



Internal mobility: Finding the hidden gems in your workforce

As competition for talent grows fiercer, companies invariably decide that they need to broaden their search, redoubling their efforts to find workers with the targeted capabilities and sufficient motivation to successfully join budding projects or help expand into new markets. But rather than looking far and wide, they might be better off beginning, and ending, their quest within their own corporate confines.

By improving internal talent mobility, companies can both optimize their ability to grow and increase their chances of retaining employees. As opposed to simply promoting employees, or shifting them from one geography to another, a dynamic

internal talent pipeline gives employees access to a variety of both “vertical” and “horizontal” roles. Moreover, by measuring those employees’ performance with every new challenge, companies can identify those who display the potential to become successful leaders.

Facing an onslaught of technological, economical, and social issues, many organizations are well-aware of the need to nurture leaders in new ways. In Deloitte’s 2019 [Global Human Capital Trends](#) survey, 80% of respondents said that their companies need to develop leaders differently.¹ The survey is based on responses of nearly 10,000 individuals—

the majority based in the information technology (IT) or human resources (HR) function—representing 119 countries.

Companies are also cognizant of the important contribution that internal talent mobility can make. In the survey, 76% of respondents rated it as important, and 20% ranked it among their organization’s three most urgent issues. And in this issue of *CFO Insights*, we’ll explore why companies often have so much difficulty recognizing qualified job candidates who are right in front of them; what they can do to help thaw a culture that freezes employees in place; and the less obvious benefits that can come with making internal candidates easier to access.

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Harnessing talent: The inside story

Companies don't purposely undervalue their inventory of existing talent. Cultivating internal mobility often conflicts with long-standing corporate culture norms and traditional notions of what it means to be a loyal employee. The practice of recruiting an employee to leave one division to join another is often disparaged as "poaching," and employees who express interest in assuming a different role may be seen as disgruntled or even disloyal by their higher-ups. Among survey respondents, 46% reported that managers resist internal mobility.

As a result, employees may generally think that it's easier—and more appealing—to find new opportunities in another organization, as opposed to exploring new roles at their current one. In the survey, more than 50% of respondents said it was less difficult for employees to find a job outside their organization than inside it²—suggesting a situation that leaders would do well to address.

Companies that take a formal approach to doing so can also derive competitive benefits from embedding qualities like collaboration and agility into the culture. Manufacturer Ingersoll Rand, for example, developed a program to help employees reskill themselves for new positions, investing in technology that enabled workers to explore and access alternative roles across the company. One result: a significant rise in employee engagement.³

But achieving such results demands a sustained effort on several fronts. Breaking down structural barriers, for example, involves more than improving the internal job posting system. At one insurer, the talent acquisition team encouraged workers to reflect on their performance, image, and exposure throughout the organization with the goal of developing a personal brand to open internal opportunities. The result has been a far richer talent pipeline of internal candidates.⁴

Taking on the inside job

Finding ways to boost internal mobility can produce a range of payoffs. But many companies have barely begun. In the survey, 45% of respondents said their employees lacked visibility into internal positions. A slightly higher number, 49%, said that they had few, if any, tools to identify and move people into new internal roles.

Those same organizations might be motivated to overhaul their approach to internal talent, given the double whammy of increasing skill shortages with historically low unemployment rates. But where to start? Here are some ways companies can begin to foster internal mobility:

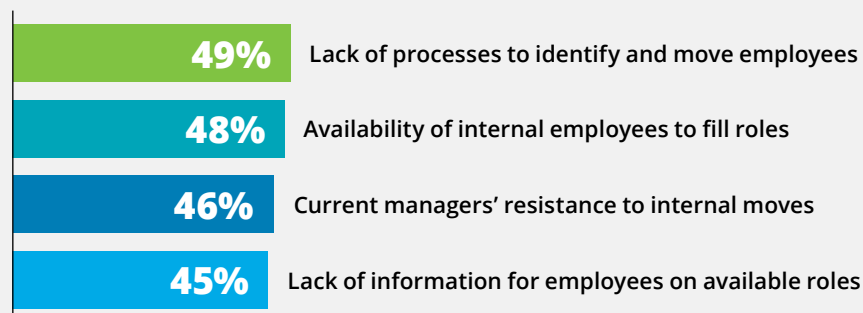
- 1. Create career paths for employees.** Workers would often rather talk about having a career than occupying a job. That's especially true of some millennials, who tend to be unsentimental about decamping for an employer who offers more than a job. Use opportunities, such as performance reviews, to reinforce the notion of a trajectory.
- 2. Give recruiters access to internal labor.** Companies often tell recruiters that inside talent is out of bounds. Furthermore, most organizations have neither the technology nor the processes to match open positions with the capabilities of their internal talent pool. They just don't know what they already have. But if there are strong internal candidates, why ignore them?

