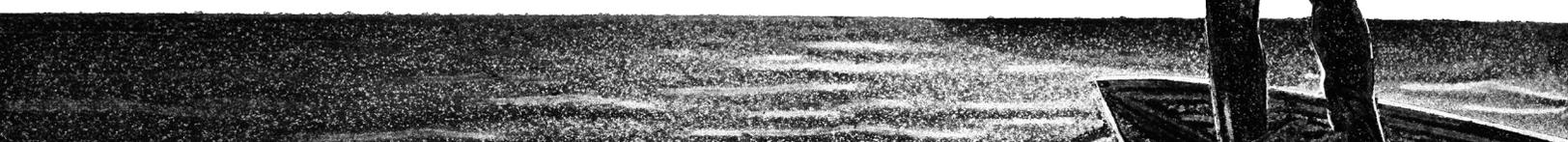


Human capital trends 2014

Proceed with action,
challenges ahead



Global Human Capital Trends 2014

Engaging the 21st century workforce

CEOs and HR leaders see talent as a major challenge to growth. Where should you focus? Our survey of 2,500+ organizations in 90+ countries reveals 12 critical trends shaping the human capital agenda. www.deloitte.com/HCTrends2014, www.deloitte.com/HCDashboard

Lead and develop



Develop leaders at all levels: Close the gap between leadership hype and readiness

Leadership remains the top human capital concern – and the largest “readiness gap” in our survey. The need: develop new leaders faster, globalize leadership programs, and build deeper bench strength.

www.deloitte.com/leadersatalllevels

Corporate learning redefined: Prepare for a revolution



It’s a new age for Learning & Development. Online content, MOOCs, collaboration tools, and social media now fuel a training model where employees own their skills and experts share knowledge freely.

www.deloitte.com/learningredefined

Performance management is widely broken: Replace “rank and yank” with coaching and development



Companies worldwide are questioning their forced ranking, rigid rating systems, and once a year appraisal process. This is the year a new model of performance management will likely sweep through HR.

www.deloitte.com/PMisbroken

The quest for workforce capability: Create a global skills supply chain



Organizations now compete globally for scarce technical and professional skills. How can you locate and develop this talent when it takes years to develop expertise?

www.deloitte.com/workforcecapability

Attract and engage



Talent acquisition revisited: Deploy new approaches for the new battlefield

Talent acquisition and recruiting are undergoing rapid disruption, challenging companies to leverage social networks, aggressively market their employment brand, and re-recruit employees every day.

www.deloitte.com/talentacquisitionrevisited

Move beyond retention: Build passion and purpose in the workforce



Survey respondents say retention and engagement is the second biggest human capital challenge they face (after leadership gaps). What’s the secret to becoming a “talent magnet” in the coming years?

www.deloitte.com/beyondretention

Shift from diversity to inclusion: Move from compliance to diversity as a business strategy



The world has become highly diverse, but many companies have not – especially when it comes to combining diversity with the inclusive culture needed to truly drive value.

www.deloitte.com/diversitytoinclusion

Rescue the overwhelmed employee: Simplify the work environment to improve life and work



Technology and too much access have turned us into “overwhelmed” employees. Nearly every company sees this as a challenge to individual productivity and overall performance, but struggles to handle it.

www.deloitte.com/overwhelmedemployee

Transform and reinvent



Reskill the HR team: Accelerate the development of HR professionals into skilled business consultants

HR pros need an increasingly wide range of skills, not only in talent areas but also in understanding how the business works, makes money and competes. How are HR teams staying current and viable?

www.deloitte.com/reskillinghr

Implement talent analytics: Go from talking to delivering on Big Data



Analytics is an exciting and fast-growing areas of human resources, but many companies are lagging. How can they address this game-changing area of HR to move quickly and methodically into the future?

www.deloitte.com/talentanalyticsinpractice

Race to the cloud: Integrate talent, HR, and business technologies



Cloud-based HR technology promises to integrate people systems, enable learning and talent management, and reengineer recruiting. But massive adoption of new software is harder than it seems.

www.deloitte.com/racetothecloud

Globalize and localize the HR function: Balance scale and agility



A new model of “high-impact” HR blends globalized talent practices for consistency and mobility with localized flexibility to attract, retain, and manage people appropriately.

www.deloitte.com/globalandlocalhr

Preface



Canada's human capital management profession is facing perhaps its most critical challenge ever: how to manage a workforce that is globalizing as rapidly as demographics are shifting and technology is evolving. Is the profession up to the task? The results of our 2014 human capital trends survey suggest there's some work to be done.

