Predictions for 2014

Building A Strong Talent Pipeline for The Global Economic Recovery

—Time for Innovative and Integrated Talent and HR Strategies

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Introduction

2014 looks to be a year of global economic transition and recovery. While this creates new opportunities for businesses, it creates a new set of challenges for HR. During times of growth, we should focus on:

- Sourcing, recruiting, and competing for talent

- Building global leadership

- Reengaging the workforce we have.

Since 2008 organizations have been focused on restructuring and transformation—in 2014, we expect to see a new and accelerated focus on growth.

As your business grows, so does your competitor's, creating accelerating competition for people. Already companies are finding it hard to recruit in:

- Technical disciplines, such as computer science, energy engineering, analytics, and mobile technology

- Functional areas, like sales, service, and customer support

- Manufacturing, operations, and IT[1]

Back in 1997, McKinsey coined the phrase, "war for talent[2]." Today, one could argue that the war is over and "the talent won." While unemployment remains high among many groups, highly skilled workers are in great demand, making it critical for organizations to become a "talent magnet" and creating a steady pipeline of top people.

This attraction should reach both outward and inward. Externally, organizations need to focus on building and communicating a strong and relevant employment brand, and treating every employee as a brand ambassador. Internally, we must continuously engage our people by:

> **KEY POINT**
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> In 2014, we expect to see a new and accelerated focus on growth.

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[1]   Microsoft research indicates that, between 2010 and 2020, there will be 122,000 job openings that require a bachelor of science degree in computer science and only 56,000 computer science graduates. Source: "High School Notes [blog]: High Schools Not Meeting STEM Demand," usnews.com / Kelsey Sheehy, October 1, 2012, http://www.usnews.com/education/blogs/high-school-notes/2012/10/01/high-schools-not-meeting-stem-demand.

[2]   Source: http://en.wikipedia.org/wiki/The_war_for_talent.

- Creating a meaningful, exciting, and flexible work environment

- Giving people lateral and vertical career opportunities

- Making sure that management is focused on coaching and development, not just performance

Leadership will be a big challenge in 2014. Executives are struggling with leadership gaps at all levels—from first-line supervision through top leadership (more than 60 percent of all companies cite "leadership gaps" as their top business challenge[3]). This year, baby boomers will begin to retire in large volumes; one oil company told me that they expect to lose 30 percent of their workforce in the next three years.

The leadership challenge looks even tougher in Asia and other fast-growing economies. These countries have younger and lesser educated workforces, creating a highly competitive labor market for skilled people. In most major cities in China, for example, the labor market is so competitive that top performers are changing jobs every nine to 12 months.[4] Eighty-three percent of Asian businesses see labor-market competition putting an *"… upward pressure on wages, creating the need to enhance their brand.*[5]*"* In mature economies like the U.S. and Western Europe, this problem translates into retention challenges as the job market recovers (engagement and retention are now the number two-rated issue, second only to leadership gaps).

In 2014, the problem we face is not a shortage of people—it is a shortage of key skills. McKinsey's research projects a shortage of 30 to 40 million college-educated workers by 2020, projecting future unemployment gaps in India and China where educational opportunities are limited.[6] This research shows that workers with college degrees will likely make three times the salary of non-degreed professionals over the next 10 years. Where are the key areas of shortage? Computer science, life science,

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[3]   This information is based on our current research on the topic of human capital trends, the report for which is due to be published Q1'2014.

[4]   Source: *Fuelling the Asian growth engine: Talent strategies, challenges, and trends, Deloitte and the Human Capital Leadership Institute*, December 2012, http://www2. deloitte.com/global/en/pages/human-capital/articles/fuelling-asian-growth-engine.html.

[5]   Ibid.

[6]   Source: The world at work: Jobs pay, and skills for 3.5 billion people, McKinsey & Company / Richard Dobbs, Anu Madgavkar, Dominic Barton, Eric Labaye, James Manyika, Charles Roxburgh, Susan Lund and Siddarth Madhav, June 2012, http://www.mckinsey. com/insights/employment_and_growth/the_world_at_work.

mathematics, physical sciences, and engineering needs are all growing at above-average rates.[7]

Education alone cannot solve the problem—our global educational infrastructure is not keeping up. While people around the world want top-branded college degrees, most cannot afford it. Even as new online education models begin to emerge,[8] today more than two-thirds of those who seek to obtain higher education cannot afford it. Massive open online courses[9] (MOOCs) may start to fill this gap, but their ability to create certified skills is far from proven.

Adding to these challenges, companies tell us that they need to reengage their current workforces. Gallup believes that only 20 percent of U.S. workers are "happy."[10] As the economy picks up and countries like the U.S. enhance their healthcare systems, people will start changing jobs. Social recruiting tools (like LinkedIn, Twitter, Glassdoor, and Facebook) make it amazingly easy to find new opportunities, so companies have to shift their focus toward retention this year.

Our research on employee engagement and retention over the years shows a variety of important factors contribute to retention:

- Managerial excellence

- Recognition and rewards

- Career opportunities

- A flexible work environment

- Great online tools

- Corporate mission or purpose

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[7] Source: Bureau of Labor Statistics, Fall 2012, http://www.bls.gov/.

[8] For more information, *The Impact of the MOOC Market on Corporate Training*, Bersin by Deloitte / Josh Bersin, September 11, 2013. Available to research members at www.bersin.com/library.

[9] Ibid.

[10] Source: "U.S. Satisfaction Back Up to 20%: Remains one of lowest readings in last two years," gallup.com / Jeffrey M. Jones, November 19, 2013, http://www.gallup.com/poll/165932/satisfaction-back.aspx.

As the well-researched books, *Conscious Capitalism*[11] and *Firms of Endearment*[12], point out, companies which "endear" are those that "endure." If you are not an "endearing" organization, you are likely to lose people this year.

I recently visited with executives at a global pharmaceutical company; they described their challenge as a vexing puzzle. The company's workforce is aging, so they need to hire young people; their deepest skills reside with their senior talent and these people are now ready to retire. The employment brand is somewhat dated; the company lacks diversity, making it hard to attract Millennials. The major drug pipeline is coming off patent, so the company has to cut costs, restructure, and reinvigorate innovation at the same time. These are a set of challenging issues, none of which can be solved by any single HR program alone. How should they respond?

The Emergence of the "Corporate Talent System"

> **🔑 KEY POINT**
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> In 2014, we need to think of all of the elements of talent management as one integrated "system"—each working together, but fitting into a total employee environment.

Facing these challenges in 2014, we have to evolve our concept of "integrated talent management." No longer is this a set of carefully crafted HR programs developed by HR centers of excellence. In 2014, we need to think of all of the elements of talent management as one integrated "system"—each working together, but fitting into a total employee environment. No one HR program stands alone; we need to stitch these elements together to address a variety of talent challenges.

Can "performance management" improve performance and retention? Not alone—it is only one piece of the "talent system" that works together with coaching, career development, training, development planning, feedback, recognition, HiPo assessment, and everything else. In 2014, we should beyond considering each talent program as a solution in itself; it is the "system" that solves talent problems.

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[11]   Source: *Conscious Capitalism: Liberating the Heroic Spirit of Business*, John Mackey and Rajendra Sisodia / Harvard Business Review Press, 2013, http://www.amazon.com/Conscious-Capitalism-Liberating-Heroic-Business/dp/1422144208.

[12]   Source: *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose*, Rajendra Sisodia, David B. Wolfe, and Jagdish N. Sheth / Pearson Prentice Hall, 2007, http://www.amazon.com/Firms-Endearment-World-Class-Companies-Passion/dp/0131873725.

