



## Reimagine talent and culture

### Advance people

#### Why should companies focus on talent and culture?

As real estate and construction companies adapt to today's dynamic digital environment, they must also confront a unique and challenging talent situation. As a new generation, Gen Z, are beginning their journey into the workforce, real estate and construction companies are accelerating their efforts to tackle growing business and talent disruption.

The rise of AI and automation, 24/7 connectivity and globalisation, coupled with an increasingly diverse workforce characterised by a large amount of expert knowledge leaving, but a highly creative workforce entering, has created a perfect storm. In fact, the MIT Sloan Management Review and Deloitte Digital's 2017 global study of digital business revealed that only 10% of the global real estate and construction sector respondents agreed or strongly agreed that their organisation had sufficient talent today to support their digital business strategy.<sup>21</sup>

As new skills with shorter life-cycles come into demand and existing skills leave with retiring employees, companies must seek to both understand the new norm and plan to respond to it. In this chapter we look at the challenges in the Australian market and identify key areas of focus for talent and culture strategies.

The Australian outlook for real estate and construction jobs currently ranks moderate to high, indicating a growing number of jobs will open up over the next five years.<sup>22</sup>

However, attracting and retaining talent has been an issue; with many companies now offering incentives such as employee-funded training towards licenses, additional annual leave entitlements and team-based incentives to help draw in new talent<sup>23</sup> (mainly aimed at attracting Millennials).

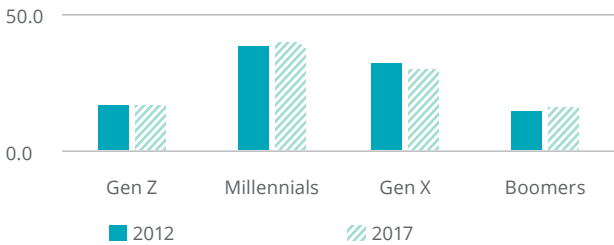
Only 10% of the global real estate and construction sector agree that their organisation has sufficient talent today to support their digital business strategy.

21. G.C. Kane, D. Palmer, A.N. Phillips, D. Kiron, and N. Buckley, "Achieving Digital Maturity" MIT Sloan Management Review and Deloitte University Press, July 2017.

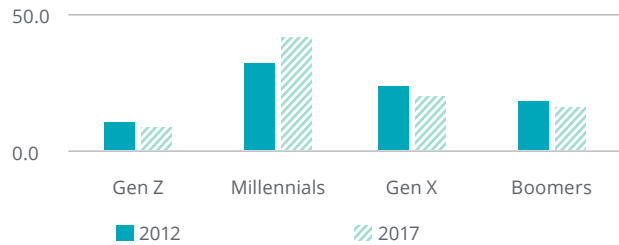
22. Australian Government Job Outlook, accessed on December 1, 2017.

23. Seek Insight & Resources, "Real Estate Employers Open for Inspection", SEEK, November 22, 2017.

**Construction – demographics in the workforce (Aus)**



**Real Estate – demographics in the workforce (Aus)**



Source: ABS Labour Force Survey, Cat. No. 6291.0.55.003

**Demographic change**

In the construction sector, the proportion of employees who are 55 years and older increased by 1.3% to 15% between 2012 and 2017. In contrast, the millennial<sup>24</sup> workers’ segment grew from 30.6% to 38.6% between 2012 and 2017 within real estate and from 37.9% to 39.6% in construction.

In the real estate sector, Baby Boomers are leaving with a 3% reduction over that time period. Compared to data from the US Bureau of Labor Statistics, this is an interesting reversal to the global trend, where there is an increase in Baby Boomer hires, and real estate and construction organisations are facing challenges in hiring Millennial and Gen Z talent.

The industry as a whole is being seen as an unappealing proposition for Millennials.<sup>25</sup> In that regard the Australian real estate and construction leaders need to continue their focus on attraction particularly thinking about how to engage and retain the growing millennial segment and build future leaders to adapt to their needs and expectations.

