changing the game – focusing on the role and impact of talent on business performance and risk. As a result of this new focus, boards are pulling Chief HR Officers (CHROs) more deeply into challenges involving strategy, execution, and regulatory adherence.

Today, boards increasingly understand that talent is critical to executing an organization’s business strategy and achieving sustainable growth. They know that developing strategy without considering the talent dimension creates risk in their business plans. In fact, in a global marketplace where both opportunities and risks have multiplied, boards are recognizing that business strategy often is talent strategy.

The question for CHROs: How will you respond to this pull from the board and are you ready to align HR and talent issues and opportunities with your organization’s strategic priorities?



What's driving this trend?

Rising expectations of the board. As organizations become more global and as the operating environment grows more complex, the role the board plays in talent oversight is becoming more critical. In a recent Public Company Governance Survey conducted by the National Association of Corporate Directors, executive talent management and leadership development was ranked as one of the board's top five priorities, ahead of CEO succession.¹ Without the right people to execute an organization's strategy and deliver on its objectives at all levels, the organization will never reach its full potential.

Increasing responsibility for managing regulatory and compliance risk. Talent is a core component of a company's risk profile, including reputational risk, operational risk, regulatory risk, and financial risk. As the board's oversight responsibilities for risk-management increase, boards are working proactively with CHROs to ensure organizations have the infrastructure and programs in place to minimize talent-related risks. Compensation structures, for example, can create unintended consequences that can make talent a risk itself. A compensation system that appears to be a motivator may actually incentivize bad behavior in exchange for meeting performance targets.

Achieving sustainable growth. High-performing boards are asking CHROs whether their organizations have the talent in place to deliver sustainable performance and execute the business strategy. Therefore, it's no surprise that the ability to attract, develop and retain talent has become a major factor in all capital investment decisions, business strategic planning, and organizational growth initiatives.

Practical implications

As a result of this trend, talent issues are becoming a standing item on board agendas. The role and responsibilities of CHROs are shifting; in leading organizations, CHROs now participate on board committees and meet with the entire board to discuss talent risks and ensure the organization has the talent it needs to deliver on its performance goals. Boards are extending their purview to include stress testing succession planning and culture. CHROs and business leaders are forging a new alliance to develop and execute business strategy at all levels – from helping design operating models to evaluating potential new markets for international expansion.

For example, one leading international financial services company addressed this challenge by requiring talent input on every major business strategy as part of the board's strategic review. Talent issues are now integral to key decisions regarding which new markets to enter and what operating models would be most effective given the organization's talent strengths.

At a major manufacturer where globalization was the top priority, the board took a different path. Two board members, the CEO and the CHRO were named to a special strategic committee and given the responsibility to manage major decisions – from selecting the best markets for global expansion and determining the right mix of manufacturing, sales, and hiring in those markets, to building robust in-country talent pipelines and creating a global corporate culture that is transferrable to every market.

CHROs and business leaders are forging a new alliance to develop and execute business strategy at all levels – from helping design operating models to evaluating potential new markets for international expansion.

Lessons from the front lines

A board's oversight responsibility is well defined when it comes to risk governance, ethics, and corporate responsibility, but less often understood with regard to talent. To assist boards in broadening their talent oversight efforts, Deloitte has identified several important actions boards are taking to address the need for greater oversight, strategic review and planning support:

Maintain the right talent oversight. Boards need directors who are independent of management, who have more time to devote to board service, and have specialized expertise in risk, global trends, and talent. In fact, having a deep knowledge of talent is as critical for a board as having proficiency in finance and business operations. High-performing boards are also seeking out external assessment of their effectiveness, talent requirements and strategies for improving performance.

Increase accountability for talent. Faced with increased public scrutiny and greater stakeholder expectations, boards are providing greater oversight when it comes to talent strategy and giving greater visibility to talent risks.

Require proactive strategies. Boards are looking to CHROs to work with business leaders to develop talent strategies to effectively manage reputational risk, crisis management (Black Swan events), business and regulatory risk.

Build global leadership pipeline: According to research, only 19 percent of organizations have a program in place to develop high-potential employees.² Boards should expect CEOs and CHROs to have a talent plan and forecast developed by business area needs and an awareness of upcoming leadership shortages.

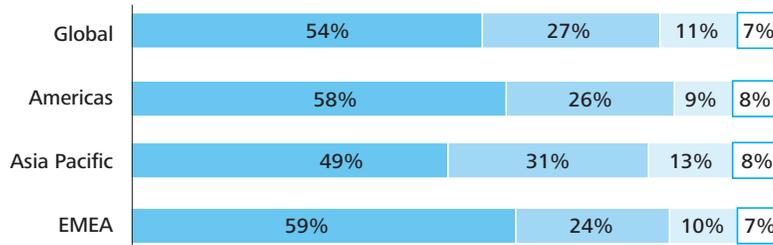
Key questions boards should be asking... and CHROs should be prepared to answer

- Do we have the talent and leadership we need to execute our business strategy?
- Do we have the talent strategies and leadership we need to manage risk and drive sustainable growth?
- Are we developing the talent we need as we grow into new markets?
- How do we ensure that our organization's culture translates across international boundaries?
- Do we have the processes in place to review major talent issues on a quarterly basis?



How Boards are Changing the HR Game: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- 59% of surveyed HR professionals report this trend as highly relevant today, higher than other business executives (50%)
- 64% of respondents from Energy & Resources and 60% from Financial Services industries rank this trend as second most relevant trend today, after *War to Develop Talent*
- Organizations with a strong business outlook for 2013 rank this trend as the second most relevant trend today at 61%, higher than the organizations with moderate to much slower outlook for 2013 (53%)

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3 Leading Talent from the BRIC



In an era of pervasive globalization, organizations are building multi-directional talent networks that are not only geared toward existing markets, but can also power new emerging markets.

Organizations are shifting their center of gravity as they seek new growth opportunities in emerging markets and expand to become truly global in scope. This is prompting talent leaders to redesign their global HR and talent architecture.

In the past, companies typically deployed hub-and-spoke HR systems based in the “home” market that fed instructions to its satellites – often on a one-way basis. Today, companies are moving beyond these uni-directional systems and creating talent networks with multiple nodes and centers. These powerful talent networks are multi-directional, so each point in the system can both import and export talent ideas, insights and efficiencies. In this deeply-networked talent system, a successful program in China that was applied in Brazil can be adapted for South Africa.

As a result, companies find it’s no longer sufficient to think global and act local. Leading organizations and their CHROs are learning to think and act both globally and locally in highly integrated ways: hence the need for new models and architecture.

Organizations that create robust, dynamic, and highly connected talent networks are better positioned to capture the business opportunity and talent potential contained in the next bloc of emerging markets – those that lie beyond the BRIC (Brazil, Russia, India and China).

What's driving this trend?

Operating across multiple segments of globalization. The old dichotomy of thinking of markets as either developed or emerging is giving way to a far more evolved environment where companies are operating simultaneously in dozens of countries at many different stages of development – from fully developed to newly emerging and everywhere in between. Today, organizations are taking market segmentation further, defining regions within growing and emerging country markets based on demographics, infrastructure, education, culture and language.

Entering new emerging markets. The quest for “the next China” or “the next Brazil” is leading companies to push further across the globe for new emerging markets. The next frontier of growth is emerging from an equally divergent background and, according to some analysts, is led by CIVETS (Colombia, Indonesia, Egypt, Vietnam, Turkey, and South Africa). While the BRIC economies have been major growth drivers for many companies, these countries are seeing an inevitable slowdown of what was once breakneck growth. In the constant search for sustainable growth, organizations need talent systems in place that are flexible enough to take advantage of opportunities in new markets.

Building global and local talent pipelines. As companies seek to strengthen their hold on new markets, they can no longer rely on expats and imported leadership to drive their long-term growth strategy. In order for a market to live up to its true growth potential, a local pipeline must be established as a top business priority. A robust local pipeline provides a reliable foundation of talent that cuts across all levels, culminating in the organization's future leaders. This leadership would ultimately drive the next wave of expansion strategies.

Practical implications

Emerging strategy. Understanding and segmenting global markets is becoming a critical function for HR departments. To address talent shortages in growth and emerging markets, global companies are increasingly focused on developing local talent that can then be sent to other countries. For example, in China, organizations are focused on creating “global executives” who are developed in their home countries and prepared for more senior positions in other developing markets throughout Asia and Africa.

Multi-directional networks. As local competencies mature and talent networks become more robust, talent strategies can more easily flow from one market to the next. Global conglomerates such as Tata have shown considerable success in exporting practices they've developed in India. A leading China-based telecom equipment maker has achieved similar success applying talent strategies developed locally to other countries. Executives in these markets are at the forefront of a new drive toward creating multi-directional networks that push and pull the best talent strategies and practices across borders.



Lessons from the front lines

Lead from growth and emerging markets. Companies are both shifting their focus and moving operations to growth and emerging markets. As they do so, they are looking to HR executives to create a talent architecture that can manage global and local HR programs. For example, Bayer moved its polycarbonate plastics business to Shanghai, positioning the company inside its number one market, in order to reduce dependence on expats or subsidiaries.¹ Cisco chose Bangalore, India as a second global headquarters and stationed the company's first Chief Globalization Officer, Wim Elfrink, there to lead it, making him the first direct report to Chairman and CEO John Chambers living outside California.² John Rice, the head of GE's new global growth organization, relocated to Hong Kong as part of an effort aimed at "raising the stature of everything global in GE."³

To operate effectively in a multi-directional, networked world, companies need to create hybrid talent models that can balance between developed, growth, and emerging markets.

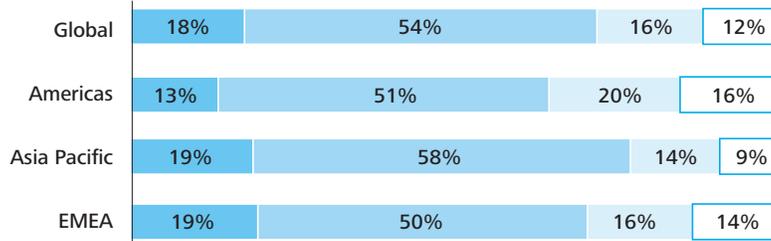
Understand market segmentation. Creating a stand-alone HR execution strategy for each emerging market may not be advisable or feasible. Just as companies segment customer markets, they must also segment talent markets, based on criteria such as growth potential, ease of doing business and the local regulatory environment.

Go "glocal." To operate effectively in a multi-directional, networked world, companies need to create hybrid talent models that can balance between developed, growth and emerging markets. Companies are developing new ways to integrate local needs into a global talent framework. For example, a major European automaker was eager to enter the South African market. The company's business model dictated a very rigid application of its technical operational manual, while their talent strategies relied heavily on local knowledge with an intimate familiarity with local practices, culture, and constraints. Starwood CEO Frits van Paasschen relocated the company headquarters to Dubai for one month, a sequel to a month spent in Shanghai in 2011, in order to "shift our own mindset to being both a global and a 'multi-local' company" – "to see our global business through a sharply focused local lens."⁴ To tap the talent potential in new markets and to harness its growth, the key is to find the right mix of global and local practices. In other words – to glocalize.



Leading Talent from the BRIC: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- Leading Talent from the BRIC is the top “rising” trend with 54% of respondents ranking this trend as the most relevant trend in the next 1-3 years
- 63% of respondents from BRIC countries (Brazil, India, and China – 316 respondents) identify this trend as relevant in the next 1-3 years, higher than the global average of 54%

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Endnotes

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4 A Global Diversity Dividend



In the midst of ongoing global expansion and a worldwide shortage of critical talent, companies are stepping up efforts – at very different speeds and levels of investment – to recruit and retain a workforce diverse in both demographics *and* ideas.

The business case for diversity has been echoing in corporate boardrooms and through every level of organizations in recent years. Regardless of whether previous efforts prompted mere executive head-nodding or triggered aggressive implementation strategies, in 2013 companies are renewing their focus and increasing their investments to create diverse workforces. But questions remain: will a stronger focus on diversity deliver results in developed markets and build momentum in growth markets? If so, how quickly could this trend grow?

The shape that today's corporate diversity initiatives take depends heavily on where they are being implemented. As corporations address the unique workforce demands of mature markets, tailor efforts to growth markets, and create original approaches in emerging economies, they are producing a diverse portfolio of diversity initiatives – often within the same company.

Companies around the world also differ widely in terms of how quickly they are stepping up their diversity efforts and how intensely they are investing in them, revealing interesting contrasts between companies leading a new approach to diversity, and those lagging behind.

“Diversity, in this context, isn't a form of political correctness, but an insurance policy against internally generated blindness that leaves institutions exposed and out of touch.”

– Margaret Heffernan, *Willful blindness: Why we ignore the obvious at our peril.*⁸

What's driving this trend?

Tapping a hidden resource. By 2014, the percentage of companies that generate at least 30 percent of global revenue from emerging markets will increase by 82 percent.¹ But in these countries, women are much less likely to participate in the labor market, with participation rates as low as 21 percent in the Middle East and approximately 30 percent in South Asia.² As the push for global expansion continues, companies are being forced to confront the cultural barriers that prevent the full participation of women in emerging market workforces and that undermine companies' ability to fill skill gaps and drive performance.

