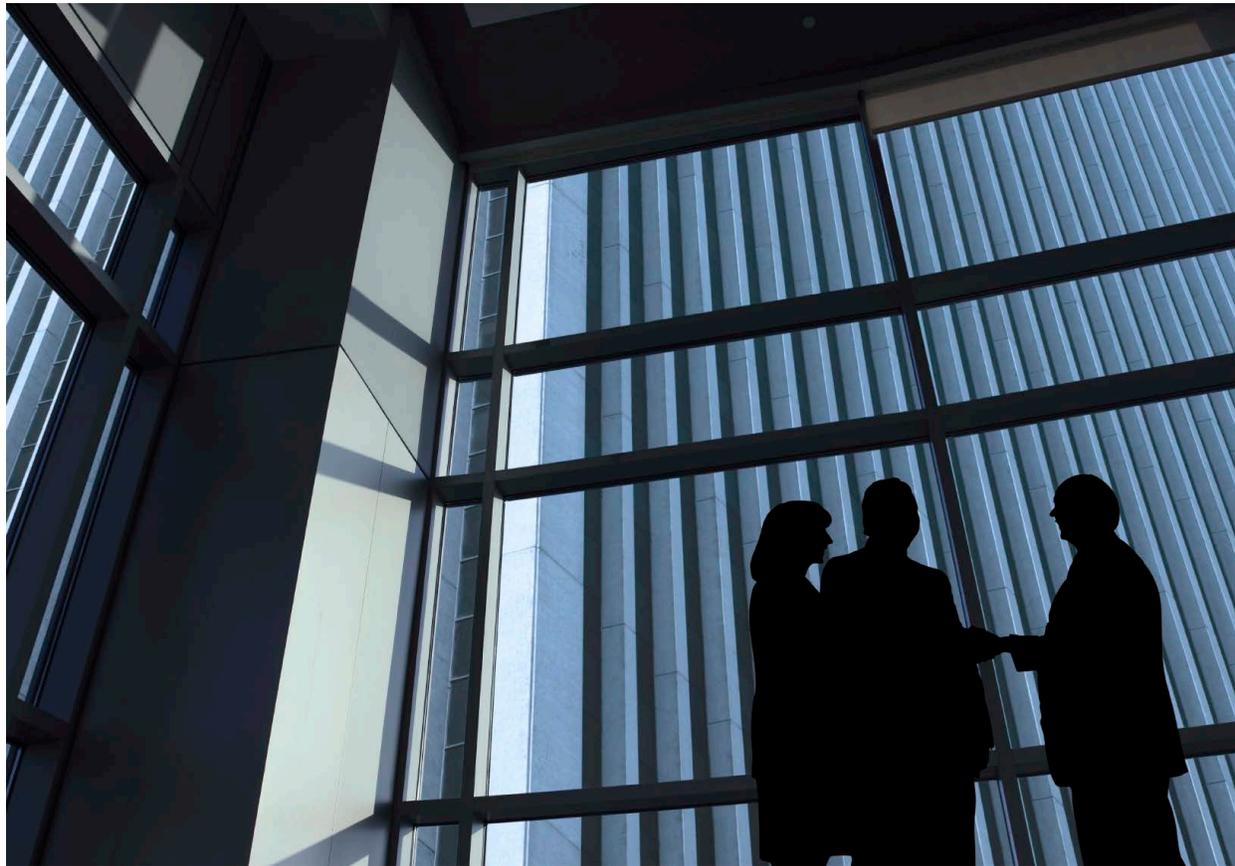




Resetting horizons
Global Human Capital Trends 2013
Consumer Business Industry



Resetting horizons: 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 1,300 business and HR professionals from 59 countries. To read the full report, please visit 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/devoptalent



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



We are pleased to share with you a summary of the market trends and priorities that are driving human capital decisions for consumer business leaders across the globe.