A transition period is taking place, where a new generation of leaders will be required, moving away from the more traditional hierarchical approach to leadership, where decision making is driven by positional authority, and not skills or proficiency.<sup>26</sup>

There is evidence that Millennials as a segment are staying longer in their jobs. However 38% still expect that they will leave their jobs within two years, creating implications for training and development.<sup>27</sup> Flexible working and role structure are influencing both loyalty and professional performance as well as significantly increasing chances of employee retention. Millennials tend to have a broadly positive view of the newest generation, Gen Z, in part due to the perception they will come into the workforce with strong IT skills and a penchant for creative thinking.<sup>28</sup>

**Culture and talent**

With the inevitable decrease in Gen Xers and Baby Boomers, the implications on culture and talent can’t be ignored. Millennials often see Gen Z as being underprepared in traits such as patience, maturity and integrity,<sup>29</sup> all of which can be learned from experience, but also supported by mentoring programs.

With 53% of real estate and construction companies ranking ‘leadership’ as their top priority for the future,<sup>30</sup> strong mentoring programs can combine the existing knowledge base of later generational workers, with the capacity for Gen Z to be strong innovators and generators of new ideas.

**Diversity and inclusion**

The breakdown of current demographics demonstrates why a focus on leadership as well as diversity and inclusion is required. In construction, gender diversity shows only an 11.32% female participation rate (making it the industry with the lowest female representation rate in Australia) compared to 51.54% in real estate.<sup>31</sup> Participation rates for both genders have been climbing over the years, albeit at different rates, and are shown below from 1997 – 2017.<sup>32</sup> Males work nearly equal full-time employment rates in these industries at 89.80% and 87.61% respectively, while female full-time rates sit at 49.88% and 66.73%.<sup>33</sup>

24. The Baby Boomers—those born between 1946 and 1964—were the first generation to adopt a widely accepted label. Then came the Gen Xers, followed by the Millennials (sometimes referred to as Gen Y). Though there is no universally accepted definition, the term Generation X is often applied to those born roughly between 1965 and 1980, and Millennial to those born between 1980 and 1995.

25. Diana Bell, “Real Estate Industry Strives to Attract Young Talent via Competitions, University Partnerships”, National Real Estate Investor, May 3, 2017.

26. Garth Andrus, Surabhi Kejriwal, and Richa Wadhvani, “Digital Transformation in Financial Services: The Need to Rewire Organisational DNA”, Deloitte University Press, November 2016.

