Global Human Capital Trends 2016
The new organization: Different by design

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This year’s 10 trends

This fourth annual survey of more than 7,000 HR and business leaders globally ranks 10 key trends and companies’ readiness to respond to them. The report also includes both country and industry analyses, as well as an interactive dashboard and mobile app to explore the survey results.

Four powerful forces are driving change for both HR functions and the organizations they serve, creating talent challenges—as well as potential solutions—radically different from those faced by previous generations of leaders.

**Organizational design: The rise of teams**
Hierarchical organizational models aren’t just being turned upside down — they’re being deconstructed from the inside out. Businesses are reinventing themselves to operate as networks of teams to keep pace with the challenges of a fluid, unpredictable world.

**Shape culture: Drive strategy**
The impact of culture on business is hard to overstate: 82 percent of respondents to the 2016 Global Human Capital Trends survey believe that culture is a potential competitive advantage. Today, new tools can help leaders measure and manage culture towards alignment with business goals.

**Engagement: Always on**
Employee engagement and retention today means understanding an empowered workforce’s desire for flexibility, creativity, and purpose. Under the evolving social contract between employer and employee, workers become “volunteers” to be reengaged and re-recruited each day.

**Learning: Employees take charge**
Corporate learning departments are changing from education providers to content curators and experience facilitators, developing innovative platforms that turn employee learning and development into a self-driven pursuit.

**Design thinking: Crafting the employee experience**
Design thinking takes aim at the heart of unnecessary workplace complexity by putting the employee experience first — helping to improve productivity by designing solutions that are at once compelling, enjoyable, and simple.

**HR: Growing momentum toward a new mandate**
Good news: This year’s Global Human Capital Trends survey shows an improvement in the HR organization’s skills, business alignment, and ability to innovate. But as companies change the way they are organized, they must embrace the changing role of HR as well.

**People analytics: Gaining speed**
The use of analytics in HR is growing, with organizations aggressively building people analytics teams, buying analytics offerings, and developing analytics solutions. HR now has the chance to demonstrate ROI on its analytics efforts, helping to make the case for further investment.

**Digital HR: Revolution, not evolution**
A new world for HR technology and design teams is on the horizon. Mobile and other technologies could allow HR leaders to revolutionize the employee experience through new digital platforms, apps, and ways of delivering HR services.

**The gig economy: Distraction or disruption?**
How can a business manage talent effectively when many, or even most, of its people are not actually its employees? Networks of people who work without any formal employment agreement — as well as the growing use of machines as talent — are reshaping the talent management equation.

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Employee engagement continues to be a challenge for businesses, with 48 percent of this year’s survey respondents citing it as very important. The demands and expectations of today’s diverse, multi-generational, mobile workforce require a more flexible, employee-centric work environment, one which companies are just beginning to learn to develop. This year will see a strong focus on listening to employees, workforce health and well-being, job redesign, and an enterprise-wide analysis of all dimensions of employee engagement—all factors in what we call the “simply irresistible” organization.1

Employee engagement is a business imperative for leaders at all levels—above all, the CEO—and no longer something to be measured just once a year by taking a look in the rear-view mirror.

Despite the emergence of many tools for frequently evaluating employee sentiment, 64 percent of organizations still only measure employee engagement annually.

Managers and leaders are now accountable for engagement, but HR has to be proactive, implement the right tools, and give business leaders a continuous stream of data with which to make future decisions, promote a culture of listening, and ensure that reward systems are consistent with engagement and retention goals.

Employee engagement, like culture, has become a CEO-level issue. Companies now compete to win “best place to work” surveys and monitor social media carefully. There is an escalating war to design great workspaces, provide flexible benefits, and create great corporate cultures in an effort to drive higher engagement. Nearly nine in ten executives (85 percent) in this year’s survey rated engagement as an important (38 percent) or very important (48 percent) priority for their companies. (See figure 1 for our survey respondents’ ratings of engagement’s importance across global regions and selected countries.)

In the chapter on culture, we define both the connections and the differences between culture and engagement. Culture is the sense of “how things are done around here”; engagement is “how employees feel about how things are done around here.” Engagement is an aspect of workplace life that can—indeed, should—be continuously monitored in a proactive way. It is about the future of an organization; it is a measure of corporate health and a key window into the potential for future issues and workers’ support for change.