- 3. Use incentives to increase mobility.** Employees who want to make themselves internally mobile should work to enhance their skills, boost their knowledge, and increase their engagement, if the opportunity to do so is accessible. Managers should be explicitly rewarded for hiring from the pool of existing employees.
- 4. Offer global mobility.** As multinational companies expand into fast-growing economies, so do their opportunities to offer global assignments. Schneider Electric, one of the largest French manufacturers of electrical systems and components, changed its structure from being a centralized Paris-based operation to having multiple headquarters, including one in Singapore.⁵ That increases the number of opportunities for talent to develop and grow.

Among survey respondents, many have yet to begin to lay the groundwork for rewiring internal mobility. Forty-nine percent of respondents identified the lack of processes to identify and move employees as a top-three barrier to internal talent mobility (see Figure 1). Only 32% believe that their organization's employees have opportunities to move between operating divisions.

Figure 1. Respondents identified various roadblocks to internal talent mobility

What are the most challenging barriers to internal talent mobility for the business? Select the top three.



Note: Only the top four responses are shown here.
Source: Deloitte Global Human Capital Trends survey, 2019.

Finding the answer within

The notion of tapping the current workforce to fill open slots sounds much more manageable than plucking a candidate out of an almost infinite landscape. Yet, in the survey, only 6% of respondents said they believe they are excellent at moving people from role to role (see Figure 2). In contrast, 59% rate themselves fair to inadequate.

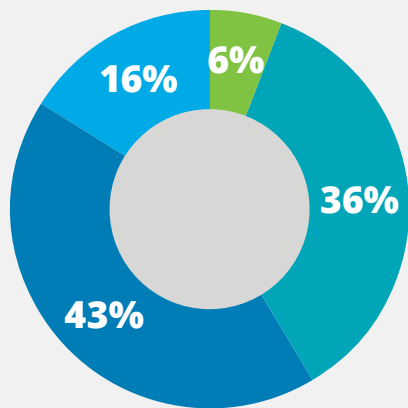
Most organizations, of course, aren't as flat as they want to become. While many leaders may foresee a time when management will staff projects with internal teams and networks, their organizations are still pyramid shaped, competing to reach the top. Moreover, siloed organizational models make it difficult for managers to see the talent beyond their own functions—and block the view for employees who work elsewhere in the enterprise. Indeed, 45% of survey respondents said their employees lacked visibility into internal positions.



Figure 2. Few respondents believed their organizations were excellent at enabling internal talent mobility

How effective is your organization today at enabling internal talent mobility?

■ Excellent ■ Good
■ Fair ■ Inadequate



Note: Percentages do not total 100% due to rounding.
Source: Deloitte Global Human Capital Trends survey, 2019.

That said, employers who succeed at using internal mobility often have no difficulty seeing the payoff from their investments. Internal mobility programs can add value to the company in a number of ways, such as:

- **Fueling a more enthusiastic and motivated workforce.** The evidence is in increased productivity and improved overall performance.
- **Improving retention.** This is especially crucial—and need we mention cost-efficient?—among members of the next-generation workforce. In a Deloitte survey of millennials, slightly under one-third said they believed their organization was making the most of their skills and experience.⁶
- **Reducing the number of skills gaps.** By encouraging workers to accept positions in other geographies, for example, companies can install employees who are much more efficient than outsiders would be, given their familiarity with the organization.
- **Improving management performance.** In an environment where managers have learned to accept employees' desires for professional development, they are likely to develop—and contribute to—a broader perspective of the business.

- **Gaining competitive advantage.** In today's crowded landscape, rivals may find it difficult to compete against an organization whose employees are not only expanding their talents, but also becoming increasingly loyal for the opportunity to do so. The fast-growing participants in the survey—defined as companies which grew 10% or more compared to the prior year—were twice as likely to have excellent talent mobility programs than organizations that were not growing at all.

As employees gain a sense of the multitude of opportunities open to them without leaving the organization, their view of their employer invariably shifts. They are able to see themselves as working within a culture that values what they have contributed—and, more importantly, can contribute—rather than being perceived as commodities that can be easily replaced.

External mobility: Tapping into an evolving talent ecosystem

Talent mobility isn't only an internal phenomenon. The alternative workforce—composed of independent contractors who work on short-term projects rather than taking full-time positions—has evolved into a fast-growing resource. And many companies, facing both skills shortages and a low unemployment rate, are eager to tap into it.

In Deloitte's third-quarter 2018 [CFO Signals™ survey](#), CFOs representing 132 of North America's biggest and most influential organizations said that they expected their finance function's participation in the gig economy—including outsourced, contingent, and contract workers—to skyrocket by 88% in the next three years.

Leveraging and managing this diverse workforce will become essential to enabling business growth in the years ahead. CFOs and other C-suite executives will need to be able to manage alternative workforces as a strategic asset, one that can add value to the organization.

