

Resetting horizons
Global Human Capital Trends 2013
Energy & Resources 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/developalent



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 human capital trends and priorities that are shaping business decisions for corporate leaders in the global energy and resources sector. This specially tailored report compares the energy and resources results (based on 105 participants) to the overall results of our comprehensive survey of more than 1,300 business leaders and HR executives in 59 countries comprising the world's major economic regions.

Deloitte's global human capital survey set out to determine which trends are playing the most significant role in global organizations today and which are further out on the horizon. Accordingly, we have categorized these trends as: *leading* or highly relevant today, *rising*, relevant in the next one to three years, or *emerging* three or more years from now.

This energy and resources report was designed to complement Deloitte's 2013 Global Human Capital Trends report, "Resetting Horizons." We believe both reports will inform your organization's leaders on the issues impacting companies in the energy and resources sector and around the world.



David Brown



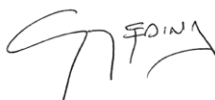
Elaine Liu



Bernard van der Vyver



Joe Kelly



Hugo Medina



Van Zorbas

Top leading, rising and emerging trends in Energy & Resources

There have been a lot of changes in the energy and resources industry the past 12-18 months and the situation continues to evolve. At the same time, similar trends are shaping the industry around the world, such as growing global population, increasing demand for energy and resources, increasing environmental pressures, shift from 'expansion and growth at all costs' to 'consolidation and rightsizing'. This is further complicated by various talent challenges as many of these corporations operate in highly complex economic and political environments. In addition to global trends there are local trends specific only to certain countries and sub-sector that are on top of mind of many executives.

The challenge for any organization, on any level, is having the right leadership and people with the right skillset when you need them. In practical terms, this means HR needs to be embedded in the business and anticipate

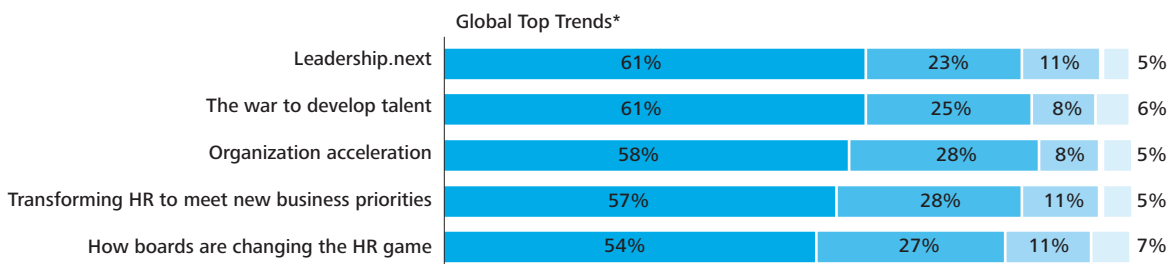
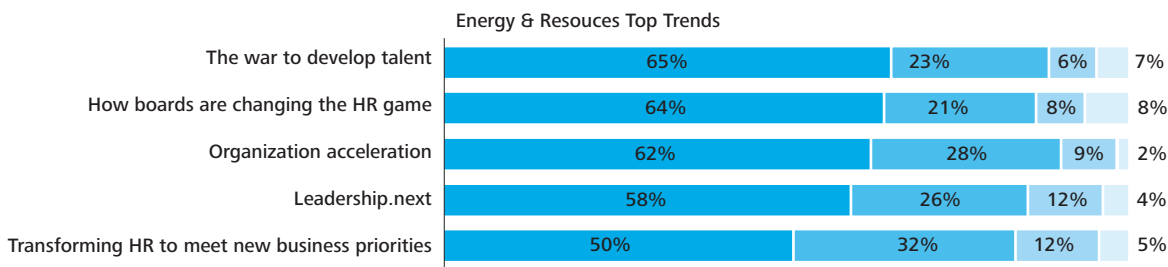
what programs they need to execute against their business strategy. This will vary based on the business and particularly within energy and resources industry.

Deloitte's global human capital survey identified the top human capital trends today, rising in the near future and emerging in the next 3-5 years. The results for energy & resources industry clearly identified five leading trends that are currently shaping – or should be shaping, the talent agenda. The trends that emerged as most highly relevant today include:

- The war to develop talent
- How boards are changing the HR game
- Organization acceleration
- Leadership.Next
- Transforming HR to meet new business priorities

Besides the difference in order of rank, the focus of energy & resources and global trends are very similar.

