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Human Capital Trends 2015

Leading in the new world of work



Irish Report



Global Human Capital Trends 2015

This year's 10 trends are focused on four broad areas:

Leading



Leadership: Why a perennial issue?

Companies are struggling to develop leaders at all levels and are investing in new and accelerated leadership models.



Learning and development: Into the spotlight

Companies are actively exploring new approaches to learning and development as they confront increasing skills gaps.

Engaging



Culture and engagement: The naked organisation

Organisations are recognising the need to focus on culture and dramatically improve employee engagement as they are facing a looming crisis in engagement and retention.



Workforce on demand: Are you ready?

Companies are taking a more sophisticated approach to managing all aspects of workforce including hourly, contingent and contract workforce.



Performance management: The secret ingredient

Organisations are replacing traditional performance management with innovative performance solutions.





Reinventing



Reinventing HR: An extreme makeover

HR is undergoing an extreme makeover to deliver greater business impact and drive HR and business innovation.



HR and people analytics: Stuck in neutral

Too few organisations are actively implementing talent analytics capabilities to address complex business and talent needs.



People data everywhere: Bringing the outside in

HR and talent organisations are expanding their HR data strategies by harnessing and integrating third party data about their people from social media platforms.

Reimagining



Simplification of work: The coming revolution

Organisations are simplifying work environments and practices in response to increasing organisation and system complexity, and information overload.



Machines as talent: Collaboration, not competition

The increasing power of computers and software to automate and replace knowledge workers is challenging organisations to rethink the design of work, and the skills they need to succeed.



Country Foreword – Ireland



I am pleased to share with you our key findings from the annual survey for the Deloitte Global Human Capital Report – one of the largest of its kind in the world. Over 3,300 executives from 106 countries participated in our survey this year, including 60+ Irish business and HR leaders, who offered their insights on the future of work and human capital's valuable role in shaping it.

Our theme for this year, "Leading in the new world of work", reflects our strong conviction that in 2015 business and HR leaders must adapt to new challenges in the workplace. These challenges will require a dramatic change in strategies for leadership and talent.

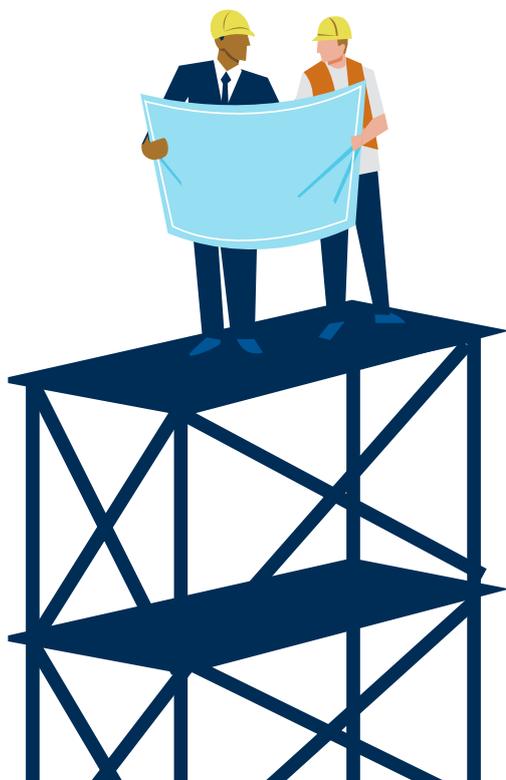
Demographic changes and generational transitions are having major impacts on the make up of organisations. Millennials now make up more than half the workforce, and leading organisations are addressing their needs through accelerated leadership paths, a greater sense of purpose and mission, and greater flexibility in work places, schedules, and tasks.

Senior business leaders view human capital as an essential driver of growth, so it is critical that organisations are proactive in addressing human capital challenges. But achieving the necessary transformation of work to effectively respond will require bold and innovative thinking, questioning of longstanding practices and habits, and a greater focus on culture as a key element in driving both workplace change and business success.

This specially tailored country report outlines the findings in the Irish market and is a companion to the Deloitte Global Human Capital Trends 2015 report. We hope you will find both this country report and the full report useful in your work, and we look forward to engaging with you around the findings to help you understand their implications for your human capital and business decisions.

Yours sincerely

Cormac Hughes
Partner, Human Capital
Deloitte



Introduction

As Ireland builds on our recent economic recovery, Irish business and HR leaders face mounting challenges in the HR and talent landscape. Curtailed investment in talent programmes over the last number of years has led to a more demanding environment for HR professionals. Business leaders require talent strategies to deliver ambitious, yet sustainable and stable growth in an increasingly diverse, complex and fast paced environment. Irish HR leaders are faced with increasing demands to attract, retain and develop the talent needed to deliver on these business strategies in an environment with significant shortages in key talent.

