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**Rewriting the rules
for the digital age**

**2017 Deloitte Global
Human Capital Trends**

A retail perspective

Introduction

The workforce is changing in its demographics, diversity, motivations, and goals. At the same time, organizations face a radically shifting context for their employees as a result of digital, analytics, the cloud and a host of new technologies and business capabilities. Although the wheel of progress always turns, today it is spinning at an unprecedented rate. This accelerated pace of change is rewriting the rules for business and HR. The new rules put employees at the center, which has profound implications for HR organizations. As a result, the HR function is undergoing a significant identity change—all while it scrambles to keep up with technological advances. During this transformation, HR leaders have a tremendous opportunity to reorient themselves and to take the lead in developing practices, platforms, and tools that will create and sustain value over time. Even more, they can help people adapt to new models of work and careers, even as they assist the enterprise in defining what these new models should look like.

This executive summary provides a focused perspective on Deloitte's 2017 Human Capital Trends report specific to the retail sector. Of the 11 trends presented in the full Human Capital Trends report, this piece emphasizes the four trends of utmost importance to retail respondents. At the top of the list is designing the organization of the future. This reflects the talent gaps facing the sector, as retailers grapple with a transient talent pool and younger employees' demands for a digitalized work environment. Retail respondents also highlighted the need for greater leadership development. With pressure mounting both to retain talent and improve operational efficiency, many retailers are finding that the traditional practice of promoting operational employees into

functional and corporate roles is no longer adequate. Greater subject matter expertise is often required, along with a more flexible leadership style that empowers employees to be their best versus driving them to work long hours in pursuit of specific goals. Put another way: retailers are being challenged to develop leaders who understand that becoming a digital organization is much bigger than just implementing technology; it is also about shifting the way people think and act within the organization.

Careers and learning and digital HR platforms also emerged as top priorities for the sector. These concerns speak to rapidly changing employee expectations and the sector's pressing need to recruit and develop new talent. As growth in the sector shifts away from traditional box retailers and department stores toward specialty and online retailers, vertical career progression is giving way to a latticed approach, with cross functional value begins to outweigh deep functional expertise. Both cultural and technological transformation will be required to attract new talent, prepare them to move laterally among functional roles, and to meet their expectations for collaboration, information access and mobile learning.

The following synopsis presents key findings and considerations to help HR organizations get started in addressing these concerns. As with each edition of our annual Human Capital Trends report, this is part of an ongoing discussion in an ever-evolving field. Our goal is to provide you with pointers to better engage employees, gain insight into the organization of the future, and position HR more effectively as a strategic partner to the business. We hope these ideas will help inform and guide your thinking as you explore opportunities to innovate and improve.



The future of work: The augmented workforce

Automation, cognitive computing, and crowds are paradigm-shifting forces reshaping the workforce. Organizations must experiment and implement cognitive tools, focus on retraining people to use these tools, and rethink the role of people as more and more work becomes automated.

- Jobs and tasks are being redesigned to use more essential human skills and are augmented by technology (augmentation)
- The focus in workforce planning shifts to start with work and analyzing options across multiple workforces and technologies
- Integrating people and technology is a multidisciplinary task



Diversity and inclusion: The reality gap

Fairness, equity and inclusion are now CEO-level issues, but continue to be frustrating and challenging. Training and education are not working well enough. The new rules focus on experiential learning, process change, data-driven tools, transparency, and accountability.

- Diversity and inclusion is a CEO-level priority and considered important throughout all levels of management
- Companies measure inclusion, diversity, and lack of bias in all recruitment, promotion, pay, and other talent practices
- Diversity and inclusion goes beyond education to focus on debiasing business processes and holding leaders accountable for inclusive behavior



People analytics: Recalculating the route

No longer is analytics about finding interesting information and flagging it for managers: It is now becoming a business function focused on using data to understand every part of a business operation and embedding analytics into real-time apps and the way we work.

- People analytics is viewed as a business analytics team that works across the business to drive business results
- The people analytics team operates at a senior level, reports to the CHRO, and serves business leaders across the company
- People analytics focuses on the entire workforce, including employees and contingent labor



Digital HR: Platforms, people, and work

HR leaders are being pushed to take on a larger role in helping to drive the organization to "be digital," not just "do digital." As digital management practices and agile organization design become central to business thinking, HR is focusing on people, work, and platforms.