Learning hard lessons. The global financial crisis laid bare weaknesses in corporate oversight at all levels. In the wake of the downturn, corporations are rethinking what makes for effective governance. One answer: increase leadership and board diversity, not just to promote demographic diversity, but to bring diverse thinking, fresh perspectives and new insights to corporate oversight and accountability.

Mandating action. No longer content to let corporations determine the pace of change, more and more governments around the world are setting targets and deadlines to drive private companies to improve their workforce and board diversity. A case in point: with women holding just 12 percent of board memberships in Europe, France passed a law in 2011 which mandates that women hold at least 40 percent of the board membership in large, publicly-listed companies by 2016.³

Improving productivity. Legislators and government officials are also eager to boost business productivity and profitability. Recent research also reports that gender inequality in the workforce is a drag on productivity. Findings from a study by investment banking firm, Goldman Sachs, showed that eliminating the gender gap in Australia would boost business productivity by 12 percent in that country alone.⁴

Facts like these have caught the attention of government leaders desperate for economic growth and new revenue sources. As a result, if firms do not improve diversity, governments may well compel them to.

These factors are prompting global corporations to rethink exactly what "diversity" means and how to advance it throughout the enterprise.

Practical implications

Increasingly, geography is influencing approaches to diversity. Companies are finding they cannot export their diversity programs directly from the US to South Africa or the Middle East, but must focus on the specific gender, ethnic and cultural dimensions of each country and region.

And, while childcare challenges may be top-of-mind for mothers in mature markets, this may be less of a burden for working women in China and Brazil, where extended family networks frequently pitch in to take care of children. There, eldercare responsibilities weigh heavily on women and are a primary obstacle to increasing female participation in the workforce.⁵

Countries such as India and the Philippines have made strides encouraging the education of girls and women, however entrenched cultural barriers continue to create wide gaps in professional opportunities and expertise between men and women. This exacerbates gender disparities in the workforce, too often preventing women from getting the technical training and experience needed to move into managerial, executive and senior roles.

Challenges presented by conditions "on the ground" in these markets are generating new diversity strategies that aim to open up employment opportunities and to better engage talent in new markets.

Quantifying the Dividend

After launching an aggressive inclusive leadership program with approximately 100 senior leaders, one global company began to see results in just nine months. More than nine out of ten leaders (94 percent) reported they now actively seek out others' perspectives before making important decisions and 89 percent reported they have changed their behaviours with their team. At the same time, three-quarters of employees agree that their team is now more collaborative (76 percent) and that leaders now show greater respect for different perspectives (74 percent).⁹

In India, for example, as the need for talent multiplies and exposure to the dynamics of a global workforce begins to increase, many companies see the demographic pool of women executives in the workplace as an opportunity. Some forward thinking companies in sectors from IT and finance to pharmaceuticals and hospitality are promoting diversity and inclusion programs aimed at developing more women leaders in the organization.⁶

At the same time, corporate diversity initiatives that have been underway in developed economies for many years have yielded widely varying results. The participation rate of women at the top of companies and on boards of directors has been resistant to change and organizations continue to struggle to help women move into senior leadership roles and to fill their leadership pipeline with diverse talent.

Diversity concerns of a different kind have also arisen in the aftermath of the global financial crisis – namely, a lack of diverse thinking and insights that created too much “group think” and confirmation bias, leading to major institutional failures. Leading organizations understand that homogeneity of thought creates an ideological echo chamber, where there may be debate and discussion, but it has a limited range. In many cases, a lack of demographic diversity can provide insight into a lack of idea diversity.⁷

Today, talent leaders are rethinking the diversity agenda. The endgame now is to create an inclusive organization, supportive of and committed to encouraging a diverse combination of worldviews, perspectives and capabilities in the workforce and in corporate leadership.

“A large group of diverse individuals will come up with better and more robust forecasts and make more intelligent decisions than even the most skilled ‘decision maker.’”

– James Surowiecki, *Wisdom of Crowds*.¹⁰

Lessons from the front lines

As companies focus on the new business case for diversity and regulatory, statutory and other compliance efforts mandate new action, how are diversity strategies unfolding around the world?

Diversity + inclusion = improved business performance. Gender and racial diversity are often lead indicators of a healthy organization that is fishing from a deeper pool of talent, accessing a deeper knowledge bank, and leveraging those resources throughout the business value chain. Multiple studies have shown a connection between the number of women serving as senior leaders and the company’s bottom line.¹¹

But diversity alone is not enough; employees must feel they are included – and diversity plus inclusion equals increased business performance. Employees who believe their organization is both diverse and inclusive report better business performance in terms of the ability to innovate (83 percent uplift); responsiveness to changing customer needs (31 percent uplift); and team collaboration (42 percent uplift).¹²

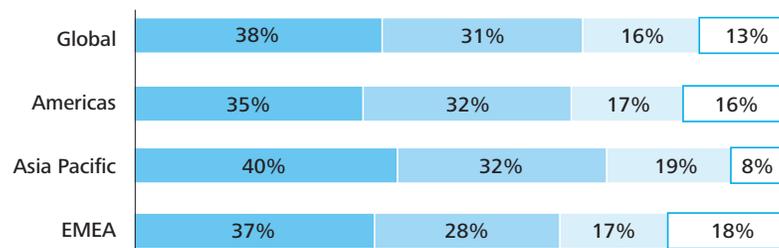
Build leadership and managerial capability. Greater diversity and inclusion requires specific, deliberate programs tailored to the market.¹³ This calls for providing the necessary investment and stewardship of programs to develop inclusive leaders who can ensure that the right support mechanisms are in place to achieve the benefits of diverse perspectives. Effective selection, promotion and training processes along with appropriate reward and recognition programs will all help build inclusive leadership capabilities.

Integrate workforce flexibility and new career models into the mainstream. Companies around the world can still capture tremendous upside by exploring and developing workforce flexibility and career models (allowing for flexibility in location, scheduling, and workload). Progress in this area is uneven in developed as well as emerging markets. Integrating workforce flexibility and career models as foundations of business and talent programs is an opportunity that should be seized.

Hold leaders accountable for the business case. Companies are developing results-based metrics designed to promote greater diversity throughout the organization and integrate into leaders’ performance assessments. These efforts likely need to be accelerated.

A Global Diversity Dividend: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- A higher number of respondents (46%) from organizations with more than 100,000 employees report this trend as highly relevant today compared to the global average of 38%
- 48% of respondents from Public Sector industry rank this trend as highly relevant today which is higher than the global average of 38%

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5 Workplaces of the Future: Creating an Elastic Workplace



Workplace flexibility has become table stakes for attracting and retaining employees. Now companies must align their flexibility strategy with their core strategy to realize the benefits.

The workplace flexibility movement began years ago when many organizations launched talent initiatives to accommodate working mothers. Over time, flexibility options mushroomed: from compressed workweeks to job sharing, telecommuting to adjustable schedules, career lattices to career reentry. From its birth as an employee entitlement, workplace flexibility has grown to become a requirement for organizations that want to make the most of its people's productivity. Consider these statistics:

- Women without children would rather have more free time than make more money (68 percent)—even more than those with children (62 percent).¹
- About 40 percent of professional men work more than 50 hours per week. Of these, 80 percent would like to work fewer hours.²
- One of every five employees cares for elderly parents, a number that could increase to almost half of the workforce over the next several years.³
- By 2025, Gen Y employees, now in their 20s, will grow to represent 75 percent of the workforce. For this emerging generation, work-life fit is valued more than compensation growth or skill development.⁴

Workplace flexibility is vital for many employees and a welcome option for others. It can be just as beneficial to organizations—but only if they execute it well. That means seeing it from a business strategy perspective. Technology made today's brand of flexibility possible, but companies can't view workplace flexibility as a technology issue; it's a management challenge.

Of course, implementing an effective flexibility strategy is not easy. Demanding clients and customers want to be served at their convenience. Peak loads—and undesirable shifts—must be covered. Managers accustomed to face-to-face supervision worry that homebound employees will fritter away work time. Remote team members fear they will miss a midnight email. And sometimes, employees who remain in the office believe they're taking on heavier workloads while others take "flex time" — and they'll resent it, whether or not it's true. Management should be prepared to nurture and grow an effective flexible work environment over time—it can't be left to chance.

Leading organizations understand the need for workplace flexibility, but every organization should think through and define how flexibility will work in its particular case. One size does not fit all. It's advisable to define broad parameters that establish clear boundaries and give people flexibility within those boundaries, allowing employees to embrace arrangements that work for them.

It's also vital to be certain the needed capabilities are in place. Are managers prepared to direct remote teams, or does leadership need new muscles? Some telework programs have foundered under the weight of poor approaches that created more managerial problems than they solved. Is the organization's technology up to the task? What is the relationship between the value employees derive from flexibility and the value it brings to the business? Finally, when does face-to-face interaction remain indispensable?

What's driving this trend?

We're in the midst of sweeping demographic changes that affect companies' abilities to recruit and retain skilled employees. Leaders who are able to balance their people's needs with their business needs can be a step ahead of the competition in the race for talent. Finding this balance is what leading companies do. Technology plays a role as well. As mobile computing speed and connectivity keeps growing, connecting is an anytime, anywhere proposition.

Talent competition and changing expectations. High unemployment rates have not created the talent surplus some predicted. Instead, many executives are experiencing talent shortages in critical functions. When vying for top talent, workplace flexibility can be a deciding factor: one in three workers report that being able to flexibly integrate work and life is the most important factor in choosing a job.⁵

Digital natives. We're all digital natives by now. Mobile technologies and online collaboration tools are transforming how business gets done—and no generation is more comfortable in this virtual work world than Gen Y. As baby boomers retire, recruiting and retaining talent from this generation is becoming increasingly important.

Workplace disruption. No longer are employees bound together by place—in the open talent economy, they can work together from anywhere on the globe. As more teams work across time zones, the traditional 9-to-5 workday could become obsolete.

Practical implications

Often, what's good for employees can also be good for companies. For example, companies have learned that many employees are more productive and satisfied when they have a say in where, when, and how work gets done. The average home-based employee is willing to put in 19 more hours of work each week. To capture this advantage, managers must learn how to harness the benefits of flexibility so it leads not only to convenience, but also to increased employee productivity and engagement.

Generations aligned. Many company payrolls span three generations—Baby Boomers, Generation X, and Generation Y—each with different leadership, communication, working, and learning styles. What they do have in common is a desire for more workplace flexibility. Nearly all millennials (92 percent) say that flexibility is a top priority. Almost half (45 percent) of working parents are very concerned about having more time to spend with their families—and that number increases to 72 percent for those who are simultaneously balancing parenting and care giving responsibilities. Boomers say that the freedom to choose when and where they work motivates them to give discretionary effort.⁶

Leading organizations understand the need for workplace flexibility, but every organization should think through and define how flexibility will work in its particular case. One size does not fit all.

Some flexibility is better than none. Workplace flexibility can take many forms, and it's up to leaders to select a menu of options that fit the needs of the business and its people. A 2012 study showed that U.S. employers are providing their employees with more options to choose the times and places in which they work, but fewer offer alternatives to full-time work.⁷

The flip side of flexibility. With increased responsibility for choosing where and when they work, some employees may find that they miss some of the boundaries that a 9-to-5 office job can provide. Many workers feel pressured—often by their peers—to be available anytime and anywhere. Employees need to learn how to connect and disconnect, which is a new skill for many.

New managers for new workplaces. As workplace flexibility and virtual teams become the norm for getting things done, managers, team leaders, and executives will need to improve their skills and broaden their expectations. Office- and company-based work may cease to be the norm.

Lessons from the front lines

Few, if any, organizations have fully cracked the code on workplace flexibility. What's clear is that even incremental steps toward a more flexible work culture can make a big difference in attracting and retaining more productive talent. But how do leaders know when enough is enough? Here are a few guiding principles:

Recognize the business case. Workplace flexibility can add value beyond employee recruiting and retention. For example, consider how flexible scheduling and/or telecommuting can allow the company to operate in inclement weather, reduce office space, or hire talent who live in other geographic areas.

Assess and segment the requirements. Survey employees to learn which types of flexibility would be most valuable to them and carefully think through all the potential organizational implications before executing any new strategies. An evaluation often uncovers opportunities for small changes that can make a big impact on employee satisfaction without disrupting the organization.

Support transparency. Create a safe environment for employees to come forward with their unique situations that could be solved with increased flexibility. While learning about employees' requirements for work-life fit, leaders often uncover other situations that need attention before they become a crisis.

Develop and support effective managers. When it comes to improving the performance of remote teams, effective managers are able to identify each individual's role and assignment, and clearly link their contribution to business goals. They take a prescriptive approach in defining the team's deliverables and coordination required, especially as the virtual team learns to work together.

Develop self-directed teams. Informal strategies are often more effective than formal policies in managing day-to-day work life flexibility. Set clear expectations about what work must be done and by when—then allow teams to negotiate on how they can most effectively meet their collective work goals and personal needs.