27. Deloitte Millennial Survey 2017

28. Ibid

29. Ibid

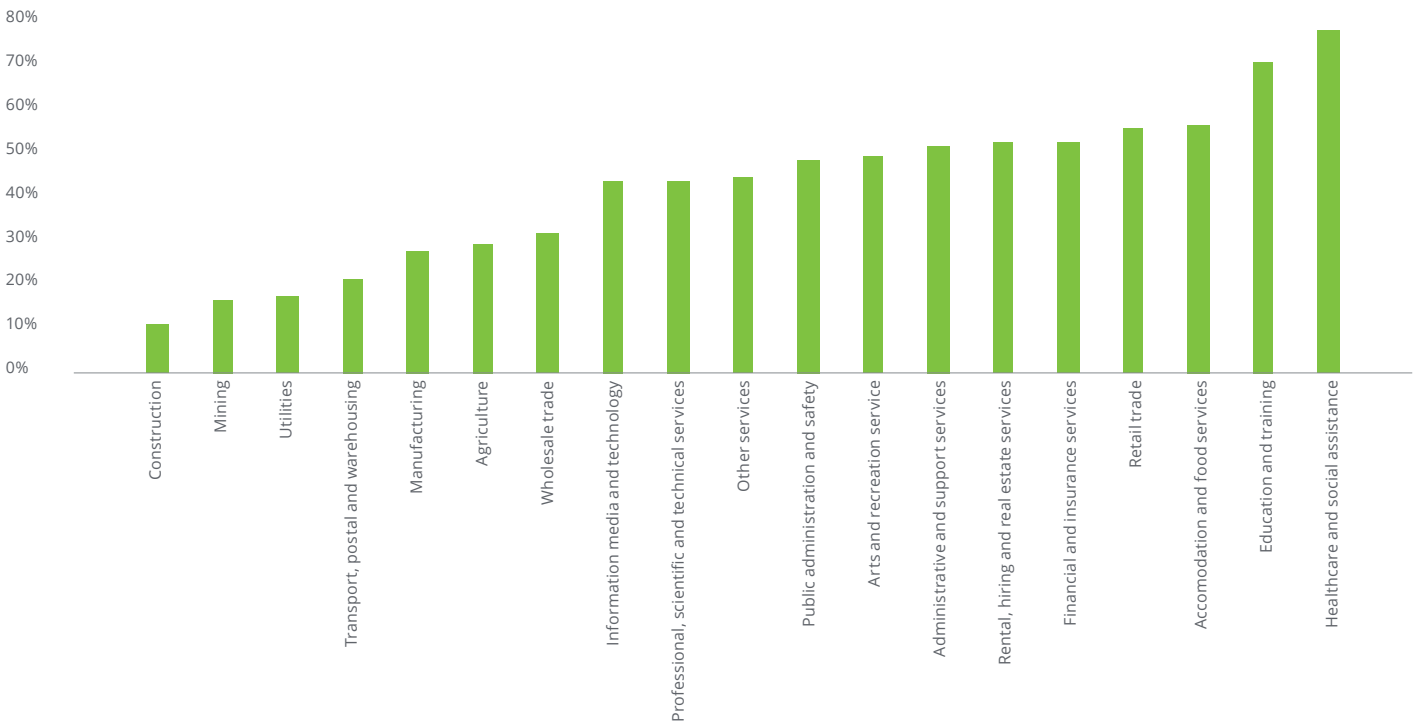
30. Deloitte Human Capital Trends 2017

31. Australian Bureau of Statistics, 2017, Labour Force, Australia, 'Table 06. Employed persons by Industry sub-division of main job (ANZSIC) and Sex', time series spreadsheet, cat. no. 6291.0.55.003, viewed 29 November 2017, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Aug%202017?OpenDocument>

32. Ibid

33. Australian Bureau of Statistics, 2017, Labour Force, Australia, 'Table 19. Underemployed persons by Industry division (ANZSIC) or Occupation major group (ANZSCO) of main job and Sex', time series spreadsheet, cat. no. 6291.0.55.003, viewed 29 November 2017, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Aug%202017?OpenDocument>

### Female representation in industry



The chart above shows the construction industry's female employment share of around 11.2% is far less than education (70%) and health (77%), but is also less than other traditionally male dominated industries such as mining and transport.

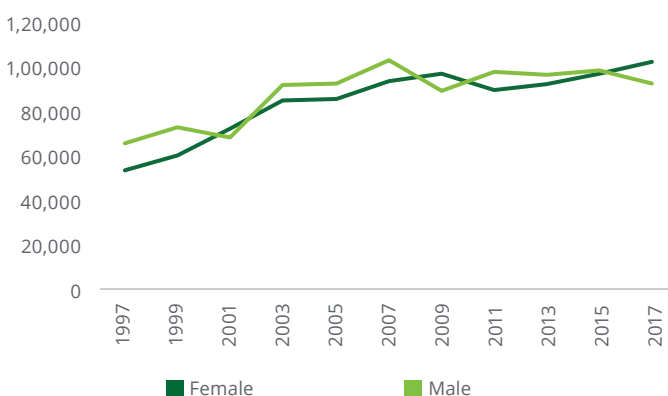
Given the construction industry is expected to see solid growth in new job openings over the next decade, female workers represent a potential source of labour supply to fill those job openings and avoid potential skill shortages.

Real estate and construction companies in Australia are realising the potential that females can bring to the workforce and are actively or possibly reactively supporting more females into the real estate sector.

