The new organisation: Different by design
# Contents

**Foreword** ........................................................................................................................................................................... 03
**Introduction: Different by design** .................................................................................................................................................. 05
**Different by design: A Global and South African Overview** .................................................................................................. 08
**Chapter 1: Organisational design** .............................................................................................................................................. 11
  - **Global overview** .................................................................................................................................................................................. 11
  - **The South African perspective** .................................................................................................................................................. 12
  - **Lessons from the front lines**.......................................................................................................................................................... 12
**Chapter 2: Culture** ........................................................................................................................................................................... 14
  - **Global view** .............................................................................................................................................................................................. 14
  - **The South African perspective** .................................................................................................................................................. 15
  - **Lessons from the front lines**.......................................................................................................................................................... 15
**Chapter 3: Engagement** ................................................................................................................................................................. 17
  - **Global view** .............................................................................................................................................................................................. 17
  - **The South African perspective** .................................................................................................................................................. 18
  - **Lessons from the front lines**.......................................................................................................................................................... 19
**Chapter 4: Leadership** ................................................................................................................................................................. 21
  - **Global view** .............................................................................................................................................................................................. 21
  - **The South African perspective** .................................................................................................................................................. 21
  - **Lessons from the front lines**.......................................................................................................................................................... 22
**Chapter 5: Learning** ................................................................................................................................................................. 25
  - **Global view** .............................................................................................................................................................................................. 25
  - **The South African perspective** .................................................................................................................................................. 26
  - **Lessons from the front lines**.......................................................................................................................................................... 27
**Chapter 6: The remaining five trends and implications for South African organisations** ................................................. 29
  - **HR Skills** ............................................................................................................................................................................................... 30
  - **The gig economy** ............................................................................................................................................................................... 31
  - **Digital HR** ............................................................................................................................................................................................. 33
  - **Design Thinking** ................................................................................................................................................................................. 35
  - **People Analytics** ............................................................................................................................................................................... 37
**SA Human Capital country leaders contact details** ................................................................................................................. 38
Foreword

It is an honour to introduce the Deloitte 2016 Human Capital Trends Report for South Africa. This is the second time that I have had this privilege and association with Deloitte, and its work on human capital management. This report is the most influential of its type in South Africa and reflects the role of Deloitte in the South African business community.

The business environment in South Africa in 2016 is a volatile one, with businesses being managed in a constrained economy that presents an unstable currency and socio-political challenges. This environment requires business leaders with courage, optimism and a focus on the long term. South Africa will undoubtedly continue to be a dynamic country with great opportunities for those who charter these times wisely. The findings in the 2016 report accurately reflect these challenges, most significantly, the emergence of human capital initiatives that are different by design.

The limitations of traditional organisational forms are being exposed by the proliferation of new technology in society and the demand for modern management and leadership skills, accompanied by a widespread shortage of technical skills. In the new world of work, employees are required to work cross-functionally and to embrace new technology, while remaining connected to the organisation. The human capital implications of this are extensive and are likely to grow over the next few years. These trends have meant a new focus on job and organisational design, employee engagement, and a review of the types of training and development being given to leaders and managers.

Leadership development and engagement were strongly highlighted in the 2015 report and feature strongly again in 2016. These are long-term trends that businesses should not ignore and I would expect them to feature prominently well into the future; however, while a significant number of firms are measuring engagement, very few have figured out how to manage engagement and how to increase the levels of engagement across the firm. This is a reflection of how little we still know about the phenomenon as scholars but the first clues are emerging from research; for example, the greatest impact of engagement is on an employee's willingness to provide discretionary effort and to stay.

However, the trend that I find most interesting in the 2016 report is the prominence of job and organisational design. Internationally, 2015 was the year of the gig-economy, when organisations such as Uber and Airbnb went mainstream. The implications for human capital management are still unfolding and are exciting, for instance the recent ruling in California deeming Uber drivers employees. As these business models become mainstream, we will need to discover if our conventional HR practices are redundant or if they need a significant overhaul.

The 2016 report is important for academics and managers alike, as it points to the challenges that we are facing and proposes areas in which to seek solutions, such as organisational design and new leadership development competencies. This report provides a good analysis of the results of the survey, while further useful insights are given through practical case studies and recommendations.

I would like to congratulate the Deloitte team on a well-developed report that should be compulsory reading for all business leaders in South Africa today.

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Introduction: Different by design

Different by design
Global changes, such as the widening generational gap, technological advancements and a new employer-employee social contract, are disrupting traditional business models and the nature of work at a rapid speed. In the year ahead, global organisations are undertaking organisational redesign, catering to the employee experience and inverting traditional leadership hierarchies. This is their top priority, so they can compete, innovate and thrive in an increasingly complex business ecosystem.

We are pleased to release the 2016 Human Capital Trends Report for South Africa. This is a country-based report that can be read in conjunction with the overall findings from the 2016 Global Human Capital Trends survey. However, we have provided a synopsis of the Global Findings in this report so that it can be read as a “stand alone”. This year we had 213 responses from all industry groups in South Africa.

The top five trends for 2016 that were identified by the South African participants are listed in order of importance below:
1. Organisational design
2. Culture
3. Engagement
4. Leadership
5. Learning

Organisational design
Organisational design featured as the number one trend for South Africa in 2016, with 91 percent of South African respondents rating it as very important or important. However, 54 percent feel that they are not ready for this trend.

There are two main drivers of this trend, namely the need to get products to market quickly and the digital technologies that are helping teams to stay connected. The “new organisation”, as we call it, is built around empowered teams that are driven by a new model of management and are led by a breed of younger, more globally diverse leaders. In South Africa, most respondents felt that they were weakest in creating project-based or cross-functional teams, with 45 percent rating themselves as weak in this regard. Only 16 percent of executives believe that their companies are very ready to effectively redesign their organisations.