Over the last 10 years, HR professionals have been trying to build *integrated* talent management solutions—programs to integrate recruiting, internal mobility, leadership development, performance management, and succession planning. Our Talent Management Framework (see Figure 1), which was first published in 2006 and revised in 2010, shows how these pieces fit together.

Figure 1: Bersin by Deloitte Talent Management Framework

Source: *Bersin & Associates, 2011.*

While many companies are still working hard to build and integrate these programs, today we see a new opportunity emerge—the need to shift from "integration" to "optimization," driving *new practices* in almost every part of HR. These new programs *no longer stand alone*; they fit together into an integrated system—and HR organizations need to learn how to apply them to your business challenges in a highly customized way.

Figure 2: The Corporate Talent System

Job Networks

LinkedIn

Glassdoor

**Attracting &
Acquiring Talent**

Employment Brand

External Brand

College Recruiting

Talent Networks

Diversity & Inclusion

**Managing &
Developing Talent**

Performance
Management

Rewards

HiPo Assessment

Goal-Setting

Management
Development

Career Management

Academia

Leadership
Development

Assessments

MOOCs, Content Providers

Mission & Values

Work-Life Balance

L&D

Recognition

Coaching

Mobile Jobsites

Work Environment

Engagement

Certification

Segmentation

Analytics

**Understanding &
Planning Talent**

Social Sourcing

Candidate Marketing

Alumni Programs

Retention Management

Professional Career
Management

Technical Career
Management

Workforce Planning

Reputation

Brand

Partners

**Extending
Talent**

Contract Labor

Talent Networks

Career
Lattice

Supply Chain Talent

Suppliers

Partners

Data Providers

Source: *Bersin by Deloitte, 2013.*

Consider Figure 2. What we are showing is a wide variety of traditional HR programs, all working together in an interleaved "system" that helps you to grow your company. What we see happening in 2014 is not just a reorganization or focus on talent management as an integrated team within HR but, rather, a set of integrated and tailored practices—each of which fit together into a solution that your company needs.

This new approach demands a far more consultative approach to HR, one that we have been studying in our High-Impact HR research.

Let me cite a few examples in the following cases in point and then we discuss the specific predictions for the year ahead.

Case in Point: Recruiting Key Technical Skills

I recently visited one of the largest North American utilities that operates two large nuclear power plants. The HR team was told by line executives that they could not attract new engineers and operations personnel. The solution proposed by line leadership was to raise compensation in these positions by 25 percent to 30 percent.

The HR team assembled a swat team of consulting business partners who investigated the problem. After several months of study, the team concluded that the problem was not one of compensation; rather, the fact was that this company had virtually *no employment brand among engineers and senior technical talent in the geography of these two plants*. While people had heard of the utility, they had no idea that this was a place at which to work for scientists and technical operations experts.

Rather than throw money at the problem, the team spent several months rebuilding the brand from end to end (this topic is discussed in one of our predictions that follows) and soon saw a pool of attractive candidates appear. The key learning here was that only by looking at the problem *systemically* could HR solve this problem. ✎

Case in Point: Transforming a Product Company into a Solutions Business

Another company I recently visited is a global company that manufactures and sells telecommunications equipment around the world. Because of high competition in the product markets, this company has shifted its engineering, marketing, sales, and service toward the delivery of integrated communications and messaging systems for governments, security agencies, and businesses in all major markets. Its tenured workforce (the average age is in the late 40s) loves the company, but was raised

to sell products, not integrated or vertical solutions. How does the company change this culture?

After months of discussion and research, the HR team members realized that they needed a wide variety of changes. Not only do they require a whole new set of training and development programs for sales and service personnel, but they also need:

- An updated leadership development program

- A new model for sourcing and recruiting

- An entirely new model for performance management

- A major change in the compensation strategy

This particular company decided to throw away its traditional ratings-based appraisal process, partly as a tool to help to drive coaching, development, and business transformation.

Now, several years into its transformation, the company has become a growth player and its stock is trading at all-time highs. This would not have been possible with any single HR program; rather, it was a whole set of innovative changes that were needed to make this transformation occur. ✎

Over and over, we talk with companies that need to change the way in which they hire, develop, manage, or incent people—forcing a total rethinking of not one but many HR practices. This is the theme for 2014:

- Rethink your talent practices in a systemic and integrated way

- Train your HR team to act as consultants

- Move boldly into the year as a partner to help your company to grow

Our 2014 Predictions and Trend Series

Each year for the last 10 years, we have published these Predictions reports—and, each year, you tell us that you appreciate the perspectives and look forward.

This year, we plan to do more. In addition to this report, in Q1'2014, Deloitte Consulting and Bersin by Deloitte will launch our Global 2014 Human Capital Trends research and reports. This research program is one of the largest-ever studies of global talent and HR challenges and capabilities. In this report, we:

- Look at the major trends that are driving HR and talent management in the coming year

- Help you to understand readiness versus priority

- Give you our perspectives on your priorities ahead

This report will have an accompanying *Imperatives* report that will be available to Bersin by Deloitte members.

Figure 3: The Bersin by Deloitte Trends and Predictions Series

Predictions for 2014

A view forward, perspectives, and important trends to consider

(No charge)

2014 Global Human Capital Trends

A detailed look at global HR challenges and capabilities in businesses around the world

(No charge)

Bersin by Deloitte Imperatives for 2014

Detailed solutions we recommend for the coming year, based on the 2014 Global Human Capital Trends

(Bersin by Deloitte members only)

Source: *Bersin by Deloitte, 2013.*

Our goal is to not only give you a look ahead into the future, but to also give you a detailed assessment of HR and human capital issues around the world—helping you to assess your current capabilities, and to design powerful strategies for 2014 and the years ahead.

Now on to our predictions for 2014.

Predictions for 2014

1. Talent, Skills, and Capability Needs Become Global

The first topic we discuss is the global competition for talent. We all remember the articles about the war for talent during the early 2000s and the last economic cycle. Well, it is back—but in a whole new form.

Today, more than 60 percent of all companies we survey cite "capability gaps" as one of their top talent challenges; CEOs now rate "human capital shortages" as the number one item on their priority lists for the coming year.[13] Let us discuss why this challenge is so important.

The War for Global Capabilities

Businesses are in a war for capabilities. Every industry we study is undergoing rapid technological, demographic, or regulatory change— driving a need for new technical and professional skills. As the economy recovers, these challenges become more acute.

Let us look at this issue by industry. Energy companies are focused on fracking, wind energy, and deep sand. Auto manufacturers are now developing electric vehicles and hybrid technologies, coupled with massive amounts of software to create autonomous driving features. Healthcare companies are reorganizing their teams to focus on data-driven outcomes forced by changes in regulation. Financial services firms are reinventing themselves to focus on more sustainable businesses, regulation, and new growth markets. Manufacturers of all types are redefining products with software, moving into service businesses, and redesigning products to use mobile devices and apps. (In fact, our research shows that software engineers, who now play a role in nearly every business, are in short supply in every industry.[14])

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13   Source: http://www.conference-board.org/.

14   Source: "The Software Economy: Why Software Jobs Are Taking over," Forbes.com / Josh Bersin. August 5, 2013, http://www.forbes.com/sites/joshbersin/2013/08/05/the-software-economy-why-software-jobs-are-taking-over/.

The challenge goes beyond finding and building skills—it is now a war for deep specialization. Businesses usually win when they have deeper specialization and deeper skills than their competitors. Apple and Samsung are competing on engineering and innovation, not only on marketing. Amazon.com outperforms retailers (and web service companies) because it simply understands technology better and executes faster. Macy's and Zappos outperform their retail competitors because they know their customers better and deliver better customer service. Google leads its market because it out-engineers its competition.