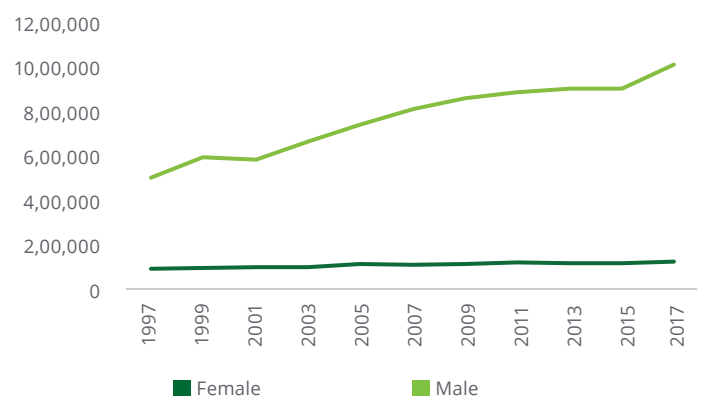
This has been championed by the pre-eminent industry association, the Property Council of Australia, which is backed by the major industry players. Programs include: Property Male Champions of Change, 100 Women in Property, Girls in Property, and the 40:40:20 target (40% male, 40% female and 20% discretionary in terms of committee representation).

Organisations such as CBRE are delivering more impactful women in leadership programs and network events. CBRE recently launched its NSW Women's Network with the aim of creating a platform for both women and men to share ideas on the industry.

### Employment in real estate



### Employment in construction



Source: ABS Labour Force Survey, Cat. No. 6291.0.55.003

Its goal is to shift toward a more inclusive culture and achieve more females in senior positions. Ensuring mixed teams at all levels must be a focus for real estate and construction companies, which is more complex given there are large differences between full and part-time employment rates.

In today's workplace the diversity and inclusion agenda is not just related to the female worker, real estate and construction organisations are also focused on ensuring the LGBTIQ and First Nations people are part of their strategy for workforce growth.

Organisations are now introducing unconscious bias training into manager training programs and ensuring ethnically and gender diverse project teams and working groups are managing key client activities. CBRE set up its Diversity and Inclusion Council in 2015 to show that equality was part of its agenda for growth.

**Employee experience - the stats**

A lack of focus on employee experience is another notable element that could have a negative impact on culture at RE&C companies. In this report we refer to "employee experience" to describe how employees feel about their employer organisation with regard to both opportunities for growth, skills development, employee engagement, and willingness to continue to work for their current company.<sup>34</sup>

Legacy cultural attributes, which includes a company's adaptability to change, work style, leadership style, decision making, or for that matter risk appetite, may not be effective as work evolves and the war for talent intensifies.

Consider this: only 38% of the real estate and construction respondents of the MIT Sloan Management Review and Deloitte Digital's 2017 global study of digital business agreed, or strongly agreed, that their leaders have the necessary vision to lead a digital business.

And 77% of those respondents agreed, or strongly agreed, that they expect their jobs to change considerably over the next three to five years as a result of digital business trends. At the same time, only 30% of respondents agreed or strongly agreed that their organisation provides its employees with adequate resources to develop skills to thrive in a digital business environment.

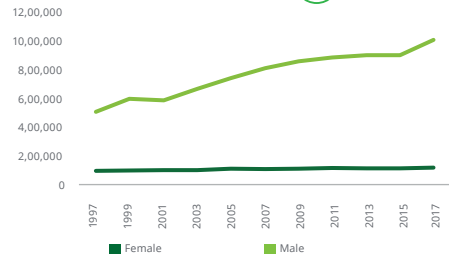
This presumed lack of focus on digital readiness and the employee experience may be contributing to the lack of talent 'stickiness' that many current organisations struggle with.

**RE&C companies face several talent, leadership, and cultural challenges, which may hinder growth during the ongoing digital transformation of the industry.**

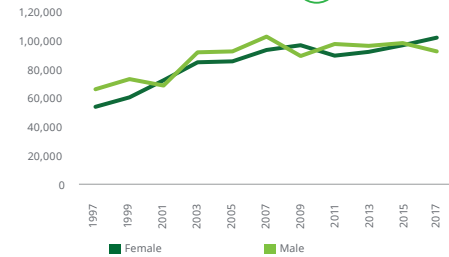
**Aging demographics**

The proportion of Baby Boomers (55 years and older) in the RE&C workforce is 'on the rise'

**Employment in construction**



**Employment in real estate**



Source: Bureau of Labor Statistics, accessed on July 30, 2017

**Traditional leadership models**

Lack of leadership vision\*



only **38 percent** of the respondents from the RE&C industry agree or strongly agree that their leaders have the vision necessary to lead their digital business efforts.