Culture and engagement
Engagement and culture emerged as the number one priority both globally and in South Africa in 2015, followed closely by leadership, which was ranked first in 2014. These are still a priority for the South African market, as culture was identified as the second most important trend by South African respondents for 2016.

This year, 90 percent of South Africans rate culture as very important or important, while only 53 percent rated that they are ready to deal with this issue.

In South Africa, only 27 percent of organisations feel that they are doing an excellent job of driving culture within their organisations, while 31 percent rate themselves as weak at integrating social community and corporate programmes. Twenty nine percent of South African companies report having no employee engagement programmes for Millennials.
Leadership, learning and development
According to the research, leadership, learning and development are becoming more important. A lack of leadership and training for leaders remains a challenge in South Africa. In 2016, 55 percent of South African companies report that they are not ready to deal with leadership challenges, even though South African respondents rate this as the fourth most important trend. At the same time, 7 percent of South African companies report that there has been a significant reduction in spending – 10 percent or more – on leadership programmes, while 39 percent report some growth of between 0 and 5 percent. Clearly, there is still a long way to go when it comes to developing the leaders of tomorrow in South Africa.

Further to this, technology is changing everything – including leadership and learning. Millennials want to take ownership for what they do; they do not want to just take instructions.

Strategic human capital management
In the 2016 Global Human Capital Trends report, experts note that changes in the workforce and the economy are bringing with them an increasing need to not only adapt people and HR practices, but also our HR systems and the technologies that are not keeping up with the rapid rate of change. As the economy continues to grow, employee skills are becoming more specialised, making organisational design, culture, engagement and leadership the top priorities for human capital stakeholders.

Every organisation’s culture should support technology and enable digital transformation. This is done through governance, structures, processes and incentives that encourage swift and out-of-the-box thinking. Employers who fail to engage with their workers and provide solutions to the increasing demands being placed on their workforce will struggle to stay abreast of the competition.

We trust that this report will serve as a useful guide for strategic human capital management in the coming year. Please feel free to contact us to discuss this report in more detail.

We look forward to engaging with you, to help unpack the findings and their implications for your human capital, HR and talent management decisions.

Kind regards

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We are pleased to present the 2016 Human Capital Trends Report for South Africa. As a country-based report, this report highlights the findings for South Africa from the 2016 Global Human Capital Trends Survey. Participation continues to increase year on year, with 213 responses from all industry groups in South Africa, and responses from more than 7 000 business and HR leaders globally from more than 130 countries. The ten trends that emerged this year are depicted here.
This year’s 10 trends

In South Africa, we had 213 respondents complete the survey. If you would like more information on the South African report, please visit our website at http://www2.deloitte.com/za/en/services/human-capital.html or email Werner Nieuwoudt at wnieuwoudt@deloitte.co.za or Nelius Volschenk at nvolschenk@deloitte.co.za

Four powerful forces, from demographic upheavals and the rise of digital technology, to rapid business-model innovation, and socially driven evolution in the employer-employee relationship, are driving change for both HR functions and the organisations they serve, creating talent challenges and potential solutions radically different from those faced by previous generations of leaders.

Organisational design: The rise of teams
Hierarchical organisational models are not just being turned upside down, they are being deconstructed from the inside out. Businesses are reinventing themselves to operate as networks of teams, to keep pace with the challenges of a fluid, unpredictable world.

Leadership awakened: Generations, teams, science
Leaders of all ages, genders, and cultures are now poised to take the reins at organisations around the world. How ready will these future business leaders be to take charge in an increasingly complex global marketplace?

Shaping culture: Drive strategy
The impact of culture on business is hard to overstate: 82 percent of respondents in the 2016 Global Human Capital Trends survey believe that culture is a potential competitive advantage. Today, new tools can help leaders measure and manage culture towards alignment with business goals.

Engagement: Always on
Employee engagement and retention today means understanding an empowered workforce’s desire for flexibility, creativity, and purpose. Under the evolving social contract between employer and employee, workers become “volunteers” to be reengaged and re-recruited each day.

Learning: Employees take charge
Corporate learning departments are changing from education providers to content curators and experience facilitators, developing innovative platforms that turn employee learning and development into a self-driven pursuit.

Design thinking: Crafting the employee experience
Design thinking takes aim at the heart of unnecessary workplace complexity by putting the employee experience first, helping to improve productivity by designing solutions that are at once compelling, enjoyable, and simple.

HR: Growing momentum towards a new mandate
Good news: This year’s Global Human Capital Trends survey shows an improvement in HR skills, business alignment and ability to innovate. But as companies change the way they are organised, they must embrace the changing role of HR as well.

People analytics: Gaining speed
The use of analytics in HR is growing, with organisations aggressively building people analytics teams, buying analytics offerings, and developing analytics solutions. HR now has the chance to demonstrate ROI on its analytics efforts, helping to make the case for further investment.

Digital HR: Revolution, not evolution
A new world for HR technology and design teams is on the horizon. Mobile and other technologies could allow HR leaders to revolutionise the employee experience through new digital platforms, apps, and ways of delivering HR services.

The gig economy: Distraction or disruption?
How can a business manage talent effectively when many, or even most, of its people are not actually its employees? Networks of people who work without any formal employment agreement, as well as the growing use of machines as talent, are reshaping the talent management equation.
When we compare the global prioritisation of these trends against those for South Africa, a high degree of alignment emerges, with the following minor re-ordering in the “Top 5” ranking:

- Leadership is the number two dimension for the global respondents but ranked fourth in importance for South African respondents
- Culture ranked second in importance for South African respondents (third for global respondents)
- Engagement ranks third for South African respondents, and fourth for the global response group

Figure 1: The top 10 Global Human Capital Trends for 2016, South Africa compared with Global responses

It is encouraging that we face similar challenges to those seen globally, presenting opportunities for South African businesses to adopt and adapt practices applied elsewhere. Not surprisingly however, there is some important variation in Global versus South African responses when the detail underpinning these responses is analysed and we will highlight these variations in the sections that follow. Interestingly, for all trends in the “Bottom 5”, South African respondents rated these as consistently more important than their global counterparts. Clearly the trends are not only extremely relevant in a South African context, but in some instances their importance is amplified.