This focused report compares results from 169 consumer business leaders to the overall results of our broad survey of more than 1,300 business leaders and HR executives from 59 countries. These 169 responses are from leaders in 33 countries that comprise some of the world's major economic regions. These countries vary in their degrees of economic development to provide perspective on HR and Talent trends facing consumer business organizations across the globe.

Deloitte's global human capital survey set out to determine which trends are currently playing a significant role in global organizations today and which are emerging further out on the horizon. We have categorized these trends as either *leading* – highly relevant today, *rising* – relevant in the next one to three years, or *emerging* – relevant three or more years from now. This report provides information on how global trends may be impacting consumer business organizations so leaders can prepare their organizations to respond. To learn more about these global trends, review the full survey results at www.deloitte.com/hctrends2013.

For consumer business, the top HR and Talent trends each come from the leading category and are identified as being most relevant today, with implications over the next one to three years and beyond. These trends are:

- Transforming HR to Meet New Business Priorities – HR is continuing to transform itself and shift its focus to business priorities such as talent, emerging markets, and the HR organization as a whole.
- War to Develop Talent – The talent management pendulum is swinging from recruitment to development while organizations try to compete for and retain employees.
- Leadership.Next – Previously established leadership theories are not keeping pace with today's disruptive marketplace so organizations are seeking new approaches to respond in the age of agility.
- 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 developing and executing the business strategy – and far earlier in the process.
- 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.

This consumer business report was designed to complement Deloitte's 2013 Global Human Capital Trends report, "Resetting Horizons." The report highlights what we are seeing in the global marketplace and gives leaders items to think about. Looking beyond continued uncertainty, consumer business leaders are pushing their organizations to pivot from the great recession and raise their sights to the new horizons of 2020. Both reports provide insights to inform your organization's leaders about the HR and Talent trends impacting consumer businesses across the world such as globalization, growth and innovation so they can prepare to respond. We would love to continue the conversation with you to further discuss the trends that resonate with your organization.

Dave Rizzo
Human Capital National Industry Lead for Consumer & Industrial Products
Deloitte Consulting LLP

Top Leading, Rising and Emerging Trends in Consumer Business

Results of the Human Capital survey indicate that consumer business leaders are facing the same top five HR and Talent trends as those impacting leaders across all industries. For example, “Transforming HR to Meet New Business Priorities” is a highly relevant trend today for other industry leaders and is expected to be relevant through 2016 for consumer business leaders.

Leading consumer business companies are evaluating their organization structures to focus on adaptability and responsiveness to create leaner operations, evolve their product and marketing strategies, and break down layers of bureaucracy to respond efficiently to market demands.¹ This may involve experimenting with different internal and external levers such as flexible workplaces, new product innovations, and alternative distribution channels to measure the impact. Simultaneously, some consumer business organizations are focusing on brand rationalization to streamline their business whereas others are splitting up their companies to target high-growth markets and consumer segments.² Others still are looking at opportunities to vertically integrate to manage costs and create more agility in pricing. These initiatives require HR and Talent to help support.

Transforming HR to Meet New Business Priorities

Consumer business leaders prioritized “Transforming HR to Meet New Business Priorities” as their top most pressing HR and Talent business issue. Major economic and industry trends over the past few years raised several business challenges and shifted strategic priorities for consumer business organizations. Across the globe, these organizations are undergoing significant transformations, such as shifts in their operating model, changes in their functional units, and expansion into new markets, to respond to these trends. HR should keep pace with these changes and acquire new skill sets to help the larger organization respond more effectively.

HR organizations should continue to transform themselves and shift their focus to concentrate on business priorities such as talent, emerging markets, and the HR organization as a whole. The recession that plagued the global economy over the past few years has gradually begun to recover. However, consumer business organizations should be flexible to adjust and react to the continued uncertainty in the global economy. Slow, steady growth is expected

in developed countries while emerging market economies appear to be recovering faster and demonstrate higher growth potential. HR organizations should understand the business as well as have solid commercial acumen and strong change management skills to help consumer business organizations effectively compete. This may help explain why “Transforming HR to Meet New Business Priorities” is the top priority for respondents and immediately relevant for the consumer business industry.