Energy & Resources 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

*Global Top Trends includes both public and private sector organizations

It is not surprising to see that the number one energy & resources industry trend leading today is “The war to develop talent”. As the energy & resources industry struggles to fill critical roles at many levels, it also continues to realize the need to develop talent. Although companies have long before recognized the importance of developing talent, the pendulum was more often swinging towards recruitment and compensation. There are a number of reasons for the need to develop talent including the focus on improved operational efficiencies and reduction of costs of losing top talent. For some fast growing economies like China, this also means challenges associated with developing international talent to fit into the country’s global expansion agenda. Today, talent has the ability to make more informed decisions about their future workplace, and therefore once they have chosen the organization, its ability to provide growth and development is becoming one of the key factors for improved retention, business performance and culture.

It’s also interesting that “How boards are changing the HR game” trend is now seen as the number two leading consideration in energy & resources space and is in the top five human capital trends globally. Energy and resources companies are facing a broad set of significant risks and, in recent decades, severe consequences related to those risks. These include environmental disasters, political conflicts or damages to infrastructure from natural disasters. All this has a high impact on employees. It also reinforces the need for a more comprehensive and robust approach to risk management and corporate governance and requires CHROs to be inserted much deeper into the business and play an advisory role for the Board. This also means that HR departments also need to be prepared for more measurements and oversight from the board of the value HR delivers.

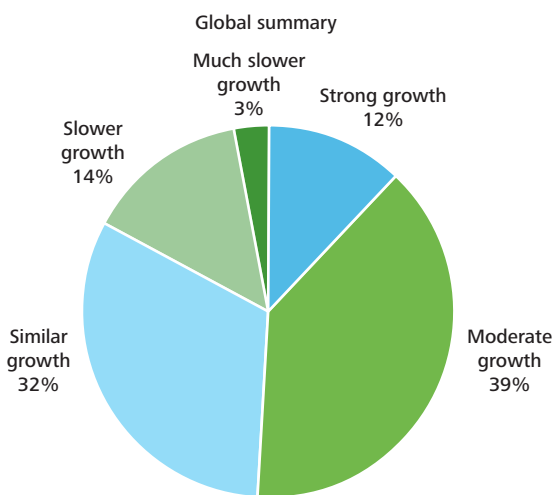
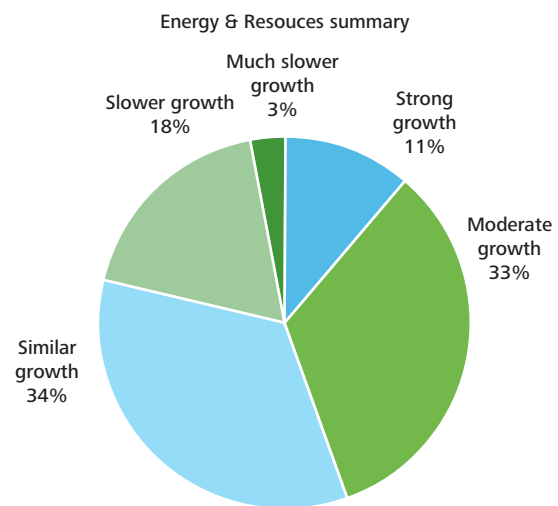
It is also reassuring to see that the number three energy & resources trend is “Organization Acceleration”. This means an increased focus on management of strategic change. This is particularly important when looking at fast changing energy and resources corporations, which are becoming more complex operationally, more geographically dispersed with a shifting focus from ‘growth and expansion at any cost’ to ‘consolidation and rightsizing’. There is a much greater need for highly tailored, precise and sustainable change initiatives. Companies begin to realize that the old-change tool kits are becoming outdated and that the most successful organizations abandon these in favor of customized integrated change initiatives focused on delivery of business value and rigorously measured on various analytical tools. Having an integrated change management framework organization wide and a specific approach for each project will help to minimize potential loss in productivity during implementation of a new process or technology and will manage stakeholder expectations at all times.