In the chapters that follow, we present a synopsis of the top five human capital trends which South African respondents rated as most important, namely:
1. Organisational design
2. Culture
3. Engagement
4. Leadership
5. Learning

The pages that follow in this report will elaborate on each of the above trends. Each trend will be discussed as follows:
- A global overview
- The South African perspective
- Lessons from the front lines, with relevant case studies in various industries. We have balanced our lessons from the front lines to incorporate global and South African examples.

Finally we will provide a synopsis of the remaining five trends and the possible solutions that South African organisations can adopt in addressing these trends.
Chapter 1: Organisational design

Global overview

The overarching theme and title of the 2016 Global Human Capital Trends report is “The new Organisation: Different by design”. This year’s report reflects a major finding that after three years of struggling to drive employee engagement and retention, improve leadership and build a meaningful culture, executives are seeing the need to redesign the organisation itself, with 92 percent of survey participants rating this as a critical priority. The “new organisation”, as we call it, is built around empowered teams that are driven by a new model of management and are led by a breed of younger, more globally diverse leaders.

As companies strive to become more agile, and customer-focused, organisations are shifting their structures from traditional, functional models toward interconnected, flexible networks of teams. This trend is driven by the need to adapt and innovate products and services and stay closer to customers in the face of fast moving global markets and digital disruption. It is also fuelled by talent demographics; the influx of Millennials in the workforce with demands for rapid career growth and flexible work arrangements, a new employer-employee social contract and the increasing number of contract and part-time workers.

The following chart shows survey respondents’ ratings of the importance of organisational design across global regions and selected countries.

Figure 2: Organisational design: Percentage of respondents rating this trend important or very important
The South African perspective

As for the global respondent base, organisational design features as the number one trend for South Africa in 2016, with 91 percent of South African respondents rating it as very important or important. However, 54 percent say that they are not ready for this trend.

Globally, many companies have already moved away from functional structures, with only 39 percent of all companies and 24 percent of large companies being primarily organised by function today. South African figures largely mirror these, again with 39 percent of all companies and 31 percent of large companies primarily organised functionally.

Organisations are increasingly operating as a network of teams alongside traditional structures, with people moving from team to team rather than remaining in static formal configurations. Seventy seven percent of respondents are currently restructuring their organisation or have reorganised over the last five years. In South Africa this figure is 73 percent. Perhaps most significantly, while 6 percent of global respondents indicate they are planning to reorganise, this figure is higher, at 13 percent, for South African respondents.

In South Africa, only 15 percent of executives believe that their companies are very ready to effectively redesign themselves. Most respondents feel that they are weakest in creating project-based or cross-functional teams, with 45 percent of South African respondents rating themselves as weak in this regard.

The move to a network of teams is built on the following principles: move people into customer-, market- and mission-focused teams that are led by team leaders, empower teams to set their own goals and make their own decisions, replace silos with information and operations centres and enable people to move from team to team as needed.

Lessons from the front lines

We are seeing increasing evidence in the South African market of organisations realigning their organisations and constituting cross-functional teams to align to product or customer segments, especially in the financial services sector. This move involves not only the more traditional elements of organisation structure design but also new emphasis on the organisation of work; the design, constitution, co-ordination, management and deployment of networks of teams. Cisco globally presents one of the best examples of this trend and is highlighted here in our lessons from the front lines. Cisco, one of the world’s most successful and enduring technology companies, sees a team-based organisational model as fundamental to its strategy. According to John Chambers, executive chairman and former CEO, speed and time to market are central to the company’s success: “We compete against market transitions, not competitors. Product transitions used to take five to seven years; now they take one to two.”

To address this continued disruption and the highly competitive nature of its business, Cisco has set up a new talent organisation, Leadership and Team Intelligence, focused entirely on leadership and team development, team leader selection, performance management, and intelligence-gathering for Cisco teams and their leaders around the world. Ashley Goodall, the senior vice president who runs this group, is leading a wide-ranging redesign of Cisco’s talent practices and technologies to focus on the optimisation of team performance, team leaders, succession management, and talent mobility between teams. He plans to use real-time performance conversations, ongoing pulse surveys, and text analytics to monitor and benchmark team performance. The intent is to build information about how the best teams work together and how they drive results, and then embed these insights into the company with a direct focus on employee engagement, strengths, and empowerment.

Clearly the view of an Organisation Design function as a silo in the HR function attending to organograms, job descriptions and job evaluation is becoming outmoded. Organisations need to review the mandate of their Organisation Design function or, at a minimum, engender heightened collaboration across the HR Value Chain in pursuit of the management of increasingly networked and project-based organisations. We believe that South Africa has some way to go in the evolution of these design concepts. While financial and consumer led businesses are, in our view, leading the charge here, there are undoubtedly important principles that can be adopted by the manufacturing, construction, resources and public service sectors of our economy.
Chapter 2: Culture

Global view
When a company’s culture is aligned with its values, the company attracts employees who feel comfortable with that culture. This, in turn, helps companies to motivate people, which leads to a high level of employee engagement.