War to Develop Talent

Consumer business leaders also indicated that the “War to Develop Talent” is their second most highly relevant HR and Talent trends now and over the next one to three years. Talent management is moving from recruitment to development. Consumer business organizations need to focus on developing a diverse workforce to improve connections with their changing external consumer base as well as grow their internal capabilities, which may explain the prioritization of this trend.

From an external perspective, as business and consumer optimism in the Eurozone remains soft, organizations may look to other markets to sustain and grow their business. Similarly, consumer business organizations should adapt and respond to growing minority populations in the large United States market and an expanding global middle class. These factors compound so consumer business organizations will require a workforce with the needed capabilities, skills, and familiarity with both emerging and domestic markets to help them plan for and respond to market nuances, preferences and requests.³

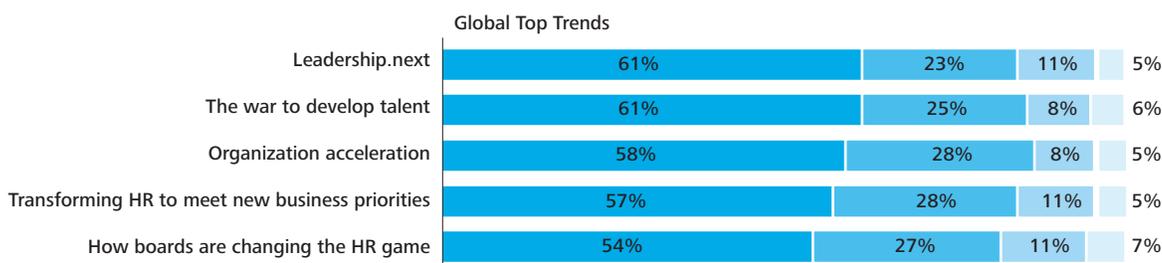
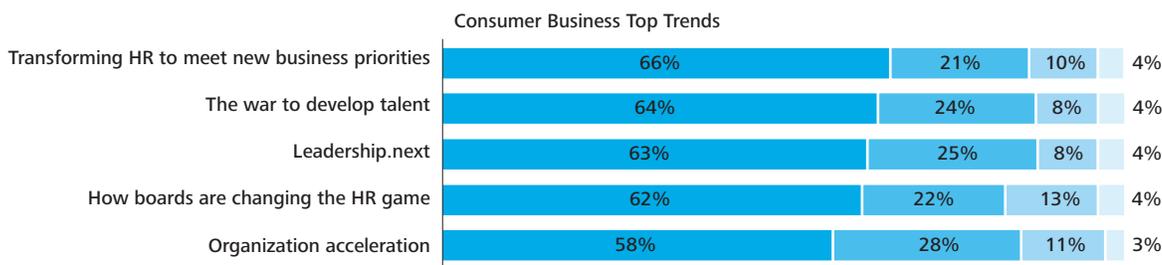
From an internal perspective, organizations are looking to grow their digital, analytics, and innovation capabilities – all three are in the very nascent stages for consumer business organizations. HR and Talent needs to collaborate with the business to develop a plan to meet these skill and capability requirements. The HR and Talent organizations also should have an understanding of and take into consideration Gen Y and the Millennials to develop a talent plan for the future. These external and internal initiatives may help explain why the “War to Develop Talent” is the second most highly relevant HR and Talent trend for respondents now and over the next one to three years for consumer business organizations.

