

Human Capital Trends 2014

Engaging
the 21st
century
workforce



Human Capital Trends 2014

CEOs and HR leaders see talent as a major challenge to growth. Where should you focus? Our global survey of 2,500 organisations in more than 90 countries reveals 12 critical trends shaping the human capital agenda. www.deloitte.com/HCTrends2014, www.deloitte.com/HCDashboard

Lead and develop

Attract and engage

Transform and reinvent



Develop leaders at all levels

Leadership remains the top global human capital concern—and the largest “readiness gap” in our survey. The need: develop new leaders faster, globalise leadership programmes, and build deeper bench strength.



Talent acquisition revisited

Talent acquisition and recruiting are undergoing rapid disruption, challenging companies to leverage social networks, aggressively market their employment brand, and re-recruit employees every day.



Reskill the HR team

HR professionals need an increasingly wide range of skills, not only in talent areas but also in the understanding of how the business works, makes money, and competes. How are HR teams staying current and viable?



Corporate learning redefined

It's a new age for learning and development. Online content, MOOCs (massive open online courses), collaboration tools, and social media now fuel a training model where employees own their skills and experts share knowledge freely.



Move beyond retention

Survey respondents say retention and engagement is the second biggest global human capital challenge they face (after leadership gaps). What's the secret to becoming a “talent magnet” in the coming years?



Implement talent analytics

Analytics is an exciting and fast-growing area for human resources, but many companies are lagging. How can they address this game-changing area of HR to move quickly and methodically into the future?



Performance management is broken

Companies worldwide are questioning their forced ranking, rigid rating systems, and once-a-year appraisal process. This is the year a new model of performance management will likely sweep through HR.



Shift from diversity to inclusion

The world has become highly diverse, but many companies have not—especially when it comes to combining diversity with the inclusive culture needed to truly build value.



Race to the cloud

Cloud-based HR technology promises to integrate people systems, enable learning and talent management, and re-engineer recruiting. But massive adoption of new software is harder than it seems.



The quest for workforce capability

Organisations now compete globally for scarce technical and professional skills. The importance of creating a global skills supply chain has come to the forefront.



Rescue the overwhelmed employee

Technology and too much access have turned us into “overwhelmed” employees. Nearly every company sees this as a challenge to individual productivity and overall performance, but struggles to handle it.



Globalise and localise the HR function

A new model of “high impact” HR blends globalised talent practices for consistency and mobility with localised flexibility to attract, retain and manage people appropriately.

Country foreword – Ireland



I am pleased to share with you a summary of the trends and priorities which are impacting on human capital decisions for business, HR and talent leaders throughout Ireland.

As Ireland moves away from the recession, organisations are seeing a new workforce that is younger, demanding and more dynamic than ever. With board members, HR and business leaders seeing human capital as a key driver for growth, it is becoming increasingly important that organisations are proactive in addressing human capital challenges.

At the end of 2013, Deloitte invited C-suite and HR and Talent professionals from around the world to participate in our third annual Global Human Capital Trends Survey. Over 2,532 business and HR leaders across 94 countries comprising the world's major economic regions participated, and of this, 40 were Irish business and HR leaders. This tailored report outlines the Irish findings and overall results of our comprehensive global survey. This report has been designed to complement Deloitte's 2014 *Global Human Capital Trends* report, *Engaging the 21st-century workforce*. We believe both reports will inform your leaders on the issues impacting organisations throughout Ireland – and around the world. We hope you find this report insightful and a useful tool in implementing your human capital and talent management decisions.

Yours sincerely



Cormac Hughes
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Introduction

As Ireland leaves the economic recession with a renewed focus on growth and performance, Irish organisations are faced with unprecedented complexity. Not only do they have to reposition in a recovering economy and increasingly global market, they also have to address the changing workforce and workplace.