Bersin predicts that culture will remain a strategic business priority. Culture, as defined by Bersin, encompasses the “values, implicit beliefs and ideas that give meaning to an organisation. It translates values into behaviours which are embedded into everyday work life, and it shapes the way people make decisions, how they work and how they interact with others inside and outside the organisation. It is created and can be changed by the behaviour and communications exhibited from leaders as well as the company’s reward systems. Thus culture is considered the structure that supports people in understanding how to work, through the practices, rewards and language used in the company. It cannot simply be changed because it grows with the company and is embedded in the company’s roots.” (2016 Bersin Predictions)

The following chart indicates survey respondents’ ratings of the importance of culture across global regions and selected countries.

Figure 3: Culture: Percentage of respondents rating this trend as either important or very important

Percentages by region:

<table>
<thead>
<tr>
<th>Region</th>
<th>North America</th>
<th>Latin &amp; South America</th>
<th>Nordic countries</th>
<th>Western Europe</th>
<th>Central &amp; Eastern Europe</th>
<th>Middle East</th>
<th>Africa</th>
<th>Asia</th>
<th>Oceania</th>
<th>Southeast Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentages by country</td>
<td>87</td>
<td>86</td>
<td>87</td>
<td>84</td>
<td>86</td>
<td>90</td>
<td>87</td>
<td>89</td>
<td>93</td>
<td>90</td>
</tr>
</tbody>
</table>

Figure 3: Culture: Percentage of respondents rating this trend as either important or very important
The South African perspective
Overall, 90 percent of South African respondents rate culture as very important or important, compared with 86 percent globally. Twenty seven percent of South African companies feel that they are effectively driving the desired culture, while 21 percent rate themselves as weak in this area.

Perhaps more tellingly, while 82 percent of executives globally believe that culture is a potential competitive advantage, only 31 percent of South African leaders report culture as a potential competitive advantage.

It would seem that South Africa respondents, while seeing the importance of culture in general, do not see it as a crucial catalyst in the execution of a differentiating strategy. This runs the risk of relegating culture to a tool only for “employee engagement” and values alignment, rather than a precision lever, if managed well, to drive strategy. The issue here is that resultant culture change interventions become “feel good” events and experiences. This may mean that the important work of defining specific behaviours that underpin purpose and strategy, and embedding these through both “explicit” channels (ceremonies, communications, people practices, handbooks, incentives and measurements) as well as “implicit” channels (how leaders react at key choice points, what they do as opposed to what they say, for example) is ignored.

Lessons from the front lines
Increasingly organisations can take a leaf from the book of those companies who realise that culture is something that can and should be managed at a “shop floor”, granular and behaviourally specific manner. Culture management goes beyond the broad pronouncements in the boardroom and Values Posters in the reception area. It is about defining specific behaviours that are pivotal for performance and execution of the strategy and then directing and fuelling these behaviours with precision.

One of the key operational units of a mining group here in South Africa had experienced a number of operational challenges, suspected to be the result of behaviours more than equipment, systems or technical training. While overall operational performance year-on-year appeared to be good, there were some systemic issues that were constraining performance. Part of the historic strong performance was a result of commodity prices, but with these expected to halve within a year, some radical intervention was required to maintain financial stability. Issues that the mine was struggling with included skills shortages, misaligned performance measures, inconsistent application of the performance process, disengaged employees and outdated operational and maintenance practices.

As a result of these challenges, employees started developing poor working habits and this manifested in a culture of underperformance.

To address this multi-faceted challenge, a detailed analysis was required to better understand the underlying issues. Three key data gathering activities were undertaken:

• **Performance culture survey:** A survey was developed to get an understanding of how employees experienced their current work environment, as well as what actions leadership needed to take to improve the overall employment experience. A response rate of 80 percent was achieved.

• **Meeting effectiveness review:** All frontline team meetings were attended to get an understanding of what the priority discussions were during meetings and how these aligned with the overall strategy and performance metrics.
• **Leadership interviews.** Key leaders were interviewed to get a sense of what and how behaviour impacted performance.

The assessment highlighted a number of issues:

- Lack of accountability for poor performance at all levels
- Unhappiness about leadership support and conduct in certain areas
- No clearly defined problem-solving methodology
- Individual and team KPIs not aligned and managed by teams
- A general lack of ownership as a result of micro-management
- No structured team problem-solving, resulting in the same problems continuously being experienced
- Very limited discussion of team KPIs
- Limited team involvement and action planning on a daily basis

A number of key interventions were initiated to align and drive performance at all levels:

- Re-definition of all individual and team KPIs
- Agreed and signed performance contracts for all individuals and teams
- Performance dashboards for all frontline team meetings
- Visible KPIs and active team problem-solving initiated at team meetings
- Formal quarterly performance reviews that integrated back to development and training plans
- Support and development plans for all underperformers
- An incentive scheme that aligned to individual performance

The interventions were initiated six months ago and feedback from the mine has been very positive. The full impact will only be measurable once a complete performance cycle has been completed, but feedback to date indicates that employees now have clear sense of direction regarding what is expected of them and have trust in management to support them to achieve their individual and team results.
Chapter 3: Engagement

Global view
Globally, culture and engagement are a major concern. Culture and Engagement are highly linked, with culture being “the sense of how things are done around here” and engagement defined as “how employees feel about how things are done around here”. A contributing factor is the increase in social networking tools and apps that make companies more transparent than they have ever been. Executives are realising that they need a conscious strategy to shape their corporate culture and employee experience and resulting engagement, rather than to let it be directed by social media.

Engagement refers to employees’ experience at work, but the world of work is changing rapidly. Millennials place a high premium on flexibility, creativity and purpose at work. These young workers are accustomed to moving jobs more frequently, and companies have to respond by providing development more quickly, moving people more regularly, providing continuous cycles of promotion, and giving employees more tools to manage their own careers.