Our survey measured a dozen critical challenges organizations face as well as how ready they feel to respond to them. The results expose major concern in the areas of leadership development, talent retention and engagement, and workforce capability. They also reveal uncertainty in human resource's ability to address these challenges quickly and capably. Companies must innovate and transform their talent and HR strategies and programs to meet the needs of the new, globalized workforce.

More than 2,500 business and HR executives participated in this global survey. They represent businesses of varying sizes across a range of industries in over 90 countries. The report you're about to read is based on the results from the 133 Canadian respondents and summarizes the trends and priorities currently informing decisions about human capital in this country. For a more detailed breakdown of the responses, I invite you to visit our interactive Human Capital Dashboard. This tool will allow you to drill down into the survey data from all participants.

In the meantime, I hope this report proves illuminating to your organization as your HR professionals and business leaders grapple with both the disruptive challenges as well as unprecedented opportunities in building a 21st-century workforce. If you have any questions or wish to discuss how Deloitte can help you meet your talent management needs, please don't hesitate to contact either me or one of the professionals identified at the back of this document.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. Stockton'.

Heather Stockton
Practice Leader, Human Capital Consulting
Deloitte Canada





HR needs a new mindset

As organizations finally put the 2008 financial crisis behind them and turn their attention to the future, they're finding the workforce has changed significantly. Millennials are establishing themselves in the workforce, while older workers aren't necessarily moving on. People with highly specialized skills are hard to find. And data analytics is opening up new avenues in predictive workforce intelligence, assuming the know-how is there to leverage it.

Successfully navigating the constantly evolving demands of an increasingly globalized workforce has never been more critical for Canada's human capital management profession. Doing a good job is no longer enough – if Canadian companies want to compete in today's economy, they must do better than good.

This is among the most striking findings of our 2014 human capital trends survey, which measures a dozen top human capital challenges as well as the readiness of corporations to address them. More than 2,500 business and HR executives from all industries and companies of all sizes in over 90 countries, including 133 business leaders in Canada, contributed to these results.

Top challenges facing HR and Talent in Canada

Corporate leaders around the world identify the same top five challenges (see Figure 1). Leadership is both the biggest challenge and the most urgent priority, moving from the fifth-place concern in 2013 to the first in 2014 for Canadian businesses. It was deemed the top issue with 73% of the vote in Canada, 65% in the U.S. and 68% worldwide. Given the length of time it takes to develop leadership capabilities, it's also the most pressing priority: 38% of Canadian leaders believe leadership is an urgent matter while 54% say it's important. (See Figure 2 for the breakdown between HR and non-HR respondents.)

Not only is there a shortage of leaders at every level but the talent programs to develop existing and future leaders are mainly viewed as either weak or just adequate, revealing a perceived gap in HR's capability to add and deliver value. Respondents report their companies are struggling to provide their leaders with the development experiences and programs they need to compete globally and drive business results. They are having equal difficulty in supplying experiential, role-based leadership programs and delivering focused leadership training to millennials.