As the population ages, it is forecast that by 2025 Millennials will account for 75% of the global workforce.¹ This, alongside technology and economic developments, has led to a 21st century workforce that is young, global, mobile and highly connected, with demanding expectations of employers. In addition to workforce changes, workplaces have shifted towards being increasingly performance driven, with a focus on specialist skills and teamwork. There is now an increasing demand and need for organisations to become more agile and flexible in how they do business and manage talent.

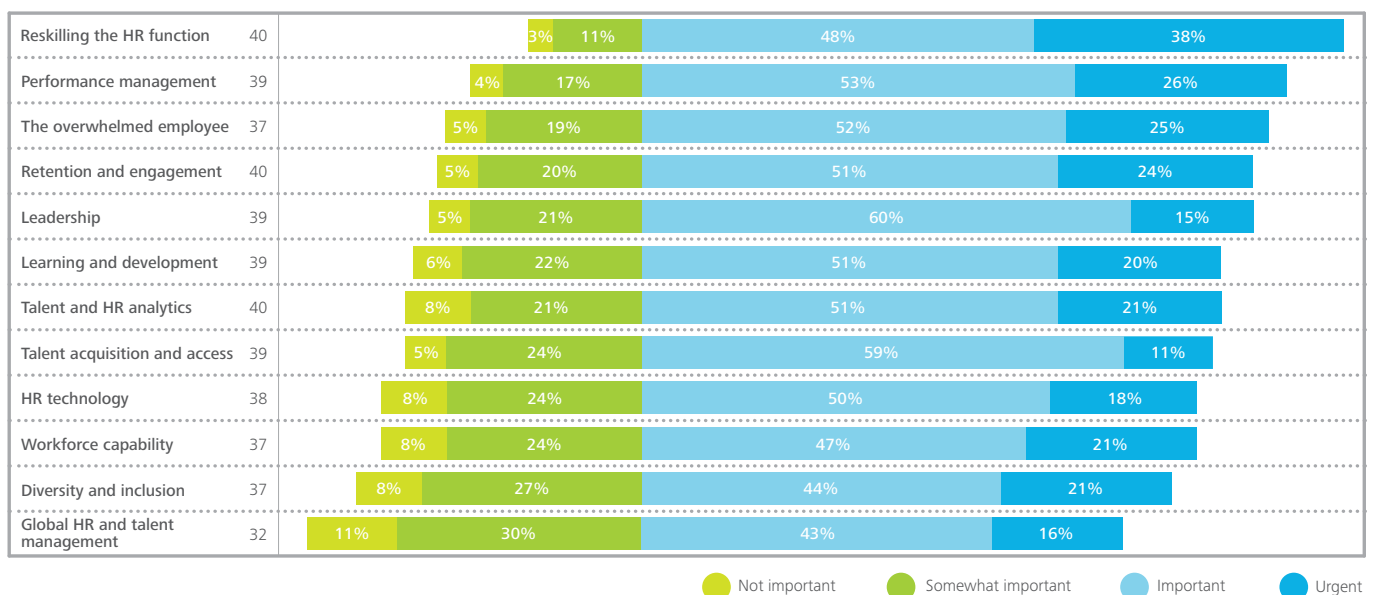
With a variety of trends and developments affecting Irish organisations, it can be challenging to determine where efforts should be focussed. *The Deloitte Human Capital Trends 2014* report draws on 15 years of research and a survey of 2,532 business and HR leaders, of whom 40 are Irish, to provide insight into the priorities (see figure 1) and preparedness (see figure 2) of organisations and HR and talent professionals.

The top 12 global business challenges in talent management, leadership and HR can be categorised into three key areas of strategic focus:

- **Lead and develop:** The need to broaden, deepen, and accelerate leadership development at all levels; build global workforce capabilities; re-energise corporate learning by putting employees in charge; and fix performance management
- **Attract and engage:** The need to develop innovative ways to attract, source, recruit and access talent; drive passion and engagement in the workforce; use diversity and inclusion as a business strategy; and find ways to help the overwhelmed employee deal with the flood of information and distractions in the workplace
- **Transform and reinvent:** The need to create a global HR platform that is robust and flexible enough to adapt to local needs; reskill HR teams; take advantage of cloud-based HR technology; and implement HR data analytics to achieve business goals

Our research indicates that in Ireland, organisations are most concerned about five issues: the overwhelmed employee, reskilling the HR function, leadership, performance management and retention and engagement (see figures 1 and 2).