In response to a diverse, multi-generational mobile workforce (with three generations represented in the workplace at the same time), organisations are looking to create employee-centric, flexible work environments catering to all the dimensions of what Bersin refers to as the “simply irresistible organisation”, depicted below:

<table>
<thead>
<tr>
<th>Meaningful work</th>
<th>Hands-on management</th>
<th>Fantastic environment</th>
<th>Growth opportunity</th>
<th>Trust in leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autonomy</td>
<td>Clear transparent goals</td>
<td>Flexible, humane work environment</td>
<td>Facilitated talent mobility</td>
<td>Mission and purpose</td>
</tr>
<tr>
<td>Selection to fit</td>
<td>Coaching &amp; feedback</td>
<td>Recognition rich culture</td>
<td>Career growth in many paths</td>
<td>Investment in people, trust</td>
</tr>
<tr>
<td>Small teams</td>
<td>Leadership development</td>
<td>Open flexible workspace</td>
<td>Self and formal development</td>
<td>Transparency and communication</td>
</tr>
<tr>
<td>Time for slack</td>
<td>Modern performance management</td>
<td>Inclusive, diverse culture</td>
<td>High-impact learning culture</td>
<td>Inspiration</td>
</tr>
</tbody>
</table>

**Figure 4:** The Five Characteristics of the “Simply Irresistible” Organisation (Bersin)

A key trend within employee engagement is the shift away from the annual climate survey to the introduction of “always on” listening processes, provided by leaders who are open to listen and gather input and supported by pulse surveys and digital engagement strategies. Companies are introducing new roles such as the Chief Experience Officer and Chief Listening Officer to nurture and cultivate these practices in organisations.
The South African perspective

South African respondents rank engagement as the third most important trend for 2016, with 89 percent rating it as very important or important.

With millennials expected to make up more than 50% of the workforce by 2020, they are a priority target of this engagement drive. They have high expectations for a rewarding, purposeful work experience, they seek a steady stream of learning and development opportunities, and they want dynamic career progression. But engagement needs to cater for a multi-generational workforce. 58 percent of South Africans rate themselves as weak in providing programmes for a young, old and multi-generational workforce.

Interestingly, 72 percent of South African respondents report being weak at supporting new family models in the workforce, compared to 48 percent of global respondents. This is clearly a focus for South African organisations in the coming year.

<table>
<thead>
<tr>
<th>Building strong and localised employment brand</th>
<th>Excellent</th>
<th>Adequate</th>
<th>Weak</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearly defining what diversity and inclusion means to our organisation</td>
<td>22%</td>
<td>46%</td>
<td>32%</td>
<td>50</td>
</tr>
<tr>
<td>Creating systems and processes that view the employee as a customer</td>
<td>34%</td>
<td>52%</td>
<td>14%</td>
<td>50</td>
</tr>
<tr>
<td>Providing programmes for young, old, and multi-generational workforce</td>
<td>58%</td>
<td>34%</td>
<td>8%</td>
<td>50</td>
</tr>
<tr>
<td>Supporting new family models in the workforce</td>
<td>72%</td>
<td>14%</td>
<td>14%</td>
<td>50</td>
</tr>
</tbody>
</table>

Figure 5: Responses by South African participants to questions on engagement
Lessons from the front lines
Digital employee engagement is emerging as a key process in the drive for “always-on” engagement processes. Digital engagement, implemented effectively, provides a powerful two-way engagement channel with every employee, connecting them directly to the organisation and delivering real-time insights to keep a pulse on organisation dynamics.

A client of Deloitte in the Energy and Resources sector required a channel to engage directly with each of their 25,000 employees. They wished to benefit from receiving real-time insights from employees dispersed across the country, speaking multiple languages, while having a channel to provide a variety of information to assist them to perform their jobs. The lack of a direct channel manifested in inaccurate feedback from employees, which in turn increased the probability of lengthy strike action.

A unique feature phone and mobi solution was developed to engage directly with each employee regardless of job grade, language or location. The platform created bi-directional communication between the organisation, its leadership and their workforce to ensure the information divide between blue and white-collar employees was diminished.

There was 60 percent voluntary employee registration on the Digital Workforce Engagement platform. In addition, Trade Union support was secured and the Unions used the platform to communicate directly to their members. The engagement platform also provided the following benefits:

- Integration into existing HR platforms like SAP ensured employees were able to receive their pay stubs and apply for leave directly from their feature phone.
- Customised content menus were developed to directly inform workers of company updates, job boards, training and relevant safety and health messaging.
- Greater message retention and deeper awareness of information by employees was enabled by translating messaging into their requested language of choice.
- Survey capabilities ensure pulse checking of employees to gather real-time feedback, building a culture of collaboration and performance.
- Granular segmentation capabilities allow for messaging to be sent from the organisation directly to a specific target audience – an individual, workforce segment, location or specific job function.
- Incentives for participation and feedback in the form of airtime rewards and retail vouchers are provided and similar incentives can be provided for the achievement of performance targets. These rewards are delivered directly to the employee’s mobile device and may be accumulated in a mobile wallet.

In another instance, digital engagement enabled a CEO to connect directly with his biggest asset - his people. The functionality exists to record a 30 second voice clip from the CEO and directly place it into the employee’s mobile device as a voice message.

While digital engagement should not replace the role of face to face engagement, we feel it is a powerful component of any organisation’s engagement approach.

The new organisation: Different by design
Global view
The 2016 Global Human Capital Trends report reveals that leadership models are changing, with companies dismantling the classic management pyramid as leaders are not being produced fast enough. Leadership is the second most important issue facing organisations worldwide, while 55 percent of respondents report that their companies are not ready to meet their leadership needs in 2016, and 29 percent have no leadership programmes in place for Millennials.

To address this issue, the majority of executives, 89 percent, are strengthening, re-engineering and improving organisational leadership as an important priority in the coming year.