Driven by shifts in both work ethos and the transparency of the job market, employee retention and engagement are today the #1 problems companies face. Organisations are increasingly aware of the need to gain a clear picture of their culture, and to reinvent HR practices as tools to engage and empower their people. A variety of factors in play have brought this issue to the fore. Millennials now account for the largest part of the workforce, demanding more flexibility, mobility, meaningful work and accelerated development like no preceding generation¹. Secondly, every company's employment brand is now "on the internet", presenting difficulties in controlling and shaping companies' employer brand and retention efforts. In addition, companies continue to struggle to regularly update their leadership development and performance management practices to add value and align to business strategy.

10 major trends shaping the HR and talent agenda have emerged from our research. These themes reflect four strategic areas of focus for 2015: leading, engaging, reinventing, and reimagining.

- **Leading:** companies continue to struggle to develop leaders at all levels, and are investing in new and accelerated leadership models
- **Engaging:** organisations need to focus on culture and dramatically improve employee engagement as this issue grows to crisis point
- **Reinventing:** HR continues to undergo a reinvention as it aims to deliver greater business impact and drive HR and business innovation
- **Reimagining:** organisations need to simplify work practices in response to increasingly complex systems, demands and technologies as employees become overwhelmed and disengaged

Figures 1 & 2 below show Irish respondents' ratings of the importance, and readiness to address the 10 major trends. The top five trends of most relevance to Ireland are: Culture and engagement, leadership, learning and development, performance management and workforce on demand. As can be seen Irish organisations feel unprepared to address these challenges, and this 'capability gap' will be explored further.

Figure. 1 Relative Importance of Human Capital Trends

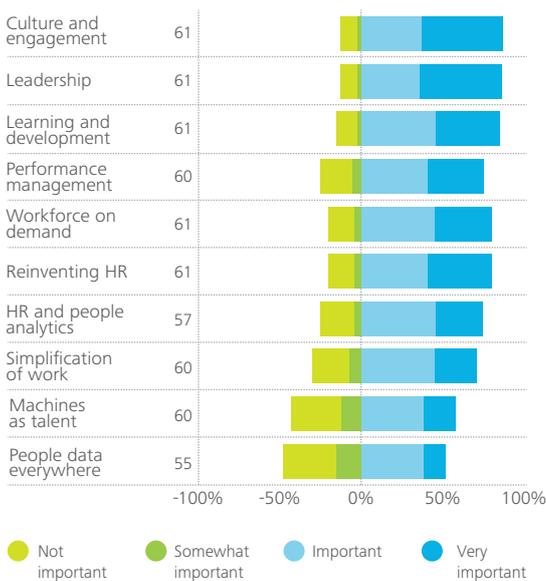
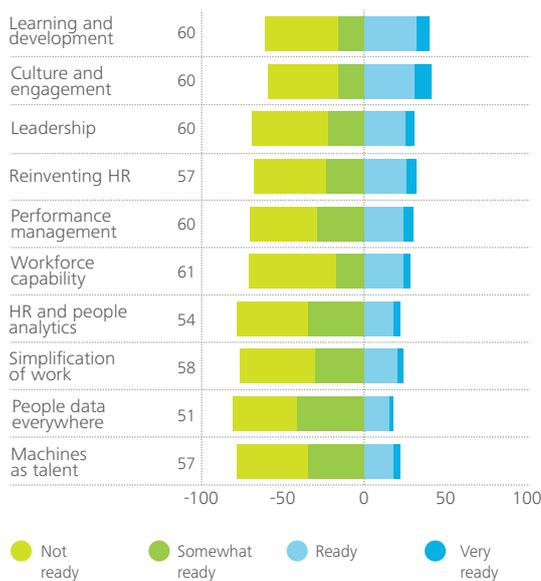


Figure. 2 Relative Readiness to Address Human Capital Trends



Gaps in Capabilities to Address Top trends

The top five talent challenges for Ireland are broadly similar to those at a global level, and in this country report we outline our findings and highlight issues of particular importance for the Irish market.

Our survey asked business and HR leaders to assess the importance of specific talent challenges facing their organisations, and to judge how prepared they were to address these challenges. Using these responses we calculated a 'capability gap'* for each challenge, to measure the difference between an issue's importance and the organisation's readiness to address it.

Figure 3 illustrates the capability gaps across all ten human capital trends, and suggests that Irish organisations are largely not ready to address the challenges they see as most important. This is consistent with the results globally, where significant gaps in capabilities continue to grow (see Appendix for global results).

We see 2015 as being a critical year for HR teams to reinvent the practices and programmes in place in their organisations to begin to close these gaps in capability.