**and limited focus on succession planning\*\***



only **11 percent** of senior real estate leaders believe the industry is adequately prepared for CEO succession

\* MIT Sloan Management Review and Deloitte Digital's 2017 global study of digital business and Deloitte Center for Financial Services analysis.

\*\* "Avoiding Vacancy: Becoming a "Succession Leader" in the Real Estate Sector," Russell Reynolds Associates.

**Less emphasis on employee experience**



**77 percent** RE&C respondents agree or strongly agree that their jobs will change considerably over the next 3 to 5 years as a result of digital business trends

However...



only **30 percent** respondents agree or strongly agree that their organisation provides adequate resources to develop skills to thrive in a digital business environment

And...



**59 percent** RE&C respondents expect to work for their organisation no more than three years

\* MIT Sloan Management Review and Deloitte Digital's 2017 global study of digital business and Deloitte Center for Financial Services analysis.

34. Garth Andrus, Surabhi Kejriwal, and Richa Wadhvani, "Digital Transformation in Financial Services: The Need to Rewire Organisational DNA", Deloitte University Press, November 2016.

**Where should companies start?**

To stay viable, clearly, real estate and construction companies should consider rethinking their approach to talent, employee experience, and diversity and inclusion in this changing landscape. In order to thrive in this ongoing change, the predominant focus has to be across four areas:

1. Tap the open talent economy
2. Enrich the employee or ‘worker’ experience
3. Redefine existing leadership models
4. Increase diversity and inclusion (especially in the construction sector).

**Tap the open talent economy**

Workers now take many forms – traditional ‘balance-sheet’ employees, contingent workers who are part of the ‘gig’ economy, contract outsourcers or ‘as a service’ workers, and autonomous machines/robots.

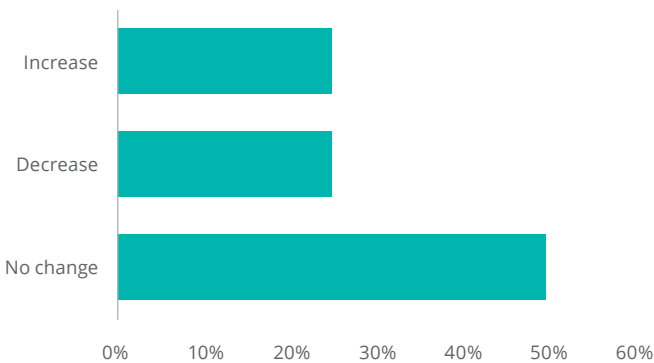
The best way forward for the sector may be to integrate the concept of the open talent economy into their talent strategy. This new open talent economy infers ‘a collaborative, transparent, technology-enabled, rapid-cycle way of doing business.’<sup>35</sup> It encompasses both traditional and alternative work arrangements such as salaried workers, hourly employees, freelancers, temp workers, independent employees, and open source talent.<sup>36</sup>

According to the Deloitte Human Capital Trends Report 2017 respondents from the real estate industry in the Asia Pacific region demonstrated mixed views on the direction for the use of the open talent economy. Only 25% foresaw an increase in using an augmented workforce in the next three to five years. The use of an augmented workforce will be an important lever in becoming an agile organisation and attracting top talent from diverse sources.

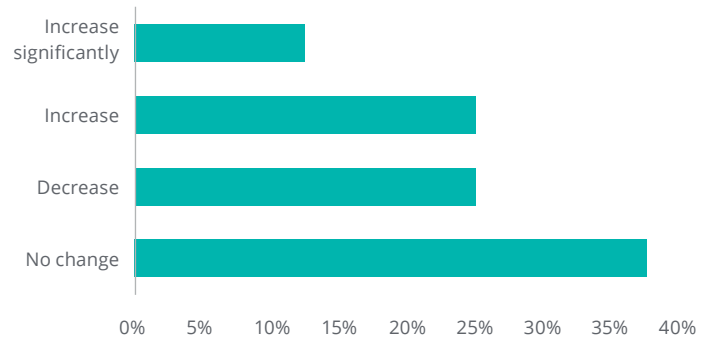
In response to the HC Trends Survey 2016-2017, real estate companies in the region were only 13% very able and 25% able, to leverage part-time and contingent talent.