Despite a 10 percent increase in spending on corporate leadership programmes in 2015, the quality, rigour and investment in leadership efforts remain uneven across companies. High-performing organisations outspend their competitors on leadership by almost four times.

Not only do they spend more, they also spend smarter. Surprisingly, most leadership programmes are evaluated primarily by so-called “smile sheets” – in effect, feedback from participants on how they enjoyed the leadership programme, instructor and venue. Too few leadership programmes are designed on a foundation of research, clear priorities, and assessments of needed leadership thinking and outcomes.

High-performing companies are taking it one step further by forging an integrated system of leadership. Such a system encompasses a clearly defined leadership strategy, comprehensive pre- and post-programme evaluations that look at effectiveness, content that is driven by research, and blended learning models supported by assignments that go beyond the employee’s knowledge, with rigorous coaching and consistent opportunities for leadership development. Such systems are also based on data, statistics and scientific approaches.

The South African perspective
In our South African response base, Leadership was rated as very important or important by 88 percent of respondents, with only 14 percent seeing themselves as “very ready” to take on the Leadership challenge. As for the rest of the world, the traditional pyramid-shaped leadership development model is simply not able to produce leaders fast enough. Clearly a diversified approach is required, dipping more deeply into pools of future leaders and accelerating their development.

When respondents were asked what focused leadership programmes they offered, the following responses emerged:

<table>
<thead>
<tr>
<th>Leadership Category</th>
<th>No investment</th>
<th>Little investment</th>
<th>Some investment</th>
<th>Substantial investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diverse leaders</td>
<td>26%</td>
<td>24%</td>
<td>38%</td>
<td>13%</td>
</tr>
<tr>
<td>Front line leaders</td>
<td>15%</td>
<td>28%</td>
<td>39%</td>
<td>18%</td>
</tr>
<tr>
<td>High potential managers</td>
<td>17%</td>
<td>21%</td>
<td>40%</td>
<td>22%</td>
</tr>
<tr>
<td>Millenial leaders</td>
<td>27%</td>
<td>34%</td>
<td>30%</td>
<td>9%</td>
</tr>
<tr>
<td>Senior management</td>
<td>12%</td>
<td>26%</td>
<td>43%</td>
<td>19%</td>
</tr>
<tr>
<td>Top corporate executives</td>
<td>16%</td>
<td>20%</td>
<td>36%</td>
<td>28%</td>
</tr>
<tr>
<td>Woman leaders</td>
<td>21%</td>
<td>26%</td>
<td>39%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Figure 6: Leadership development at each level in South African companies
The data indicates that:

- 13 percent are making substantial investments in female leaders and diversity in leadership
- 28 percent are making substantial investments in top corporate leaders
- 27 percent have no focused development programmes for Millennials

When averaging the Deloitte findings across South African companies, it becomes clear that most organisations' leadership strategies, pipelines and programmes are not up to the task of producing a pool of leadership in sufficient quantity and quality to meet demand. Take time to look at your employees and ask who in the organisation is likely to be a game-changer. Determine if the organisation simply promotes those who think like current leaders or actively finds those who bring the DNA or genes that will underpin innovation and growth, optimise digital opportunities and who can operate in flatter, more dynamic organisation models. According to Kaisen, our recent Deloitte acquisition, and acknowledged leaders in the field of Leadership, the future will demand:

- Leaders with drive, confidence, and mental toughness
- Leaders with great interpersonal insight and versatility
- Leaders who can disrupt old ways of working and bring new thinking
- Leaders with the flexibility to adapt and a bold appetite for change

Lessons from the front lines
Deloitte, with Kaisen, believe there are tangible actions that can be taken to deepen leadership talent pools in organisations. Great leaders are born and made through a focus on identifying potential and building capability:

<table>
<thead>
<tr>
<th>Potential</th>
<th>Capability</th>
</tr>
</thead>
<tbody>
<tr>
<td>...is what you select for</td>
<td>...can be developed</td>
</tr>
<tr>
<td>Has to do with “how far can you go”</td>
<td>Has to do with “what you can do”</td>
</tr>
<tr>
<td>Also described as:</td>
<td>Also described as:</td>
</tr>
<tr>
<td>• Personal qualities</td>
<td>• Competencies</td>
</tr>
<tr>
<td>• Attributes</td>
<td>• Skills</td>
</tr>
<tr>
<td>• Traits</td>
<td>• Knowledge</td>
</tr>
<tr>
<td>• Agilities</td>
<td></td>
</tr>
</tbody>
</table>

Figure 7: Leaders are born and made (Kaisen)
The Kaisen leadership capability model identifies two distinct elements: Developable capabilities and Leadership potential:

- **Developable capabilities**: These are learned factors which are ‘acquired’. They are developable, change over time and reflect what a leader can do i.e. inspirational leadership, performance drive, talent development, influence, business decision-making and competitive edge.

- **Leadership potential**: These are the ‘hardwired’ or ‘innate’ factors which are hard to develop, stable over time and reflect how the person is i.e. motivational potential, change potential, people potential and intellectual potential. The strength of a leader’s potential will determine the speed with which the leader will be able to move up the organisation and meet the increased scope and complexity of demands at the executive level.

In a context where traditional pyramid models are not producing sufficient leadership to fill the leadership vacuum, potential becomes as important as capability. While capability can be developed, it also relies on years of experience. In an increasingly complex world, companies need to identify the leaders with strong underlying potential and accelerate their development through deployment opportunities, development and mentoring.

Deloitte brings a practical tool, “the Talent Spotter” which employs a rigorous approach to identifying potential and overcomes some of the biases that exist in traditional approaches to identifying potential that includes:

- While the traditional “9-box grid” can measure capability with some objectivity, the most common measure of potential tends to be “reminds me of me”

- Organisations assume that current performance is an indicator of future potential

The Deloitte potential spotter is an intuitive, easy-to-use diagnostic that gives organisations data on their high potential leaders.