Relative to the global peers, who identified “Leadership. Next” as the number one trend today, the energy & resources executives ranked this number four. As global energy and resources industry faces an unprecedented amount of challenges, from volatile economic environments, civil wars, ecological challenges and trying to be ahead of competition, finding the right leaders is becoming even more difficult. Although many companies continue to pursue a vision of ideal leadership style, traditional theories about leadership styles are becoming more and more obsolete as one size no longer fits all. Tomorrow’s leaders should be able to adjust and thrive in multiple complex environments and diverse cultures. It’s encouraging to see that “Transforming HR to meet new business priorities” is in the top five human capital trends both globally and in the energy & resources industry. In the past, HR transformation focused primarily on making existing HR functions more effective. Today, especially in the energy & resources industry, HR capabilities must not only support the business but enable business strategies, so organizations are using HR transformation to design HR and talent systems that can work across geographic boundaries in local markets and business units.

General Business Outlook in 2013

Many executives who participated in Deloitte’s global energy & resources survey identified 2013 as having a favourable performance compared to 2012 in terms of economic expectations. According to the results, just slightly less than half of energy and resources respondents forecast either moderate (33%) or strong (11%) growth this year. Similarly, over half of global executives believe their company will experience either moderate (39%) or strong (12%) growth in 2013.

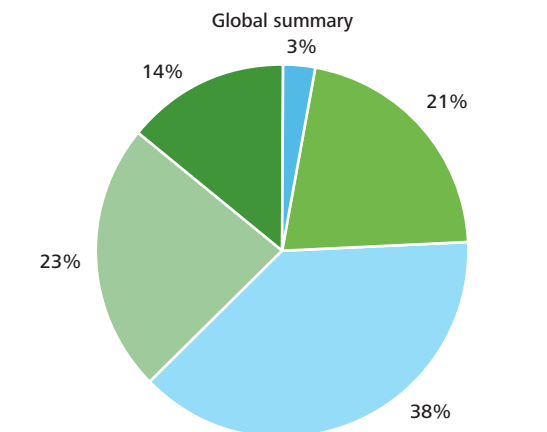
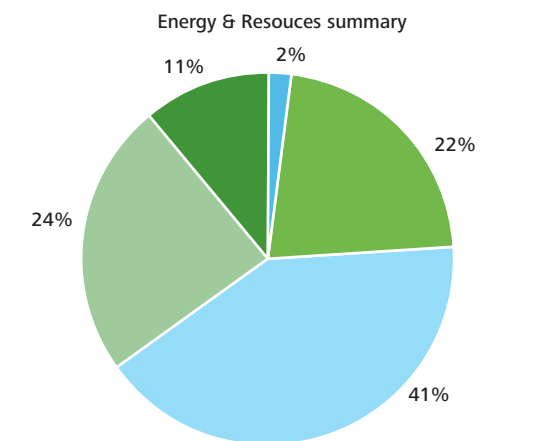
Energy & Resources and global outlook for 2013 compared to 2012



Capabilities of Organization’s HR and Talent programs

Despite an optimistic outlook for growth in 2013, energy & resources executives realize that capabilities of their organizations HR and talent programs can be improved. Very few respondents (2% of energy & resources and 3% of global) believe their HR programs are truly world class. Only around 20% of respondents believe their organizations’ HR and talent programs are world class in some areas and require improvement in other areas as well. Nearly four out of ten (41% of energy & resources and 38% of global) respondents identified the strength of their HR and talent programs as “adequate” but requiring improvements. According to the surveyed executives, 35% of organizations in energy & resources are either requiring significant (24%) or radical (11%) improvements.

The top five leading trends are somewhat reflective of these results as organizations prioritize the need to develop their talent, transform their HR programs and have HR play a more strategic role while developing and executing upon business strategy.



- 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

Top three pressing HR and talent concerns

Ranking	Energy & Resources	Global
#1	Developing leaders and succession planning (52%)	Developing leaders and succession planning (55%)
#2	Connecting HR and talent with business critical priorities (36%)	Sustaining employee engagement/morale (39%)
#3	Recruiting hard-to-find skillsets (30%)	Connecting HR and talent with business critical priorities (33%)

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

When asked to rank their top HR and talent concerns to understand future priorities, “developing leaders and succession planning” was the top concern across energy and resources sector and globally. Many companies are slated to go through a workforce and leadership changeover in the next decade due to retirement of aging workforce (e.g. many power and utilities companies in the United States as well as a number of companies across energy and resources sector in Canada). Thus, development of the next generation of leaders at all levels is critically important. There is a demand for a new class of global leaders. These are leaders who can thrive across multiple complex operating environments and manage highly-diverse multi-cultural talent.