Originally conceived of as contract work, these non-traditional positions include work performed by outsourced teams, contractors, freelancers (typically paid by the hour), and gig workers (those paid by the task or project). Once considered a resource best suited for IT or other technical tasks, alternative workers increasingly perform a broad range of activities. In Deloitte's [2019 Global Human Capital Trends](#) survey, 33% of respondents report extensively using alternative arrangements for IT, 25% for operations, 15% for marketing, and 13% for finance.

Globally, membership in the alternative workforce is growing. Freelancers now represent 35% of the US working population, and could rise to 50% in the next decade, [according to a 2018 study](#). In the European Union, freelancers are the fastest-growing labor group, with their number doubling between 2000 and 2014; growth in freelancing has been faster than overall employment growth in the UK, France, and the Netherlands.

Learning to use it better

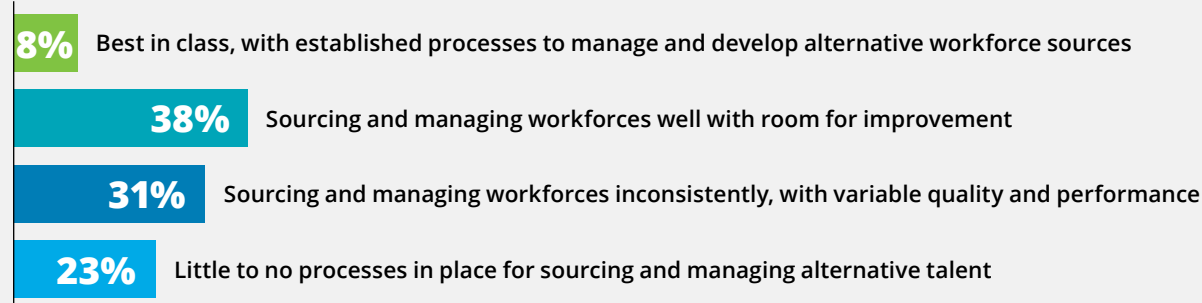
Despite the emergence of digital platforms for sharing alternative workers, organizations are far from fully capitalizing on the phenomenon. In Deloitte's Global Human Capital survey, 41% of survey respondents said they consider this issue important or very important, yet only 28% believed they were ready or very ready to address it.

Most organizations look at alternative work arrangements as a transactional solution, one geared more toward "filling slots" rather than as a strategically important source of talent. For example, only 8% of respondents said they had established processes to manage and develop alternative workforce sources (see Figure 3); fully 54% of respondents said they either managed alternative workers inconsistently or have few or no processes for managing them at all.

As the survey found, there's plenty to be gained by getting better—alternative workers can enhance organizational performance. Like internal talent mobility, the external counterpart can enable an organization to put the right talent where and when it's most needed in a labor market where it's becoming harder to find traditionally on-balance-sheet talent.

Figure 3. Few respondents have established processes for managing the alternative workforce

How would you evaluate your company's effectiveness in sourcing and managing alternative workforce sources?



Source: Deloitte Global Human Capital Trends survey, 2019.

Endnotes

1. *Leading the Social Enterprise: Reinvent with a Human Focus*, 2019 Deloitte Global Human Capital Trends, Deloitte Development LLC.
2. Ibid.
3. Based on conversations with company leaders conducted by colleagues of the authors.
4. *Are you overlooking your greatest source of talent?*, Deloitte Review, issue 23, July 30, 2018.
5. *Leading the Social Enterprise: Reinvent with a Human Focus*, 2019 Deloitte Global Human Capital Trends, Deloitte Development LLC; *Schneider Electric Opens New East Asia & Japan Headquarters in Singapore*, Schneider Electric, March 28, 2018.
6. *The 2016 Deloitte Millennial Survey: Winning over the next generation of leaders*, Deloitte Global, 2016.
7. *The Gig Economy Goes Global*, Morgan Stanley, June 2018.

Contacts

Erica Volini

Principal; US Human Capital leader
Deloitte Consulting LLP
evolini@deloitte.com

Jeff Schwartz

Principal; US leader, Future of work
Deloitte Consulting LLP
jeffschwartz@deloitte.com

Indranil Roy

Executive director,
Human Capital practice
Deloitte Consulting Pte Ltd
indroy@deloitte.com

Maren Hauptmann

Lead partner; Organization Transformation
& Talent service line
Deloitte Germany
mahauptmann@deloitte.de

Yves Van Durme

Partner; Global Organization
Transformation Leader
Deloitte Belgium
yvandurme@deloitte.com

Brad Denny

Principal; Power & Utilities
Human Capital Leader
Deloitte Consulting LLP
braddenny@deloitte.com

Josh Bersin

Retired principal; co-founder, Bersin™
Deloitte Consulting LLP
josh@bersinpartners.com

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