Figure 4 Capability gaps in selected areas, 2014 and 2015

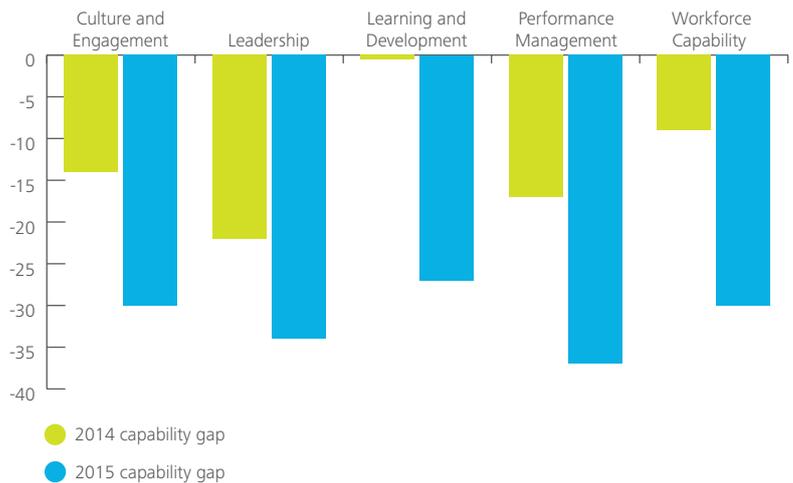
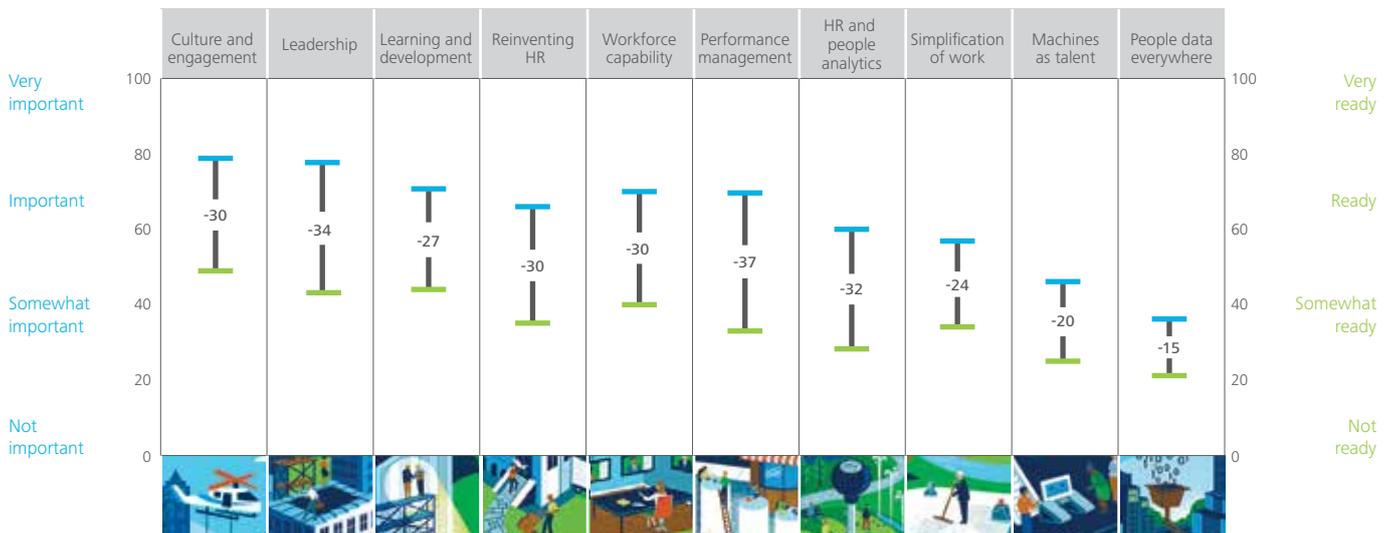


Figure 4 illustrates the difference in readiness to address the top five trends since last year. Capability gaps have widened across the board for these challenges, indicating that the accelerating economy and rapid changes in the workforce have created even more urgency in the need to adapt HR and people practices in Ireland.

Figure 3 Capability Gap across the 2015 Human Capital Trends

This chart shows the Capability Gap Index, a metric representing the difference between the importance index and readiness index scores, for each human capital trend.

Where does your organisation have the biggest capability gap? How can you help to close them?



