Leading the social enterprise: Reinvent with a human focus

2019 Deloitte Global Human Capital Trends
An Oil, Gas & Chemicals Perspective

2019’s 10 human capital trends

This year’s selected human capital trends leverage findings from Deloitte’s 2019 Global Human Capital Trends survey, which had nearly 10,000 respondents across 119 countries. The 10 individual trends align to the theme of leading the social enterprise with a human focus, and are bucketed into three categories:

**The future of the workforce:** How organizations should adapt to the forces restructuring job and work design, the open talent economy, and leadership

**The future of the organization:** How teams, networks, and new approaches to rewards are driving business performance

**The future of HR:** how the function is stepping up to the challenge of redesigning its capabilities, technologies, and focus to lead transformation in HR and across the enterprise.
The 10 individual human capital trends for 2019 are bucketed into three categories:

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Executive summary

The top human capital issues facing the Oil, Gas & Chemicals (OG&C) industry are arising in a whole new context: the social enterprise. In 2018’s Global Human Capital Trends report, we described the rise of the social enterprise—organizations whose mission combines revenue growth and profit-making with the need to respect and support its environment and stakeholder network. This year, we believe the pressures that have driven the rise of the social enterprise have become even more acute. They are forcing organizations to move beyond mission statements and philanthropy to learn to lead the social enterprise—and reinvent themselves around a human focus.

OG&C leaders have recognized the issue but haven’t solved for it. That’s because leading a social enterprise is not the equivalent of practicing corporate social responsibility. Nor is it about engaging in social impact programs or defining a purpose or mission statement—though all of these are also important in their own right. Leading a social enterprise is about recognizing that, while businesses must generate a profit and deliver a return to shareholders, they must do so while also improving the lot of workers, customers, and the communities in which we live. And in today’s world, with today’s societal challenges, fulfilling this aim requires reinvention on a broad scale: This is not about tinkering at the edges. Why? Because with regard to work, the workforce, and the workplace, there is much work to be done.

This paper provides an OG&C industry-specific perspective on the 2019 Global Human Capital Trends report. Of the 10 trends presented in the full report, six are of utmost importance to the survey’s OG&C respondents. The highest-rated trend is weaving learning into every facet of employees’ lives, both at work and at home. Other high-priority trends include addressing the “human experience” at work; developing leaders who can draw on critical new competencies to lead through change; enabling talent mobility; developing an employee rewards strategy that is aligned to company strategy; and implementing cloud-based human resources (HR) systems.

We recognize that reinvention can be a daunting prospect, especially when our survey shows that many organizations are not ready to address the changes our 10 trends describe. That is why, this year, we have focused not only on the why and the what, but also the how. Depending on your organization’s readiness and need to change, reinvention can happen in one of three ways. You can refresh: Update and improve the way things happen now. You can rewire: Create new connections that change the strategic direction. Or you can recode: Start over and design from scratch. Either way, there are two aspects of the reinvention that remain constant: (1) it must involve technology in some way—there is no path to reinvention without it; and (2) it must be a bold enough change to meet the challenges that the social enterprise presents.
The global longitudinal Human Capital survey included 1,157 Energy, Resources & Industrials (ER&I) industry respondents across 100 countries, of which 325 were OG&C respondents across 66 countries.

2019 HC Trends Report: Oil, Gas & Chemicals

The global longitudinal Human Capital survey included 325 OG & C respondents across 66 countries.

Top 10 Human Capital Trends: The perspective of OG&C

OG&C is comprised of three subsectors: Super Majors, Oilfield Services, and Chemicals. Companies within these subsectors are diverse and of varying maturity levels; survey participants’ views about this year’s trends reflect such differences. In general, OG&C leaders recognize that the industry is being disrupted and they need to address current and emerging workplace issues. Employees, in turn, are being vocal with management about their desire for change.

OG&C survey respondents identified six 2019 trends that are of utmost importance to their organizations.