Year after year, we find companies which outperform their competitors because they have deeper skills, a stronger learning culture, and a deep investment in leadership. These winning companies continuously invest in their team's skills (e.g., technical, professional, and leadership)—and they do not slow down during recessions. This "continuous capability development" approach makes them more innovative, responsive, and agile as their markets change. By the way, people are usually more engaged and loyal at these companies, because these companies invest in them.[15]

The Integrated, Mobile, Globalized Talent Market

In many ways, this is nothing new—competition for skills has been with us for decades. But it used to be local; one company hired a specialist away from another within a local market or geography. Today, thanks to the Internet, this enormously complex market for skills has become globally integrated. Any company of any size can now open a software lab in Eastern Europe or Canada, where labor rates are lower and technical skills are high. So, in 2014, we can and should source and recruit talent *where* we think skills will be deepest and *where* we can best compete for people.

I recently met with the CEO of a fast-growing startup in San Francisco. His competitors tell me that they simply cannot find software engineers no matter how hard they search. This CEO, however, is Polish and is well-known in his home country because of his entrepreneurial experience. He opened up a Polish software team and tells me he has no problem hiring

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[15]   Organizations with strong development planning have 35 percent lower turnover rates. For more information, *High-Impact Talent Management: Trends, Best Practices and Industry Solutions*, Bersin & Associates / Josh Bersin, May 2007. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/hitm.

top engineers in the area. What does that lesson tell you about your own centers of expertise?

We now live in a world in which people and employers regularly move from place to place. Software companies readily relocate work to talent; many have moved their engineering centers to Canada, Eastern Europe, New York City, California, or India to tap into top talent markets.[16] While this seems like a competitive advantage, it also represents a threat—while your company may look for engineers in these locations, so will your competitors. You have to understand how to build a strong *local* employment brand, a *locally* relevant work environment, and a value proposition which works in that market.

Our research on talent needs in China and Malaysia, for example, shows intense competition for a relatively small number of young, talented individuals. Salaries in these countries are rising by more than 10 percent per year,[17] and companies have to build a local employment brand that is relevant, valued, and authentic.

How can an organization optimize its talent acquisition around the world in some integrated way? It is difficult; fewer than 15 percent of our research members feel that they have a globalized "localized" recruiting process.[18] In 2014, you must look at your global talent practices in unique ways; each country may need a different set of practices, slightly different approaches, and local optimization.

This problem—that of "local optimization with global coordination"—is the core of our new High-Impact HR research.[19] It tells us that we must localize and train our HR teams in these countries, yet connect them to the corporate centers of excellence and to each other to share platforms, standards, frameworks, and tools.

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[16]   In 2013, New York City invested more than $100 million in its local software industry by partnering with Cornell University to create one of these hubs. Cities have to create "magnets" for technical skills, otherwise the job market moves away.

[17]   Source: *Fuelling the Asian growth engine: Talent strategies, challenges, and trends*, Deloitte and the Human Capital Leadership Institute, December 2012.

[18]   This information is based on our current research on the topic of high-impact talent acquisition, the report for which is due to be published H1'2014.

[19]   This information is based on our current research on the topic of high-impact HR, the series of reports for which is due to be published in 2014.

2. Integrated Capability Development Replaces Learning

PREDICTIONS

It takes years to develop leaders and functional experts. In 2014, we must focus on building a "global supply chain" for capabilities— spot gaps before they appear and develop people over time to deepen their skills where needed.

One of the biggest challenges facing companies is a shortage of up-to-date, technical and professional skills. Electric cars, new sources of energy, software-driven products and services, changes in the regulatory landscape, the explosion of mobile computing applications, Big Data and the Internet of things[20], and a shift toward service-based offerings all require new skills. Companies (like Motorola Solutions, Adobe, IBM, and Xerox) have made large investments for training their teams to evolve from product sellers to solution and industry experts. Other companies (like Ericsson, EMC, Lockheed Martin, and Cisco) have transformed their engineering teams to focus on new products in consumer electronics, Big Data, telecommunications, and cyber-security.

The pace of technology change accelerates each year, creating even more demand for highly educated people. Research shows[21] that 30 percent of all new jobs in the next 10 years will require a college degree—distancing the earnings potential of college grads from those without a college education. Will businesses wait for these gaps to be filled? Not likely—they tell us that they need stronger technical capabilities, and are investing heavily in deep specialization programs, technical training, apprenticeships[22], and partnerships with universities.

Learning as a Supply Chain Problem: Capability Development Not Training

How do we address this challenge? Our research shows that most companies cannot possibly address these issues by focusing solely on short-term training—the problem is one of building a "supply chain of skills."

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20   Source: http://en.wikipedia.org/wiki/Internet_of_Things.

21   Source: *The world at work: Jobs, pay, and skills for 3.5 billion people*, McKinsey & Company / Richard Dobbs, Anu Madgavkar, Dominic Barton, Eric Labaye, James Manyika, Charles Roxburgh, Susan Lund and Siddarth Madhav, June 2012, http://www.mckinsey.com/insights/employment_and_growth/the_world_at_work.

22   Source: "Recasting high school, German firms transplant apprentice model to U.S.," washingtonpost.com / Howard Schneider, November 27, 2013, http://www.washingtonpost.com/business/economy/recasting-high-school-german-firms-transplant-apprentice-model-to-us/2013/11/27/6b242be8-4e42-11e3-ac54-aa84301ced81_story.html.

Technical, managerial, and professional skills gaps take years to fill. An oil company recently told us that it takes five to seven years for a senior geophysicist to enter its organization and become fully productive. This is not only because they need to develop skills in geoscience, they also need to absorb and learn years of institutional proprietary knowledge (e.g., processes, procedures, methods, systems) unique to this company.

What this means is that, in order for learning and development (L&D) to add long-term value, the team has to look at capability gaps today and into the future—and build a pipeline of "known gaps in the future" to build a skills supply chain now.

Case in Point: Capability Development

We recently talked with the chief talent officer of a fast-growing media and telecommunications company. She told us that, in her prior job as CLO, she looked at call-center technical training, systems training, and customer service training as keys to her success.

Once she took over the talent management role, she immediately saw tremendous gaps in supervisory skills, as well as the need for a faster career path from supervisor to director and senior director. Skills gaps in these supervisory roles were causing high turnover, low customer service, and poor quality.

This new insight led her to a whole new focus on "capability development" and not just training—creating a new set of programs focused on all levels in the organization. She still focuses on unique training programs for call-center agents, but now this is done in the context of a multiyear development cycle that builds supervisors, agents, technical specialists, and regional managers. ✍

In 2014, your company will likely be unable to hire into these gaps, so we challenge you to rename your "L&D department" to the "capability development organization"—and start to look at skills development as a multiyear, continuous program that brings content, programs, and management practices together. This means you have to be good at tactical training, as well as long-term skills assessment and planning.

Rationalizing L&D Spending

Fueled by the gaps in capabilities at all levels, corporate L&D spending grew by more than 11 percent last year to more than $130 billion worldwide[23]—despite the recession. But is this money being used effectively? Is it building the capabilities that our organizations need?

Not nearly well enough. Our research[24] and conversations with clients show a surprising lack of discipline and structure within the training function. Only 49 percent of organizations have a senior leader running the training function[25] (66 percent of "high-impact"organizations do) and fewer than 45 percent have a written business plan for learning. We find that many companies do not really know where all of their L&D money is going—and they need to rationalize and improve the effectiveness of this critical investment.

Case in Point: L&D Spending

We recently talked with three global organizations to help them to rationalize and better align their L&D spending.

One, The Bank of New York Mellon, discovered that it had more than 9,000 courses in its global training catalog and fewer than 10 percent of those were being used.

These companies had dozens of contracts with vendors (many duplicative), hundreds of training staff members not accounted for, and millions of dollars of L&D spending that was later considered to be waste.