Leaders could consider creating a digital employer brand and using online social technologies to attract and engage with prospective millennial and Gen Z candidates throughout the recruitment process. A good example again is CBRE, which uses NextGen employee resource groups that are focused on creating learning and networking communities for Millennials. These groups are driven and led by millennial participants with the aim of providing content and ideas on career advancement.

**Your plans for the use of contingent, outsourced, contracted and part-time employees relative to the past year**



**Expected direction for the use of contingent, outsourced, contracted and part-time employees in the next 3-5 years vs the past 3-5 years**



35. Andrew Liakopoulos, Lisa Barry, and Jeff Schwartz, “The Open Talent Economy: People and Work in a Borderless Workplace”, Deloitte, 2013.

36. Open source talent includes 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. Andrew Liakopoulos, Lisa Barry, and Jeff Schwartz, “The Open Talent Economy: People and Work in a Borderless Workplace”, Deloitte, 2013.

### Enrich the employee experience

Companies should also consider a holistic approach to enhancing the employee experience. This would happen when companies successfully align their culture with the evolving business, operating, and customer models.<sup>37</sup> Companies could consider rewiring some of their core cultural attributes to include agility, collaboration, bolder risk appetite, distributed organisation structures, as well as the empiricism of data driven decision making. To explore these attributes in greater detail, please refer to our report “Digital Transformation in Financial Services: The Need to Rewire Organisational DNA”.

Deloitte’s Simply Irresistible Organisation™ framework suggests that five elements – meaningful work, hands-on engagement, positive work environment, growth opportunity, and trust in leadership – would help companies increase engagement.<sup>38</sup> Examples of how companies manifest this include time and location flexibility so that employees can better balance their personal and professional lives, corporate social responsibility (CSR) opportunities that give a sense of purpose by connecting the company and its employees with the community, and customised learning and development programs to cater to a more diverse workforce.

According to the Human Capital Trends survey 2017 less than half the real estate companies in APAC are updating their engagement strategy to account for changing workforce demographics and preferences. And only 22% have an integrated employee experience strategy.

Looking into the experience and value proposition of off-balance sheet workers, such as contingent workers, can also increase the size of this workforce segment. Real estate has a greater representation of permanent employees, with only 11.2% being contractors compared to 27.2% for construction. However 56% of real estate organisations in APAC use third-party specialists and teams, 14% above the APAC average (Human Capital Trends report 2017).

Organisations need to take time to review how this segment is recruited, onboarded, and kept engaged as part of the wider cultural and operational fabric.

### Redefine existing leadership models

According to the MIT Sloan Management Review and Deloitte Digital’s 2017 global study of digital business, real estate and construction respondents considered an experimentation mind-set, a risk taking attitude, and willingness to speak out, as important leadership attributes for leaders to demonstrate the ability to meet a company’s digital business transformation objectives.<sup>39</sup> So developing inclusive leaders will be key in this industry.

Deloitte’s report on Six Signature Traits of Inclusive leadership focuses on curiosity, cultural intelligence, collaboration, commitment, courage and cognisance. Certainly, today’s leaders need to enhance these attributes which may require them to think, act, and react differently.<sup>40</sup> If leaders consciously build and display these traits, they can create an inclusive culture that drives high performance both for themselves, their people and their future leaders.

### Increased focus on diversity and inclusion

As the data has shown, a more progressive approach to attracting diverse talent to lead and shape businesses for the future of work is needed. Although some companies in the sector have taken the initiative and have diversity and inclusion as one of their top strategies for growth, globally only 29% of real estate and construction organisations have a diversity and inclusion strategy. And only 22% of real estate companies in APAC provide unconscious bias training.