Figure 1. Perceived urgency of 12 global trends for Ireland



Top trends in Ireland

While these five trends are of the most importance to Irish organisations, figure 2 illustrates that organisations are largely 'not ready' to address these issues. This is consistent with the results for EMEA and global, where there are significant gaps in capabilities (see Appendix for EMEA and global results).

In contrast, Irish organisations do feel that they have the ability to address learning and development and the shift in focus from traditional training to more personalised development. This is encouraging as 71% of respondents rated this area as important or urgent for Irish organisations.

Interestingly, Irish organisations consider diversity and inclusion and global and HR talent management less important than other trends (see figure 1). With the open talent economy and expansion of global markets, these two trends will become a significant challenge.² This suggests that Irish organisations may not be fully aware of the impact or significance that this will have on their business.

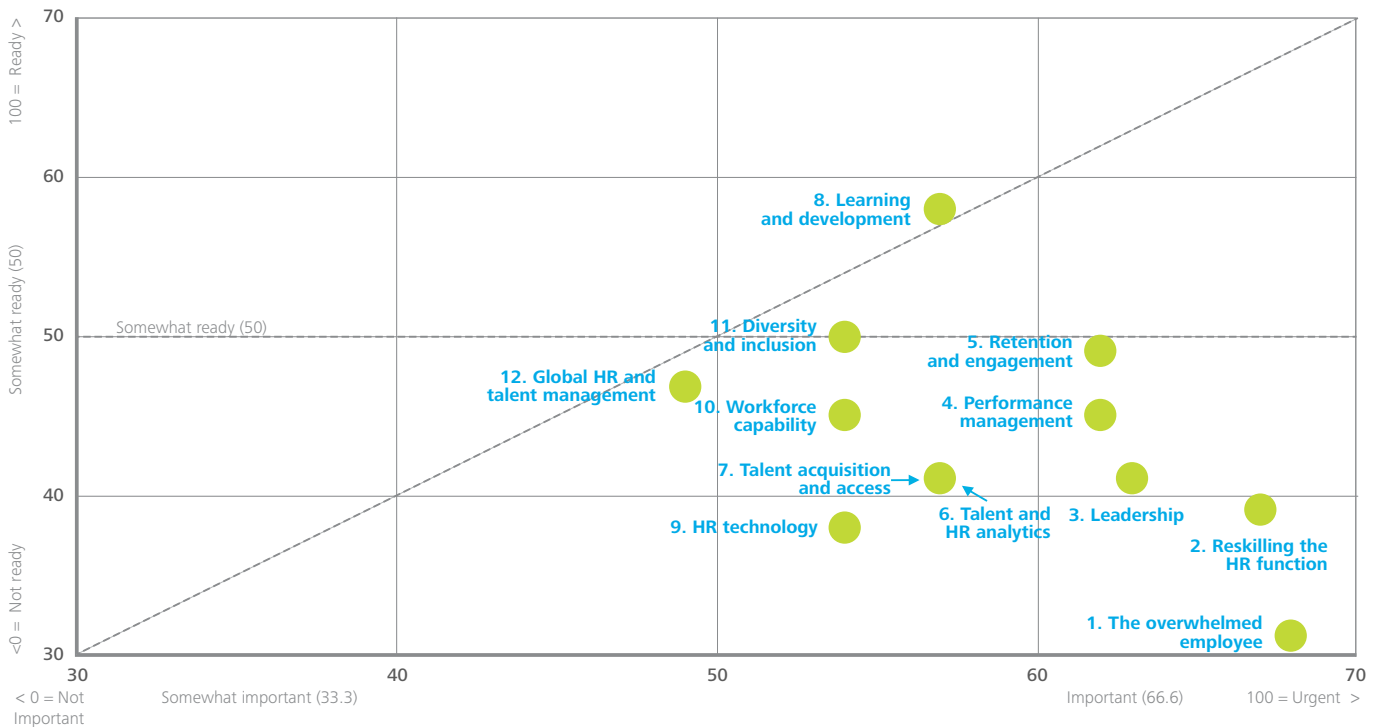
Top 5 Irish trends



1. Rescue the overwhelmed employee: Simplify the work environment to improve life and work

The overwhelmed employee is the most significant human capital challenge for Irish organisations. Although this topped the list for Ireland, this came in 9th place for EMEA and 10th place for global, signifying a strategic issue that is of particular importance for Ireland. Information overload and the 24/7 work environment are overwhelming employees. With everyone hyper-connected, employees have few opportunities to get away from devices and spend time thinking, with studies showing that people check their mobile devices up to 150 times a day.³ This is contributing to reduced productivity, decision making and lower levels of engagement. This is also the area where there is the biggest gap in capability and readiness. To develop this, Irish organisations need to look at ways to simplify the work environment by: publicising flexible work policies, making meetings productive and asking senior leaders to lead by example.

Figure 2. Irish trends mapped against urgency (horizontal) and organisational readiness (vertical) and rated in terms of urgency



The capability gap grid

By plotting the gaps on a grid (with readiness on the vertical and urgency on the horizontal), we can see how capability gaps vary among the different trends.

- Capability gaps at the lower right part of the grid are those of high urgency and low readiness (areas that warrant major increases in investment).