The Future of the Workforce
Leadership for the 21st Century: The intersection of the traditional and the new

The Future of the Organization
From Employee Experience to Human Experience: Putting meaning back into work
Rewards: Closing the gap

The Future of HR
Learning in the Flow of Life
Talent Mobility: Winning the war on the home front
HR Cloud: A launch pad, not a destination
The Future of the Workforce

Leadership in the 21st century: The intersection of the traditional and the new

More than three-quarters (77%) of OG&C survey respondents said that 21st century leaders face unique and new requirements: They must take a nuanced approach to pursuing traditional business goals and draw on critical new competencies, including leading through change, embracing ambiguity and uncertainty, and understanding digital, cognitive, and AI-driven technologies. Effective leadership also means operating in an environment characterized by rapidly changing customer and employee expectations.

OG&C respondents acknowledge the importance of 21st Century Leadership—84% of them ranked it as significantly high—but only 39% responded favorably about organizational readiness. Certain Super Majors, for example, reported making investments in evolving their leadership but are not certain they are seeing a corresponding shift. Some Oilfield Services companies view leadership development as a challenge but feel it is related to an “old school” management philosophy rather than a specific roadblock.

From middle managers to C-suite executives, OG&C leaders are being asked to work more collaboratively across functions and learn to operate in networks of teams. Companies should be developing skills today that will help their leaders effectively engage with stakeholders and manage the workforce of the future.

Opportunities

- Provide education, experience, and exposure to help leaders: gain different perspectives on the organization’s people, processes, and technologies; manage a diverse, multi-generational, and complex workforce; and be inclusive, connected, and agile to drive collaboration among functions and the business.

- Look to OG&C peer companies and other industries for innovative leadership development programs.

Nearly 80 percent of OG&C respondents indicated that new technology is the driving force behind changing leadership requirements. However, training may not be keeping pace with technology: Only 10% of respondents reported their organization has "Very Effective" leadership development programs.
The Future of the Organization

From Employee Experience to Human Experience:
Putting meaning back into work

OG&C organizations have an opportunity to refresh and expand the concept of “employee experience” to address the “human experience” at work—building on an understanding of worker aspirations to connect work back to what they value.

Workers are not just concerned about compensation; they are looking for inspiration. Eighty-three percent of OG&C survey respondents ranked human experience high in importance, although only 39% acknowledged organizational readiness.

New competition: A large Oil & Gas super major has acknowledged that it is losing employees to its competitors. Compensation alone is not making a compelling enough argument to keep current employees; the company needs to determine how to make jobs enticing again to employees.

Opportunities

- Build on an understanding of worker aspirations to connect work back to the impact it has on not only the organization, but on customers and society as a whole. Create a relationship with workers, so they want to stay.
- Use benchmarking data to determine effective ways for workers and the company as a whole to be creative and differentiate.
- Remove people, process, and technology obstacles so workers can perform their jobs effectively.

Although 56% of respondents indicated that employee engagement and employee experience are highly correlated in their organization, only 43% measure the correlation between these two dimensions.
Rewards: Closing the Gap

High-performing OG&C organizations strive to exceed industry and regional benchmarks for employee compensation and benefits. They build relationships with workers and curate a differentiated suite of rewards that support teaming and motivate performance.

“Organizations should avoid getting caught in a benchmark trap. They should use the available internal and external data to determine effective ways to be creative and not just look and think like everyone else.”

Jonathan Moore—Managing Director, Oil, Gas & Chemicals, Deloitte Consulting LLP

Sixty-seven percent of OG&C respondents ranked rewards as an important trend but only 33% acknowledged organizational readiness. How can OG&C organizations close this gap and develop rewards that align with more agile models for performance measurement and also address workers’ expectations and needs?

Opportunities

• Focus on building relationships with workers to identify what they value; include employee representatives in reward program planning, budgeting, and execution.

• Align rewards with generational preferences. What Baby Boomers and Millennials value likely differs.

• Eschew external benchmarking in favor of curating a differentiated suite of rewards that map to organization and employee values.

Only 10% of OG&C respondents stated that their rewards systems were highly aligned with their organization’s goals. What is the greatest barrier to changing an existing employee rewards strategy? A lack of leadership support for change, according to 33% of respondents.
The Future of HR

Learning in the Flow of Life

Learning is becoming more integrated with work, more personal, and shifting—slowly—toward lifelong models. Yet most OG&C organizations still use a traditional approach of driving employees to formal learning management systems to take prescriptive, web-based training. Learning has been a top OG&C trend for several years; it was ranked the highest of all trends by 2019 OG&C respondents, with 87% citing its importance and 38% acknowledging organizational readiness—a significant gap. Thirty-nine percent of respondents rated learning as urgent.