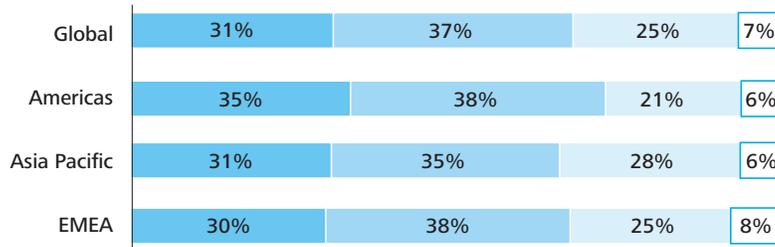
Build the infrastructure. Don't assume the organization's technology can support virtual workers. Test the infrastructure with a rigorous pilot project designed to uncover potential problems that could frustrate employees and undermine credibility.

Relinquish control. Some managers may be more invested in traditional management styles, while younger workers often expect more freedom in getting the job done on their own terms. Some leading companies are piloting changes in benefit programs, including eliminating paid time off; employees can choose to work as much or as little time as they want—as long as the job gets done.



Workplaces of the Future: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- Across industries, respondents view this trend as almost equally relevant today, in the next 1-3 years and 3 years and beyond
- Respondents from the Life Sciences and Health Care and Public Sector industry rank this trend at 41% in relevance in the next 1-3 years, which was the highest across industries.

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6 The Open Talent Economy



Jump ahead to the year 2020. Half the people you rely on don't actually work for you and that's a good thing—if you're ready.

Managing talent used to involve at least a few certainties. You knew what roles you needed to fill and where you could find the talent to fill them. When people worked for you, they came to your building in the morning and left at the end of the day. You could see and interact with them. And they could see you.

Today things are different. Changes on a global scale have upended these familiar patterns, and talent and employers now seek each other out, on more equal terms, from anywhere in the world. The evolving workforce is a mixture of full-time employees, contractors, and freelancers, and—increasingly—people with no formal ties to your enterprise at all. People move more freely than ever from role to role and across organizational and geographic boundaries. Global markets and products, driven by rapid innovation and post-digital disruption, demand new talent models that can be rapidly configured and reconfigured. Businesses expect agility, scale, and the right skills to be available faster than ever—in real time.

Welcome to the open talent economy—a collaborative, technology-driven, rapid-cycle way of doing business. What does this all mean for business and HR leaders? It means challenging core assumptions about how people enter the workforce, how they work together, and how to develop their potential. It means developing new operational frameworks that allow organizations to embrace those changes instead of falling behind.

While traditionally, companies have focused on the talent and workforce within their organizations and on their balance sheets, increasingly companies are expanding their talent networks to include “partnership talent” (employees who are parts of joint ventures), “borrowed talent” (employees who are part of contractors or outsourcing relationships), “freelance talent” (independent, individual contractors), and “open source talent” (people who don't work for you at all, but are part of your value chain and services). This trend will ultimately rewrite what the term “workforce” actually means.

What's driving this trend?

The tectonic shifts driving today's open talent economy are present around the world and in every industry and sector. They are fundamentally changing the structure of talent and work.

Globalization. The emergence of a global talent market across an increasing number of fields and disciplines is opening the world to new ways of acquiring, developing, and managing talent and work. The open diffusion of ideas, practices, and technologies—and above all, people—lets different parts of the world influence and depend upon one another in new ways. On one hand, time zones will always present challenges when colleagues want to collaborate simultaneously from Shanghai, Los Angeles, and Paris. But on the other hand, the availability of voice and video over IP make it possible to see, hear, and share documents in real time from your notebook, or your smartphone.

Technology. Technology is the foundation of the open talent economy. When people can learn, share, and work anywhere in the world, all our traditional talent assumptions are open for review. The growth in computing speed, storage, and power is making global, real-time collaboration possible in almost every discipline. Witness the growth of smart machines driven by advanced algorithms, such as IBM's Watson or Siri from Apple. Or the remarkable elasticity of resources like free webmail and cloud storage. Moore's Law holds that computer power doubles every two years. A lot of growth lies ahead.

Global markets and products, driven by rapid innovation and post-digital disruption, demand new talent models that can be rapidly configured and reconfigured...in real time.

Mobility. Technical and social mobility decouples talent from physical geography and defined markets. Today's critical workforces are freer to work where they want, making career moves more seamless—and potentially more frequent. For their part, organizations expect people to be productive while on the move, which requires new skills in balancing priorities than ever before. Easier access to development resources is making vertical moves easier too, for both people and organizations.

Social business. The open talent economy is above all a human movement, where people can connect, share information, and spread community. It is the ultimate open-source app, shifting power from the traditional organization to dynamic networks. Organizations now must use social media not only to innovate their talent brands, but also to connect and deploy people who relate to the organization in widely different ways.

Education. In the past 20 years there has been an explosion in the growth of the education sector at all levels around the world, especially in Asian growth and emerging markets. The rapid growth of pools of talented manufacturing, services and knowledge workers around the world continues to reshape global talent networks. We are witnessing a new wave of innovation, driven in part by MOOCs (massive open online courses): Leading universities (including Stanford and MIT) are making high-quality courses, taught by world-leading professors, available to tens of thousands of students around the world.

Analytics. Rather than looking only at historical data to make decisions, employers can now use data analytics for both predictive and prescriptive purposes. Those who can effectively mine large pools of employee and business data for hidden insights and apply them will perform more powerfully in the open talent economy.

Closed ←————→ Open

Balance sheet talent	Partnership talent	Borrowed talent	Freelance talent	Open source talent
Full-time, statutory employees of your organization. You bear all the carrying costs of these employees.	Employees that are part of a partnership or joint venture that are on related balance sheet	Employees who are part of your value chain or ecosystem but who reside on someone else's balance sheet such as contractors who work in support roles	Independent workers you hire for specific but temporary projects	People who provide services for you for free either independently or part of a community – for example those who answer questions about your products on the web in an open source help function

Practical implications

Traditionally, organizations built workplaces around the physical requirements of getting jobs done—access to people, machines, materials, and customers. Team spirit was a welcome side effect. Now that work itself is increasingly free to happen almost anywhere, culture, passion, meaning, and collaboration are becoming the key value drivers.

Open everything. Open-source networks, and hybrids that combine traditional companies and open-source approaches, are redefining the boundaries of organizations. In addition to well-known open-source efforts like the Linux operating system and the Firefox browser, there are websites like Innocentive that allow companies and organizations to “post” problems and offer financial rewards for solving them. This model extends research beyond corporate boundaries and resources. As Sun Microsystems co-founder Bill Joy has famously remarked, “There are always more smart people outside your company than within it.”

A focus on projects. A growing number of companies are adopting project-based work models that reflect trends in industries as diverse as media, music, and advertising on the one hand and construction and large scale infrastructure projects on the other. As industries and companies evolve toward these models, new networks and relationships will emerge among companies and workers.

Rethinking the labor supply chain. What if your workforce isn’t even completely at work? One customer service operation uses the free time of stay-at-home parents. Individually, they can log in and log out as their other needs permit. Collectively, they form an always-on workforce that’s as large or as small as the company needs at any moment.

Customers as talent. A major electronics manufacturer has turned its own customers into a virtual workforce. That’s because people who look for help with products tend to turn first to user-driven message boards for advice. These boards have accumulated enough wisdom, and made it accessible enough, to all but replace on-staff customer service employees in a call center.

Lessons from the front lines

The trend toward an open talent economy is a big deal—and HR has a unique opportunity to lead this (r)evolution. Here are some lessons from pioneers in this emerging arena.

Redefine workforce planning and acquisition. Workforce planning has been focused on the talent and leaders who work for you. In the open talent economy, with an expanded set of talent pools available and the opportunity to build and orchestrate talent networks, HR leaders need to reinvent workforce planning, and talent sourcing, to consider the broad range of talent from those that work directly for you to those that are part of your business and talent network. This will involve new approaches and analyses working closely with business and finance leaders to decide which talent resources to hold close and which to manage through contracts and relationships.

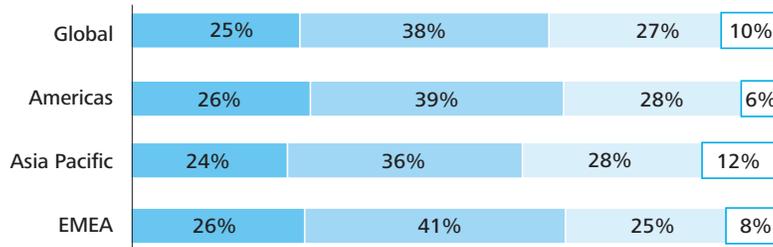
Build leaders who understand talent ecosystems. Given the pace of change in business and talent markets, it remains a challenge to develop leaders who can excel at today’s execution problems and tomorrow’s emerging challenges. This is true when it comes to leaders and their experience with the changing talent landscape. Many leaders are accustomed to talent “within the walls” of the company. Next-generation leaders will need to think like network and ecosystem designers when it comes to business and talent models.

Rethink development and rewards. In an open economy where people can chase the dollars they want (or the Euros, or yen, or yuan) anywhere in the world, money alone is just the opening bid. Because people increasingly view themselves as the “CEOs of their own careers,” they place more value on things like collaborative flexibility than they place on fancy office buildings—or in some cases, even pay. In designing and managing talent networks, development, careers, and compensation and rewards will need to be rewired to work for talent in different parts of your talent ecosystems.

Design sticky networks. Retention involves more than holding onto the employees who work directly for you. It’s increasingly critical to build talent networks that attract different categories of talent partners and specialists. The corporate and employer brands will need to appeal to and attract business partners (e.g., outsourcers, contractors, and freelancers) and those with ideas and insights you need for specific projects and R&D. This will involve combinations of talent operating models, branding, and technology.

The Open Talent Economy: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- 31% of respondents from the Technology, Media & Telecommunications industry report this trend as highly relevant today, the highest across industries
- A higher number of respondents (47%) from the Energy & Resources industry report that this trend as highly relevant in the next 1-3 years
- Respondents with strong business outlook for FY13 (46%) had a stronger view of this trend in the next 1-3 years in comparison to respondents with moderate to much slower growth (37%)

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7 Organization Acceleration



Faced with tougher, more numerous challenges, today's organizations are demanding more from their change initiatives by pursuing strategies that are customized, precise, and sustainable.

Nearly every organization claims to embrace change, but few change programs fulfill promised goals or deliver measurable results. As they became more popular, change programs became commodity products, with organizations throwing off-the-shelf tools at ill-defined problems.

As organizations grow more operationally complex and more geographically diverse, the most successful are abandoning the old change toolkit in favor of change initiatives that are highly tailored, intensely focused on precise business goals, and rigorously measured by harnessing the power of analytics.



What's driving this trend?

Feeling the pressure. Senior executives today face new demands by investors, analysts, and other stakeholders to deliver results. Success in executive leadership is increasingly defined as the ability to drive change through an organization to achieve meaningful results. The time frame to execute change is also becoming compressed, with success or failure judged against a constantly ticking clock.

Running at full speed, 24/7. Globalization has created a world that operates on an around-the-clock basis, with information and misinformation now spreading globally on a near instantaneous basis. Change strategies are adjusting to deal with the increased speed of information flow and the demands this places on organizations and executives.

Expanding, with more complex structures. As organizations expand to a global scale, they become more complex and less standardized. As a result, rapid mass customization is replacing the notion of a single change model.

Applying more precision to the process. The power of analytical tools and "big data" is bringing precision and rigor to the change process. Used correctly, analytics provide crucial insight and help target change initiatives more efficiently and effectively to deliver sustainable results.

Failing to get the job done. According to John Kotter's landmark study of change initiatives, only 30 percent of change programs succeed, a finding that has been validated by reports in recent years.¹ Many change programs fail to understand the underlying business need driving the program in the first place. Others fail because they don't have the right people leading the change program or lose momentum before they can deliver sustainable impact.

Complex problems demand change programs that are more customized and more targeted, including precise solutions specifically tailored to change behavior and deliver impact that lasts.

Practical implications

As the speed and complexity of change has increased, the way executives deal with change has not kept pace. Business change requires new tools and new approaches – and senior leaders need to be at the front of the process. New 21st century leadership models demand hands-on, creative leaders – leaders that work directly with customers and that understand how to empower, engage, and inspire global teams.

Complex problems demand change programs that are more customized and more targeted, including precise solutions specifically tailored to change behavior and deliver impact that lasts.

Worthy, but vague aspirations, such as "become more efficient," are giving way to clear goals that can be easily defined and measured, such as "recover \$10 million per year in lost profit." Instead of imprecise efforts to "improve employee morale and loyalty," successful change programs are focusing on measurable outcomes such as "reducing six-month turnover by 50 percent." Without a precise target, organizations often find it difficult to implement change that generates real benefits.

In order to move past the "art" of change toward the "science" of change, organizations are deploying rigorous analytical tools to better understand how to accelerate change. Executives now gauge the success of a change program by how it solved a specific business problem, not merely whether it was implemented.

The accelerated change that organizations increasingly demand requires effective leadership. Faced with increasing pressures from all stakeholders, senior executives no longer see change programs as an effort to be delegated to a specialist group, but as one they have the responsibility to drive through the organization. It's hardly an exaggeration to say that today, leadership and the strategic change management are practically synonymous. In other words, in today's global organizations, leadership is change leadership.

Lessons from the front lines

The practice of strategic change must adapt if it is to deliver the results organizations need to survive and excel. Analytics properly harnessed drive insight. A commitment to tailoring creates precision. Strong leaders drive impact.