*Deloitte Human Capital Capability Gap (Research-based index that shows HR's relative capability gap in addressing a given talent or HR-related problem. Calculated by the difference between the weighted average for importance and readiness)

Top Talent Challenges in Ireland

1. Culture and engagement: The naked organisation

Culture and engagement is now the most important talent issue faced by companies in Ireland. Rising from the fifth most important trend last year, and in line with global results, Irish organisations now cite culture and engagement as their most critical talent issue. An organisation's culture is often hard to define, and senior leadership continue to grapple with making this concept tangible. We define the culture of an organisation as the system of behaviours, values and beliefs that influence how work gets done in the organisation. Companies that can create a culture of meaningful work, deep employee engagement, job and organisational fit and strong leadership are in pole position to attract top talent in today's competitive market.

We believe that culture is an enabler of strategy. While it is driven by leaders, it is enacted by all employees, and forms the basis for increasing engagement among an increasingly mobile, diverse and demanding workforce.

This year 90% of Irish organisations surveyed rated this trend as important or very important, yet capabilities to address it are not keeping pace. Of our respondents, only 28% feel ready and 8% very ready, to tackle this challenge. This represents a considerable widening of the capability gap.

HR organisations in Ireland have begun to enhance practices in this area already, with the number of organisations currently updating their retention and engagement strategies doubling from 25% last year to 50% in 2015.

Our results highlight the need for Irish business and HR leaders to gain a clear understanding of their organisation's culture, and re-examine every HR and talent programme as a way to better engage and empower their employees. Culture is driven from the top down, so the first step to building this capability is for leadership to gain a clear view of the culture currently present in the organisation and articulate this to all employees.

What are we currently doing?

40% of our respondents indicated that they do focus on engagement by conducting annual surveys. Similarly 40% rate their focus on culture as a talent strategy as good. These results suggest that Irish organisations have some good practices in place. As Ireland moves towards an era of greater corporate transparency, with a younger and more mobile workforce and growing skills shortages; capabilities in culture and engagement will need to be continually updated to keep pace with the challenges to attracting and retaining top talent emerging in this market.

Next steps

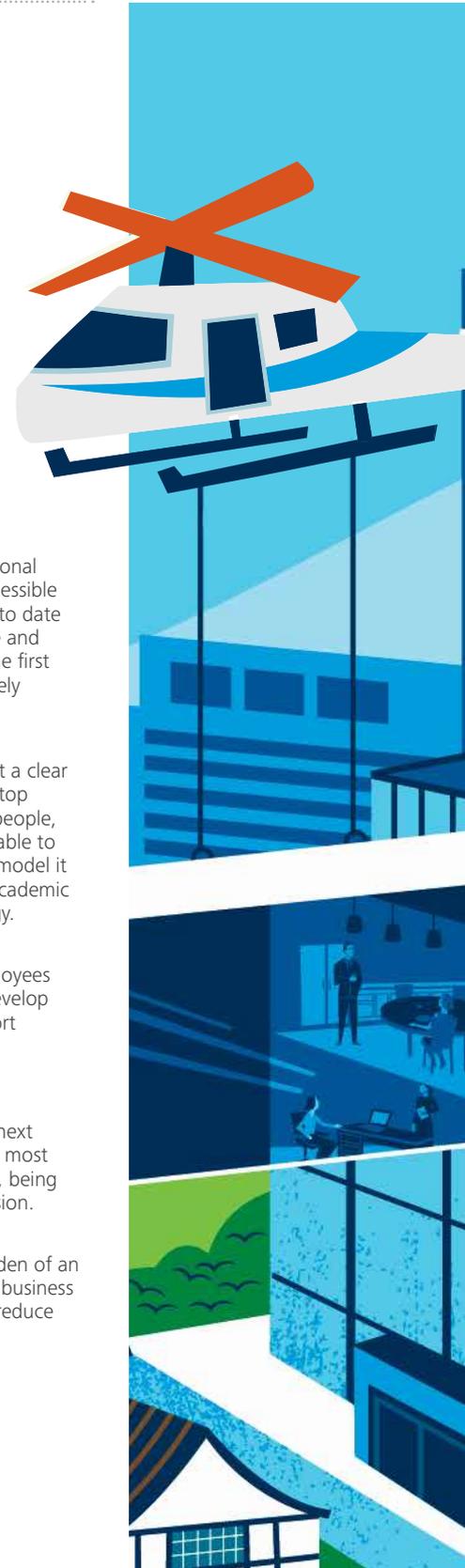
Measure in real time: Put in place real time programmes to evaluate and assess organisational culture using diagnostic models and easily accessible mobile tools. Measurement will enable an up to date and accurate understanding of current culture and how it really feels to your workforce. This is the first step to adapting your culture to more effectively execute business strategy.