This problem is common in many large organizations. L&D programs naturally gravitate outward to the point of need, creating duplication and a lack of integrated learning architecture. ✐

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23   This information is based on our current research on the topic of benchmarking learning organizations, the report for which is due to be published Q2'2014.

24   This information is based on our current research on the topic of high-impact learning organizations, the reports for which are due to be published throughout 2014.

25   For more information, *Leadership of the High-Impact Learning Organization*, Bersin & Associates / Janet Clarey, David Mallon and Mark Vickers, August 2012. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/hilo.

How do you create an integrated, efficient, and effective capability development strategy throughout your company? It is not easy. Our High-Impact Learning Organization Maturity Model (see Figure 4) shows how organizations evolve from incidental, local training toward a professionally developed, integrated strategy—and from there to a more "embedded learning" model in which learning is owned by the business.[26]

Figure 4: The High-Impact Learning Organization Maturity Model

Level 4: Organizational Capability Development
Focus on organizational capability | Highly aligned with business executives | Broad range of tools and capabilities | L&D function may be smaller but very agile | Highly focused on continuous and informal learning | Understand audiences in detail

Level 3: Talent and Performance Improvement
Focus on talent and organizational performance | Masters of performance consulting | Recognize importance of management's role in development | Can do more than "deliver training" | Recognition of the role of learning culture | Integration with talent management | Measures performance results

Level 2: Training and Development Excellence
Focus on training excellence – centralized L&D team or corporate university | Focus on governance and operations | Focus on instructional design | A support function | May have a CLO or vice president | Traditional measurement models | Some clear roles | Evolving standards for content and delivery | e-Learning as a "delivery type" | Mixed alignment with business

Level 1: Incidental Training
Focus on "making work more productive" | No central L&D organization | Training on the job | Few or no L&D professionals | Many reactive or tactical solutions in place | Lack of standards | Driven by local subject-matter experts | Some formal training, but lots of training activities

Source: *Bersin & Associates, 2009.*

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26   For more information, *The High-Impact Learning Organization Maturity Model*®, Bersin & Associates / David Mallon, Janet Clarey and Mark Vickers, August 2012. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/hilo.

Without some form of "corporate university" or corporate learning leadership, L&D programs can become inconsistent, hard to find, and often innovative but not fully useful. In 2014, as talent becomes more competitive and skills become harder to find, it is critical for organizations to rationalize L&D. Specifically, organizations should:

- Assign a leader who owns and runs L&D across the enterprise

- Consolidate the L&D budget, so that you know where money is being spent and on what

- Rationalize vendors, tools, and off-the-shelf programs

- Implement an integrated learning platform and LMS

- Develop and implement a learning architecture[27]

Move Beyond Informal Learning to a Focus on Continuous Learning

> **KEY POINT**
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> A "continuous learning model" is one in which people receive some amount of formal training, coupled with a significant amount of coaching, support by experts, developmental assignments, development planning, and management support.

If you believe in skills specialization, then you have to adopt what we call a "continuous learning model"—one in which people receive some amount of formal training, coupled with a significant amount of coaching, support by experts, developmental assignments, development planning, and management support.

The solution is not nearly as simple as 70-20-10[28] "informal learning." Companies that outperform their peers have an entire tapestry of learning occurring—driven by a learning culture which permeates all levels of management. As our model shows (see Figure 5), learning includes development planning, rotational assignments, coaching, mentoring, and lots of expertise sharing.

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[27] A "learning architecture" is an organization's unique map of agreed-upon learning needs, learning strategies, and delivery strategies for all of its training. This gives designers, trainers, and managers a clear view of what types of problems the organization will solve, how they will solve them, what tools they need, and which approaches the organization will take. It deliberately limits the organization's options by deciding how and where the training organization will focus its efforts—and it builds upon the organization's culture and history of learning.

[28] In the "70-20-10 Model of Development," 70 percent of learning is through practice and on-the-job experiences; 20 percent is through other people by exposure to coaching, feedback, and networking; and, 10 percent is through formal education-based learning interventions.

Figure 5: Bersin by Deloitte Continuous Learning Model[29]
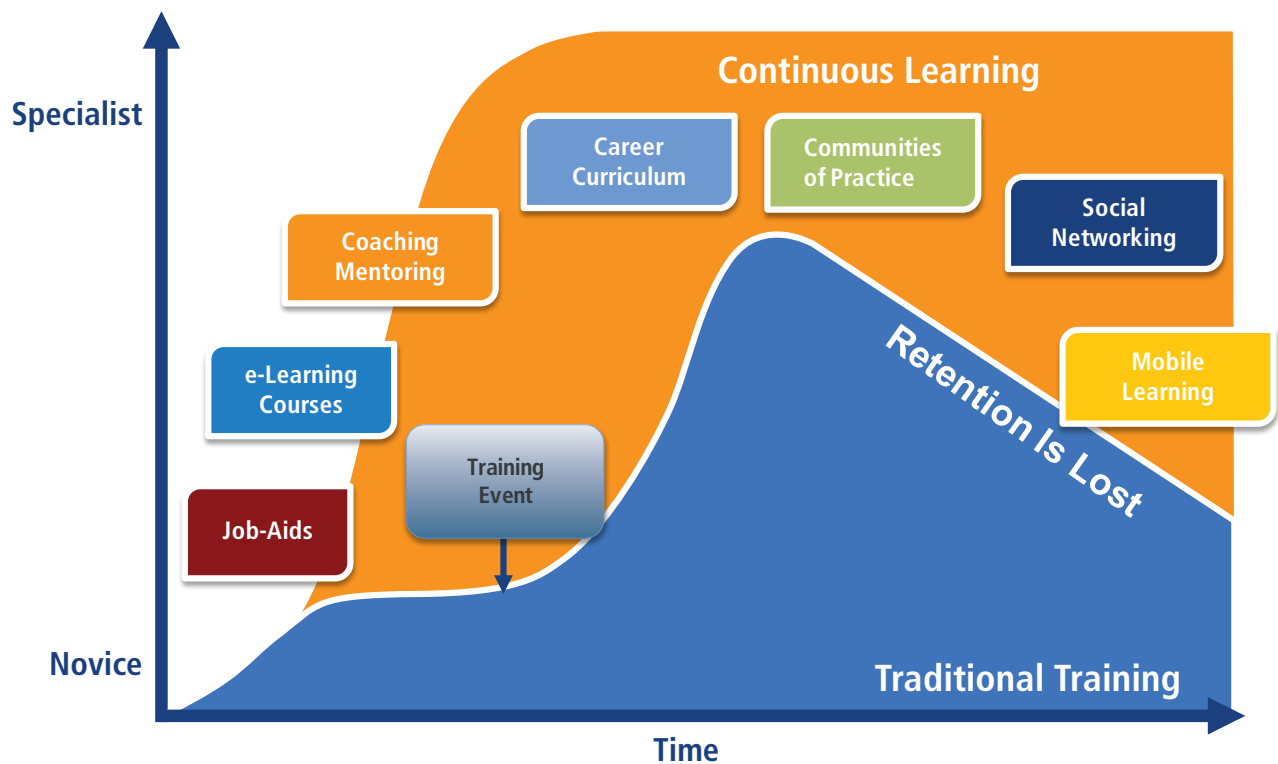
Source: *Bersin by Deloitte, 2013.*

Case in Point: Shifting the Business Focus at Xerox

Xerox, like many iconic companies, is undergoing a shift from products to services throughout its business. To drive this change, the company has embraced a total shift in employee development—asking all managers at all levels to participate in and drive new skills and capabilities.