- Capability gaps at the upper right part of the grid are highly urgent, but companies feel more able to perform in these areas (they warrant investment but are lower priority than those at the bottom right).
- Capability gaps on the left side of the grid are areas of lesser importance, and those lower in the grid are areas of less readiness.



2. Reskill the HR team: Accelerate the development of HR professionals into skilled business consultants

The trend of the overwhelmed employee is closely followed by Reskilling the HR Function. This is a significant priority for Ireland, EMEA and global. With CEOs ranking talent as the second highest priority, there is increased pressure on HR to strategically partner with the business, drive innovation and deliver business impact.⁴ This is leading to a transformation of the HR skillset with business acumen, an in-depth understanding of the business and consulting skills fast becoming key requirements for modern HR professionals. However, the results suggest that HR teams are not there yet, requiring further development to meet the demands of both the business and 21st century workforce. Organisations now need to invest in the professional development of their HR teams, re-examine the business partnering model and develop centres of excellence across emerging business critical skills such as workforce planning and analytics.



3. Develop leaders at all levels: Close the gap between leadership hype and readiness

Leadership remains the No.1 talent issue facing organisations around the world (see Appendix). While this is identified as the third most important issue for Irish organisations, approximately 75% of Irish respondents rated this area as important or urgent (figure 1). With the evolution of the workplace and workforce, the ability to develop leaders at all levels remains an issue. There is a need to identify high potentials earlier, bring younger leaders on board faster, develop leaders who can successfully perform at a global level, and keep senior leaders relevant and engaged for longer. In order to do this, organisations need to make sustained investments in new and accelerated leadership models. While Irish organisations acknowledge that more could be done to meet this challenge, it is positive that the Irish readiness gap (see Appendix) is narrower than that of our global and EMEA counterparts. This suggests that Irish organisations may be progressing in their ability to address the challenges in leadership development. Notwithstanding this, a focus needs to be on developing leaders in the new high demand skills of: business acumen, collaboration, global cultural agility, creativity, customer centricity, influencing and inspiring, and building teams and talent.