Leadership.Next

Finally, "Leadership.Next" is also prioritized by consumer business leaders in their top three of highly relevant HR and Talent trends now and over the next one to three years. Yesterday's leadership theories are not keeping pace with the velocity of today's disruptive marketplace. For example, consumer business leaders will face managing a global workforce, navigating mergers and acquisitions in a consolidating industry, and balancing global scale with regional flexibility to make supply chain management increasingly complex. Consumer business organizations, similar to other industries, are seeking a new model for the age of agility to help address these challenges. This may explain why "Leadership.Next" is a top priority for the consumer business industry.



Consumer Business and Global Top Trends from the Global Human Capital Survey



- 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
- Trend is not applicable

General Business Outlook in 2013

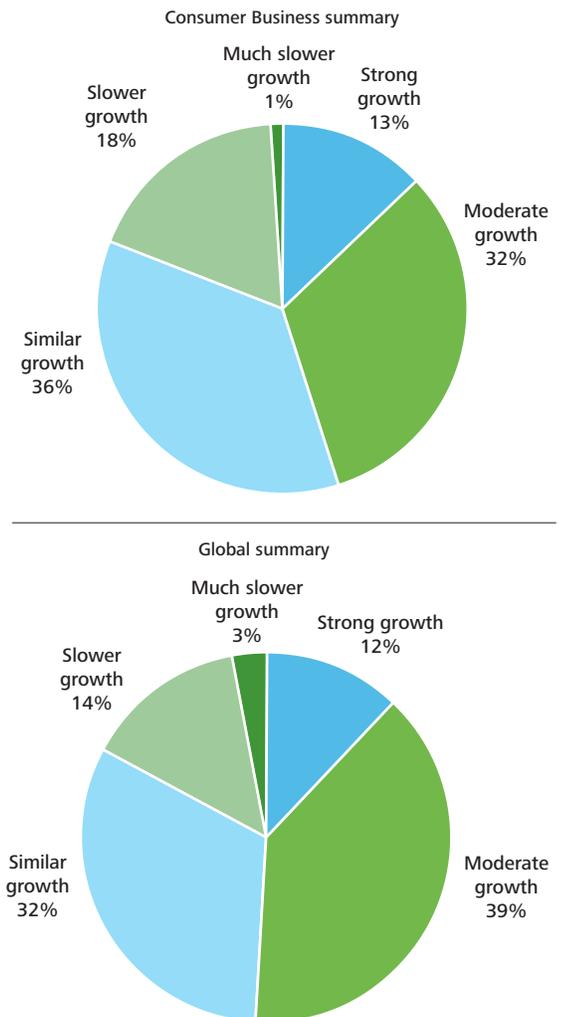
The consumer business industry is operating in an increasing global landscape. Therefore, it stands to reason that many of the top consumer business trends overlap with the global Human Capital trends. Consistent with the global survey results, many consumer business leaders who participated in Deloitte’s survey appear to view 2013 as a potential turning point for growth of the global economy, with consumer business leaders (45%) and leaders across all industries (51%) expecting strong or moderate growth compared to 2012.

However, 55% of consumer business leaders are more likely to have expectations of growth rates consistent with or slower than 2012 whereas 49% of global leaders across industries feel this sentiment. This less optimistic view from consumer business leaders may be a result of the new trends that emerged following the recent recession. For example, lower consumer confidence and decreased spending have led to a new, value-oriented consumer mindset that is expected to outlast the downturn. The rising prevalence of private label brands, which are typically sold at lower prices, has impacted the consumer products and retail and distribution sectors. Consumer business organizations are also facing rising commodity prices worldwide, putting strong pressure on them to reduce costs to remain competitive.

The outlook is not all bleak. There are several avenues open for organic growth across the industry. Changing consumer preferences and demographics provide the catalyst to focus investments in existing and new markets. Meanwhile, trends toward sustainability and corporate responsibility have remained important, despite the recession, particularly because of sustainability’s importance when attracting younger consumers and top talent. Product safety and quality also remain essential to success in the consumer business industry because of their ties to strong brand image, a key success factor in the industry.