L&D plays a major role in this, but it certainly does not do all of the work. The CLO of Xerox, like that of other forward-thinking companies, knows that he must be both a "chief learning officer" as well as a "chief change officer." ཉ

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29   The newest evolution of this model will be presented in upcoming research on the topic of learning architecture, due to be published in Q1'2014.

Extending Your Learning Architecture

How do you offer continuous learning to Millenials and highly mobile workers? In 2014, organizations have to focus on extending their learning architecture.

We define a "learning architecture" as a group of integrated technologies that brings together content, collaboration, and programs into an easy-to-understand set of offerings to help people to learn, share information, and locate and share expertise.

In today's content rich environment, the integrated learning architecture is increasingly important. One of our clients built a "content aggregation portal" that sits in front of its various learning content systems, and which provides search, recommendations, ratings, and the ability to find content by looking at what other experts are viewing. This type of interface lets the company integrate new content from MOOCs[30] and expert-authored content, and provides mobile access as well.

Another forward-thinking company developed its "millennial learner lab" for its call-center employees. This is a technology-rich platform that is available in the company's large call centers to allow employees to leave their posts and go to the lab to learn. Call-center employees learn through a variety of content, tools, and systems; in 2014, the "learning lab" will be extended for use at home.

It is not enough to simply offer courses in a mobile interface. Companies should invest the money to integrate all of their learning content (as well as expert and social tools) into one easy-to-use interface—making continuous learning and knowledge contribution a part of our everyday life. This is the type of interface that young employees expect to find in our organizations and it drives the enablement of continuous learning.

(For more information on a proven process to rationalize your L&D spending, please call us or read about, The Training Investment Model[31].)

<div style="border-left: 4px solid #ccc; padding-left: 1em;">

🔑 **KEY POINT**

We define a "learning architecture" as a group of integrated technologies that brings together content, collaboration, and programs into an easy-to-understand set of offerings to help people to learn, share information, and locate and share expertise.

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30   For more information, *The Impact of the MOOC Market on Corporate Training*, Bersin by Deloitte / Josh Bersin, September 11, 2013.

31   For more information, *The Training Investment Model: How to Allocate Training Investments for Optimum Business Impact*, Bersin & Associates / Josh Bersin, November 21, 2008. Available to research members at www.bersin.com/library.

Open Your Mind to Educational Partnerships

The linkage between education and skills is more important than ever. For 2014, it is time to consider partnerships with educational institutions. The MOOC providers (e.g., Coursera, edX, Udacity, Udemy, NovoEd, iversity, and others) all now have corporate development teams that will help you to select and license access to university-level online programs.[32]

If you are a manufacturer, you should consider apprenticeship models used by Siemens and BMW. These organizations are partnering with high schools to select young trainees and make them job offers before they even graduate.[33] This apprenticeship model, widely proven in Germany, is now being transplanted in the U.S. Organizations like Northshore LIJ, one of the largest networks of hospitals in New York, partner with community colleges to develop curricula, and to select and recruit nurses trained to enter the company's nursing program.

3. Redesign of Performance Management Accelerates

PREDICTIONS

After years of discussion, large organizations are now totally rethinking their performance management process—often eliminating ratings, and focusing more heavily on coaching, feedback, development, and agile goal management.

Today, most business executives talk about creating a performance-driven culture, improving accountability, and driving business results. But they also tell us that their performance management process is of little or no value. What happened?

Employee performance management in many companies is broken. Despite billions of dollars spent to automate the performance appraisal process, it often does not drive results. Company after company tells us that their "rating and ranking" process is not driving enough value and, in many cases, it creates animosity and tremendous amounts of busy work.

We have been studying this area since 2006; back then, when people were excited about cascading goals, and rigorous ranking and rating, we found a growing desire to think differently. Today, companies do

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32   For more information, *The Impact of the MOOC Market on Corporate Training*, Bersin by Deloitte / Josh Bersin, September 11, 2013.
33   Source: "Recasting high school, German firms transplant apprentice model to U.S.," washingtonpost.com / Howard Schneider, November 27, 2013, http://www. washingtonpost.com/business/economy/recasting-high-school-german-firms-transplant-apprentice-model-to-us/2013/11/27/6b242be8-4e42-11e3-ac54-aa84301ced81_story.html.

not have the luxury of pushing out low performers; companies need to coach and develop them to succeed. Rather than use forced ranking to eliminate people who do not fit, we need to source and recruit better, so that we do not bring them into the organization in the first place.

In 2014, we should make a bold step—reengineer or redesign the old-fashioned performance appraisal process, and focus on "enabling high performance" instead.

We call this the shift away from "competitive evaluation" toward "coaching and development." This year, the stampede will build. Already, companies (like Adobe, Microsoft, New York Life, Motorola Solutions, Kelly Services, Juniper, and many others) have thrown away their ratings and integrated processes to develop more agile, coaching-based, traditional developmental approaches.

Figure 6: Philosophies of Performance Management

	Competitive Assessment Model	Coaching and Development Model
Underlying Theory	By carefully evaluating people against their goals and each other, we will create a higher-performance organization	By identifying people's strengths and weaknesses, we can coach and develop people to improve performance
History and Background	GE, "the rugged individual," competition breeds success, "Execution" drives results	Professional Sports, Generation X, Generation Y values, Tom Peters "In Search of Excellence"
Practices	Quantitative assessment of performance, bonuses tied to specific goals and objectives, and comparative evaluation.	Development planning, careful identification and communication of critical competencies, and self / 360 assessment
Belief	We want "high-performers" in our organization	We want "the right people" and "the right behaviors" in our organization
Benefits	Reduces compensation expenses by focusing rewards to the highest performers. Creates a high-performance culture and a meritocracy.	Improves overall organizational and individual performance and leadership capability. Increases alignment and teamwork. Engagement and retention rates improve.
What Is Reinforced	Organization as a collection of processes and high performing individuals	Organization as a place for people to fulfill their potential and become successful

Source: *Bersin & Associates, 2008.*

Ultimately, the only way to drive organizational performance is through management. Managers at all levels should learn to align goals, give people honest feedback, and communicate with their people on a regular basis. If the process does not facilitate regular feedback, it probably is not working.

As one consultant put it, *"Feedback is a gift"*—it is a gift to give and a gift to receive. Until we create an organization that operates on candor, feedback, accountability, and strong personal relationships, no amount of annual performance ratings will help.

Not only does this mean that we must focus on leadership development from the bottom up (far too much money is spent on executive development, and not enough on first- and second-line management), but top leaders have to model the behavior we want. Rather than complain about a lack of performance in the company, top executives need to hold themselves accountable and companies should show their teams that they hold their top leaders to the same standards.

Fueling this fire is the fact that employees are now willing to leave. More and more companies cite "retention of top performers" as one of their top issues.[34] In the 2014 economy, people may not stick around if they do not feel appreciated and supported.

Studies show that Millennials and Generation-X workers will have seven to 10 jobs[35] and a variety of different professions during their careers. Tools (like LinkedIn) make it easier than ever to find a new job and the U.S. Affordable Care Act will make it even less important to stick around for healthcare benefits. If the performance management process creates animosity or a lack of accountability, good people will often leave.

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[34]   This information is based on our current research on the topic of human capital trends, the report for which is due to be published Q2'2014.

[35]   Source: "Millennials: The Me Me Me Generation: Why millennials will save us all," time.com / Joel Stein, May 20, 2013, http://content.time.com/time/magazine/article/0,9171,2143001,00.html.