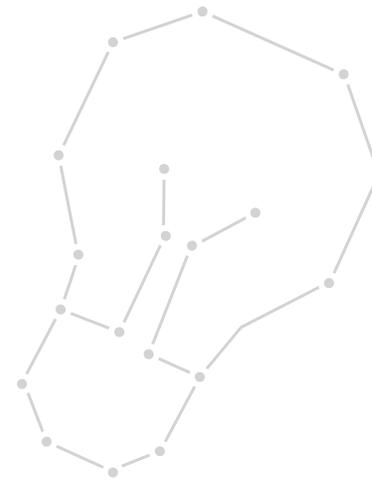


Figure 1. Top five challenges facing HR and Talent in Canada



Figure 2. Perceived need to address leadership development programs

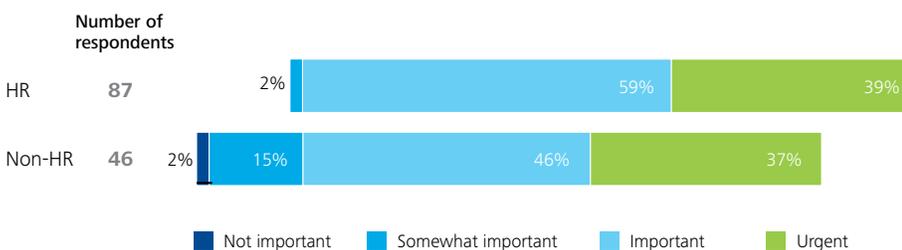
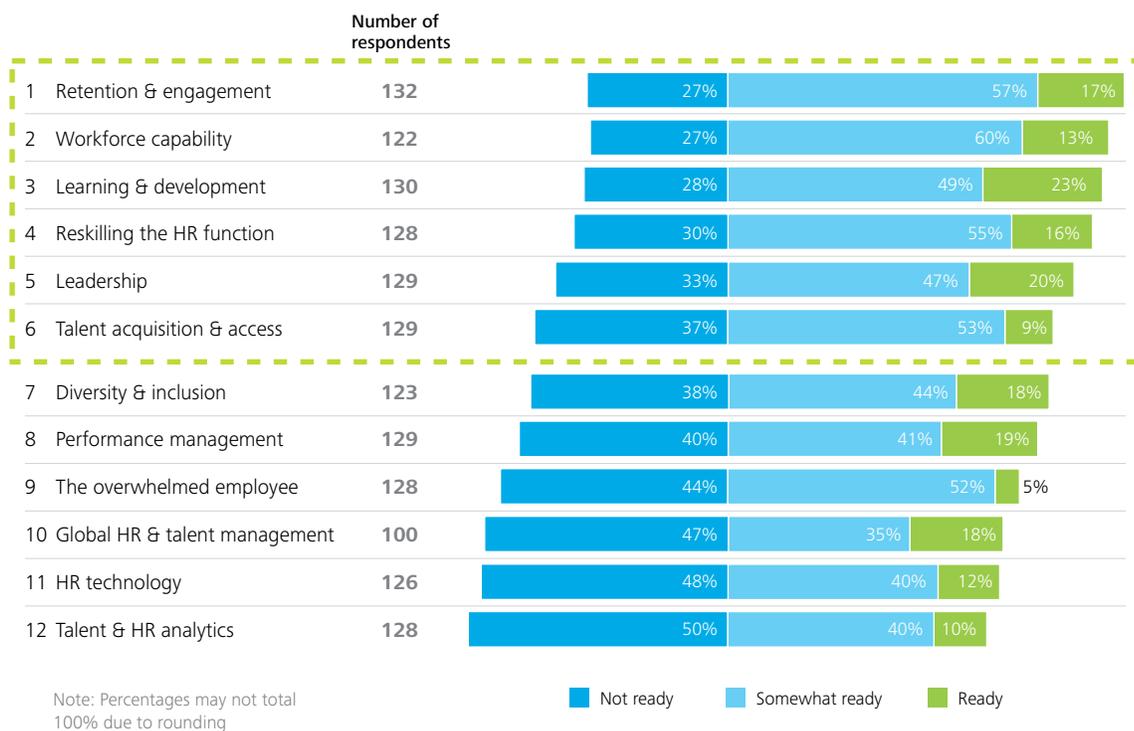


Figure 3. Level of readiness Canadian respondents report



While Canadian respondents initially rate their organizations as ‘somewhat ready’ to meet the demands of the modern global market when asked broad-stroke questions (see Figure 3), drilling down to more specific capabilities reveal they aren’t as prepared as they think they are. Of the biggest and most urgent challenges facing them, they feel least capable right now of supporting leadership development: only 20% of respondents think their companies are ready.