Start at the top: Reinforce to leadership that a clear understanding of your company's culture is a top priority. Leaders are now required to engage people, not just drive results. To do this they must be able to clearly define their organisation's culture and model it through their own actions. Culture is not an academic concept. It drives the ability to execute strategy.

Make work meaningful: Engage with employees to assess what is meaningful to them, then develop reward and recognition programmes to support their needs.

Engage Millennials: Their needs and values will shape the organisation's culture over the next 10 years. Our research¹ shows that millennials most value the leadership skills of strategic thinking, being inspirational, strong interpersonal skills and vision.

Simplify work: Take steps to reduce the burden of an increasingly 24/7 work environment. Evaluate business processes for ways to reduce complexity and reduce the burden on overwhelmed employees.





2. Leadership: Why a perennial challenge?

This year's report indicates a continuing lack of progress in addressing what has become a perennial organisational challenge: leadership.

This trend is a top priority for businesses around the world, and Ireland is no different. 90% of respondents viewed this as a top talent priority, yet only 26% feel ready or very ready to address it.

In today's competitive business environment and rapidly evolving world of work, organisations must continuously develop a robust portfolio of leaders who are ready to engage employees, push forward growth strategies, drive innovation, and work directly with customers.

Irish businesses continue to struggle to strengthen leadership pipelines, and ensure a robust bench of leadership skills to deliver on challenging and competitive business strategies. Although our capability to address this challenge is slightly stronger than that at global level, this gap has widened by 55% on last year's results, suggesting that HR functions are struggling to move leadership development from a traditionally short term training programme or series of events into a strategic and long term focus for investment across all levels.

New approaches to leadership development involving better assessment of necessary leadership qualities in your own organisation, and a focus on understanding the career pattern of outstanding leaders, can help HR and talent leaders build development programmes tailored to the unique complexities faced by their leaders. Key areas to address the ongoing challenge of leadership include tightly aligning leadership development with the strategic priorities of the organisation and focusing on the implementation of a framework for assessing, coaching and developing leaders at all levels.

A key first step is to make talent development and succession a concrete priority for leaders. Metrics such as the number of 'ready now' successors and mobility rates should be included as key objectives for business leaders.



3. Learning and development: Into the spotlight

In 2014, learning and development did not feature as a top five challenge in Ireland or globally. In 2015, we see dramatically different results with the need to transform and accelerate corporate learning moving from sixth place in 2014, to the third highest priority in Ireland. There are signs of progress in addressing this challenge, with 45% of business and HR leaders rating themselves 'somewhat ready' to respond, but there is large variation in how ready companies are to address this talent challenge, with only 7% responding that they are 'very ready' to redesign their approach to learning.

HR leaders in Ireland are tasked with redesigning their training environment, moving from traditional training to personalised development incorporating new learning technologies. They must work on developing capabilities in the wide array of digital learning tools now available. When we examine the capability gap in this area in more detail it is apparent that Irish HR organisations are managing existing L&D operations very well, but they are struggling to engage with the digital transformation underway in the corporate learning market.

79% of respondents rated themselves as weak in providing social and mobile learning solutions or using MOOCs (massive open online courses). Increasingly innovative and agile L&D programmes are needed to engage with how millennials like to consume information through on demand, mobile and digital platforms. Disruptive technologies and new ways to learn and develop mean HR and L&D functions will need to keep pace in this increasingly technology driven environment.

Learning is a business critical priority for improving skills, building the leadership pipeline and contributing strongly to employee engagement. We see 2015 as a critical year for organisations to assess their current learning environment and begin to build their vision for a new learning experience that impacts every employee in a significant way.

4. Performance management: The secret ingredient

This trend is the fourth most pressing talent challenge in Ireland, and comes in at fifth place globally. As business needs for leadership, stronger engagement and critical skills continue to grow, business and HR leaders look to performance management as the 'secret ingredient' that affects all of these challenges. 82% of business and HR leaders in Ireland rate it as important, but only 22% are ready to deal with new challenges in this area.

Last year we reported that performance management had become ineffective, with the traditional annual review and rating systems in place in many organisations no longer advancing strategic business priorities. As a result, this year the focus has moved to redefining performance management as an efficient, business focused process designed to improve employee engagement and drive business results.

Our findings suggest that efforts in Ireland to address this challenge are well underway, with 50% either planning to review or currently evaluating, their performance management system and 45% having reviewed and updated their performance management process in the last 18 months.

However, ongoing investment (both financial and time) is needed to close the capability gap in this area which more than doubled this year. Organisations can begin this reinvention through closely examining their performance processes and pushing toward simplification and strengths-based assessment and coaching, providing leaders with the capabilities they need to hold coaching conversations. Companies leading this transformation are redefining the way they set goals and evaluate performance, focusing heavily on continuous development through coaching and feedback, and looking for new technologies to help make performance management an effective tool to build employee engagement and drive results.