4. Performance management is widely broken: Replace traditional evaluations with coaching and development

Performance management is the fourth trend rated important by Irish respondents. In comparison to Global and EMEA priorities, performance management is a key area of focus for Ireland. Traditional performance management, which is concerned with rankings and ratings, is becoming ineffective in today's modern workplace. With the shift to more specialist / knowledge-related jobs, increased emphasis on softer skills and capabilities, and a more dynamic working environment, the traditional annual review and ranking system is no longer advancing strategic business priorities. As a result, performance management can often be seen as a barrier to motivation and performance. With evaluation cycles and ranking no longer driving value, there is a shift towards a coaching and development model of performance management. In this model, evaluations and compensation are decoupled, with the goal of treating high performers well and encouraging mid-level employees to improve through coaching and development.



5. Move beyond retention: Build passion and purpose in the workforce

Organisations around the world, including Ireland, agree that retention and engagement is vital, with a need for redefining engagement to align to personal, corporate and social purposes to inspire passion and motivation. There is a requirement for refocussing engagement and retention from 'holding people here' to 'attracting and engaging' people through measures that build commitment, provide an engaging work environment, and a culture of development and growth. This is a particularly tempting goal because, unlike so many aspects of human experience, it is objectively measureable (e.g. engagement surveys, impact of engagement on retention rates). However the challenge is to link retention and engagement insights to business results. While Irish organisations recognise the need and importance of revisiting retention and engagement strategies, with this being one area that we feel somewhat ready to tackle, it may take some time before organisations are ready for this transformation. Building a work environment in which passion and purpose can flourish can be done through several new practices, including: building a diversity and inclusion process, focusing on the employer brand and talent experience, and building a proactive retention model.

HR and talent performance and investment

Irish HR and business leaders grade their HR and talent programmes a C for overall performance, indicating that there is room for further improvements.

When Irish respondents were asked to rate their organisation's HR and talent programmes on a scale of excellent to underperforming, 43% of respondents believed that their programmes were adequate (see figure 3). If we evaluate this using a traditional grade point scale with 'Excellent' being 4.0 or A, 'Good' being 3.0 or B, 'Adequate' being 2.0 or C, 'Getting by' being 1.0 or D, and 'Underperforming' being 0.0 or F, Irish organisations rated their HR and Talent programmes as a C grade.

While this is a slightly better rating than global and EMEA who received an overall C- grade, further improvements could be made.

This is of particular importance as Irish organisations are not fully ready to address the identified human capital challenges. While this is not intended as a criticism of HR, this finding illustrates the difficulties in building a world-class HR function and how far away Irish organisations and indeed all other HR communities are from this goal.

This result may be further driven by the investments made in HR. With investments remaining largely the same (see Figure 3), further development of the HR and Talent function and programmes may be challenging. Commitment is needed in order to transform HR into a strategic partner for the business through the development of HR skills and best in class programmes. Is an investment growth of +0.72% enough to deal with the human capital challenges facing Irish organisations?

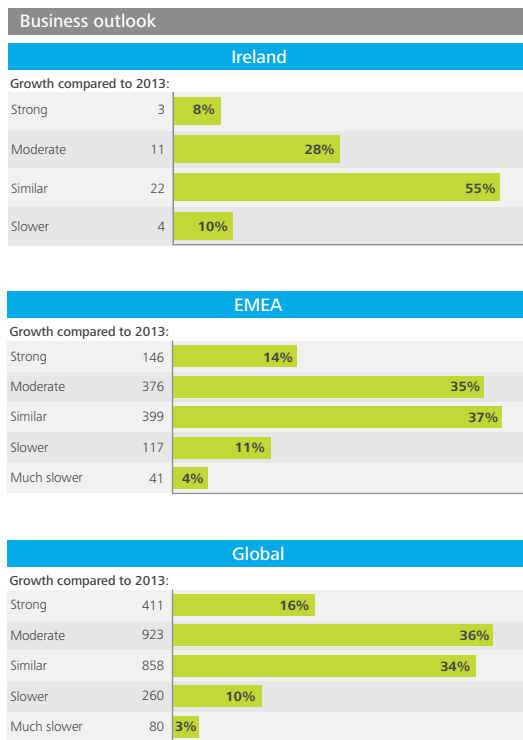
Figure 3. How would you rate the capabilities of your organisation's HR & talent programs?