Figure 7: Design Principles for Modern Performance Management

In the Past	Today
Annual appraisal and rating	Continuous feedback and coaching, treating "feedback as a gift"
Forced ranking	No forced ranking and no rating at all in many cases
Annual goals and objectives	Quarterly or regular goal-setting with informal check-in process
Annual talent reviews by team	Continuous talent reviews by peers and manager
Development as afterthought	Development as core, managers rewarded for "talent production" not "talent hoarding"
Recognition by manager	Recognition by peers, manager, team leaders
Career plan for promotion and HiPos	Career plan for everyone, with open movement and career mobility
Focus on moving up or out	Focus on moving across, down, up, and around
Compensation based largely on ratings	Compensation based on performance, potential, market demand for position, critical nature of role, customer impact
Bell-curve distribution of raises and financial returns	High performers receive much higher levels of compensation than median or middle

Source: *Bersin by Deloitte, 2013.*

Our research[36] shows that even the most traditional organizations can benefit from a new model. You can simplify the process, make it more dynamic, and separate many of the elements of talent management from the year-end appraisal.

2014 is the time to act.

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36   For more information, "Performance Management for Better Business Results, Bersin & Associates / *Talent Management Newsletter*, June 2011, http://www.bersin.com/News/Newsletter.aspx?id=13351.

4. Redefining Engagement: Focus on Passion and the Holistic Work Environment

This leads us to the next prediction for 2014—it is time to take a whole new look at employee engagement and retention.

Our research shows that, in 2014, it will be hard to keep good people.[37] The economy has improved, healthcare reform will take hold, and people have been working too hard; they are starting to look around. What should you do?

Our research shows that it is time to stop talking about the annual engagement survey—and sit down and talk about how you are going to build *passion*. Unfortunately, too many large established companies have not looked closely at their work environments over the last five years.

Case in Point: Seeing the Work Environment through Employees' Eyes

I recently visited the corporate learning department of a major global manufacturer. This company, a multibillion-dollar pharmaceutical and healthcare provider, showed me its centralized training department.

The classroom was old, had no power plugs, no coffee machine, and did not even have a built-in overhead projector. The tables and chairs looked as though they had been purchased in the 1970s. Even the lighting felt out of date.

If I was a young college graduate and came to an onboarding session in this facility, would I feel as though I had made the right decision? ✑

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37   This information is based on our current research on the topic of human capital trends, the report for which is due to be published Q2'2014.

What does it take to build a passionate, highly engaged workforce? Thinking holistically about the "corporate talent system," we have to realize that it takes a confluence of factors to create a highly engaged workforce:

- How people are managed

- Their opportunities

- The work environment

- Your leadership

- Your company's brand and mission

Engagement versus Passion

Let us review the concept of "engagement." The traditional definition of a "highly engaged" employee is one who delivers discretionary effort. What leads someone to deliver "discretionary effort?" Our research shows it takes a working environment that is friendly, flexible, fulfilling, and purposeful.

Figure 8: Maslow's Hierarchy of Needs
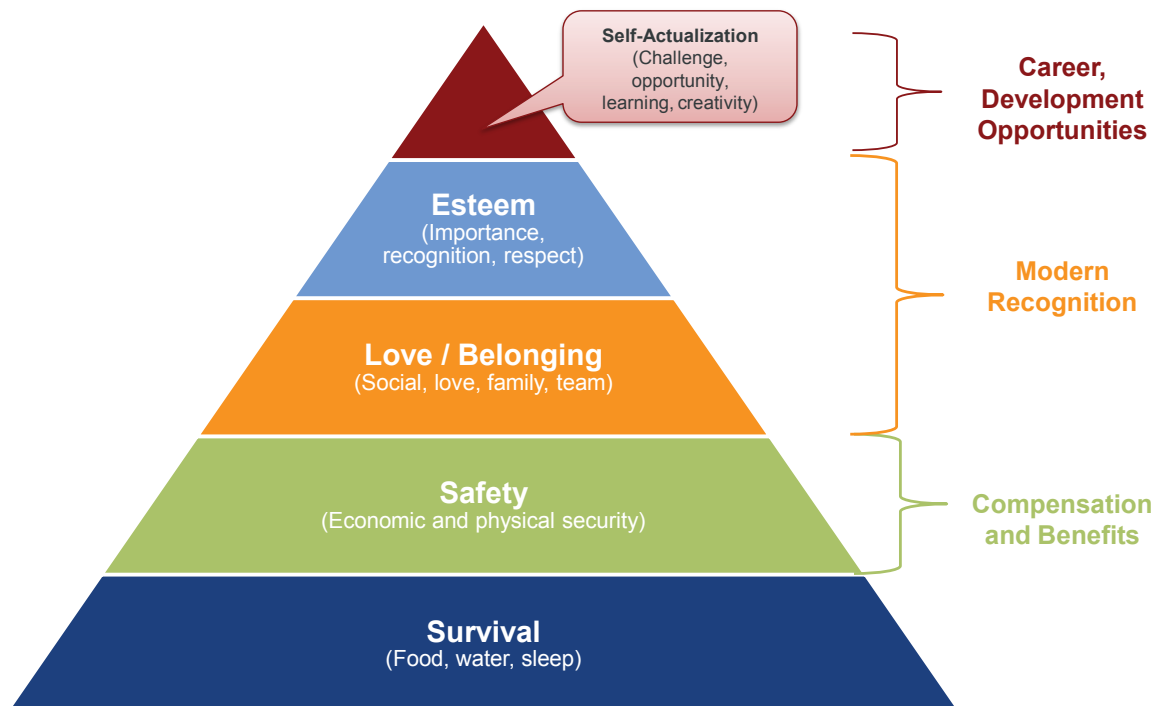
Source: *Abraham Maslow's Hierarchy of Needs, 1943.*

Consider Maslow's Hierarchy of Needs.[38] As Figure 8 shows, higher levels of engagement come from recognition, feedback, growth, and opportunity. While compensation and benefits are important, they are only the foundation. Top performers are looking for growth, recognition, career opportunities, and learning.

Recognition, Feedback, and Career Growth

Our research in 2012 showed[39] that companies with a "recognition-rich" culture have a 31 percent lower voluntary turnover rates than their peers.

- Does your company put people in the right job and thank them for the work they do?

- Does leadership create a sense of meaning and purpose to work?

- Does your management understand how to coach and develop people?

- Do you make career and new job opportunities available for people?

These systemic strategies all fit together to create engagement and passion.

New software vendors like Globoforce and Achievers (and new features in most talent management systems) make it increasingly easy for people to give others "thanks" and "recognition" for good work—creating a culture of positive thinking and rich feedback for continuous improvement.

Careful Selection and Employment Brand

Part of building "passion" is hiring the right people. Every company has a unique culture; you should recruit people who believe in what you do and fit into your environment. If you suffer from high turnover, you may not only have a management issue, you may also have a recruiting issue.

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38   Source: "A Theory of Human Motivation," *Psychological Review* / A.H. Maslow, 1943; graphic: http://en.wikipedia.org/wiki/Maslow%27s_hierarchy_of_needs.
39   For more information, *High-Impact Performance Management: Five Best Practices to Make Recognition and Rewards Meaningful*, Bersin & Associates / Stacia Sherman Garr, November 2012. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/hipm.

The entire "talent system" should be considered when building passion. Understand your mission and purpose, develop leaders who manage well, and look for people who believe. You will find passion.

One of the highest-performing companies in the apparel industry is Deckers Outdoor Corporation (maker of Ugg boots). Decker is a mission-driven company.

Figure 9: Deckers Website

Source: *Deckers Outdoor Corporation, 2013.*

If you look at Deckers website (see Figure 9), you see a company focused on its people. Not only does the company make its mission clear, it puts the employment brand front and center. "Who you are" appeals to your

employees, your customers, and your shareholders. It is part of your "talent system."

Flexible, Engaging Work Environment

In addition to focusing on management and culture, in 2014 organizations also have to look at the work environment itself. Given the long hours people spend at work, we can redesign the work environment to make it more enjoyable, collaborative, and fun.