- HR departments focus on optimizing employee productivity, engagement, teamwork, and career growth
- HR technology team moves beyond ERP to develop digital capabilities and mobile apps with a focus on "productivity at work"
- HR builds an integrated "employee experience platform" using digital apps



Leadership disrupted: Pushing the boundaries

In 2015, we termed leadership the "perennial issue" that never seems to go away. This year we see a radical shift. Today, as never before, organizations do not just need more strong leaders, they need a completely different kind of leader—younger, more agile, and "digital ready."

- Leaders are assessed early in their careers for agility, creativity, and ability to lead and connect teams
- Leadership development focuses on culture, context, knowledge-sharing, risk taking, and exposure to others
- Leaders lead teams, projects, and networks of teams



The organization of the future: Arriving now

As organizations become more digital, they face a growing imperative to redesign themselves to move faster, adapt more quickly, learn rapidly, and embrace dynamic career demands. Leading organizations are moving past the design phase to actively build this new organization.

- Organized for learning, innovation, and customer impact
- Structure based on work and projects, with teams focused on products, customers, and services
- Teams and responsibilities clearly defined, but roles and job titles change regularly



Careers and learning: Real time, all the time

As companies build the organization of the future, continuous learning is critical for business success. The new rules call for a learning and development organization that can deliver learning that is always on and always available over a range of mobile platforms.

- Employees decide what to learn based on their team's needs and individual career goals
- Corporate L&D curates development and creates a useful learning experience
- Learning content is provided by everyone in the organization and curated by employees as well as HR



Talent acquisition: Enter the cognitive recruiter

Recruiting is becoming a digital experience as candidates come to expect convenience and mobile contact. Savvy recruiters will embrace new talent acquisition technologies to forge psychological and emotional connections with candidates and constantly strengthen the employment brand.

- Employment brand has a complete strategy, reaching into all possible candidate pools and channels
- Recruiters partner with hiring managers throughout the search process, leveraging their networks, cultural needs, and success criteria
- Companies have talent acquisition technology platforms that manage sourcing, video interviewing, interview management, candidate relationship management, and onboarding



The employee experience: Culture, engagement, and beyond

Rather than focus narrowly on employee engagement and culture, organizations are developing an integrated focus on the entire employee experience. A new marketplace of pulse feedback tools, wellness and fitness apps, and integrated employee self-service tools is helping.

- Employee experience defined as a holistic view of life at work, requiring constant feedback, action, and monitoring
- Compensation, benefits, rewards, and recognition designed to make people's lives better and balance financial and nonfinancial benefits
- The employee experience platform is designed, mobile, and includes digital apps, prescriptive solutions based on employee journeys, and ongoing communications that support and inspire employees



Performance management: Play a winning hand

Across all industries and geographies, companies are reevaluating every aspect of their performance management programs, from goal setting and evaluation to incentives and rewards. They are aligning these changes to business strategy and the ongoing transformation of work.

- Check-ins conducted quarterly or more frequently; regular goal setting occurs in an open, collaborative process
- Employees rated on a qualitative scale; rankings considered, not forced
- Process is agile, faster, continuous, and lighter



Top 3 trends for retail

The organization of the future: Arriving now

Retail companies need to organize for speed, agility and adaptability. This means designing work and processes to deliver optimal customer and employee experiences, in addition to maximum operational efficiency. It also means incorporating robotics and automation as a means of accelerating distribution and logistics, and eliminating tedious back-office tasks. Indeed, 28% of retail respondents anticipate implementing robotics, cognitive computing and artificial intelligence (AI) into their organizations within the next 3 to 5 years.

- **Align work and team structures to enhance the customer experience as well as expedite core business activities, such as logistics and service delivery**
- **Better enable collaboration in a geographically dispersed world**
- **by leveraging emerging tools and technologies to unify culture**
- **Evaluate the capital expense associated with automating distribution centers and customer delivery**
- **Leverage AI tools for rote tasks like sales calculations, tax assessments, and inventory reporting**

A large retailer sought to increase sales and decrease food waste by better managing fresh produce as it moved throughout the supply chain. To explore this opportunity, the company collaborated with its suppliers and distribution centers to pilot new digital capabilities enabled by the Internet of Things (IoT). By placing a temperature-sensitive RFID tag on a pallet at harvest and creating a digitally-enabled network, the grocer could then use algorithms to predict the actual versus estimated shelf-life of a fruit or vegetable. This type of on-demand tracking and analytics heightened supply chain visibility to a level that was previously cost-prohibitive or simply unattainable.

