Leadership:
Why a perennial issue?

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.

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, the skills their employees need to succeed.

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.

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.

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.

Performance management:
The secret ingredient
Organisations are replacing traditional performance management with innovative performance solutions.
I am pleased to share with you our key findings from the annual survey for the Deloitte Global Human Capital Trends Report 2015 – one of the largest of its kind in the world. Over 3,300 executives from 106 countries participated in our survey this year, including 70 Luxembourg business and HR leaders who offered their insights on the future of workplace and human capital’s valuable role in shaping it.

This country report compliments the Deloitte Global Human Capital Trends 2015 report. Our theme for this year, ‘Leading in the new world of work,’ reflects our strong conviction that in 2015 business leaders must adapt to a new world that requires a dramatic change in strategies for leadership and talent.

Globalisation and technology impact virtually every organisation, through sharing work in globally distributed teams, the shift of learning to mobile platforms and the emerging theme of ‘machines as talent’ integrating new cognitive technologies into the workforce.

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

HR stands at the center of these changes. However, achieving the necessary transformation of work to effectively respond will require bold and innovative thinking, questioning longstanding practices and habits, and a greater focus on culture as a key element in driving both workplace change and business success.

We hope you will find both this country report and the full global report useful for your work and we stand ready to assist you in seizing the incredible opportunities and meeting the significant challenges we see on the horizon.

Basil Sommerfeld
Partner of Operations Excellence
& Human Capital
Aligning culture, talent and strategy: A HR challenge in Luxembourg

The Global Human Capital survey measures both the importance of critical trends and issues and an organisation’s perceived readiness to address the challenge. We label the difference between the importance and readiness for specific trends the ‘capability gap’ – a measure of how prepared organizations are to respond to the most urgent human capital issues. The importance, readiness and capability gaps for the top ten human capital trends for Luxembourg are shown in Figure 1.

We observe that in Luxembourg the top three results in terms of importance index are broadly similar to the global ones (see Figure 2). However, even if there is similarity with global results, these reflect particular themes of importance to Luxembourg’s business. Indeed, this is not surprising in light of the socio-economic situation that the country faces today:

- Cultural diversity brought upon its geographical location bordering three countries and stemming from the international solicitation for competencies and know-how, among others, in the finance and telecommunication sectors
- A pervasive uncertainty due to the evolution of the rules and regulations in Europe that requires leadership and strong guidance
- Fast-paced and continuous changes in the financial environment that ask for flexibility and adaptation but also new individual skills and competencies

Similarly, to what we uncovered last year, culture & engagement and leadership lead the trends for Luxembourg. Learning & development is, however, an interesting addition to the top three group.

- In this year’s research, culture & engagement emerged as the most important trend both in Luxembourg and worldwide. Corporate culture is of paramount importance in attracting the right type of employees and candidates and in driving change in the workplace. In Luxembourg, 45% of business and HR leaders rate this as ‘very important,’ yet only 12% believe they were ‘very ready’ to deal with this aspect.
- The second most important trend in Luxembourg this year is leadership – a trend that has consistently been at the top of the global results (for instance, last year this trend was number one). Note that even if this trend lost one place, it remains very important with an index of 75 (see Figure 2). Leadership is a perennial concern for both HR leaders and the C-suite, in particular the need to identify and engage emerging leaders both generationally and globally. In Luxembourg, leadership has the largest capability gap of all the trends (-34, see Figure 1). However, a comparison with the 2014 leadership gap for Luxembourg shows an increase of 17%, from -29 to -34.
- Learning & development jumped to become the third most important trend in Luxembourg, rising from ninth place last year, whereas the capability gap has dropped from +6 to -21, a ‘drop’ in the capability of over 400%. This result suggests that, while technical and professional skills are a top priority, organisations are not meeting the demands for employee capability development. To meet the requirements of the new world of work, learning & development is being transformed from an older, classroom-driven model to one that is ‘on demand,’ convenient for workers, mobile, flexible and solution-oriented

1 The Deloitte Human Capital Capability Gap is a research-based score that shows HR’s relative capability gap by looking at the difference between the ‘readiness’ and ‘importance’ index scores for each trend. It is computed by taking the ‘readiness’ index score and subtracting the ‘importance’ index score based on the 0–100 scale described in the previous endnote. For example, a trend with a readiness index score of 50 and an importance index score of 80 would produce a capability gap of -30. Negative values suggest a shortfall in capability, while positive values suggest a capability surplus.

2 We asked respondents to rate each issue’s ‘importance’ and their organisation’s ‘readiness’ to address it on a four-point scale: ‘not important/ready,’ ‘somewhat important/ready,’ ‘important/ready,’ and ‘very important/ready.’ These ratings were then indexed on a 0–100 scale in which 0 represents the lowest possible degree of importance/readiness (‘not important/ready’), and 100 represents the highest possible degree of importance/readiness (‘very important/ready’). An overall index score was calculated for each trend using the respondents’ ratings of ‘importance’ and ‘readiness’.
Figure 1: Overview on the Luxembourg trends: Importance vs. Readiness

This chart shows the Capability Gap Index, a metric representing the difference between the importance index and readiness index sources, for each human capital trend. Where does your organisation have the biggest capability gaps? How can you help to close them?