At Deloitte, we call this new framework for strategic change Organizational Acceleration – a process characterized by change initiatives that move rapidly and efficiently through organizations; deliver sustainable results and measurable impact; and are driven by the leadership of the organization, starting with the C-Suite.

A large supply chain organization was embarking on a new global strategy to bring together its disparate business units into one whole organization. The problem? Employees resisted a number of global initiatives and identified more strongly with the business units in their local countries, rather than the organization as a whole. Not surprisingly, the change program slowed to a stall. Using analytics, the company pinpointed the source of the challenge and developed targeted programs that helped employees buy into the process. Company leaders increased the role of country and business unit leaders in the driving global initiatives; provided leaders with more freedom within clear frameworks to implement these

initiatives; and shifted communications from the global holding company level to the country and team level to ensure employees clearly understood the rationale behind the new global strategy. As a result of this more targeted, analytics-driven approach, the change program quickly gained traction, the commitment among employees increased dramatically and the benefits derived from these global initiatives accelerated significantly.²

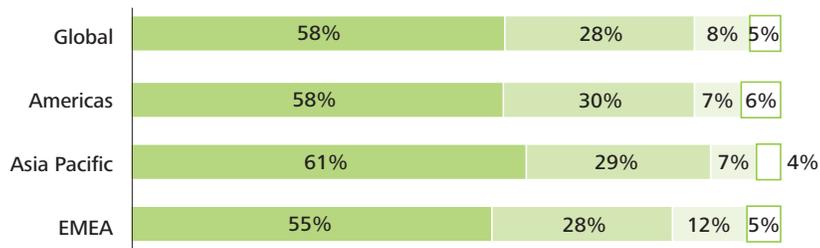
Executives at a large, North American health care company carried out a strategic initiative aimed at consolidating the processing of customer transactions at a central location using a new technology. Yet the first 18 months produced disappointing results, with failing grades for reporting accuracy, data quality and customer impact. Senior leaders at the company demanded swift, measurable results, but struggled to properly define the specific outcomes they desired. While better customer communication initially appeared to be the right course of action, research and analysis revealed that a customer retention strategy was required, using precise, targeted communication tools. By using analytics to gain insight into the proper strategy, senior company leaders were able to significantly transform their customer relationships and dramatically improve the customer experience.

Organization Acceleration framework



Organization Acceleration: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- Organization Acceleration ranks as the highest (86%) across trends when looking at relevance today and in next 1-3 years
- This trend consistently ranks in the top three highly relevant trends across small, medium and large organizations as highly relevant today
- 69% of respondents from Public Sector and 60% from Manufacturing industries rank the trend as top two in priority while Energy and Resources (62%) and Life Sciences and Health Care (53%) industry respondents rank this trend in the top three

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8 The War to *Develop* Talent



The talent management pendulum is swinging from recruitment to development.

Companies have long recognized the importance of developing talent within their organizations. For decades, corporate universities and life-long learning programs have sought to lead internal talent development. In the overall architecture of talent management, however, development has often taken a back seat to recruitment, compensation, and performance management.

As businesses struggle to fill critical positions at many levels, and as the requirements for the leadership pipeline change rapidly, companies are putting renewed focus on building capabilities, not just finding them. The “war for talent” is shifting – and is becoming the “war to develop talent.”¹

Cutting-edge talent development must bring together on-the-job learning, project assignments, talent networks, and formal education and training with individual experiences to create real behavioral change that is consistent with the business’s needs and goals

What's driving this trend?

Struggling to fill talent gaps. Even though unemployment is stubbornly high in many parts of the world, businesses continue to struggle with sourcing the talent they need to fill key positions. Organizations are having trouble finding the right skills on the open market, and much-needed positions are going unfilled. In the US alone, 3.6 million jobs were unfilled as of December 2012.²

Raising the bar on talent development. The pace of change in technology and innovation is driving companies to develop talent. The old ways will continue; campuses will be searched and sifted, talent will be sourced and poached. But leading organizations increasingly understand that technical, managerial, and executive leaders must be developed from within.

Escalating turnover costs. When an employee departs, companies lose two to three times that employee's annual salary in terms of lost intellectual capital, client relationships, productivity, and experience, plus the cost of recruiting a new hire.³ As turnover costs mount, companies are looking to fill positions internally. This is especially true for leadership and executive roles, where both hiring costs and losses in productivity hurt the bottom line. What's more, high levels of turnover lead to a loss of institutional memory, and this takes an equal - if less quantifiable - toll on a business.

Seeking lifelong development opportunities. Careers are extending as individuals live and stay healthier longer. Generation X and Millennial employees must prepare for careers that will last five and six decades, and they are turning to their employers for development opportunities. But younger workers are not the only employees seeking to upgrade their skills; Baby Boomers and older employees see career development as a lifelong process. Businesses offering such opportunities will have a distinct competitive advantage.

Demanding engaging and meaningful work. While younger employees want development opportunities, they are also looking for employers who provide challenging jobs, meaningful work, and flexible environments. Increasingly, they also want an employer who is aware of the social and sustainable value of their operations.

Practical implications

We have reached a turning point in the ways that companies fill talent needs. Given both the global talent shortage and the rapidly changing requirements for skills, companies must move on several fronts – both internal and external – to win the war to develop talent:

Planning workforce development - with a future-oriented assessment of the types of skills, insights, and experiences required. This planning may be less concerned with finding more of what your organization already has, and more concerned with understanding what new skills need to be nurtured and developed. Learning how to use "big data" and analytics will play a crucial role here.

Designing open talent networks – that allow organizations to access scarce skills through new networks and sourcing strategies. This enables companies to combine skills within the organization with premium skills outside the organization and often results in mixed employment models that match internal talent with contingent workers, retirees, crowd-sourced talent, and emerging open source talent models.

Learning transformation – often requires a renewed focus on development and a radical rethinking of the internal "learning function." This involves moving the leadership of the learning function closer to the boardroom and executive team than ever before and realigning and reconfiguring learning functions to make them more responsive to business needs. In the process, the role of the Chief Learning Officer is "coming of age" to lead the way.

Challenging leaders to lead differently - as well as managers and the workforce to integrate work, development, and meaning. Development is a key frontier for all organizations – and leaders who make it a front-line business priority will be in high demand.

Creating new career models - that recognize that most organizations today are less process- and function-based and increasingly project-based. This includes developing performance management frameworks that encourage and reward lateral movements as much as organizational advancement.

Traditionally, development has been segregated from a company's core business plan. Training was largely an activity-based enterprise, and educational efforts were built upon the belief that learning was, in and of itself, a valuable pursuit. Today, forward-looking organizations must converge development with practical business needs.

Cutting-edge talent development must bring together on-the-job learning, project assignments, talent networks, and formal education and training with individual experiences to create real behavioral change that is consistent with the business's needs and goals. It is a model of continual learning that focuses on enabling the individual to succeed at a number of tasks, challenges, and roles, many of which are not even apparent today.

These programs are answering the CEO's call for development to align with the talent pipeline and move the needle on business strategy.

Lessons from the front lines

It is clear that CEOs and boards are concerned about talent and leadership pipelines. A recent report by Deloitte found that, of all talent considerations, CEOs were most concerned with developing leaders and recruiting hard-to-find-skill sets.⁴ With critical skills in high demand, but a shortage of talent available, organizations are revamping their development programs to fuel business growth.

At a global conglomerate, the executive committee led an objective review of the organization's global learning and training programs. The end result was a major effort to rationalize the company's global training portfolio, including a redesign of its learning programs, infrastructure, governance and integration to better align with the company's strategic focus on innovation and growth markets.

Deloitte itself is also a prime example. Beginning in 2008, we launched a major overhaul of our U.S. leadership and learning programs and then extended that effort globally. We began with a review of our corporate priorities, including integrating our services across internal divisions to better serve our global client base. Based on this review, we then revamped our career milestone programs, redesigned our overall curriculum and built the newly inaugurated Deloitte University, which opened outside Dallas, Texas, in the summer of 2011. Two more campuses are being planned, one in Europe and one in Asia.

What actions can businesses take to move to the cutting edge in the war to develop talent?

Re-imagine corporate learning. Corporate universities need to be aligned with business strategy, and they need to think more broadly to merge on-the-job learning with education. The development agenda requires more than tinkering at the margins. Development leaders should move away from traditional notions of training and strive to create behavioral change, fostering talent that can assume new and evolving roles. The focus should be continuous learning that harnesses structured experiences, with a goal of tying training to business and customer priorities.

Re-think the relationship between learning and work. Companies should reconsider how and where they deliver learning. Successful organizations are making use of experiential learning; on-the-job learning where experiences are harvested; and just-in-time learning.

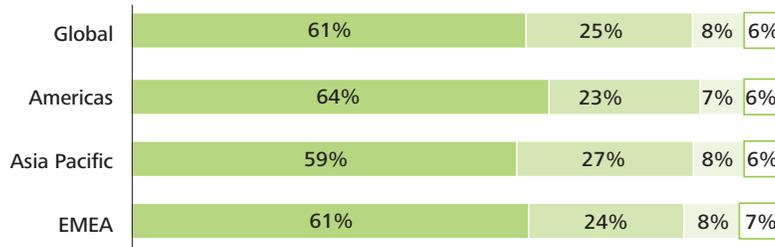
Develop and expect more from leaders at all levels. Leading organizations have moved beyond the notion that leadership development is only for the later part of the career. Some companies now include leadership development from day one. Companies are requiring leaders to focus on the development of critical skills, both within the company and across broader talent networks, and to be personally involved in mentoring and development processes across the organization at all levels.

Embrace the concept of "continuous development." Just like "continuous improvement" in operations, learning never stops. Organizations must make time in the workplace to capture or share learning. It is critical for development to move beyond "one and done" orientation and on-boarding models, where employees receive little assistance in adjusting to continuous changes and challenges. As careers lengthen, continuous development is important for each generation.

Integrate work, social and community opportunities. Employees in every generation, especially Millennials who are a growing percentage of the workforce, expect that their jobs and development will increasingly integrate their work with opportunities to serve their communities. The focus on development must also recognize employees' growing demand for meaning and social contribution in their work.

The War to Develop Talent: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- Public Sector (74%), Energy and Resources (65%) and Financial Services (61%) industries rank this trend as the most relevant trend today
- Larger organizations (i.e. 10,000 – 50,000 employees (63%), 50,000-100,000 (66%) and more than 100,000 employees (71%) consistently rank this trend as highly relevant today. Organizations with more than 100,000 employees report this trend even higher (71%) than the global average of 61%
- 65% of surveyed HR professionals rank this trend as highly relevant today in comparison to other business executives (56%)

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Endnotes

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9 Transforming HR to Meet New Business Priorities



HR transformation efforts are continuing to shift their focus to business priorities, concentrating on areas such as talent, emerging markets, and the HR organization.

In the past, HR transformation focused primarily on making existing HR functions more efficient and effective. The unspoken assumption was that HR was already doing all the things that needed to be done; it just needed to do them faster and cheaper.

But excellence at traditional HR services – such as integrated HR systems, timely access to workforce data and effective service delivery – is now the price of entry, no longer a competitive advantage. Today, HR capabilities must not only support the business, but enable business strategy.

Today, companies are introducing HR transformation in markets that offer the greatest business value, including emerging markets, and building the architecture out from there.

To fulfill its new role in accelerating business growth, organizations are using HR transformation to design HR and talent systems that can work across geographic boundaries, creating a framework that is flexible enough to support different business models. The goal is to create a common global HR delivery framework that can be tailored to the demands of local markets and business units – a mass customization approach that provides differentiated services to various segments within the business.

Cloud-based HR solutions are laying the foundation for real-time HR analytics and broad-based benchmarking. This advance in technology represents a seismic shift in the ability of HR to move from historical reporting to developing predictive capabilities.

Not only is the architecture of HR transformation changing; the sequencing of its implementation is changing as well. Traditionally, organizations launched HR transformation efforts in established, large markets such as the US and UK. Today, companies are introducing HR transformation in markets that offer the greatest business value, including emerging markets, and building the architecture out from there. This may mean prioritizing business impact over short-term cost savings.

What's driving this trend?

Keeping pace with growth, improving business performance. Growth comes from two sources: developing new products and services and expanding into new markets. From a talent perspective, pursuing these strategies often requires scaling up existing talent and developing and retaining a workforce on short notice in a highly dynamic, competitive market. HR leaders are gearing their talent models toward keeping up with the pace of growth and removing bottlenecks in the talent pipeline.

Emerging markets. Traditional HR transformation was driven by its ability to generate cost-saving solutions. That mandate has shifted. Today, companies want HR transformation refocused on the most important growth and business opportunities. To large organizations, the choice of whether to transform HR to eke out savings, or to invest in a scalable and flexible platform that enables the company to penetrate the booming Asian markets, is obvious.

Supporting mergers & acquisitions and new ventures. Slow economic growth has led to a new parade of mergers, acquisitions and divestitures across the corporate world. Supporting the talent needs of M&A and joint ventures is becoming a critical HR mission. This demands HR leaders deliver scalable, targeted, solutions to organizations, often in far-flung regions. HR needs to enable and accelerate these business strategies, not slow them down.