HR feels its ability to support leaders through traditional methods is generally adequate but that it isn’t doing a good job of providing the experience and skills-building programs leaders now need to compete in the new economy.

In fact, 59% of Canadian HR professionals think their ability to provide experiential, role-based leadership programs is inadequate and 62% feel they do a poor job of including global skills and experience in training. More concerning, though, is that 73% of HR leaders rate as weak their ability to leverage emerging tools and approaches such as analytics and advanced media learning to provide focused leadership programs for millennials, who are accustomed to learning with fundamentally different tools and approaches than their parents’ generation.

HR's ability to support the leaders of today and tomorrow in developing the skills they need is, in a word, outdated (see Figure 4). And again, non-HR professionals in Canada are slightly less confident than their colleagues in HR that these shortfalls can be addressed; a discouraging trend for human capital practitioners. If you agree that it takes several years to build leadership bench strength, this challenge needs to be built into business strategy and planning now. Workarounds to buy, rent and outsource are no longer sustainable options.

The 21st-century workforce requires different support

The second major challenge facing Canadian firms, according to respondents, is retaining and engaging employees. Potential talent is making employment decisions that are not based on compensation alone. Companies that enhance their engagement strategies through the alignment of personal, corporate and social goals are on the right track. Creating brand 'stickiness' is an intangible but incredibly powerful tool for retention for all employees across the organization. Brand, in other words, is a key to corporate success not only with customers but also with the workforce. If your employees want your brand on their resume, they will come. A reassuring 75% of HR leaders surveyed say their companies are ready or somewhat ready to address this, while 71% of their non-HR peers say the same (see Figure 5).

Figure 4. Confidence in supporting leadership development varies

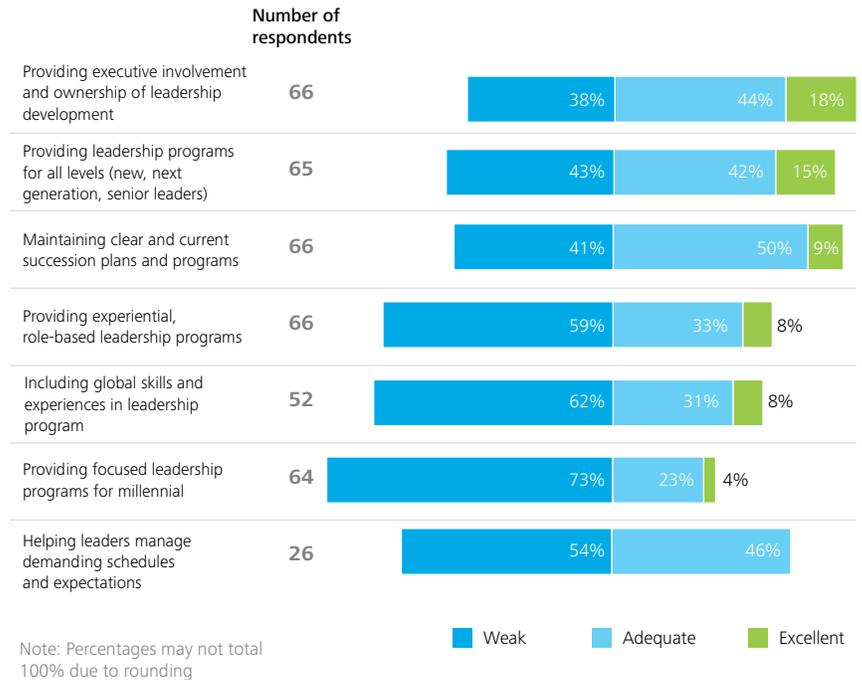
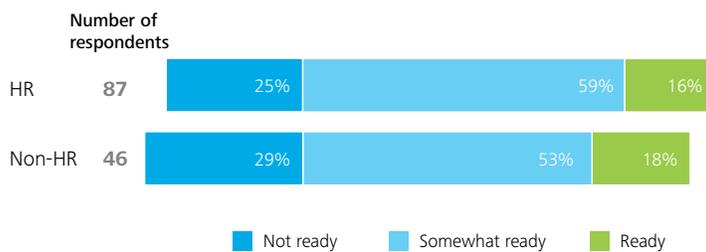