In the energy and resources industry, especially operational functions, HR is often seen as not adding value, hence the reason for “connecting HR and talent with business critical priorities being ranked as the second. “Recruiting hard-to-find skill sets” continue being a pressing priority and highlight the need for better understanding the future HR trends that will be relevant in the next 1-3 years, as well as 3 years and beyond.

The survey results of the energy & resources industry clearly identified three leading trends that will be relevant in the next 1-3 years. These include:

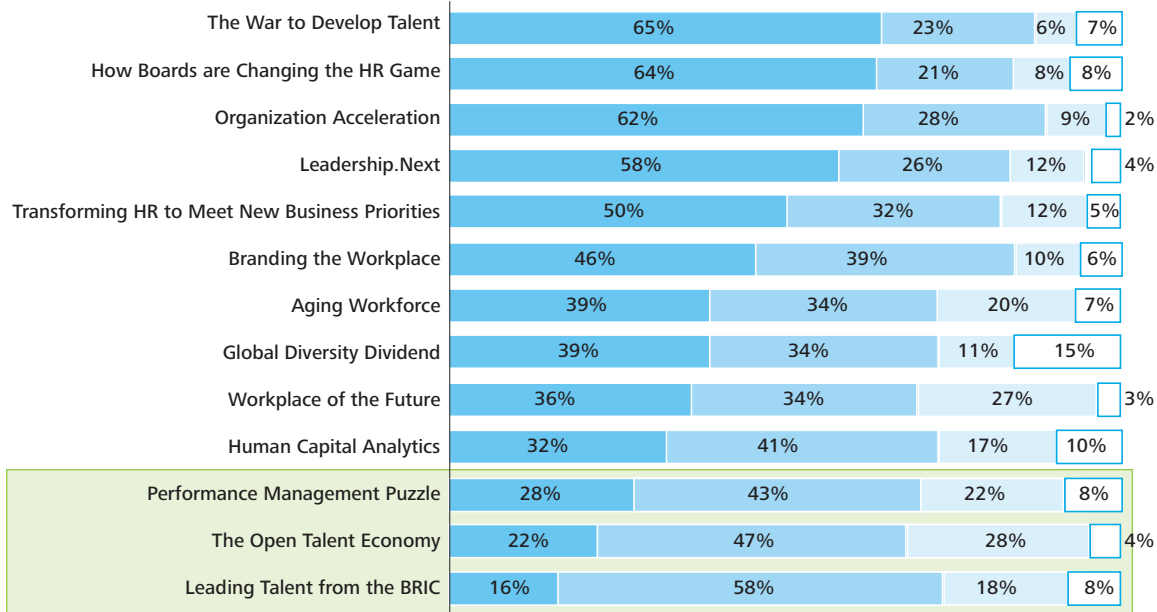
- Leading Talent from the BRIC
- Open Talent Economy
- Performance management puzzle

Besides the difference in order of rank, the focus of energy & resources and global trends are the same.