Enabling technologies. New technologies are providing HR leaders with innovative tools to envision, plan and execute transformation solutions. Cloud, social, mobile, collaboration and analytics are quickly becoming the norm, not optional features and functionality. Current and prospective employees in both mature and emerging markets are utilizing social and mobile technologies to interact with the organization and within it. Analytic tools are producing new insights gleaned from "big data," leading to better decision-making for business strategy and transformation deployment options.

Practical implications

Talent-led strategies. Identifying and developing the next generation of corporate leaders has become a clear talent imperative. Meanwhile, the global race for talent continues apace driven by the need to fill critical skills.

HR leaders are aligning talent management strategies accordingly, identifying high performers and helping to match them to the right development opportunities across the company and in key markets. Talent management strategies at forward-leaning firms now focus on improving leadership development programs, initiating new workforce planning capabilities and performance management tools and accelerating diversity programs.

One global health care and pharmaceutical company focused their global strategy on developing new products for the China market. The company looked to HR to mobilize employees and establish an innovation hub in Shanghai. HR leaders focused first on the business goal and then aligned talent to help achieve it.

Emerging market-led strategies. Firms are developing HR capabilities to match their dynamic, global presence. Talent leaders are improving global mobility programs to move top talent around the world more efficiently and easily. Companies are encouraging an environment that enables global and virtual teams to collaborate and thrive. And they are designing new, scalable staffing models that can flexibly draw upon contingency workers or use outsourcing as needed.

Underpinning these HR efforts is a deep understanding of the markets and why they are key to the business strategy. HR leaders understand how the business environment and strategy differ in each market, have determined what drives those distinctions, and use those insights to create the solutions critical to the company's success.

A global insurance company with over 60,000 employees in more than 80 countries realized that its HR organization was too costly and not fully contributing to business strategy. More than 180 different HR and payroll systems served this global workforce. Given the scale of the challenge, the company decided to launch its global HR transformation program in emerging Asian markets. This strategy enabled the company to focus on smaller, strategic components of the business, allowing it to achieve

quick wins and build significant momentum. Although the scope was complex – including case management technology, new HR technology, and new outsourced payrolls – the initial pilot programs were complete in less than six months. Since then, the solution has been deployed to over 30 countries with 23,000 employees.

M&A-led strategies. Leading companies view the M&A process as a chance not only to integrate two or more existing systems, but as an opportunity to change and improve HR systems for the new organization. HR's new capabilities should include the ability to effectively and reliably combine two distinct workforces into a truly integrated organization that can help the business achieve its growth goals.

In the wake of a failed acquisition, a global telecommunications company launched a major cost-cutting initiative, which uncovered serious challenges to its HR systems. The company's existing HR technology platform was expensive, non-compliant in critical areas, and no longer supported by many of its software providers. The need to upgrade the system was flagged as a looming business risk and a driver of even higher costs. A few months later, a new, successful acquisition was completed, offering the opportunity for a full-scale HR transformation program that included benefits administration outsourcing, multi-year HR systems prioritization, consolidation and improvement. The result: reduced costs today and the elimination of unexpected costs in the future.

HR organization-led strategies. As HR leaders focus on key business priorities, they are also focused on building out core HR operations, including shared service centers and centers of expertise. This focus on business priorities is shining the light as brightly as ever on the role of HR business partners.

Implementing an effective business-partnering model can be an effective way to accelerate the evolution of HR functions. HR Business Partners match deep knowledge of the business with deep knowledge of where to apply services and solutions. CHROs at leading organizations are establishing business metrics for their Business Partners, not simply HR metrics. This means successfully integrating acquisitions to improve performance; ensure companies have the right talent to drive innovation; and helping companies operate effectively in emerging markets by clearing potential roadblocks such as tax issues or talent gaps.

A global manufacturer faced fierce competition in home and new markets, along with new leadership and a new business strategy. Corporate leadership turned to HR to review and redefine the company's global HR and governance structures to make them more focused on the organization's strategic priorities. The new HR structure relies on HR Business Partners to guide the next stage of HR transformation, involving systems replacement and a focus on talent analytics, learning and leadership development.

Lessons from the front lines

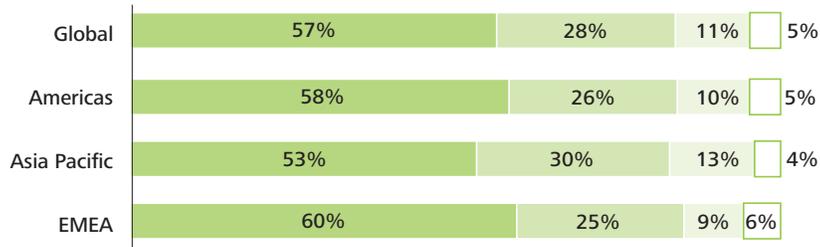
Start a new conversation with the board focused on business priorities. Are CHROs asking their boards to invest in an HR transformation that promises to deliver a new HR system or new payroll provider? Or are they starting a new conversation with the board, focused on business priorities, such as transforming HR to complete acquisitions companies in half the time or standing up a new, scalable HR function as the company advances into new markets? Selling improvements and upgrades to current systems is no longer sufficient. In making the case for HR transformation, focus on strategic outcomes, not technologies and tactics.

Develop playbooks through active simulation. The HR team should create playbooks that can be implemented given a variety of business situations. These playbooks are developed by actively simulating different scenarios and then producing action plans based on these simulations. Instead of drawing up new plans to meet every new challenge, HR systems, processes and programs must be repeatable, especially for business events that are likely to recur, such as new market entry, M&A and global mobility. At the same time, the HR model should be flexible enough to adapt to changing business demands without requiring a complete transformation effort.

Be prepared to run more than one play. HR Transformation cannot be one-dimensional. A company may have a payroll risk issue that needs to be addressed in the US, while expanding in China. Meeting these demands may require drawing from more than one playbook, combining both an emerging market-led strategy and an HR organization-led strategy.

Transforming HR to Meet New Business Priorities: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- 85% respondents rank this trend as the third most relevant trend today and in next 1-3 years
- Consumer Business industry respondents ranks this trend as the top most relevant trend (66%)

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10 Branding the Workplace: Innovating the talent brand



Social media has erased whatever lines used to exist between the corporate brand and the talent brand. They're two sides of the same coin.

In a knowledge-based economy, skilled talent may be what most differentiates great companies from the rest of the pack. Skilled talent can help drive innovation and customer value, creates growth opportunities, and mitigates a growing river of risk. Organizations that do an extraordinary job managing their talent agendas have an opportunity to set themselves apart—in both the talent arena and in the broader marketplace.

Capitalizing on this opportunity requires creating distinctive talent capabilities, of course. But the next step—one that many companies overlook—is to actively promote and brand those capabilities.

In the past, it may have been possible for organizations to do this outside the influence of their external corporate brands. But those days are likely gone. In today's hyper-connected world, your corporate brand and your talent brand are two sides of the same coin.

As organizations begin to rely on talent that resides outside their four walls, alignment of the talent brand and corporate brand are expected to become even more important. Creating strong bonds that help retain critical talent—and attract the future talent you'll need—requires building leading talent practices and communicating them effectively and consistently. Get it right and the potential of brand convergence can work in your favor. Get it wrong and you may create more risk and confusion than you'll know what to do with.

Many leaders understand they should be stewards of their talent brands, just as they are stewards of their external brands.

What's driving this trend?

The worldwide economy is beginning to regain momentum. Innovation and market share growth are expected to fuel profitability and increased valuations. To capitalize on this momentum, companies are looking for new and more effective ways to retain and attract top talent. That includes tapping a broader open talent economy that extends beyond the traditional workforce to include freelancers, contractors, and other third-party suppliers of skilled talent.

At the same time, many top organizations now realize talent expects to control more of how, where, and when they work. By including mobility opportunities in their talent value proposition, many companies are able to connect to and derive value from a talent base that is increasingly global.

Regardless of the source and location of talent, however, organizations are benefitting from innovation in talent branding in three ways.

Costs in the cross-hairs. Companies with the “hottest” talent brands enjoy the ability to pick and choose from a large pool of qualified people for their open positions. They also reduce the need for expensive search firms, which can reduce costs related to both acquisition and turnover. When the talent brand reinforces the corporate brand and vice versa, organizations may enjoy a virtuous cycle that further sets them apart from the rest of the field.

Google has used this two-sided brand approach. Not only does the company use its corporate homepage as a recruiting vehicle, but that page is the primary source for announcing new positions. There potential candidates can easily learn about Google's strategy regarding work, opportunity, rewards, benefits, people, and organization—all delivered in the context of the broader corporate brand.

Increasing shareholder expectations for innovation and value creation. A bit harder to quantify, but nonetheless integral to a company's business model, is the innovation value skilled talent produces. If the best people aren't innovating for you, they're probably innovating for one of your competitors. So why not give them the time to innovate? Intuit encourages employees to spend 10% of their time pursuing other projects they're passionate about. And they are serious about it. Last year the company awarded its top innovator with \$1 million in cash and stock for developing a new product.¹

The shallow pool of critical talent. A third emerging area of business impact is the growing importance of the open talent economy in attracting hard-to-find talent, including contractors, alumni, subject matter experts, customers, and even suppliers. When these nontraditional workers affiliate with your organization, they can supplement value creation and can enhance your overall brand. Procter and Gamble's use of crowdsourcing for product development—the lifeblood of its brand—is an example of this phenomenon. Launched in 2001, the company's [Connect + Develop](#) program continues to provide innovation breakthroughs (including Tide PODS and the recently introduced Febreze® Stick & Refresh).

Practical implications

Many leaders in talent understand they should be stewards of their talent brands, just as they are stewards of their external brands. Doing that effectively requires careful communications and building a culture in which workers understand and embrace the organization's talent practices. Simply marketing those practices to new recruits is insufficient—and may actually backfire.

More important, talent should consistently experience the value of the intended practices. With the growing impact of social media and rating sites, the talent experience in your organization is the talent brand. Almost any person who comes into contact with your organization can influence your brand perception—from employees and contractors to unsuccessful applicants, unhappy customers, and more. You are responsible for ensuring that the real-world experience of working with your organization matches the competitive brand proposition you intend to convey.

Effective businesses have long been focused on delivering the very best possible customer value proposition—aligning market research on customer needs with all the business processes necessary to satisfy those needs at a competitive price. It's time to bring those same disciplines to building the talent side of your company's brand.

The value proposition. The talent brand is an outcome. The talent value proposition—the framing of the actual experiences of people who work for you—is the means to that end. Getting it right requires asking some tough questions. What does your talent value proposition say about your organization? How does it address the needs of different talent segments? What behaviors drive these segments to stay or go? What role will organization

leaders play in building your talent brand? Do your hiring managers and recruiting professionals understand your talent value proposition? Are they communicating it effectively to candidates?

Social media. Social media has changed the branding game, eliminating many of the boundaries, in some instances, between workers and customers, internal communications and external marketing. Organizations that want to effectively manage their talent brands have to take charge of their social media presence. If you don't do it, a disgruntled employee or competitor may. In practical terms, every person who works for your organization is a potential talent-brand ambassador. What message will they be carrying into the marketplace?

Engagement. There's a growing body of research that shows a driver for engaging with people is to provide meaningful work experiences that leverage their strengths. How is your organization identifying which work experiences matter most and determining how best to deliver them? Which of your talent development efforts are underperforming? Which should receive even more investment? Remember, the actual experiences of your employees and your extended talent pool define your talent brand—for better or for worse.

Open talent economy. Challenge your current thinking about the employment contract and embrace the freelance economy. How can you exploit an open talent economy and use your brand to attract the people you need—as resources, customers, advocates, and affiliates? Your brand is cultivated through all the relationships on your value chain.

Lessons from the frontlines

With the global economy on the rebound and the competition for critical talent growing more intense, talent branding is emerging as a critical discipline for organizations of all sizes and shapes. But it's not a discipline that materializes overnight. Companies that want to elevate their talent brands should build a strong foundation, which takes time.

While every HR organization should approach talent-branding with its own unique set of challenges, below are four action steps an organization should consider if it's serious about building its talent brand.

Engage in a crucial conversation with your Chief Marketing Officer today. What do your key talent segments perceive about your brand? What is the nature of their experience? What do they value? How quickly can you apply your organization's customer marketing and research skills to the talent marketplace? If you aren't using sophisticated workforce analytics yet, you're already lagging.

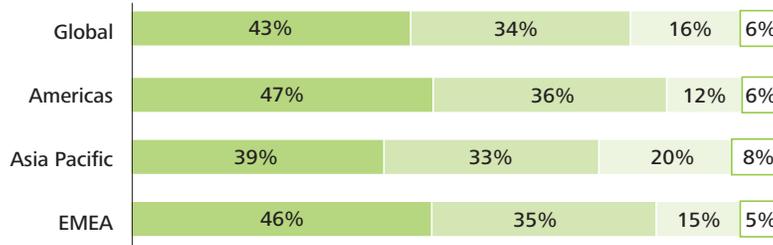
Adjust workforce practices so critical talent get to contribute, develop, and grow every day. Study after study identifies personal development as one of the top needs across all generations, so it's an easy target for early action. Indeed, researchers writing in the Harvard Business Review found that employers who invest more in training and development outperform the market by up to 35 percent. Even during the downturn in 2001, the authors recorded a 4.6 percent increase in stock value among companies with strong talent development budgets.² Many leading firms are expanding the concept of "development" to extend outside the classroom, incorporating on-the-job learning and access to just-in-time knowledge sharing.