Three factors stand out as driving this focus on engagement. First, there is intense competition for talented Millennials, many of whom are less loyal to organizations than ever before. Second, companies face a continued need to attract workers with technological and other specialized skills, as every company digitizes its business. And third, an organization’s employment brand is now open and transparent, so job candidates can easily see if a company is a great place to work.
The role of employee engagement within HR is changing as well. Today, we find Chief Learning Officers who own the engagement challenge and executives with titles like “Chief Employee Listening Officer.” These new titles show how the topic of engagement has become broader and more embedded in everything HR must do.

Many companies still conduct some form of employee engagement survey. Indeed, 64 percent of senior executives in this year’s Global Human Capital Trends survey noted that their companies survey employees on engagement. Yet many traditional engagement models have fallen behind, precluding a more complete view of the problem. Instead, engagement today demands understanding a highly inclusive, empowering work environment.

For one thing, today’s workforce is more diverse than ever. Companies must manage as many as five generations of workers, dispersed global teams, and a heterogeneous mix of genders, races, cultures, and sexual orientations. They also have many types of workers in the mix: full-time and part-time people, employees working at home, and workers employed by contract agencies. Yet despite this highly diverse population, research finds that only 11 percent of companies have a highly inclusive work environment, and 47 percent have cultural barriers preventing the use of part-time people. Only 4 percent of our respondents believe they are very good at engaging Millennials and other generations in the work environment.2

This is insufficient in a workplace in which everything seems to be changing at once.

Employee demands are changing. Today’s workers place a higher premium on flexibility, creativity, and purpose at work. The structure of companies is changing, putting a greater emphasis on empowered teams and
team leadership. Companies are becoming dependent on a new breed of empowering, supportive, and open leaders at a time when companies still struggle to find the leaders they need.

The nature of careers is also changing. Companies used to invest heavily in employees with the intention of keeping them for decades and seeing them grow and contribute for the foreseeable future. Today, because employees change jobs more rapidly, employers must provide development more quickly, move people more regularly, provide continuous cycles of promotion, and give employees more tools to manage their own careers.

Engagement, in many ways, is the temperature gauge of a company’s ability to proactively address all these issues on behalf of the workforce. And research clearly shows that when employees feel empowered and have a sense of ownership for their jobs, their engagement is significantly higher.®

Companies are just now beginning to adapt to a new, implicit social contract between employers and employees—one where people can now easily explore new jobs or new companies online. This new reality is pushing employers to think of talent as “volunteers” and constantly consider how they can make work more meaningful and rewarding. After all, in a world of social media recruiting sites such as LinkedIn, employees are “always on” the hunt for new possibilities.

Engagement likewise needs to adopt an “always on” approach. Fortunately, new solutions have emerged in the marketplace to assess employee engagement. A new generation of “pulse” survey tools and open anonymous feedback systems can allow employees to rate managers, executives, and just about everything else at work on a near-real-time basis. The thoughtful use of such tools can create a true “listening environment” for employees while giving leaders critical insight into what’s working and what’s not working in the company.®

The movement toward this “always on,” feedback-based approach to engagement is growing rapidly, disrupting traditional models of measuring and managing employee engagement. A number of companies are adapting to more complex employee demands by listening more closely, trying new approaches, and actively addressing operational problems.®

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- A food retailer that operates coffee and food services around the world began soliciting anonymous employee feedback. Through this feedback, the company found that the drive-through window was chronically understaffed, forcing teams to run back and forth between different types of customers, which reduced quality while adding stress and extra work. A store manager implemented a dedicated drive-through role, dramatically improving engagement and productivity; the rest of the company followed suit.

- One software executive pulses his sales team every week and asks a simple question: “How happy are you at work this week, and what can we do to make things better?” Employees offer suggestions about things that he could be doing better, and he claims that he can actually predict the following week’s sales based on the feedback he gets the Friday before.
• An electric utility that suffered from a major outage looked at employee feedback and engagement data and discovered that the outage could have been predicted (and prevented) by more carefully monitoring employee feedback. Now, the company uses a real-time text analysis tool to monitor open feedback from line workers around the region.

As these examples show, just as companies like Yelp, Glassdoor, and TripAdvisor offer feedback everywhere in the outside world, companies are also starting to offer open feedback systems internally. Yet not all companies are taking part in this transformation. Surprisingly, nearly one in five executives we surveyed (18 percent) reported that their companies do not formally measure employee engagement at all. Another 54 percent report they are not fully ready to adopt an always-on approach. And only 8 percent of the executives we surveyed state that they measure employee engagement on a monthly or more frequent basis.