Google pioneered this strategy with the launch of yoga classes, basketball courts, and even a bowling alley at its Mountain View, California campus. Today, most high-technology companies serve free breakfast and lunch; have a ping-pong table; and, provide couches, rooms in which to nap, and brightly colored cubicles and open work spaces.

Case in Point: Telus Creates Employee Retention and Engagement

Telus is one of the largest telecommunications companies in Canada. By focusing on improving the complete work environment, the company increased its employee engagement from 53 percent three years ago to 83 percent today.

More than 60 percent of its 40,000 employees now work from home; the highly engaging online learning environment lets people collaborate, share information, learn, and communicate with executives in a totally integrated way. Telus provides mobile telecommunications equipment, collaboration tools to enable work at-home, and flexible hours.

Not only has Telus dramatically improved its employee engagement and retention, the company's client service levels are now four times higher than its competitors and job applications have more than doubled in the last four years.

As the company's chief learning officer put it, *"It's cool to work here."* 🔑

One of the biggest areas of turnover is in customer service and call centers. In the last year, companies (like Zappos, eBay, and Amazon[40]) have totally recreated the customer service experience by building bright, airy, high-quality work environments for their customer service staff—again demonstrating that building a compelling work environment really matters.

Your work environment may be more negative than you realize. One of our clients, a large credit-card processing company, told us that its old-fashioned, closed-door work environment was so unfriendly that it was finding it nearly impossible to hire young people. Millennials would apply for jobs, interview, and then once they visited the facility they never came back.

We believe the trend toward open work spaces, employee-friendly desks and office environments, flexible work environments, employee-provided daycare, free food, and other benefits will accelerate in 2014.

Extend and Expand from Engagement Survey to Continuous Engagement

Annual engagement surveys are no longer enough. While more than 60 percent of companies have some form of annual engagement survey,[41] we need to monitor engagement more regularly. By the time the engagement survey comes out, the proverbial "horse has already left the barn."

In 2014, entering the global talent-constrained environment, organizations should continuously monitor employee engagement through exit interviews, open blogs and wikis, and ongoing communication activities with people at all levels. This continuous stream of feedback should push you to make work simpler, more flexible, and

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[40]   Source: "U.S. Call Centers Dial Up Employee Service: PNC Ditches Beige Cubicles in Leased Office Space for Chandeliers and Marble Columns in Former Lord & Taylor Store," WSJ.com / James R. Hagerty, November 26, 2013, http://online.wsj.com/news/articles/SB200 01424052702304281004579219894240033448.

[41]   For more information, please see the following two reports: (1) *The Employee Engagement Primer*, Bersin & Associates / Brenda Kowske, Ph.D., January 2012; and, (2) *Employee Engagement: Market Review, Buyer's Guide and Provider Profiles*, Bersin & Associates / Brenda Kowske, Ph.D., August 2012. Both reports are available to research members at www.bersin.com/library.

more fun. Remember, the days of "controlling" workers are over—an engaged employee will automatically work harder and deliver higher-quality results.

In short, we need to reengage our workforce all the time, not just talk about it once per year.

Build Purpose and Meaning

Finally, there is another important factor to consider in your engagement and retention strategy—building a sense of purpose and mission. Are your people proud of your organization? Does this organization really stand for something and have a mission to which they can relate?

If you read the books, *Conscious Capitalism*[42] or *Firms of Endearment*[43], you understand how businesses operate in a larger context of stakeholders. These researchers studied the financial returns of "responsible companies" (companies considered by customers to be good citizens), and found that they had much higher levels of engagement and retention, customer service, and long-term profitability. People want to work for organizations that fulfill a larger mission.

I talked with several of the world's largest financial services institutions this past year. In every case, their HR leadership told me that they have a crisis in employee engagement—largely driven by their own company's inability to stay out of trouble. When your company does something "wrong," or fails to communicate its mission and value, people disengage. Young people in particular want to be proud of their employer. You as an HR leader need to work with your top executives to make sure that your organization's mission and values are clear, positive, and meaningful.

> 🔑 **KEY POINT**
>
> HR leaders need to work with their top executives to make sure that the organization's mission and values are clear, positive, and meaningful.

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[42]   Source: *Conscious Capitalism: Liberating the Heroic Spirit of Business*, John Mackey and Rajendra Sisodia / Harvard Business Review Press, 2013, http://www.amazon.com/Conscious-Capitalism-Liberating-Heroic-Business/dp/1422144208.

[43]   Source: *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose*, Rajendra Sisodia, David B. Wolfe, and Jagdish N. Sheth / Pearson Prentice Hall, 2007, http://www.amazon.com/Firms-Endearment-World-Class-Companies-Passion/dp/0131873725.

- Does your company encourage people to take off a day each year to "give back" to their communities?[44]

- Do your executives take time to help nonprofit organizations or other community groups improve life where you do business?

These meaningful activities shift work from "a place to work" to "a place to be," giving employees more meaning and dramatically improving your employment brand.

The interesting thing about passion is that it is not that hard to create. In 2014, we need to take a fresh look at our entire work environment and make sure that we are building a work environment which truly creates passion.

5. Take Talent Mobility and Career Development Seriously

2014 is the year to take "talent mobility" and "career development" seriously.

We started talking about the need for a "talent mobility process" when we first studied succession management in 2007. While it was never considered a "function" in talent management historically, it should be. It fits into the "corporate talent system" and you should probably have someone focused on it.

Case in Point: Career Development

One of our largest clients (we consider this company to be a pioneer in many HR practices) is a global healthcare insurance and data provider. This company has a results-driven culture and hires ambitious, high-achieving professionals.

As the company grew and rapidly expanded through acquisition, the company started to see tremendous gaps in midlevel

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44   Each year, Deloitte asks its entire employee base to contribute to "Impact Day," a day spent working full-time in the local community. Many Deloitte employees consider this one of the most valuable and meaningful things that they do during the year.

Case in Point: Career Development (cont'd)

leadership and functional expertise. People would join the company, work very hard for three to five years, and then leave to work for a competitor. Why did they leave? They often simply could not find a promotional opportunity within the company.

As the senior vice president of HR put it,

"We would have a senior accountant in one business unit quit because he didn't think there were any new opportunities when, in the next building, there was another business unit which had his perfect next job."

The company embarked on an innovative solution. It appointed one of its senior HR managers to lead a program, called "facilitated talent mobility." For two years, the company studied patterns of mobility among senior managers and created a whole series of programs designed to improve internal mobility among the top 2,500 managers. This included assessment tools, formal career transition support, and manager incentives to promote "talent production" instead of "talent hoarding."

The program was a huge success. But it was hand-crafted and meticulously designed for top leaders. What about everyone else? The chief talent officer decided to place a big bet— create a talent mobility solution for the entire workforce of 120,000-plus employees.

This company understands the concepts of the "corporate talent system" (its talent teams have worked together for more than five years). As the members of the talent teams conceived this new solution, they realized that they needed a process which was self-service, easy to manage, accessible and useful for both employees and managers, and designed to scale.

At the core, the company performed a two-year analysis of most of the positions throughout the company, creating a set of simplified competency models and capability descriptions for every position. Then, it created a set of simple self-assessments that will let employees look at a position in their business function, and diagnose their skills and experience gaps relative to

Case in Point: Career Development (cont'd)

that job. The system shows the job description, core skills needed, and experience required for any job in the company.