Figure 5. Perceived level of readiness to meet the retention and engagement challenge



Workforce capability is deemed the third most significant challenge, registering with exactly half of Canadian respondents, with non-HR respondents noticeably less confident in their organization's readiness to tackle it (see Figure 6). The scarcity and uneven distribution of skills in the global workforce is creating capability gaps in organizations, which will require HR to seek new ways to acquire and engage talent. This ties into the fourth main challenge for Canadian firms (fifth globally): talent acquisition and access (45% of Canadians, 47% of Americans). Corporations can't afford to keep going to the same wells year after year. To prevent stagnation, they'll have to employ new strategies for finding talent, such as crowdsourcing and contingency sectors, or even borrowing it, such as from advisors, industry contractors and freelancers.

With 42% of business and HR leaders in agreement, revisiting learning and development programs rounds out the top five trends affecting human capital decision-making in Canada. (See Figure 7 for the perceived level of readiness to handle it.) Traditional training approaches may no longer be effective as the primary means of delivery for those entering the workforce, since many younger adults are accustomed to learning with emerging tools and methods such as mobile and web-based learning and gamification. Blended training is required to meet the needs of the four generations currently in the workforce.



Figure 6. Perceived level of readiness to meet the workforce capability challenge

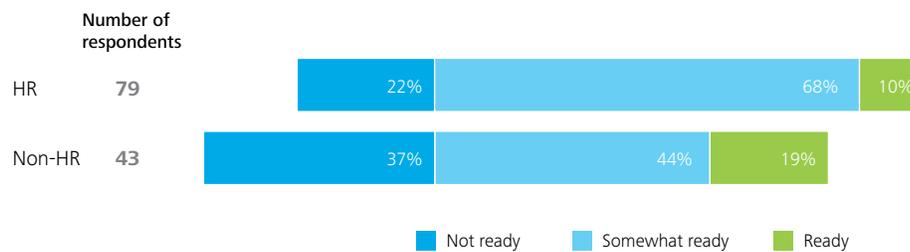
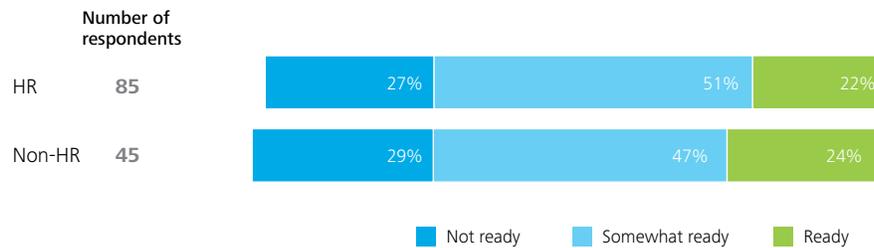
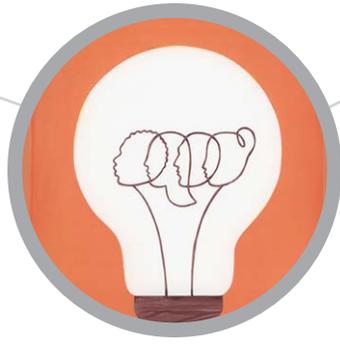


Figure 7. Perceived level of readiness to meet the learning and development challenge





HR: time to reboot?

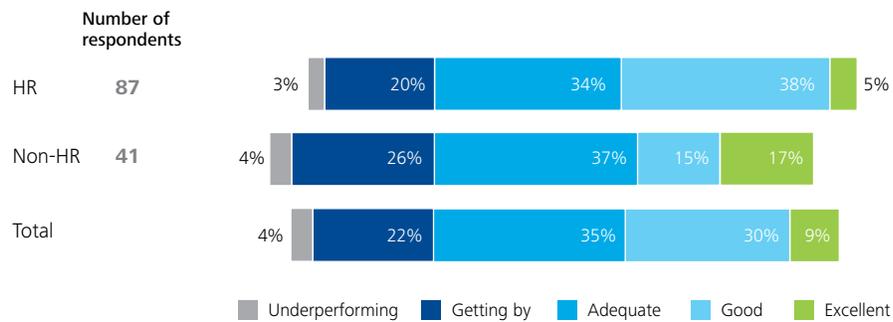
More than half of the HR professionals and nearly 70% of the non-HR executives surveyed rank the performance of their HR and Talent programs as less than good (see Figure 8).