What are your plans to invest in HR over the next 12-18 months?



Business outlook

Figure 4. What is your general outlook for business in 2014?



Irish organisations have modest growth expectations for 2014

Irish organisations are taking a pragmatic view of the outlook for business growth. In comparison with 2013, 28% of respondents expect moderate growth, and 55% anticipate similar growth in 2014. This is consistent with the Central Bank projections for slight growth in the Irish economy over the course of 2014.⁵ With only 10% of Irish respondents anticipating slower growth than 2013, this suggests that the economic turbulence of recent years appears to be fading, with the installation of an increasingly stable outlook for the Irish economy.

However, by comparison with global and EMEA counterparts, Irish organisation's expectations are less optimistic. Of the global respondents, 36% are expecting moderate growth, with 16% predicting strong growth. This indicates that Irish firms continue to operate within an economy with less growth potential than that of our foreign competitors. This will continue to pose a challenge to Irish organisations in their ability to compete and perform at a global level. It also has implications on the ability to compete for top talent in an ever growing 'open' talent economy.



Where do we go from here?

The Human Capital Trends 2014 survey strives to present critical insights for Irish business and HR leaders on both their HR and talent priorities and their readiness to deal with the future. Given evolving business needs and a changing global employee landscape, there is a complex set of urgent and important human capital challenges that require attention. At the top of the list are:

- The overwhelmed employee
- Re-skilling the HR function
- Leadership
- Performance management
- Retention and engagement

While the priorities and challenges are clear, the readiness of HR teams to respond is less certain. For the majority of trends, readiness scores lagged behind the trends perceived urgency. Perhaps HR is being tough on themselves in their ratings, however given the importance that business leaders are placing on the human capital and talent agenda, 2014 is a moment to both reflect on what else can be done, and to take action. Our findings outline an agenda that can guide business and HR leaders pivoting between the recession and future growth strategies.



Quick wins

Overwhelmed employee

- Roll out an employee survey to determine if employees are feeling overwhelmed and identify the ways in which to engage and support them
- Consider introducing new policies and initiatives that focus on supporting employees in achieving a balance between work and personal life
- Introduce an Employee Assistance Programme

Reskilling HR

- Conduct a skills gap analysis of the HR function which is linked to the HR strategy and business strategy
- Consider leveraging HR technology in order to reduce administrative load on HR, freeing up time to focus on strategic, business driven, value-add initiatives

Leadership

- Identify the leadership capabilities required to deliver the business strategy, taking into account the additional capabilities required for the future
- Determine what an individual with high potential looks like in your organisation

Performance management

- Up-skill managers on how to conduct quality conversations, providing toolkits to support coaching based performance management
- Review the performance management strategy and philosophy with senior executives to determine what your organisation hopes to achieve as a result of performance management activities

Retention and engagement

- Review exit surveys and conduct manager interviews to understand the reasons behind people leaving the organisation
- Develop a retention policy that looks beyond remuneration and takes into account the factors that contribute to engagement (e.g. development, meaningful work etc.)
- Identify your critical workforce segments and develop retention initiatives that specifically target these groups of employees

Endnotes

1. **Deloitte Millennial Survey,**

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3. **Victoria Woollaston, "How often do you check your phone? The average person does it 110 times a DAY (and up to every 6 seconds in the evening)," Mail Online, October 8, 2013,**

<http://www.dailymail.co.uk/sciencetech/article-2449632/Howcheck-phone-The-average-person-does-110-times-DAY-6-seconds-evening.html>