Redesigned performance management processes may or may not include annual ratings, but generally they focus less time on evaluation, and more time on agile goal setting, regular and real time feedback, and coaching focused on future objectives.



5. Workforce on demand: Are you ready?

Almost 8 out of 10 Irish business and HR leaders rated building an on demand workforce as an important talent challenge, making this the fifth most important trend. When we take a longer term view, this area was rated as the third most important challenge over the next 12-18 months, preceded by leadership and engagement. To combat talent shortages organisations must engage with the 'open talent economy'³ to tap into a broader range of external talent through non traditional employment methods such as joint ventures and partnerships, contracted, outsourced and freelance workers.

Our data suggests that 41% of companies in Ireland plan to increase the use of contingent, outsourced, contracted and part time employees over the next 12-18 months, rising to 56% over the longer term horizon of 3-5 years. Managing this complex workforce effectively will require new, integrated relationships across HR and procurement, as well as with business leaders. The challenge for HR will be to build these integrated relationships and think broadly about how organisational culture and HR and talent programmes can be adapted to engage and retain this diverse workforce.

Emerging Irish Trends

Although it did not feature in the top 5 trends this year, we see HR and people analytics as an increasingly important trend. Board level and C-Suite leaders are placing increasing demands on HR to provide data driven talent decisions, but the capability to harness the power of HR analytics remains a challenge. 65% of our respondents acknowledge it is important, but only 15% are ready to deal with it. Organisations are still new to this area and many suffer from poor data quality and a lack of skills. Our data backs this up with only 3% of respondents rating their current HR analytics capability as 'strong'.

The potential to add value through a more mature HR analytics capability includes data driven insights for predicting retention, boosting engagement, profiling high performers and improving the quality of new hires. Companies can start building the case for investment in HR analytics by connecting the potential of these tools to strategic business needs.



HR & Talent Performance & Investment

Irish business leaders give their HR and talent programmes a C grade for overall performance, slightly above their global peers, but still indicating room for improvement.

When Irish business leaders were asked to rate their organisation's HR and talent programmes on a scale of excellent to underperforming, 39% of respondents believed that their programmes were good (see Figure 5), a positive recognition of the work completed to modernise HR practices and bring talent to the top of the agenda of business executives. However, 32% still only rate them as adequate, and if we evaluate this using a traditional grade point scale, Irish business leaders rated their HR & talent programmes in the exact same position as last year, as a C grade.

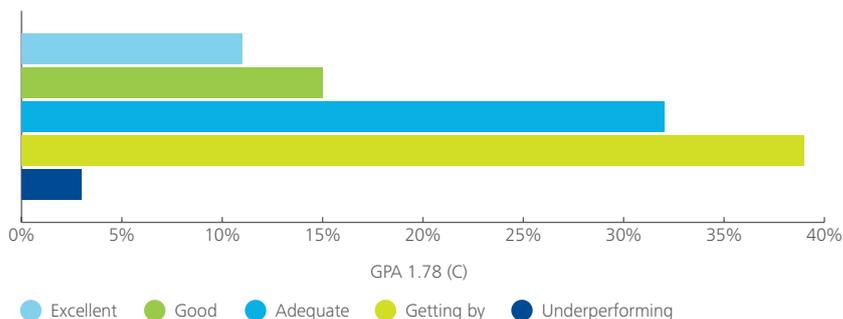
HR faces continuing challenges in generating the investment to begin to close the gap between current practice and desired outcomes. Encouragingly our data shows that 68% of Irish business leaders have plans to increase or significantly increase investment in HR. This translates to a projected rate of investment growth of just under 2%. Key to continued investment will be continued building of HR capabilities, redesigning processes, and supporting business strategy through data driven decisions. With targeted investment to address capabilities across our top trends, HR leaders can begin to really engage with solutions to the people challenges facing their organisations. Investment in HR technology is crucial to begin this process, however, this investment must be accompanied by efforts to redesign processes and retrain HR professionals to see the maximum return.

Irish organisations have strong to moderate growth expectations for 2015

Irish organisations are taking a more optimistic view of the outlook for business growth than in recent years. In comparison with 2014, 21% of respondents anticipate stronger growth, and 40% expect moderate growth in 2015. This is consistent with the increased Central Bank projections for growth in the Irish economy over the course of 2015³. In comparison with Global counterparts, Irish organisation's expectations are slightly more positive with 21% of Irish compared to only 16% of Global respondents expecting strong growth compared to last year.

Figure 5.

How would you rate the capabilities of your organisation's HR & talent programs?



What are your plans to invest in HR over the next 12-18 months?