<table>
<thead>
<tr>
<th>Potential Spotter Tool</th>
<th>Value of the Potential Spotter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates potential dimensions and personal factors via simple comparative statements</td>
<td>Collects data to identify indicators shown to predict potential for future growth</td>
</tr>
<tr>
<td>Reduces ambiguity regarding a leader's ability to develop for a more senior role</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 8**: Deloitte talent spotter process

Organisations that are using data-driven tools and processes such as these to identify future leadership talent are building a future talent base in which they can invest and focus development, deployment and mentoring opportunities, providing the deep-bench leadership strength to make strides in addressing the leadership challenge.
Chapter 5: Learning

Global view
Eighty four percent of executives globally rated learning as important or very important. Not only is capability development a crucial enabler of strategic innovation and growth, but learning opportunities are a core driver of employee engagement. Employees are keen to learn and develop; however, the way in which they learn and the time that they spend learning content are both changing. Employees are looking for continuous learning opportunities through innovative platforms tailored to their own needs.

It is important to bear in mind that employees find themselves overwhelmed, distracted and impatient. Flexibility in where and how they learn is extremely important.

There is now also a massive amount of learning content freely available online and companies globally appear to be making great strides in adopting new technologies and embracing new learning models with a focus on shifting beyond internal programmes that develop people to innovative platforms that enable people to develop themselves. A new type of employee-learning is developing that is “consumer-like” and that brings together design thinking, content curation and an integrated model, offering an end-to-end designed learning experience. However, data indicates there is still a significant maturation to take place, with only 37 percent of companies believing their programmes are effective.
The South African perspective
This figure drops in a South African context, with only 28 percent reporting their learning programmes as effective, as indicated below:

Figure 9: The effectiveness of learning and development programmes in South Africa

Looking at non-traditional means of supporting learning, it appears South African organisations lag behind their global counterparts. While 18 percent of organisations globally report using Massive Open Online Courses (MOOCs), only 10 percent report doing so locally. Emphasis remains on the use of the more traditional “non-traditional” channels such as External Certification programmes and programmes sponsored by external educational institutions. South Africa correspondingly reports a higher percentage of respondents rating themselves as good or exceptional at the more traditional learning channels such as apprenticeship and on-the-job training than their global counterparts (89 percent versus the global percentage of 76 percent). Clearly a shift to more innovative platforms is an opportunity worth investigating.

<table>
<thead>
<tr>
<th>Non-traditional means of supporting employee development</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>External certification programmes</td>
<td>39%</td>
</tr>
<tr>
<td>Programmes sponsored by external education institutions</td>
<td>30%</td>
</tr>
<tr>
<td>External self-directed learning powered by social media</td>
<td>11%</td>
</tr>
<tr>
<td>MOOCs (Massive Open Online Courses)</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
</tbody>
</table>

Figure 10: Non-traditional means of supporting employee development

South African respondents recognise their capability gaps in the non-traditional learning channels. 44 percent are weak at using advanced media, while 19 percent are excellent at this. 58 percent of respondents are weak at external self-directed learning powered by social media, while only 8 percent rate themselves as excellent.
Lessons from the front lines

Learning and interaction – changing the experience

The shift in changing the learning experience of standard eLearning courses to a more interactive approach is becoming a common requirement across many organisations. As digital learning content creators and delivery specialists, Deloitte partnered with a university to track and analyse the interactions between different learner groups and the way in which the digital content is provided.

Using the resultant information directly in the design of eLearning, Deloitte has successfully managed to alter the design of some of the latest content delivery packages, taking them from a standard eLearning course to an integrated training and knowledge testing interface.

By simply removing primary navigation components and replacing them with “in-content” interactive components, learners use interactions in the content to navigate and explore the training material. This approach focuses on enhancing the learner experience through clever navigation and “active” content, overlaid with animations and key interactive components.

Taking L&D to the future of digital content creation

The generational differences in today’s working environment make the task of traditional L&D departments challenging. The biggest challenge is how to create interactive content that can be used to change the learning experience from corporate-centric to learner-centric. In the past, such changing environmental conditions could be easily augmented by an external service provider with specialised skills and expertise, but the difficult economic climate makes this approach challenging.

Deloitte embarked on a journey with a client to not only provide professional services in the form of product development and addressing capacity constraints, but also through planned sessions that were aimed to grow the same skills within the client’s L&D department.

It was quickly determined that technical expertise was not the biggest gap, but rather the understanding of the full development cycle of digital content development and delivery. Addressing both functional and technical gaps through structured workshops, along with informal shadowing of specialist resources, allowed the client’s L&D stakeholders to obtain the necessary skills and knowledge to create digital learning content that is aimed at learning experiences going forward.
Chapter 6: The remaining five trends and implications for South African organisations

The remaining five trends have important implications for Business and HR leadership. Not only did South African respondents rate these as more important across the board than their global counterparts, but also when capability gaps are reviewed (the gap between trend importance and reported readiness for the trend) the two greatest capability gaps for South African respondents were indicated for Digital HR and People Analytics. For comparative purposes, these capability gaps for global and South African respondents are provided below.

Figure 11: Global Capability Gap vs South African Capability Gap
While we have focused our report on the top five trends, some ideas on where companies can start in addressing these remaining trends are provided below:

**HR Skills**
The global report shows an improvement in the HR organisation’s skills, business alignment and ability to innovate, with an upward trend in HR’s rating as good or excellent from 24 percent in 2013 to 38 percent in 2016. South Africa, conversely, has seen a decline in the rating of HR effectiveness, with 30 percent of respondents rating HR as good or excellent, as compared to 37 percent in 2015. Practical steps organisations can apply to improve their HR skills include:

**Job rotation programmes:** These include moving HR people into business and business people into HR. Companies like Google globally now hire business people into HR roles and give them aggressive rotational assignments to learn the HR domain.