Communicate, communicate, communicate—and listen. Having a great set of talent practices is only half the battle. Targeted talent should know and appreciate the advantage your company offers. That requires effective communication and careful listening. How is your organization engaging via social media? What can you do to make sure that engagement is as productive as possible for your talent brand? Are current talent resources engaged in helping to "sell" others on your value? Monitoring social media and career sites is essential to capture what people are saying about your organization and engage with them to clarify, correct, or accept responsibility.

Extend your talent brand to those who reside outside your organization. The open talent economy has the potential to provide a broad supply of specialized talent, including individuals who shun the traditional employment contract. Apply the same research and implementation practices to these talent segments that you apply to other parts of your company's value chain. For example, consider offering continuing professional education to contractors to help them build credentials. It can enhance the skills they use to support your company and, at the same time, deepen the affiliation they feel with you (instead of your competitors). Also, educate recruiting partners such as search firms, job boards, and university faculty so they understand your talent brand and can communicate it effectively.

Branding the Workplace: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- Across industries, 55% of Public Sector respondents rank this trend as highly relevant today (the highest); the lowest was Technology, Media and Telecommunications industry with 38%
- Organizations with strong business outlook for 2013 rank this trend higher (52%) than respondents with moderate to much slower outlook (42%)

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Endnotes

¹ Fortune 100 Best Companies to Work For, Fortune, <http://money.cnn.com/magazines/fortune/best-companies/2013/snapshots/22.html>

² Bassi, Laurie and Daniel McMurrer, "How's Your Return on People?" Harvard Business Review, March, 2004.

11 The Aging Workforce: Finding the silver lining in the talent gap

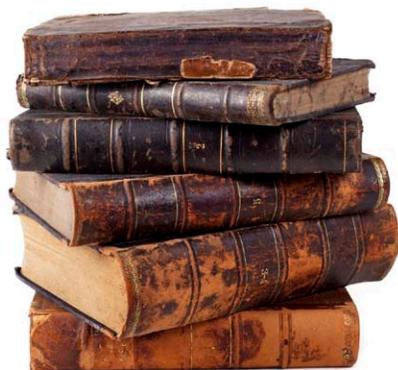


Organizations can capitalize on shifting retirement patterns to help narrow their talent gap.

The traditional view of retirement is changing—and it’s changing fast. As mature workers realize they either can’t afford to retire—or aren’t quite ready to make the big move, many are continuing to work past the standard retirement age. Still others are semi-retiring by shifting to part-time roles or consulting, especially in areas where the gap between supply and demand for talent is increasing. In fact, a recent Deloitte study found that 48 percent of baby boomers expect to keep working past age 65, and 13 percent believe they will work into their 70s.¹ For organizations, this shift is both a blessing and a challenge.

On the plus side, changes in retirement patterns can help avoid or defer the baby-boomer brain drain that has been looming for so long. Organizations now have a fresh opportunity to address the talent gap created by a shortage of critical skills in the marketplace, as well as the experience gap created by multiple waves of downsizing over the past decade. On the minus side, shifts in retirement have the potential to increase payroll and benefits costs, and may even disrupt the talent pipeline.

While the idea of “retiring retirement” has been a point of discussion for many years, organizations are finally starting to capitalize on the opportunity as thousands of baby boomers become eligible for retirement every day.



What's driving the trend?

Four emerging patterns in the broader marketplace account for the shift in how mature workers are thinking about retirement—and how organizations are responding.

Lower than expected wealth. Many workers on the verge of retirement are not yet wealthy enough to fulfill their retirement dreams. Some simply haven't saved enough. Others have watched their retirement savings stagnate or decline in the face of a struggling global economy.

Better than expected health. Advances in healthcare and nutrition have kept today's mature workers healthier and more active than ever. Many still have a lot of value to contribute—and the vigor to do it. They are also living longer, which means they may feel less urgency to start enjoying retirement as soon as possible. Many feel the need to build a bigger nest egg so they don't outlive their savings.

Shifts in government policy. New laws and regulations are having a large but varied effect on this trend. Changes in healthcare policy will presumably make it easier for mature workers to leave or to accept part-time or contractor positions that don't include full benefits. On the other hand, proposed increases in the qualifying age for public pension schemes around the world could lead workers to stick around longer. This uncertainty alone could prompt some workers to defer retirement in order to avoid making an irreversible decision they might regret after government policies are finally settled.

Continued demand for key skills. Organizations are struggling to find and retain the critical skills required to achieve their strategic objectives. For example, 67 percent of U.S. manufacturers report a shortage of available and qualified workers and 56 percent anticipate that the shortage will continue to grow over the next three to five years—despite frequent reports of high unemployment in the industry.² In many cases, the jobs that are hardest to fill have the biggest impact on performance and require the most experience. This talent gap creates new opportunities for workers near retirement age to extend their careers.

Practical implications

Forward-looking employers are treating this shifting view of retirement as both a challenge and an opportunity. The opportunity? To retain talent and knowledge that creates value for the organization—and that might otherwise have been lost. The challenge? How to take advantage of the opportunity without creating skill mismatches or building a “grey ceiling”³ that limits advancement opportunities for younger talent and makes it hard for them to acquire the experience and skills they need to succeed in their careers.

One approach for addressing this opportunity is to apply principles of workforce flexibility and career customization, targeting workers as they near retirement age. For years, organizations have been using these tools to accommodate employees looking for alternatives to a traditional career path, primarily those in the early or middle stages of their careers. Meanwhile, most mature workers were sticking to traditional career paths and marching steadily toward the dream of a textbook retirement.

Now, the tables have turned. Organizations are starting to use these innovative methods and principles to help mature workers design alternatives to standard retirement, while clearing a path for younger workers to progress and benefit from mature workers' valuable experience.

Organizations are starting to use these innovative methods and principles to help mature workers design alternatives to standard retirement, while clearing a path for younger workers to progress and benefit from mature workers' valuable experience.

Lessons from the front lines

Rethinking retirement presents a complex set of unfamiliar challenges and requires a multi-faceted approach. Universities and health system providers are leading the way. They have deployed flexible work schedules, phased retirement structures, and wellness programs to attract and retain mature workers. They also provide a myriad of learning experiences to improve and extend the knowledge of mature workers. Here are some of the focus areas that are gaining traction:

Design new roles and career pathways. Keeping mature workers in their existing jobs is not sufficient. By creating new roles and career pathways, organizations can fill experience gaps and provide mature workers with fresh challenges that keep them engaged and contributing. In particular, a greater focus on coaching and mentoring can help an organization transfer and retain critical knowledge, while providing young people with valuable wisdom and insights that can accelerate their careers.

Redesign incentives. Existing incentives are often aligned to drive mature workers out the door—even in cases where both the worker and the organization might prefer for the person to keep working. For example, many mature workers continue to be covered by traditional pension plans that provide greater lifetime benefits for employees who leave before normal retirement age. These plans essentially punish employees for deciding to work longer.

Employers should consider winding down early retirement incentives in favor of building a multi-dimensional retirement model that fits today's new reality. Simply offering mature workers scaled back hours and pay is not enough. Other factors to think about include everything from salaries and rewards to medical benefits and pensions. For example, consider offering phased retirement packages that include reduced work hours and mentoring requirements in conjunction with pre-retirement pension payments to help offset the salary hit. The U.S. federal government has adopted this practice, and enacted legislation in July 2012 to allow employees who are eligible for retirement the option of switching to part-time work. These employees would draw a partial salary and a partial annuity, both prorated according to the time worked. The law envisions that phased retirees would spend a fifth of their working time mentoring younger employees.

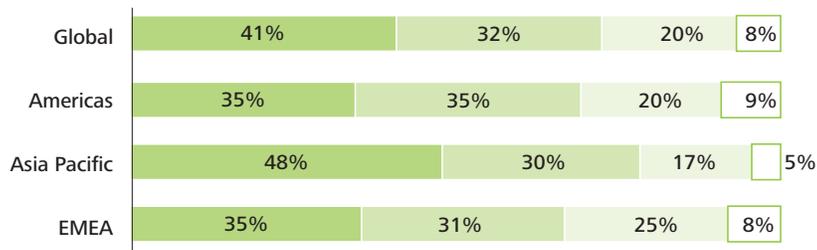
Offer fair choices. Employers can use the methods and principles of workforce flexibility and career customization to create career options from which mature employees can choose. Ideally, workers will self-select options that make the most sense, both for themselves and the organization. This requires up-front analysis and careful design of offerings that are fair and equitable. It also demands ongoing monitoring to confirm that the desired balance is being achieved. If some options are over-subscribed, it's a sign the framework was not properly validated and needs to be adjusted.

Focus on continued development. Even as mature workers near the end of their careers, it is important for organizations to continue to provide development opportunities and training. Many of the companies that have established a positive reputation for employing mature workers have implemented targeted learning programs, including on-line training, job shadowing, and temporary assignments in other departments to help enhance and diversify skills.

Don't overlook blue collar workers. Concepts such as workforce flexibility and career customization can be more challenging to apply to labor-intensive jobs that require a direct physical presence at a factory or work site. But that doesn't mean the concepts aren't relevant. Thanks to increased mechanization and automation, many of today's blue collar jobs are not as physically demanding as they used to be. Many also require highly specialized knowledge that a business may want to retain.

The Aging Workforce: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- This trend was in the top 5 for Asia Pacific with 48% respondents ranking it as highly relevant today
- 66% of respondents from Japan rank it as the top most relevant trend today
- 50% respondents from Manufacturing and Public Sector industries rank the trend as highly relevant today, which is the highest across the industries
- A lower number of respondents (28%) from Financial Services industry, rank the trend as highly relevant today

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Endnotes

¹ "Talent Edge 2020: Building the recovery together", Deloitte, April 2011

² "Brawn from Brains: Talent, Policy, and the Future of American Competitiveness", Deloitte University Press, September 27, 2012.

³ "The Grey Ceiling", Businessweek.com, July 15, 2008.

12 The Performance Management Puzzle



Some say traditional ways of managing employee performance are irrelevant in today's fast-changing work environment. Others argue that these methods drive accountability and differentiated compensation. Both are right.

Many companies continue to rely on traditional performance management processes because they provide a consistent way to evaluate employees and apportion rewards. Year after year, managers follow a well-worn routine: Fill out goal forms, track progress, fill out more forms, conduct a formal annual assessment, and then fill out more forms. But when it comes to motivating and engaging people, these conventional processes seem increasingly obsolete.

According to a recent World at Work study,¹ 58 percent of HR leaders gave their performance management process a "C" grade or worse. Few other processes in an organization are allowed to perform so poorly, and performance management should not be allowed to any longer.

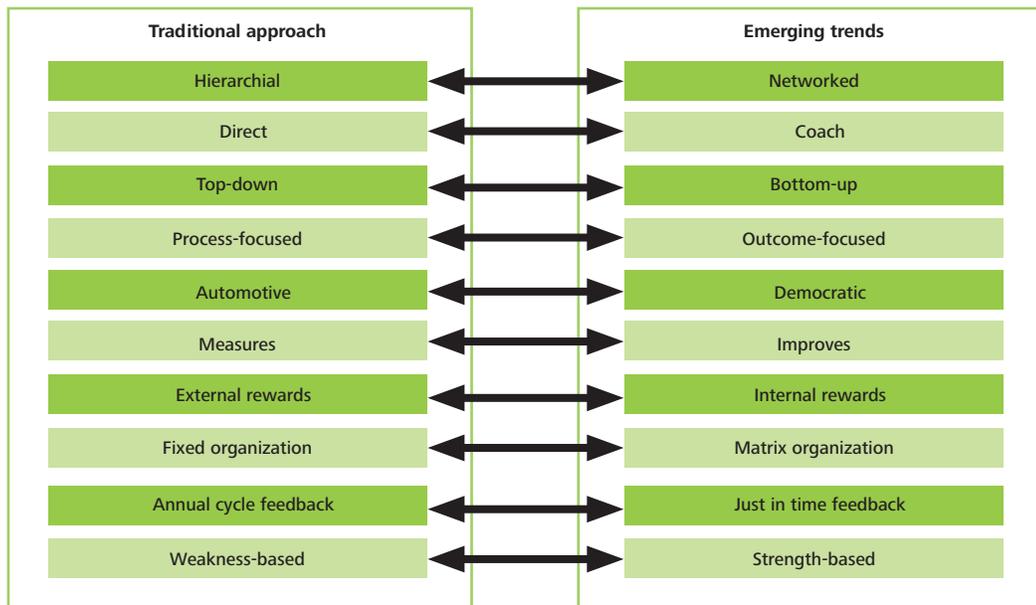
The challenge is that while the way work gets done has changed dramatically over the last few decades, performance management processes at many organizations have remained essentially the same. In this new world of work, team relationships often influence an individual's performance more than a supervisor. For team members, on-the-spot improvements based on immediate feedback from their peers can have a big impact on performance. Plus, as individual and organizational goals are increasingly tied to project cycles that last a few months or weeks,

the fiscal year can become less relevant. Add in the matrix organization—with individuals migrating from one cross-functional team to another, each with a different leader—and performance management can turn into chaos.