Continued growth in the consumer business industry will likely require maximizing supply chain potential, growing in emerging markets, and building strong brand loyalty. Related to these strategies will be a strong sustainability plan as well as a low-cost model that produces safe and reliable products. In order to fully realize the potential within emerging markets, consumer business leaders should think about how to build capabilities to enter new geographic markets, manage a global workforce, integrate cultures into the corporate culture, and create an integrated approach to innovation. Recruiting, placing, and retaining talent will likely become ever more borderless, which means talent development and succession planning will be even more crucial.

Consumer business and global outlook for 2013 compared to 2012



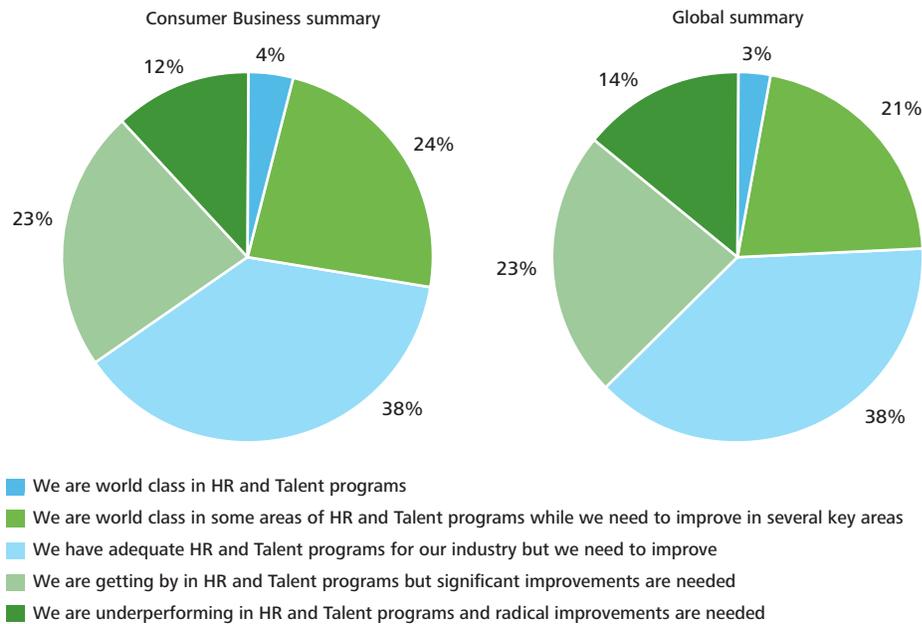
Capabilities of Organization's HR and Talent programs

Consumer business leaders believe they have strong HR and Talent programs at only a slightly higher level than the combined industry total (28% vs. 24%). A majority of consumer business leaders believe they need to improve their HR and Talent programs – 73% believe significant to radical improvements are needed to improve their HR and Talent organization – which is on par with responses from the global leadership population. If this is the case, how can consumer business organizations expect to compete and perform on the increasingly complex global stage when the majority of their HR organizations may not be enabling their businesses with appropriate HR and Talent solutions aligned to very real business issues?

Consumer business leaders should consider continuing to strengthen and invest in their HR and Talent programs. In an industry that is focused on brands, consumer engagement, and innovative marketing, there is a competitive advantage for organizations that use similar strategies to brand the workplace, engage employees, and build innovative workplaces of the future.

Further, as consumer business organizations look to rationalize their brand portfolios with a view toward concentrating on their key brands, while also pursuing growth through international expansion, they should consider looking for ways to keep employees engaged and deployed strategically.

Capabilities of organization's HR and Talent programs



Top Three Pressing HR and Talent Concerns

Consumer business companies are struggling to drive profitable growth amidst an uncertain global economic environment. They face a myriad of issues and challenges, some of which the industry has struggled with for some time, while others are a result of rapidly changing technologies and consumers. These issues and challenges range from legacy operating models to multidimensional innovation to serving multiple price points while building strong brands and a global presence.⁴ It is increasingly apparent that consumer business organizations should develop innovative human capital strategies to stay competitive.