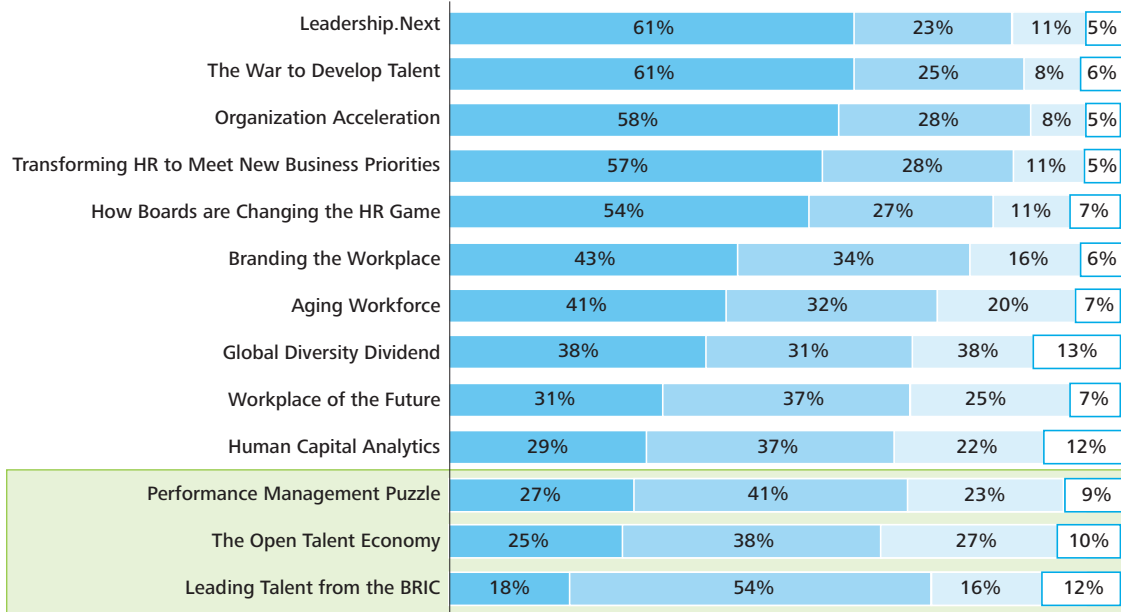


Energy & Resources and Global Top Trends relevant in the next 1-3 years

Energy & Resources summary



Global summary



- 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

More than half of energy and resources executives (58%) and global executives (54%) ranked “Leading talent from the BRIC” as the number one trend that will be relevant in the next 1-3 years. And it’s not surprising. Shortage of talent in energy and resources sector globally is driving the need to find talent elsewhere. As fast growing economies with energy and resources sector and a large talent pool, the BRIC countries are becoming more attractive for many global energy and resources corporations which are starting to compete for talent more aggressively. In an era of fast growing global economies, only those organizations that are creating multi-directional, multi-cultural talent networks can be better positioned to capture talent potential and business opportunity from the next block of emerging markets – Brazil, Russia, India and China.

Moreover, not only do organizations need new type leaders to operate and manage diverse talent in complex operating environments, the second top emerging trend – “the open talent economy” highlights the fact that global markets and products, driven by rapid innovation seem to demand new talent models that can be rapidly adjusted. The evolving workforce is a mixture of full-time employees, part-time employees, and employees with flexible work arrangements, contractors, freelancers, and increasingly people who work remotely and/or have no formal ties to an organization. Leading organizations and their CHROs will need to look at their talent models more closely to keep pace with this rising trend.

Last, but not least – the performance measurement puzzle – is the third trend that will be relevant in the next three years. Over 40% executives in the energy and resources sector and globally have identified a need to focus on performance measurement programs. Although the way work gets done and the workforce changed dramatically over the last few decades, most performance measurement processes have remained the same or have changed very little. In the new workplace, team relationships often influence an individual’s performance more than a supervisor. Immediate, on the spot feedback from their peers can have a big impact on performance. However what has not changed is what leaders, HR and employees seek from performance measurement – a fair and valid performance assessment process – and thus the search for innovative performance management is accelerating.

These trends all indicate increased focus on talent and the role HR plays in business strategy and operations. By putting human capital issues at the top of the strategic agenda, HR leaders can be better equipped for delivering business value to their organization.



Contacts

Australia

David Brown
Deloitte Touche Tohmatsu
davidbrown@deloitte.com.au
+61293227481

Canada

Van Zorbas
Deloitte Inc.
vzorbas@deloitte.ca
+1 403 503 1460

China

Elaine Heng Liu
Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch
hengliu@deloitte.com.cn
+861085207841

Mexico

Hugo Medina
Deloitte Consulting Mexico
hmedina@deloittemx.com
+525550806160

Netherlands

Bernard van der Vyver
Deloitte Consulting B.V.
BevanderVyver@deloitte.nl
+31882886647

United States

Joseph Kelly
Deloitte Consulting LLP
joskelly@deloitte.com
+1 713 982 3750

Contributors: Anastasiia Udovenko, Deborah Versteeg

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

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 operates in Quebec as Deloitte s.e.n.c.r.l., a Quebec limited liability partnership.

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.

Copyright © 2013 Deloitte LLP and affiliated entities. All rights reserved.