What has not changed is what leaders and employees want from performance management: A broad view of the organization's human resources and a fair and valid assessment process, respectively. To achieve these somewhat paradoxical goals in today's fast-paced workforce, some leading organizations are ushering in a new era of workplace democracy. To offset top-down annual performance evaluations—which can often be based on aged feedback or vulnerable to the "recency effect," the behavioral principle that the most recent is the most likely to be recalled—some organizations are looking to social tools to access in-the-moment feedback from peers, customers, and other stakeholders to promptly improve performance. These pioneers could point the way for other organizations as Gen Y's digital natives expand to dominate the workforce over the next ten years.

While no single answer has emerged that spans the conflicting needs of the organization and its individuals, the search for innovation in performance management is accelerating.

Performance management in the new world of work



Source: Deloitte. Emerging trends in performance management are a better fit for the new world of work, which is increasingly characterized by self-forming teams responding to rapidly changing business challenges.

What's driving this trend?

Performance pressures. Competitive intensity continues to build in the global market economy. And, as organizations globalize and access new talent at lower costs, the employees in more politically stable nations will be relied upon to keep their organizations competitive and deliver higher precision performance. Research from the 2011 Shift Index, published by Deloitte’s Center for the Edge, revealed the “topple rate”—the speed at which companies lose their leadership position—continues to rise. This suggests that even market winners can’t let their guard down. They must commit to a relentless pursuit to improve their performance.

Organization structures. Employees are no longer bound together by place—they can work together from anywhere on the globe. In this new environment, teams are often formed, dissolved, and reformed, based on constantly changing business needs. In many organizations, the classic employee/supervisor relationship has all but disappeared as organization structures flatten. For example, one software company has dispensed with the manager’s role altogether, removing many barriers between employee teams and customers. Performance evaluations are driven by anonymous peer reviews across

the company. Simultaneously, a committee holds meetings to ask employees to comment on the contributions of their peers based on four criteria: technical ability, productivity/output, group contribution, and product contribution. The committee reconciles the rankings to produce a final ranking of employees across the company.

Technology improvements. Emerging technologies—social, mobile, cloud, analytics, gaming—are changing the way people work and interact. Managers who used to engage with employees while walking the halls are being replaced by far-flung teams that communicate via text, chat, or Skype. In addition, new collaboration tools combined with deep analytics now enable organizations to collect and sift through massive amounts of disparate information to uncover who’s doing what—and how well they’re doing it. For example, one restaurant chain is using point-of-sale technology to display personalized leaderboards showing individuals’ real-time performance in generating revenue and tips against peers system-wide. Employees learn from the front-runners, raising the bar for everyone. High-ranking workers get their choice of shifts as a performance incentive, allowing managers to focus on coaching employees, rather than scheduling shifts.

Generational expectations. As baby boomers retire, Gen Y employees represent a growing constituency of digital natives. Social, gaming, and mobile technologies from the consumer digital world have upped their expectations for work tools that allow for real-time, remote collaboration and feedback. Leading organizations are adapting old-school processes and tools to more effectively compete for this new generation of talent.

Practical implications

Bridging the gap between traditional performance management systems and the evolving world of next-generation applications is a tricky business; despite their enthusiasm for “new and different,” employees first want “fair and balanced.” Managing this coexistence requires careful attention to a number of areas.

Desired outcomes. In today’s fast paced, matrixed work environment, managers need to make crystal clear what “good” looks like in terms of expected behaviors and performance. Creating tight alignment between the work of the individual and the organization’s objectives promotes greater context, commitment, and pride in accomplishment. Clarity of outcomes acts as the foundation for increased employee and team self-management, as well as the basis for peer and manager feedback.

Peer networks. In a collaborative culture, where employees turn to one another for advice and support, peer feedback gathered through collaborative tools can provide valuable insights to supplement more objective measures. One online retailer strengthens its supportive culture by flashing photos of random co-workers from other departments on employees’ computer screens when they log in. Each employee ranks the photo based on how familiar they are with this colleague. Managers use these ratings to assess the strength of inter-department relations and identify functional silos that could inhibit collaboration.

Manager capability. Leaders who motivate and guide team members by influence, rather than rank, need a different set of tools, training, and processes than leaders who manage individuals with a more hierarchical mindset. Bersin by Deloitte research indicates that the greatest challenge to effective performance management is managers’ inability to coach effectively—a critical skill in a flattened work environment.

Data access. Organizations can now quickly gather, analyze, and distribute massive amounts of data. Customer feedback, peer reviews, social media comments, operational data—to name just a few sources—can provide multi-layered views into the performance of individuals and teams. Administrators of a major city’s public hospitals recently announced that they plan to use patient evaluations and complaints to assess their doctors’ performance and salary. While changes to Medicare reimbursements may have triggered this new approach to performance management, their experience may provide useful insights into the challenges and opportunities facing other organizations.

Lessons from the front lines

Leading organizations are looking for answers to the performance management puzzle. In this changing landscape, it’s smart to learn from the experiences of others before diving in. Meanwhile, prepare leaders by sharing new trends in performance management and potentially experimenting with new approaches that can hold potential for your organization.

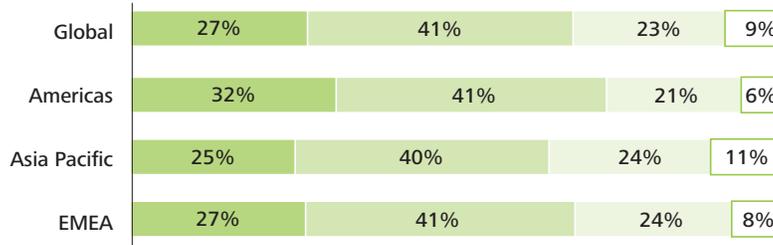
Don’t force it. Social performance management tools are more likely to be adopted by individuals who work within a collaborative culture that cultivates inclusive leadership styles. Engage fast-moving parts of the business in rapid experimentation—where a participative management style is already embedded. These organizations provide a logical place to test new performance management approaches.

Guard against popularity contests. Political posturing can hinder productive innovation. No employee wants his or her performance evaluation to hang in the balance of personal grudges in social media. And no one wants their contributions to be overlooked because they are not as socially savvy as others. The crowd’s opinions should not detract from the manager’s role as a valuable conduit, channeling and interpreting how feedback should influence performance.

Start with recognition. While some organizations are exploring ways to gather constructive feedback from peers and managers, early adopters have stayed on steadier ground by providing social tools that encourage peers to recognize each other’s performance in a positive way. Strength-based feedback—from managers and peers—is gaining traction as widely accepted, positive influence on individual performance.

The Performance Management Puzzle: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- This is an emerging trend and ranks in the top three trends in both relevance in next 1-3 years (41% – second most relevant trend) and in relevance 3 years and beyond (23% – third most relevant trend)

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Endnotes

¹ World at Work/Sibson Consulting, "2010 Study of the State of Performance Management."
<http://www.worldatwork.org/waw/adimLink?id=44473>

13 Human Capital Analytics: Thinking like an economist



Increasingly, many HR leaders have to answer questions that have an economic issue at their core—the allocation of a scarce resource called talent.

Today, many HR leaders are dealing with more complex, challenging questions than the ones their predecessors faced. Instead of focusing on traditional “personnel” issues, these new questions address core business issues: Where should we build a plant? Which M&A target will add the skills we need? Where should we locate a new R&D center? Why is our turnover rate in China so high?

Answering questions like these require new data and new thinking. Today’s HR leader has to think like an economist—someone who studies and directs the allocation of finite resources. In the global economy, talent is one of those scarce resources.

Embracing that mindset is half the challenge. The other half is harnessing the applicable information. Companies are accustomed to following their own internal “leading indicators,” but the economist-minded HR leader has to look outward as well. Macroeconomic indicators like GDP (gross domestic product), employment shifts, or public infrastructure spending are critical in pointing the way to sound business decisions. By calibrating the finite talent investments their organizations are able to make, these leaders aim to make their workforces more responsive to the current and future needs of their organizations.

Ultimately, HR decisions are like many other business decisions: They involve both cause and effect—and supply and demand. As HR leaders focus on solving more complex business issues, they increase their alignment with the other business leaders in their organization.

What's driving this trend?

Because of globalization, connectivity and other trends, business is more complex, moves faster, and is more competitive than before. Senior leaders don't only have tougher decisions to make—they also have new kinds of decisions to make. And they need new kinds of facts to base them on. The data, skills, and methodology of the classical economist can help an HR leader answer that call.

Globalization. Increased mobility and social media have erased boundaries, creating a global talent pool. Today, HR is recruiting and managing people around the world.

Competition. Thinking like an economist about human capital questions doesn't just influence the competition for talent; it influences competition at virtually every level. Talent is a bigger driver of enterprise performance and profitability than ever before.

The connected workforce. Many businesses operate on a global basis, which expands and accelerates competition at every level. In this digital age, companies and their competitors can view their workforces—and the entire global talent pool—in real time.

More complex business issues. Large organizations often face major strategic turning points, such as entering new markets, siting new facilities, locating sales offices, or making M&A moves. Now, the talent and workforce implications of these decisions have come to the forefront. For example, the value of talent may represent a significant part of an acquisition price; some M&A transactions actually center on the need to acquire talent. Choosing where to locate a facility may depend upon workforce demographics and visa availability. Across the board, business is asking HR to help solve top-level strategic problems.

When an organization stakes its future on the value it can create by managing people, a quantitative-analytical approach is vital to seizing opportunities, reducing risks, and fine-tuning decisions.

Practical implications

When an organization stakes its future on the value it can create by managing people, a quantitative-analytical approach is vital to seizing opportunities, reducing risks, and fine-tuning decisions to enhance efficiency. Thinking like an economist can help refine talent decisions from recruiting and retention through training, rewards design, and team composition. More importantly, the economist view can help extend the value of HR to the whole organization, by driving decisions in strategic areas such as M&A, new market entry, and innovation.

New market entry. When an organization breaks new ground, economic data can help HR leaders contribute to strategic decisions, such as what services to provide in a new market or whether to manufacture there. No one wants to commit to a plant and then find out the market doesn't have the talent to operate it. Are people with the right skills and competencies available? Does the country provide visas to import start-up talent if needed? Where should plants or sales offices be located? What is the cost of labor? Is it cheaper to import raw materials or components, or to source them locally? An economist view can also bring critical regional facts—such as the high inflation rates characteristic of some BRIC economies—into the conversation early enough to make a difference.

M&A. It's increasingly common for the workforce value of a target organization to be the chief reason for its acquisition. Economic data can help HR leaders find companies with people who offer hard-to-find skill sets. Which countries promote start-ups? Which countries have large populations of people with scarce skills, like biotech and cloud computing? How long will these resources remain scarce? What countries are importing specialized talent the fastest? What companies are gaining market share in innovative industries like biotech based on their recent market performance? Thinking like an economist helps you find the talent value that can form the centerpiece of a deal.

Innovation. An economist mindset can help HR leaders find new ways to generate value from talent resources. Which countries have growing economies? What countries have a high concentration of engineers, mathematicians, and other critical professions? What countries provide tax credits? Do the countries or locations have the right infrastructure to support R&D? What colleges are producing high-demand engineers and scientists?

Lessons from the front lines

People in leadership roles, in HR and everywhere else, have much of their time locked up by operational concerns. Thinking like an economist requires stepping back and taking the time to think about strategy. If talent is more important in addressing business issues, and talent is finite, how can it be allocated to generate more value for the business? Most companies find having the right people and skills in the right place at the right time is an ongoing challenge.

This is not an invitation to dive headfirst into the limitless pool of big data. Rather, it's a call to do what economists do: maintain a 360-degree view of the key indicators, near and far, that matter to the business—and apply that knowledge to make smarter decisions.

HR leaders should start looking at micro- and macro-economic data in order to make more effective fact-based business decisions. Figure 1 shows ten common indicators that economists often follow—and business leaders often ignore. These publicly available data sources provide a starting point for economic thinking that can be applied to

business decisions. These should complement, not replace, the internally generated indicators that most companies use to direct talent and strategy decisions.

Build a broad dashboard. More data volume and fancier analytics are not the goal. But they're both means to an end: making better decisions based on new insights. A growing number of leaders utilize dashboards that deliver relevant data and analytics on a real-time basis, allowing them to closely monitor shifts that can affect business decisions. A well-designed dashboard presents a view that is broad enough to encompass the macro- and micro-views needed for decision-making, but focused enough to avoid overload and distraction.

Speak a new language. Economist thinking can be positively infectious. Be a carrier. Make leading indicators and analytical projections the lingua franca of HR leadership meetings, and share insights outside the HR realm with the top leaders who drive overall organizational strategy. When hard numbers can explain or predict what's important to the business, leaders listen.