Reinvention will require a culture that supports continuous learning, incentives that motivate people to take advantage of learning opportunities, and a focus on helping individuals identify and develop new, needed skills. New digital platforms (particularly cloud-based options) and tools that facilitate experiential learning in the plant, on the road, and at home can help OG&C organizations encourage learning in the flow of life.

Opportunities

- Put employees in control by providing access to training programs both inside and outside the workplace, and allowing them to choose the time, location, and pace of learning.
- Develop experiential learning platforms that use digital technologies such as 3-D modeling and virtual reality so that employees can navigate real-life situations without safety risks.
- Position learning so that employees view it as a reward because it will provide them with the skills and capabilities they want and need to succeed in the future workplace.

Transforming learning and development dramatically improves employee engagement, according to 63% of respondents.
Talent Mobility: Winning the war on the home front

OG&C organizations can no longer expect to source and hire enough people with all the capabilities they require now and in the future; they must develop people internally to thrive. Eighty percent of OG&C survey respondents ranked Talent Mobility as an important trend but only 41% acknowledged organizational readiness.

For many OC&G companies, talent mobility is not a cultural norm; career progression is not seen as moving from one area to another, but only as moving up through the ranks in one area. Regulatory policies also may limit the employee changes that global OC&G companies can make. Leadership and Human Resources (HR) need to reimagine and rebuild talent mobility programs. Progressing an employee’s career by moving from one area to another should be perceived as a natural, normal process rather than a major change; opportunities to move should be extended to workers at all levels, not just managers and team leaders; and technology should enable a streamlined mobility process for moves between functions, jobs, and projects as well as geographies.

Opportunities

• Eliminate common barriers to talent mobility: Lack of consistent processes for moving employees within the organization; lack of internal employees to fill roles; lack of willingness of current leader to move employees.
• Use expatriate employee analytics to identify desirable skills and potential mobility candidates.
• Reward leaders for being talent exporters; encourage departments to share information on current talent needs and opportunities.
• Develop technology-enabled tools to help managers identify what capabilities their employees have and provide employees visibility into mobility opportunities (e.g., a gaming app for employees to find projects outside their scope of work).

In encouraging news, 10% of OG&C survey respondents indicated that their organization is highly mobile and 69% stated that the opportunity for internal mobility will increase in the next three years.
One of the biggest HR trends in the last few years has been the adoption of subscription-based cloud systems, which were intended to reduce the need for IT departments to maintain HR software, provide a more integrated suite of tools, improve data management and the user experience, and deliver faster innovation.

Cloud-based systems can give OG&C organizations a solid foundation for integrating the explosion of new tools that HR software vendors are developing. And survey respondents see cloud’s value: 73% of them rated the HR Cloud trend as important, although only 38% cited organizational readiness.

OG&C companies today are implementing cloud-based HR solutions with varying degrees of success: many still have a mixed set of HR systems in place and most cloud vendors have not been keeping up with rapid business innovation and technological advancements. While many of the challenges with HR technology remain, the pace of development has quickened, giving organizations a tremendous range of options in their plans for the future.

**Opportunities**

- Assign architectural teams to identify and integrate new cloud-based tools and talent management software.
- Integrate cloud platforms with cognitive technologies, AI, and robotics to create advanced digital solutions that reshape how traditional HR work gets done.
- Deploy technologies that improve workers’ digital experience by giving them a single consistent interface through which to access HR services and information.
Authors

Ron Harman
Principal
Deloitte Consulting LLP
jharman@deloitte.com

Jonathan Moore
Managing Director
Deloitte Consulting LLP
jonmoore@deloitte.com

Contributors

Amy Donovan
Principal
Deloitte Consulting LLP
akdonovan@deloitte.com

Timothy Geddes
Managing Director
Deloitte Consulting LLP
tgeddes@deloitte.com

Carlos Larracilla
Senior Manager
Deloitte Consulting LLP
clarracilla@deloitte.com

James Mahan
Senior Manager
Deloitte Consulting LLP
jmahan@deloitte.com

Asi Klein
Senior Manager
Deloitte Consulting LLP
asklein@deloitte.com

Kristalyn Yancy
Manager
Deloitte Consulting LLP
kyancy@deloitte.com

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