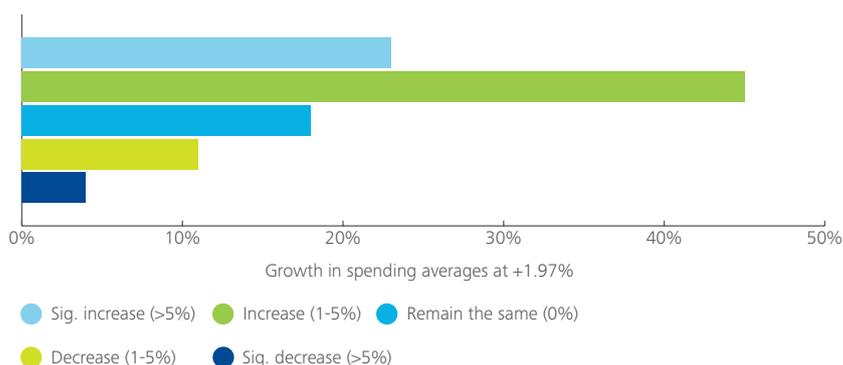
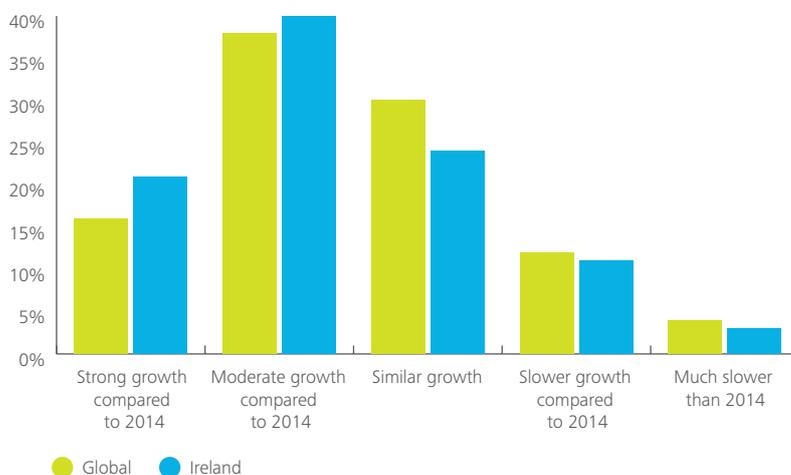


Figure 6.

What is your general outlook for business in 2015?



Where do we go from here?

2015 will be a critical year for HR and talent teams to reflect on their progress to date, and the programmes and practices they need to put in place to address these challenges and align their goals with business strategic objectives.

Next steps



Culture and Engagement

- Gain an accurate understanding of your organisation's culture through visioning labs, diagnostic tools and employee feedback surveys
- Translate cultural insights into action through implementing recognition and engagement programmes based on what really matters to employees



Leadership

- Answer the question: Leadership for what? Map the career paths of successful leaders in your organisation and define the leadership competencies necessary for success, embed these in all talent management programmes
- Define what high potential means in your organisation and carry out regular assessments to identify and develop high potentials early in their careers through individualised development plans



Learning and Development

- Assess the maturity of your current learning offerings and management systems for opportunities to create an environment geared towards continuous learning
- Reengineer your learning function so that technology, content, tools and methods can be centrally developed and rolled out in local markets to suit unique business needs



Performance Management

- Assess the effectiveness of current performance management practices through a maturity diagnostic and employee input and consider a programme to simplify these processes
- Provide managers with the training and toolkit to provide regular and 'real time' feedback through quality coaching conversations



Workforce on Demand

- Complete a detailed strategic workforce plan to identify supply and demand, understand skills gaps, identify all potential recruitment approaches including non traditional employment methods to fill these gaps
- Identify critical segments of your workforce and build a plan to ensure a sufficient talent pool is in place



Continue to Reinvent HR

- Upskill HR professionals with the strategic leadership skills they need to act as dedicated consultants to the business such as strategic thinking, business acumen, organisation design and change management, HR analytical and project management skills
- Design the HR organisation to deliver solutions with a focus on 'networks of excellence' and trusted business advisors with the requisite skills to analyse, consult and resolve critical business issues

Look to the future



HR Analytics and People Data Everywhere

- To begin to build the business case for HR analytics use the tools available in spreadsheet applications to explore potential insights from the data already available
- Partnering with IT, review of current data to assess current quality and identify gaps and begin to build a business case for increasing HR analytics capabilities
- Investigate how to engage with the wealth of people data available outside organisations, and explore ways this can be harnessed to aid talent programmes in recruitment, engagement, reward and retention

More Information

Resources

For more information, we encourage you to explore the trends and capability gaps in more detail using our online tools:

- **Interactive dashboard:**
<http://public.deloitte.com/media/human-capital/main-dashboard.html>
- **Human Capital Trends 2015 Global Report:**
<http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>
- **Human Capital Trends 2015 Ipad app:**
<https://itunes.apple.com/us/app/deloitte-global-human-capital/id505716391?mt=8>

Endnotes

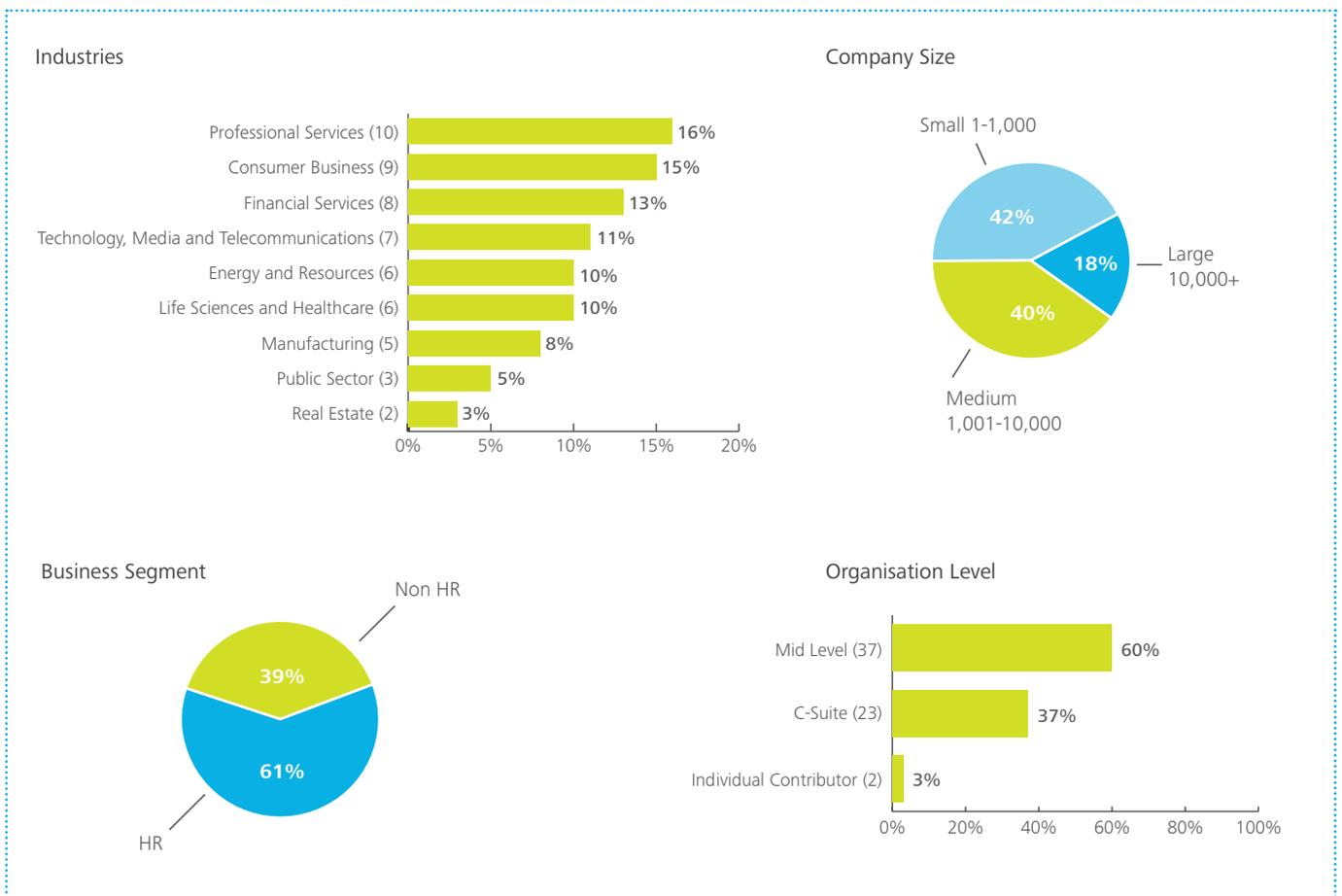
1. **Deloitte Millennial Survey**
<http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>
 2. **Central Bank upgrades 2015 GDP growth forecast from 3.4% to 3.7%**
<http://www.rte.ie/news/business/2015/0203/677506-centralbank/>
 3. **Open Talent Economy**
<http://www2.deloitte.com/global/en/pages/human-capital/articles/open-talent-economy1.html>
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Appendix

Global Capability Gaps



Irish Survey Respondent Demographics



Notes

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