Ten examples of external data types an economist-minded HR leader can use to drive better business strategy

	Economic indicator	How to use it
Market data	GDP Per Capita	Understanding standard of life measures and anticipating future growth can help HR stay ahead of the curve when the business is ready to penetrate new markets or expand in established ones.
	Confidence	Monitoring confidence can indicate consumer and industrial outlook, allowing HR to anticipate potential changes in the economy.
	Public infrastructure & private investment spending	Spending per capita and spending as a percentage of GDP are means of normalizing spending to compare the current positions and policies of different markets.
Financial data	Company value & output	Monitoring the trending and current worth of your company can help keep a pulse of the overall health of the organization and anticipate future changes.
	Market performance	External performance can be used to conduct competitive analysis and establish comparative benchmarks.
Talent data	Job creation	Monitoring job creation can help HR anticipate labor market changes that could impact the demand for different skills, organizational retention, and competition for key types of talent.
	College hiring	Understanding college hiring levels can help HR anticipate the types of degrees and specializations in demand and the amount of competition for different types of university talent.
	Education/skills	Understanding the education and skills available in different labor markets can help HR make informed decisions for acquiring and managing talent.
	International mobility	Monitoring the inflow/outflow of talent to different markets can help HR anticipate skill shortage and surpluses in different geographies and develop strategic mobility programs to enable a global workforce.
	Unemployment	Monitoring different types of unemployment can help HR understand and anticipate a portion of the "supply" side of labor and can serve as a valuable input to the development of compensation and retention programs.

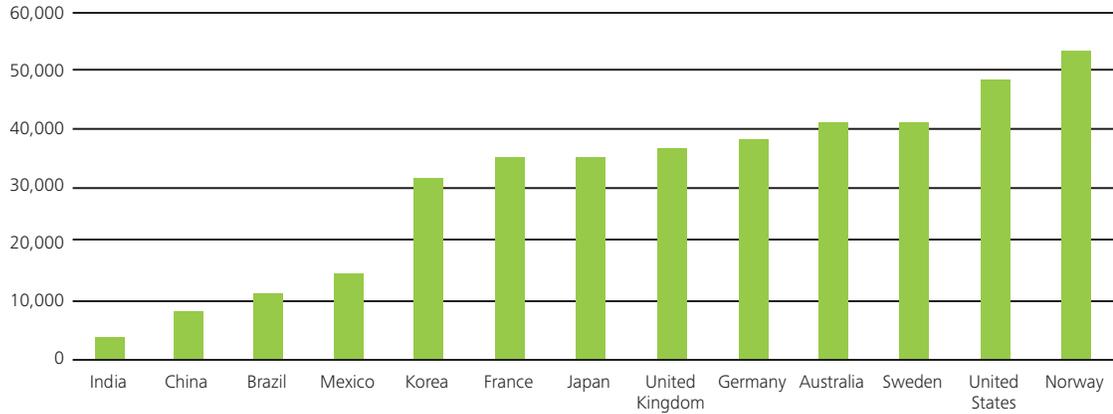
Source: Deloitte

One example of macro data that can help direct business strategy.

GDP influences spending in a market—and also compensation expectations among workers based there.

2011 GDP per capita

Based on purchasing power parity in international dollars



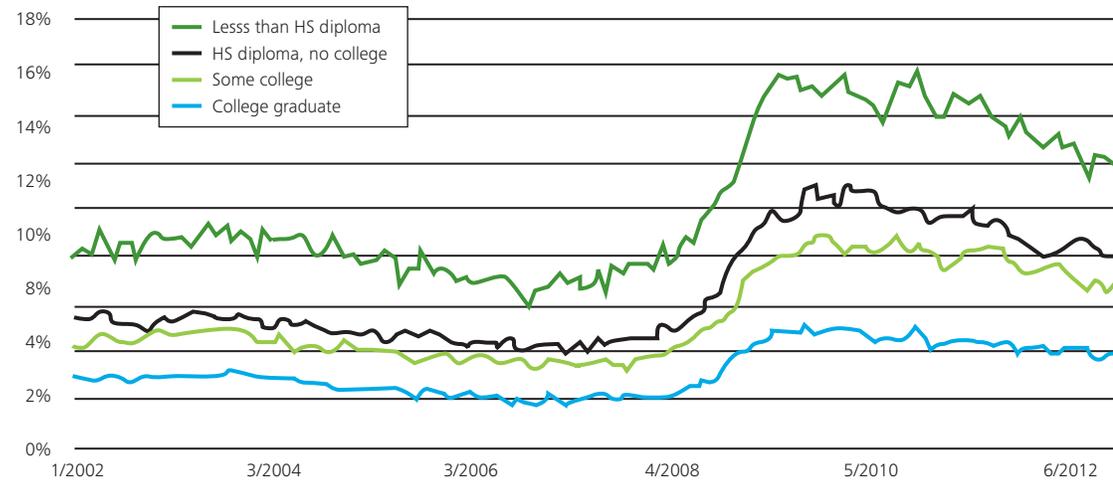
Source: International Monetary Fund World Economic Outlook Database, October 2012

The talent paradox in numbers.

Mass unemployment exists alongside shortages in critical skill areas in part because unemployment declines as education rises. Meanwhile public infrastructure spending often drives employment for less educated people.

U.S. Unemployment rates by educational level

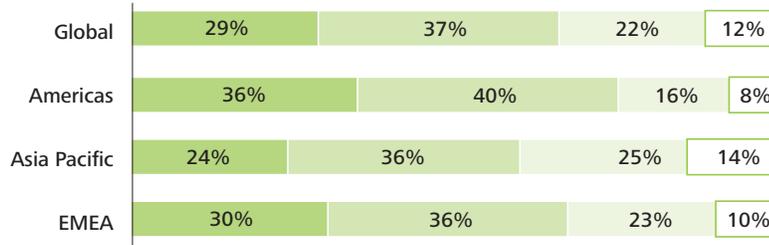
(Seasonally adjusted)



Source: Bureau of Labor Statistics

Human Capital Analytics: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- 29% of respondents from the Manufacturing report this trend as relevant beyond 3 years, higher than the global average of 22%
- 34% of respondents from Consumer Business industry report this trend as highly relevant today, which is the highest across industries
- 45% respondents with strong business outlook in FY13 identify this trend as relevant in the next 1-3 years in comparison to those expecting moderate to much slower growth (36%)

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Endnotes

¹ World at Work / Sibson Consulting, "2010 Study of the State of Performance Management." <http://www.worldatwork.org/waw/adimLink?id=44473>

Is That Sun Rising or Setting?

As organizations reset their horizons, they face a future that is dramatically different than the one they left behind in the Great Recession.

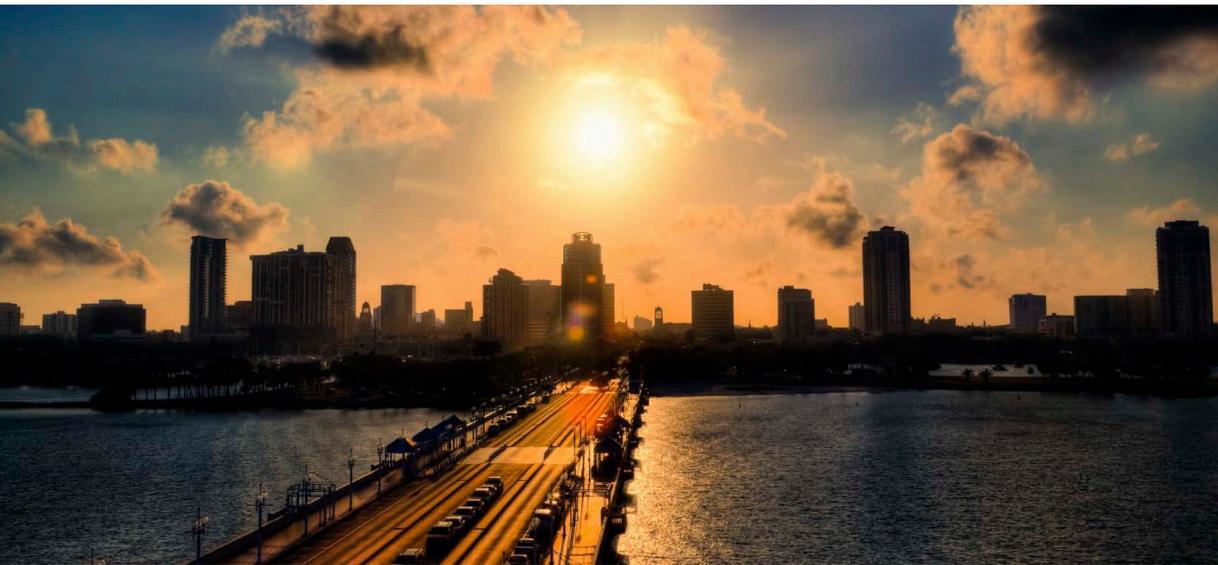
With 2020 looming large, business and HR leaders are adjusting their focus toward the future and seeing that growth must come from new places and new sources. Talent and HR strategies must be scaled to serve every type of global market – growing, developed and newly emerging – while driving innovation that is critical to sustainable growth.

The opportunities are multiplying – but so are the risks.

This more complex, multi-speed world presents significant opportunities. Deloitte’s review of the leading, rising, and emerging human capital trends in 2013 reinforces a view that five years after the Great Recession, it is time for HR leaders to pivot to the future and set priorities for their next chapter of growth. We believe HR and business leaders must be prepared to invest in talent strategies and HR programs that are focused on both:

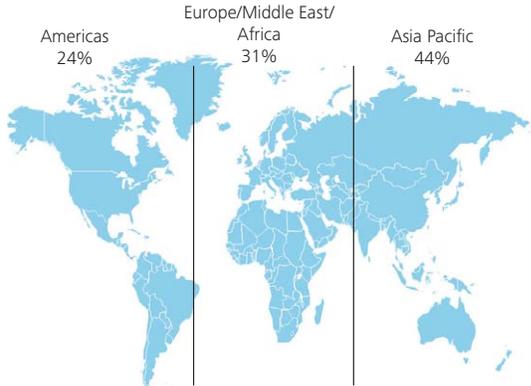
- **Exploration** ...or doing different things; and
- **Execution** ...or doing things differently.

The moves human capital leaders are making today in times of uncertainty, opportunity and transition will set the course for the future – and determine which organizations separate themselves from their competitors and which ones fall behind.

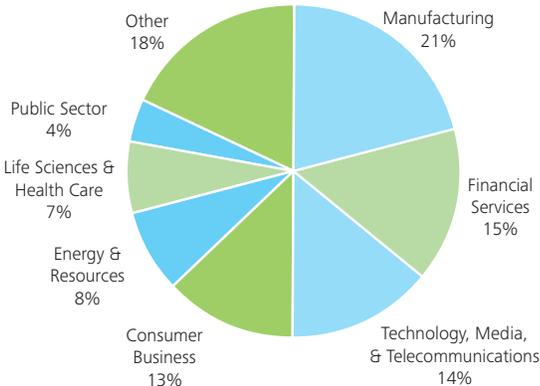


Survey Demographics

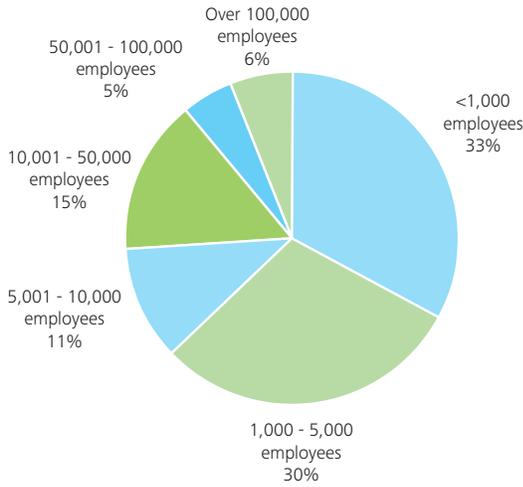
1309 respondents by region



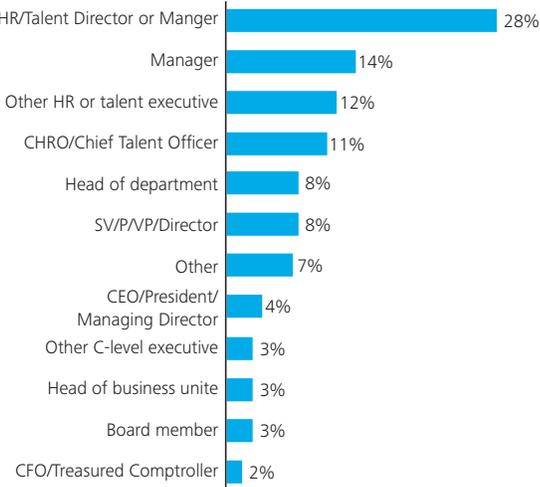
Respondents by industry



Respondents by size of organization



Respondents by titles



Country Demographics

15 countries have 30 or more responses and country specific analyses will be provided

Americas	EMEA		Asia Pacific
United States*	Germany	Lebanon	China*
Brazil*	France	Northern Ireland	India*
Mexico*	United Kingdom*	Cyprus	Indonesia
Argentina	Italy	Luxembourg	Japan*
Canada*	Spain*	Iceland	Korea*
Peru	Ukraine	Andorra	Taiwan
Chile	Poland*	Albania	Australia*
Ecuador	Netherlands	Qatar	Singapore
Panama	Greece	Egypt	New Zealand
Uruguay	Belgium*	Saudi Arabia	
Belize	Portugal*	United Arab Emirates	
Bermuda	Czech Republic	Nigeria	
	Sweden	South Africa*	
	Austria	Algeria	
	Switzerland	Kenya	
	Serbia	Uganda	
	Slovakia	Angola	
	Norway		
	Ireland		

*Countries (15) with more than 30 responses.

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