Only 36% of retail respondents believe their organizations are “somewhat agile” enough to meet the needs of the future.

- **Eighty-nine percent of retail respondents rated this theme as being important or very important. Of the characteristics that define their organizations, 84% listed customer-centricity as the most critical. Nonetheless, speed and the ability to address employee concerns are equally essential, as they impact culture and employee engagement.**

Leadership disrupted: Pushing the boundaries

Retailers should define and invest in digital leadership. This includes developing digital capabilities that drive business transformation as well as inspiring associates to think and feel differently about their roles. Ultimately, leading in a digital age requires leaders to think beyond technology and start to fully integrate digital behaviors into the ways of working for their teams.

- **Engage top executives in developing a leadership model that embraces digital partnerships, innovation, and collaboration**
- **Align and refresh leadership strategies and development to meet growing digital demands and opportunities**
- **Refresh performance management processes to include more consistent feedback between leaders and associates**

An online apparel retailer is challenging leadership norms by experimenting with a Holacracy®, which is a comprehensive practice for structuring, governing and running an organization. In essence, a Holacracy replaces conventional managerial hierarchy with a network of teams, fluid employee roles and distributed authority. This experiment was largely inspired by the retailer’s desire to increase innovation by creating a flatter, nimbler organization.

Only 3% of retail respondents have a digital leadership program that is both highly developed and in use.

- **Only 20% of retail respondents say their business executives are engaged in leadership development.**

Top 3 trends for retail

Careers and learning: Real time, all the time

Careers and learning has likely grown in importance this year, due to the increasing influence of Millennial employees. Store associates need to know more than today's highly informed customers. Considering that about 40% of Millennials have some college education, traditional training methods are likely no longer sufficient to keep pace. Employees increasingly expect fast, convenient, and engaging ways to develop their skills, along with greater assurance that the company will support them in "knowing what they need to know" to do their jobs well.

- Deploy new learning technologies to enhance the employee experience and encourage self-driven career growth
- Evaluate career models to promote mobility, intercompany development, and cross-functional learning
- Create a culture of learning and growth, with leaders providing continuous feedback to associates

A major athletic shoe brand recognized it had a problem with non-company stores selling its products. While many of the stores had dedicated computers for web training and e-learning, associates were often too busy to come off the sales floor to use them. To overcome this predicament, the brand created a just-in-time learning program that was delivered using an iPod Touch. Carrying the iPod on a lanyard, sales associates could easily access necessary product information and share it with prospective customers. Furthermore, whenever they had downtime, sales associates could easily enhance their product knowledge. As a result, two-thirds of the sales associates increased their personal sales, while 60 percent reported that the program gave them greater confidence in selling the brand.

Thirty-three percent of retailer respondents are restructuring their learning models.

- **Eighty-three percent of retail respondents listed careers and learning as among their top three issues, up from fifth place in last year's findings.**

Digital HR: Platforms, people and work

Employees increasingly expect an integrated, digital experience at work—one designed around teams, productivity, and empowerment—and HR is expected to deliver it. Digital enablers, such as mobile learning management systems and platforms through which employees can share ideas, have become table stakes for competitiveness.

- Align the HR operating model to support redesigning organizations into teams, including creating centers of excellence and forging strategic partnerships.
- Invest in mobile technology and systems that are easy for employees to use, allowing multi-dimensional communication between employees, HR, and leadership.
- Expand HR analytics capabilities to better predict performance, longevity, and engagement.

A leading professional services provider was experiencing delays and poor outcomes from its on-boarding process. To address this deficiency, the company created an app and other digital learning tools to transform the first-year employee experience. Using design thinking, the development team gathered important insights into the pain points, needs and challenges of first-year associates during the first 90 days of employment. Using this information, the team designed a new, digital "90-day" onboarding experience. The program incorporates visualization, gamification, video, journaling, instructor-led training, and on-the-job activities to keep new hires engaged and to provide the ongoing support they need to fully transition into the company.

Thirty-three percent of retailers have no mobile-enabled HR solutions.

- **Sixty-four percent of retail respondents are investing in digital HR services and solutions.**

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For questions regarding *Human Capital Trends*, please contact:

Nathan Sloan

Principal

Deloitte Consulting LLP

✉ nsloan@deloitte.com

Art Mazor

Global HR Service Delivery Leader

Deloitte Consulting LLP

✉ amazor@deloitte.com

Bob Buckler

Manager

Deloitte Consulting LLP

✉ bbuckler@deloitte.com

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