Furthermore, more than 40% of non-HR respondents feel that HR wasn't ready to improve its own performance through reskilling, and a quarter of HR respondents say the same. It's perhaps not surprising, then, that 26% of Canadian respondents believe reskilling the HR function is an urgent matter and 58% think it's important. What is most compelling about this finding is that the top five challenges in Canada are all business problems owned by all leaders in an organization: Is there clear shared accountability and

ability to lead your business into the future? Does the governance in your organization have oversight into your exposure?

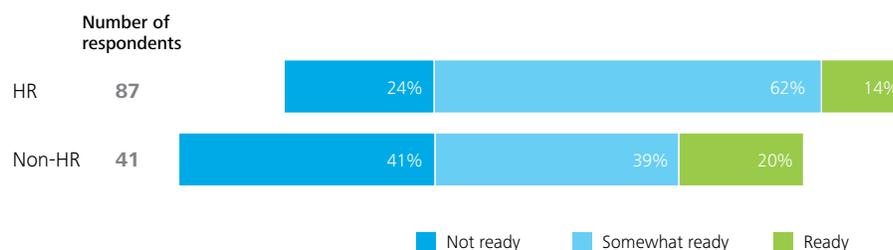
These results suggest that confidence in HR's ability to support the organization is alarmingly low. HR leaders must act swiftly and openly to acknowledge and address shortfalls in their own skills and performance to win back the confidence of executives and continue to remain relevant (see Figure 9).

Figure 8. Perceived overall capability of HR departments in Canada



Note: Percentages may not total 100% due to rounding

Figure 9. Perceived ability of HR to address its skills and performance gaps





The way forward

Prioritization is the name of the game. The most proactive organizations are looking at how to design and implement a leadership development program that's effective for their unique business objectives and needs. They're asking: to what extent do we need to align more closely our business objectives with our employees' professional, personal and social goals? In what new, possibly unconventional places can we look for talent? Can we afford not to invest in technology-enabled training? How do we create a brand that is compelling to our customers and employees?

The task at hand is far from impossible but it is formidable. And it is necessary: the consequences of accepting the status quo will eventually show in our ability to compete and grow. Standing still is not an option: it's time to embrace the present and transform HR to effectively – and profitably – engage and manage the 21st-century workforce.

Contacts

Canada

Heather Stockton
+1 416 601 6483
hstockton@deloitte.ca

Atlantic

Greg MacQuarrie
+1 902 721 5555
gmacquarrie@deloitte.ca

Montreal

Pascal Occean
+1 514 393 5161
poccean@deloitte.ca

Ontario

Kate Morican
+1 613 786 7598
kmorican@deloitte.ca

Toronto

Jeff Moir
+1 416 601 5768
jmoir@deloitte.ca

Karen Pastakia

+1 416 601 5286
kapastakia@deloitte.ca

Jackie Scales

+1 416 874 3234
jscales@deloitte.ca

Prairies

Lizanne Roziere
+1 204 944 3612
lroziere@deloitte.ca

Alberta

Louise Wilson
+1 403 267 0549
louwilson@deloitte.ca

Van Zorbas

+1 403 503 1460
vzorbas@deloitte.ca

British Columbia

Andrew Pau
+1 604 640 3295
apau@deloitte.ca

About this report

This report, focusing specifically on human capital trends in Canada, was designed to complement the Deloitte report *Global Human Capital Trends 2014: Engaging the 21st-century workforce*. It was based on a comprehensive global survey of more than 2,500 business leaders and HR executives in 94 countries. This report examines the national results, based on 133 Canadian respondents.

For more information, visit

deloitte.ca/hctrends2014

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services. Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited.

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/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

© Deloitte LLP and affiliated entities.

Designed and produced by the Deloitte Design Studio, Canada. 14-2102T