The first and most pressing HR and Talent concerns for respondents in both consumer business and globally is leadership development and succession planning. Top new talent wants to understand “where they are going” at an organization. If these individuals do not feel there is room for growth, it can impact their engagement and retention. Developing, grooming, and retaining top talent is a pressing concern because if that talent leaves, replacing him or her is not easy and there is a significant cost incurred.⁵ Further, consumer business leaders should consider if their organizations’ next C-Suite is in their current talent pool. This is an important consideration in an environment where consumer business organizations need to prepare future leaders who can face uncertainty, complexity, increased global competition, and a global supply chain.

However, HR and Talent functions may not be equipped or have programs in place to develop the most senior individuals. Therefore, leadership development should be supported at the top of an organization and involve an integrated approach with involvement from senior executives. HR and Talent should look for ways to improve the three “E’s”: Experience, Exposure, and Education.

Sustaining employee engagement and morale is the second most pressing HR and Talent concern in both consumer business and globally. Organizations are expecting stronger growth in 2013 than in 2012, and survey results indicate that leadership is cautiously optimistic. However, this also means that employees will likely have more options for new employment as other industries stabilize. Engagement, morale, and organization culture will have to be a focus to create a positive work environment to support retention.⁶ However,

HR and Talent as functions cannot control engagement, morale, and organization culture alone so these should be built into corporate planning and annual individual development plans with accountability at all levels.

Connecting HR and Talent with business critical priorities is the third most pressing concern in both consumer business and globally. HR and Talent professionals may need to become more well-rounded business advisors and tie decisions and planning to strategic initiatives. Business Units may need to involve HR and Talent more regularly in proactive planning instead of as a reactive “service” function. However, in a world of “Big Data”, HR and Talent will likely be called upon to justify their decisions using data analytics like other functions, which may require a new set of skills for these two functions. Advanced tools are turning workforce data into powerful insights that can help businesses navigate uncertainty. This collecting of workforce data is allowing for more analytics within HR and talent, including:⁷

- Using analytics to make smarter workforce decisions and control labor costs
- Using predictive modeling to get a glimpse into the future
- Combining standard HR data with new kinds of information from other functions and external sources
- Using data-driven tools to identify and assess “high potentials” for leadership development

Top three pressing HR and talent concerns

Ranking	Consumer Business	Global
#1	Developing leaders and succession planning (56%)	Developing leaders and succession planning (55%)
#2	Sustaining employee engagement/morale (44%)	Sustaining employee engagement/morale (39%)
#3	Connecting HR and talent with business critical priorities (36%)	Connecting HR and talent with business critical priorities (33%)

(% indicated the % of total respondents who have rated the concern 1, 2, or 3)

Endnotes

- ¹ Interview with Pat Conroy, Vice Chairman and U.S. Consumer Products leader, Deloitte LLP.
- ² Standard & Poor's Industry Reports: Household Durables (February 2013), Apparel & Footwear: Retailers & Brands (May 2013), and Foods & Nonalcoholic Beverages (June 2013).
- ³ Alison Kenney Paul, Thom McElroy and Tonie Leatherberry. "Diversity as an Engine of Innovation." Deloitte Review, Issue 8. 2011.
- ⁴ Interview with Pat Conroy, Vice Chairman and U.S. Consumer Products leader, Deloitte LLP.
- ⁵ Jeff Schwartz, Lisa Barry, and Andy Liakopoulos, "Reframing the Talent Agenda." Deloitte Review – Published January 31, 2013.
- ⁶ Andrew Liakopoulos, Lisa Barry, and Jeff Schwartz, "The open talent economy – People and work in a borderless workplace."
- ⁷ Patricia Buckley, Jonathan Ohm, and Robin Lissak, "Human Capital Analytics: Thinking like an Economist". Resetting Horizons: Human Capital Trends 2013.

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