**Develop internal certification programmes:** Increasingly global and South African organisations are building internal HR certification programmes and using developmental assignments to accelerate development and promote consistent high-quality HR practitioners across the business.

**Attract younger, Millennial HR professionals:** These professionals will intuitively understand the life, needs and expectations of the new generation of employees.

**Rethink the HR structure:** Are enough specialists and business partners embedded in the business? Are HR centres evolving from service centres to real-time operations centres that are efficient and operationally excellent? Is there a clear view on which skills the HR organisation will need in the future?

**Upgrade technology:** More than 40 percent of all companies are embarking on a replacement of core HR technology with modern cloud systems. Is the organisation far enough down that path and pushing mobile and app-enabled HR fast enough? Continue to leverage technology as a way to upgrade skills and move away from traditional HR transactional work.
The gig economy

From the increasing use of freelance workers to the growing role of robotics and smart machines, the corporate workforce is changing, posing significant challenges and opportunities for companies and their workforce talent strategies. Practical strategies to kick start this include:

**Take a new view of 21st century talent:**
Organisations should understand the open talent economy and their needs for different types of workers and automation over the medium term (3-5 years) and longer term (5-10 years). The process starts with an expansive workforce plan that pro-actively incorporates on and off balance sheet talent, as well as a combination of robotics, thinking machines and new labour technology collaborations.

**Designate a white space leadership team for workforce and automation planning:** Workforce planning for the new workforce is a “white-space” exercise. Corporate technology, procurement and business strategy teams should join HR to produce robust plans for different types of labour and technology combinations.

**Focus on acquisition of people and machines:**
Once companies have a sense of the specific outlines of their talent needs they can focus on acquiring and engaging each segment of employees with the overall plan in mind. Sources of talent should include companies that recruit people and talent in different ways. Technologies and machines can be used to complement employees on corporate payrolls.
Digital HR

The digital enterprise offers HR and business leaders two fundamental challenges. First, HR can help business leaders and employees shift to a digital mindset, a digital way of managing, organising and leading change. Second, HR has the opportunity to revolutionise the entire employee experience by transforming HR processes, systems and the HR organisation via new digital platforms, apps and ways of delivering HR services. Places to start include:

**Challenge HR to start with a digital-first HR strategy.** The digital enterprise and digital HR are a revolutionary leap forward, not an incremental step. The combination of mobile and cloud solutions and pervasive access to smartphones as powerful as laptops and desktop computers of just a couple of years ago, are redefining how HR processes are designed, delivered, accessed and operated. The shift to a mobile and platform way of thinking is at the forefront of his challenge.

**Embrace design thinking.** Social, mobile, analytics and cloud tools are only useful tools if the employees adopt them. HR must begin with employee needs and user experience. Incorporating design thinking throughout the process will help companies maximise the impact of new digital technologies.

**Leverage an agile approach integrating HR, technology, employees and business leaders in the process.** HR has the opportunity to use agile development – rapid development used by integrated teams delivering prototypes and solutions in successive releases and waves – as a new way of operating in HR and supporting similar programmes across the company. Unlike the traditional waterfall development process, agile development requires HR specialist, system and app developers, designers, employees, and business leaders to work together as a team.
Design Thinking

In the face of increasingly overwhelmed employees, constantly flooded with information, design thinking can move HR’s focus beyond building programmes and processes to a new goal; designing a productive and meaningful employee experience through solutions that are compelling, enjoyable and simple and that put employee experience at the centre of their design. Steps that organisations can undertake include:

School HR in design thinking: HR should move away from “process design” to “human-centred design.” This means studying what employees do, visiting their workplaces, and observing their behaviour. Based on these insights, solutions and programmes can be designed that improve productivity, boost engagement, and increase employee satisfaction while also providing training or other HR services.

Learn from design thinking in customer service: Many companies use design thinking in developing their customer service programmes. To gain understanding, HR should visit great retail stores, restaurants, or universities. By examining satisfying experiences outside of work, HR can use these examples in HR design.

Prototype, pilot, test and learn: New programmes should be prototyped and then piloted with a small group. By understanding what this group loves and what it dislikes, HR can improve the end-to-end employee experience.
People Analytics
While global responses indicate a major leap forward in capabilities, this is indicated as the second largest capability gap for South Africans. Companies globally, and to an extent, locally are hiring people analytics staff, cleaning up their data and developing models that help transform their business. Practical places to start include:

**Stay focused on business priorities:** Avoid the problem of spending a great deal of time on a problem only to find later that it is not on the CEO’s agenda. Start with the problems the CEO or senior business leaders care about such as sales productivity, product quality, risk, growth, or customer retention. Spend time where the company makes money, and people analytics projects will rapidly pay for themselves.

**Build a single people analytics team:** To embark on this effort, companies must recruit the right talent and/or integrate disparate analytics efforts – that is, employee engagement, recruitment analytics, learning analytics, compensation analytics, and workforce planning. This is the key ingredient of successful analytics projects.

**Build a team that can consult:** Remember that building a model alone will not solve a business problem. The analytics team should include people who also serve as a business partner or consultant, so they can engage directly with the business and help apply the findings to real interventions or management changes.

Clearly South African organisations have both challenge and opportunity in building these emerging capabilities. Today, high-impact HR organisations are moving away from a “service provider” mentality to becoming valued talent, design and employee-experience consultants. Business and HR leaders who move aggressively to address these trends will likely gain an advantage over their competitors in a period of accelerating change.
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