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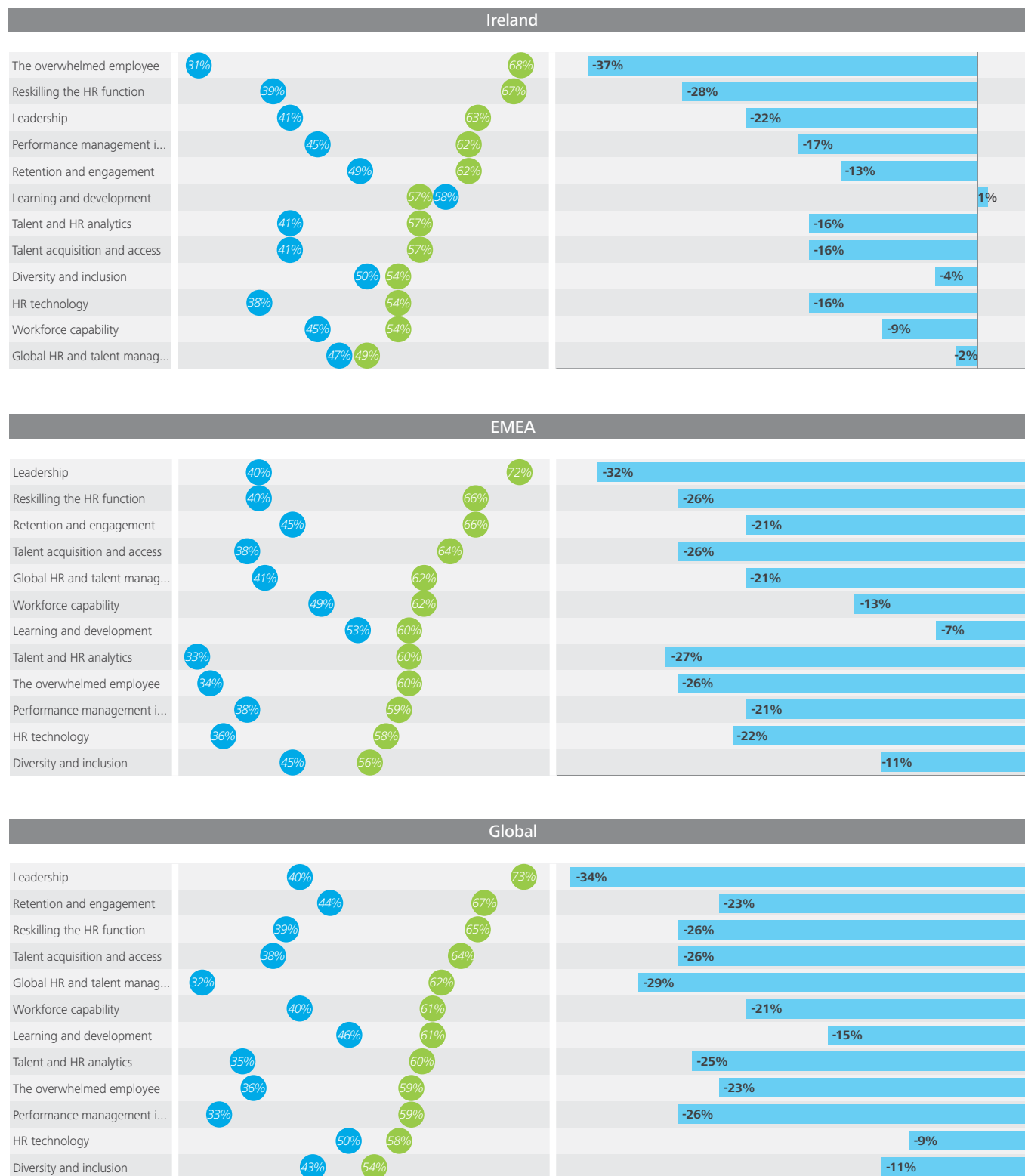
5. **Ciara Kenny, Central Bank predicts 2.1% growth in economy in 2014,**

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Appendix

Figure 2. Top trends by importance and readiness gap



- Readiness index (Ready – 100; Somewhat ready – 50; Not ready – 0)
- Importance index (Urgent – 100; Important – 66.6; Somewhat important – 33.3; Not important – 0)

■ Deloitte Human Capital capability gap (Research-based index that shows HR's relative capability gap in addressing a given talent or HR-related problem. Calculated by the difference between the weighted average for importance and readiness)

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