Nor is merely measuring engagement the whole answer. Engagement, retention, and employee productivity are complex and multi-faceted problems. Employees today are overwhelmed with too much work, managers are under pressure to build the right work environment, HR is trying to build programs for well-being and work-life balance, and the business itself is trying to focus more heavily on customers. The task around engagement, then, is not simply to have an engagement index but rather the far broader and more significant challenge of building an “irresistible” organization.6

Almost everything that happens at work has a direct impact on employees’ commitment to their work: how they are coached and evaluated; the work environment and the tools with which they work; their opportunities to grow and develop; and, of course, their relationships with managers and peers. Traditional definitions of engagement, therefore, need to be expanded to include five key elements that drive engagement: meaningful work, hands-on management, a positive work environment, opportunities for growth, and trust in organizational leadership.

Finally, topics such as “mission,” “values,” and “contribution to society” are driving engagement more than ever. Indeed, employees value “culture” and “career growth” at almost twice the rate at which they value “compensation and benefits” when selecting an employer.7 That is why culture and work environment have become the new drivers of employment brand and employee passion. The new model for “listening” must be coupled with a focus on “vision” and “values” in leadership as well. Engagement with a mission has a magnetism no matter how troubled an organization as a whole may be.

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2013, and 2012. How does Quicken Loans accomplish this?

Quicken Loans looks at employee engagement as core to its strategy of providing excellent customer service. Its CEO, Bill Emerson, is responsible for identifying engagement problems, creating solutions, and working with his HR leadership to maintain the highest levels of engagement in the industry.

One of Quicken Loans’ tools is a beautifully written color book called *The Quicken Loans ISMs.* ISMs are simple, easy-to-read principles and examples, which the book illustrates with pop art, that inform every business decision at the company. Examples include, “Every client, every time, no exception, no excuses”; “Obsess with finding a better way”; “Yes before no”; and “Ignore the noise.” These principles, coupled with stories and examples, help employees feel empowered to do the right thing for customers.

The company is located in Detroit, yet its office feels like a high-tech startup. Open offices, bright colors, and lots of flexible workspaces help employees feel empowered, collaborative, and rewarded. The space is carefully designed to feel like an outside street, with minimal noise but lots of fun. Melissa Price, Quicken Loans’ HR leader—as well as the CEO of dPOP!, the design company that created the office space—focuses heavily on feedback and openness. “We want [workers’] feedback, and then we immediately do something about it. And that just encourages and promotes more feedback and inclusion.”

The company also offers child care, exercise classes, snack food, and other amenities not typically provided by many businesses. Team members receive personal notes from executives for anniversaries, birthdays, and holidays—and the company gives away game tickets, cash, and free trips when employees go the extra mile for customers. CEO Emerson even gives employees his personal phone number.

The example of Quicken Loans clearly shows that you don’t have to be a fast-growing technology company located in Silicon Valley to create an amazing, highly engaged place to work.

Where companies can start

- **Redefine engagement:** Engagement is not simply about turning an organization into a great place to work. It also means reaching down to the team and individual levels to foster highly engaged teams of employees doing work they love to do.

- **Create a sense of passion, purpose, and mission:** Free food and ping-pong tables are fun perks, but companies that succeed in having highly engaged employees focus intently on driving meaning, purpose, and passion among workers.

- **Focus on all three levels:** Engagement must be created, measured, and monitored at the organization, team, and individual levels.
• **Link compensation to engagement:** Managers must embrace engaging their teams as one of their primary responsibilities. Tying team leaders’ compensation to their team members’ engagement sends a powerful signal and drives a sense of accountability about engagement efforts.

• **Consider “stay” interviews:** Many companies conduct “exit” interviews to find out why employees are leaving. It is far better to also use “stay” interviews to learn what it would take for an employee to stay at a company.

• **Final check: Is your engagement effort “always on”**? Perhaps the biggest challenge for HR in leading engagement programs is shifting from a transactional, once-a-year mind-set, to an “always on,” continuous listening approach to monitoring engagement.

**BOTTOM LINE**

Engagement is an issue not merely for HR but for the entire executive team. Leading companies work proactively on engagement: They continuously ask themselves why their employees would commit to working at the organization for any length of time and what they can do to make their organization more attractive. Surveys may be important in determining levels of engagement, but engagement fundamentally comes back to the question of exerting a continuous attraction for workers in the open talent economy.

Engagement is not reactive but proactive. Efforts to build engagement should be “always on” through extensive data use and analysis by business leaders. HR, too, must be proactive in engagement efforts. Leading companies have made this their goal and are reaping the benefits; all organizations that want a passionate workforce should follow suit.
Endnotes


5. Ibid.


7. Proprietary research by Glassdoor and Bersin by Deloitte.


10. Ray et al., The DNA of engagement.

11. Ibid.

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