Deloitte Human Capital Trends 2016

Idea In Short

Redesign your organization around networks of teams, not rigid functional hierarchies. That is the central message of Deloitte's 2016 Global Human Capital Trends report. Ninety-two percent of leaders say they need to fundamentally change how people are organized, yet most are not ready. Start with culture, leadership and analytics.

A Manifesto on the Changing Workplace

Deloitte's 2016 Global Human Capital Trends report is a 124-page manifesto of organized thinking on how the workplace is changing. It explores what employees want and why the old way of thinking about human resources no longer works. The survey is rigorous, featuring interviews and surveys of more than 3,300 business and HR leaders in 106 countries. The subtitle of the report is Different by Design, noting that 92 percent of leaders felt a need to fundamentally change the way people are organized and engaged 1.

The report identifies ten major trends grouped into a few buckets. These include new mission and purpose, new workplace, new HR, new leadership and careers, and new organization. Even without reading the full report, those who work in the corporate world can likely estimate the content. The trends overlap and reinforce each other.

The Rise of Teams Over Hierarchies

Deloitte notes that traditional functional structures and silos are slowly melting away and yielding to networked teams. These teams are more agile, customer-focused and flexible. It is the on-demand economy applied to human resources. Why maintain build-to-stock inventory of human capital when you can mass-customize teams?

Consultants are used to this model. Fundamentally, consulting firms mix and match people for projects depending on skills, geography, experience and staffing leverage. Now companies are moving away from traditional functional structures. Only 38 percent of all companies and 24 percent of large companies with more than 50,000 employees are functionally organized today 2.

This sounds great in theory, but it is difficult to execute. The new mode of organization, a network of teams with high empowerment, strong communication and rapid information flow, is sweeping businesses and governments worldwide. It is built on several fundamental principles. Teams are led by experts who are coach-players, not professional managers. Teams craft their own goals and decisions, moving away from top-down management by objectives. Organizations do not accept silos of data and religiously break down data walls. People move to bigger opportunities and teams grow or shrink as needed.

Leadership Remains the Biggest Gap

Leadership provides the biggest return on investment for any company. A good leader makes a measurable difference. Last year before the report, corporations invested $31 billion on leadership programs. Yet the survey results were striking. Only 7 percent of companies said they were excellent at building Millennial leaders. Only 13 percent reported being excellent at building global leaders. Only 14 percent described themselves as strong at succession planning.

We have all attended leadership training where you walk away feeling good but without the tools, relationships and accountability to make a difference. Deloitte notes that much training is not backed by evidence, science or principle. The span of control for U.S. companies continues to increase, meaning each manager has more direct reports to coach, recruit, retain and promote. The gap between leadership spending and leadership capability is a persistent problem.

Culture and Engagement Treated Separately

Interestingly, Deloitte separates these two concepts. Culture is the way things work around here. Engagement is the way people feel about how things work around here. It is a key distinction. Employees are now like customers, with specific needs, wants and aspirations. It takes more than a paycheck to keep people happy.

Culture trumps strategy. It involves leadership and nonstop communication, demonstration and reinforcement. It is just like parenting. You cannot delegate culture to a poster on the wall. You have to live it, model it and reward it every day. Engagement is the emotional response to that culture, and it requires listening, measurement and continuous attention rather than an annual survey.

Corporate Learning Transformed

Corporate learning has become more technology-enabled, customized, self-curated and continuous. It is more than just video-recorded boring training online. It involves education, exposure, experience and a supporting environment. With the rise of massive open online courses, learning has become democratized and mass-customized.

There is no excuse for not learning. If you want to learn and get better, the tools are available. The challenge is motivation and application. Learning must connect to real work, and organizations must create environments where new skills are reinforced and rewarded rather than abandoned after the workshop ends.

HR as the Experience Architect

Deloitte argues that human resources needs to evolve from a process-centric function to a set of design thinkers who reduce complexity and improve the employee experience. The traditional HR role of recruiting, onboarding, ensuring compliance, processing paychecks and mitigating risk is no longer sufficient. HR must rethink the employee journey the way a product team rethinks the customer journey.

This part is a bit of a stretch in practice. Not many people have met HR teams that truly operate this way. The head of HR role is critically important. Jack Welch advocated that the chief human resources officer was as important as the chief financial officer. Yet HR often does not have the influence, allegiance or leadership to shake things up 3. Elevating HR requires both CEO sponsorship and a new breed of HR leader who thinks like a business partner.

HR Data and Analytics Desperately Needed

Perhaps one way that HR can re-establish itself as a thought leader, business adviser and change agent is through better data. Too often, HR just processes transactions. There is not enough thinking. Laszlo Bock caused a stir when he wrote about his nine years as the senior vice president of People Operations at Google in his book Work Rules. He brought data-driven rigor to people decisions and challenged conventional wisdom about hiring, retention and performance management.

Analytics gives HR the credibility to sit at the strategy table. Without data, HR remains an administrative function. With data, HR can predict outcomes, diagnose problems and prescribe actions that create value. The 2016 report showed a major leap forward in people analytics capabilities, with 77 percent of organizations believing it was important.

The Workforce On Demand

Deloitte points out that as many as 30 to 40 percent of all U.S. workers are contingent. This trend will likely continue as companies put a premium on speed, agility and flexibility. The world is flat, and the global workforce can be mixed, matched and assembled like a symphony of free agents. This makes HR's job harder and yet more strategic.

Managing a blended workforce of full-time employees, contractors, freelancers and gig workers requires new tools, new policies and a new mindset. The traditional employer-employee relationship is no longer the default. Organizations that figure out how to engage and retain talent across this spectrum will gain a durable advantage.

- 1Global Human Capital Trends 2016, Deloitte
- 2Organizational Models: A Network of Teams, Deloitte Insights
- 3People Before Strategy: A New Role for the CHRO, Harvard Business Review

Summary

The 2016 Deloitte report argues that the old functional hierarchy is melting. Networks of teams, culture, engaged employees, better leadership and data-driven HR are the new priorities. Human resources must evolve from process administrator to experience architect. The CHRO should sit beside the CFO.