Figure 2: Luxembourg relative importance of human capital trends

- Culture & engagement: 78
- Leadership: 75
- Learning & development: 67
- Workforce capability: 65
- HR & people analytics: 64
- Reinventing HR: 60
- Simplifying work: 59
- Performance management: 58
- Machines as talent: 51
- People data everywhere: 48
We stand at the halfway point of this decade, with an economic recovery that has taken hold in many regions, but still includes risks to global growth. Luxembourg executives’ business outlook is comparable to the global view for 2015. Indeed, many are expecting growth in 2015, with 11% of respondents expecting strong growth this year, and 40% predicting moderate growth (See Figure 3). This is similar to the global answers with 16% of respondents expecting strong growth this year, and 38% predicting moderate growth.

In this environment, organisations that focus on transforming the HR function to meet the challenges presented by this new world of work should be positioned to achieve important competitive advantages. However, while HR capabilities have been improving, they have not been keeping up with business needs.

Across the globe, business leaders and HR respondents continue to give HR borderline failure or barely passing grades. The HR grade point average (GPA) in Luxembourg is marginally lower than global. Luxembourg non-HR respondents gave HR a GPA of 1.30 out of 5 (compared to a global GPA of 1.32), which equals to D+, while HR respondents gave themselves a GPA of 1.60 (compared to a global GPA of 1.65), which equals to C-. The EMEA average is 1.50, and it is still a disappointing result.

Given the above figures, it is not surprising that in Luxembourg only 4% of the non-HR respondents believe their organisation’s talent and HR programmes are ‘excellent’ while 24% report to be just ‘getting by’ and 14% are ‘underperforming’ (See Figure 4).

Significant investments will likely be required to enable an extreme makeover of the HR function. Based on the Human Capital trends survey, little more than a half (51%) of the organisations in Luxembourg are expecting an increase in the HR investment over the next 12-18 months (See figure 5). Expected investment shows similar trends among both global (56%) and the EMEA region (55%) respondents. However, only 47% of Western European organisations have seen an increased spending in their HR function.
Much slower growth than 2014

Strong growth compared to 2014

Slower growth than 2014

Moderate growth compared to 2014

Similar growth compared to 2014

General outlook for business

1%  11%  13%  34%  40%

Significantly increase (more than 5%)
12%

Increase (1-5%)
39%

Remain the same (0%)
40%

Decrease (1-5%)
4%

Significantly decrease (more than 5%)
4%

Figure 3: Luxembourg forecast growth

Figure 5: Luxembourg HR investment in the next 12-18 months

Non-HR

HR

4% Excellent
24% Good
34% Adequate
24% Getting by
14% Underperforming

5% Excellent
34% Good
32% Adequate
21% Getting by
8% Underperforming

Figure 4: Luxembourg HR performance rated by HR and non-HR
The year ahead
Becoming active and engaged

We encourage you to read the full report at www.deloitte.com/hctrends2015 to learn more about leading trends in this fascinating and challenging new world of work. Dive into a few chapters of particular concern to your firm or industry and take the time to reflect on the broader, longer-term trends that we examine. If they do not concern you now, they will in the future and your competitors may already be working to address them.

One of the most important features of this report is an interactive tool, the Human Capital Trends Dashboard, available at www.deloitte.com/hcdashboard. This tool enables you to access and analyse all research results from the survey by industry, geography and company size, offering new insights into talent priorities and challenges in your region and the world.
The 70 Luxembourg participants to this year’s survey represent a broad range of Luxembourg businesses.

64% of Luxembourg respondents represent smaller businesses (up to 1000 employees); 20% are from medium-sized businesses (up to 10,000 employees), and 5% are from large employers (over 10,000 employees).

Participants from the Financial Services sector lead among industry respondents with 51%, followed by professional services with 11%, and manufacturing with 7%.

Respondents were mainly divided between the C-suite (54%) and the mid-level personnel (34%). 46% of respondents work in the HR function.

**Figure A: Survey demographics**

<table>
<thead>
<tr>
<th>Business segment</th>
<th>Organisation level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid level</td>
<td>34% C-suite 54%</td>
</tr>
<tr>
<td>C-suite</td>
<td>38</td>
</tr>
<tr>
<td>Individual</td>
<td>Medium 29%</td>
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<tr>
<td>Contributor</td>
<td>Medium 20</td>
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<tr>
<td></td>
<td>Small 64%</td>
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<tr>
<td></td>
<td>Large 7%</td>
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<tr>
<td></td>
<td>(1,000-10,000)</td>
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<tr>
<td></td>
<td>(10,001+)</td>
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</tbody>
</table>
### Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
<td>51</td>
</tr>
<tr>
<td>Professional services</td>
<td>11</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7</td>
</tr>
<tr>
<td>Energy &amp; Resources</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
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<tr>
<td>Public Sector</td>
<td>6</td>
</tr>
<tr>
<td>Real Estate</td>
<td>4</td>
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<tr>
<td>Technology, Media &amp; Telecommunication</td>
<td>4</td>
</tr>
<tr>
<td>Life Sciences &amp; Healthcare</td>
<td>3</td>
</tr>
<tr>
<td>Consumer Business</td>
<td>1</td>
</tr>
</tbody>
</table>

### Job function

- **HR**: 46%
- **Non-HR**: 54%
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