Diversity and inclusion is not a tick the box exercise. It is now a CEO level issue, as noted by Deloitte’s recent report on diversity and inclusion in the workplace.

Leaders need to develop and encourage diversity of thought and make a conscious effort to ensure diversity and inclusion is embedded in their DNA through their work practices and organisational processes.

Using the construction industry as an example, if more than a quarter of the Australian construction workforce are contractors, having a targeted approach to the value proposition and experience of this segment is key to achieve greater overall engagement and productivity.

37. Garth Andrus, Surabhi Kejriwal, and Richa Wadhvani, “Digital Transformation in Financial Services: The Need to Rewire Organisational DNA”, Deloitte University Press, November 2016.

38. Josh Bersin, “Becoming irresistible: A new model for employee engagement”, Deloitte University Press January 26, 2015.

39. G.C. Kane, D. Palmer, A.N. Phillips, D. Kiron, and N. Buckley, “Achieving Digital Maturity” MIT Sloan Management Review and Deloitte University Press, July 2017.

40. Anthony Abbatiello, Margorie Knight, Stacey Philpot, and Indranil Roy “Leadership Disrupted: Pushing the boundaries–2017 Global Human Capital Trends”, Deloitte University Press, February 28, 2017.

Juliet Bourke, Stacia Garr, Ardie van Berkel, Jungle Wong, “Diversity & inclusion – the reality gap, Global Human Capital Trends, Deloitte, February 2017.

**Bottom line**

It seems now is the right time for real estate and construction companies to make talent, the employee experience, inclusive leadership, and strategic talent management (with a segmentation focus) part of their strategic priorities. This would allow companies to better prepare for a digital future and to build these capabilities as a competitive talent differentiator. The way forward is likely not going to be easy.

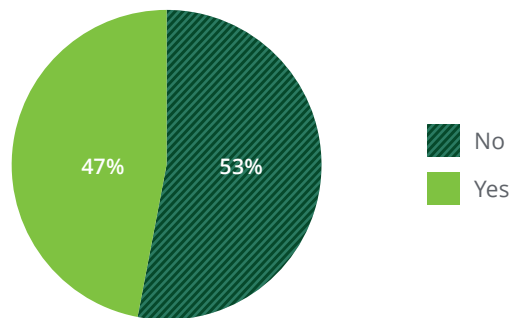
Many RE&C companies may have to rewire existing behaviours and remodel key aspects of their HR function – recruitment, the employee or worker experience, organisational design, and leader development, for example.

But, as the future of work evolves with the open talent economy and accelerating advancements in cognitive technologies, machine learning, and artificial intelligence, real estate and construction companies will have to become more agile, innovative, and collaborative to continue to stay ahead of their competitors in the race for positive financial impact.

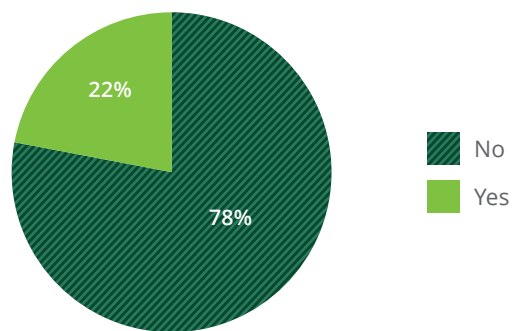
The choice is clear: keep pace with the changes in the environment around us or slowly become irrelevant.

## Does your organisation provide training on unconscious bias? HC trends 2017

**Global results - all industries**



**APAC real estate and construction**





**Pip Dexter** leads Deloitte Australia's Human Capital Public Sector Consulting practice. Pip is passionate about improving the way people experience work in order to deliver better outcomes, and how humans, not only technology, will unlock the productivity gap.

# Deloitte.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

## **About Deloitte**

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 244,000 professionals are committed to becoming the standard of excellence.

## **About Deloitte Australia**

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 7,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at [www.deloitte.com.au](http://www.deloitte.com.au).

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited.

© 2018 Deloitte Touche Tohmatsu.

M CBD\_HYD\_02/18\_55350