In addition to this new career planning system, the company's experience with "facilitated talent mobility" showed the need to train managers to understand their role. As previously mentioned, the company developed a focus on evaluating managers based on "talent production" (a number which measures the number of people promoted out of your group over a period of time)—not just "talent consumption" (hiring great people). This change, which was adopted over the last two years, now forms the basis for the new enterprisewide mobility program. ∽

Figure 10: Example of Career Management Solution from Dimensions Data[45]
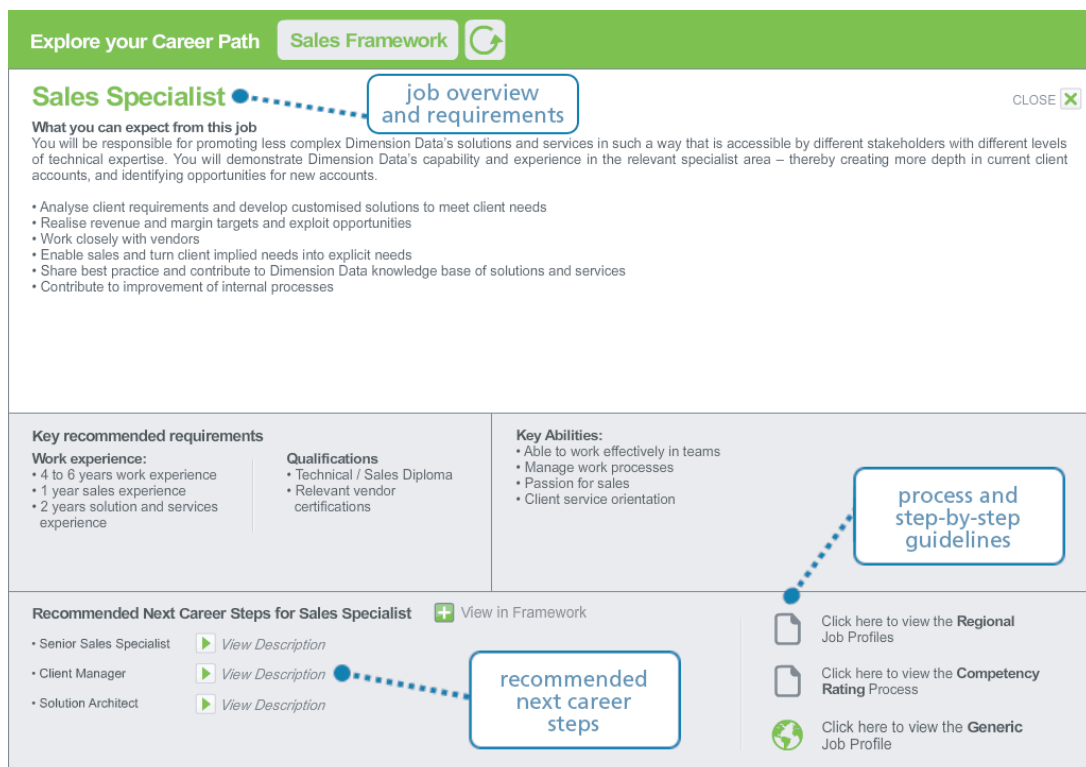
Source: *Dimensions Data, 2013.*

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[45]   For more information, *Building a Career Framework: How Dimension Data Mapped Its Global Workforce to Support Business Goals and Increase Career Development and Employee Satisfaction*, Bersin by Deloitte / Stacia Sherman Garr, November 2013. Available to research members at www.bersin.com/library.

What this case in point illustrates is the need to invest in talent mobility seriously. It is not just enough to talk about it at leadership meetings—you have to take the plunge and invest. Deloitte invested in its "career lattice" program for many years, leading to an entire culture of internal mobility. You should do the same.

Figure 11: Four Pillars of Career Management

Employee	Manager	HR	Company
• Identify career goals • Maintain profiles • Demonstrate values • Socialize interests • Create internal network • Share expertise	• Define job profiles • Provide coaching • Assess potential • Identify development opportunities • Provide candid feedback • Share talent openly	• Provides tools and resources • Develop career models • Facilitate process • Offer career coaching • Career development training • Integrate with talent management	• Infrastructure – process, technology, people • Create culture of mobility • Communicate expectations • Create transparent marketplace

Source: *Bersin by Deloitte, 2013.*

Developing a culture and set of programs around talent mobility is not easy. As Figure 11 shows, it takes work on behalf of the employee, manager, HR, and the top executives of the company. Your CEO has to feel comfortable in letting people move around—creating a system of "continuous reeducation" of people as they move from job to job.

If you want to build deeper skills, reengage your employees, and more easily deploy top skills to fast-growing markets within your company, you should invest in talent mobility. Put this program on your list for 2014. It will not only drive great value, but it will force you to better understand your entire talent system.

6. Redesign and Reskill the HR Function

PREDICTIONS

More than 40 percent of global organizations believe their HR teams needs significant reskilling. The reason for this is rapid change; today's HR professional must understand new practices, technologies, and strategies in order to add value. HR today needs to become the "talent machine."

As you focus on building the "corporate talent system," you will begin to realize that you must also rethink the way in which HR works. In 2014, this will become more important than ever.

More than two-thirds of the companies we talk with tell us that they are going through some form of "HR transformation." Why? Because now, more than ever, HR's value is being measured by its ability to source, attract, retain, and build talent—not simply its ability to deliver service to employees. We must think of HR as the "keeper of the corporate talent system" or "architect of the talent machine"—not just as a provider of needed employee and manager services.[46]

Several years ago, our clients asked us to help them to understand how to best optimize the HR function, so we embarked on a multiyear research program that we call, High-Impact HR. This research, which will be launched in 2014, clearly shows that a whole new model for the HR function is needed.

This research shows that the HR function of today has to be heavily optimized around talent management, with a highly rationalized service delivery model, but with a focus on embedding HR expertise within the business. Some of the key principles for HR redesign in 2014 and beyond include:

- Clearly establishing a service-delivery framework, service centers, self-service, and automated transactions for most operational and transactional employee needs (this is nothing new)

- Redesigning the business-partner role to become a strategic advisor, aligned directly with line leaders and embedded into the business— serving as "vice presidents of talent" and strategic consultants to the business

- Reducing the number and need for "HR generalists," and moving them into the role of "HR specialists," who are focused on recruiting, organizational development, employee relations, and compensation.

[46]   For more information, please see the blog, "What Does the New HR Organization Look Like? A Talent Machine," Bersin by Deloitte / Josh Bersin, November 13, 2013, http://www.bersin.com/Blog/post/What-Does-the-New-HR-Organization-Look-Like.aspx.

In the High-Impact HR model, these specialists are located or assigned to the business, but operate as a "network of expertise" sharing skills with each other

- Intense focus on external intelligence, research, benchmarking, and the continuous scanning of new tools, technologies, marketplace and workforce changes, and demographic shifts

- Internal training, certification, and development of the HR team—focused on making everyone within HR a "master craftsman" who understands his / her trade, knows how to use tools and data, and feels connected to the larger community of leading practices and new ideas in the marketplace; we need to develop deep expertise within the HR function, just as we do for the rest of the organization

- Development of standard frameworks, technology platforms, tools, and standard vendor solutions that prevent "reinventing the wheel" around the company, created by COEs and also gathered from specialists around the world

- A new center of excellence, called talent analytics, that becomes the "center of data" for the talent—bringing together analytics around recruiting, leadership, performance, engagement skills, and all the various spending levels within HR

- A strong and bold CHRO who is not only tightly aligned with the business, but is also willing to push for innovation and new solutions that are not simply "copies" of what other companies are doing—which are actually unique, company-specific programs that leverage the business's unique culture, business strategy, workforce demographics, and people strategy

We see this new high-impact HR organization as the steward of the "talent system" in the company, sponsors and architects of leadership development, managers of data and information about people, and planners for the future. In this optimized role, HR becomes a highly strategic contributor to business success, not just a place to reduce costs and improve service delivery efficiency.

Figure 12: Evolution of High-Impact HR
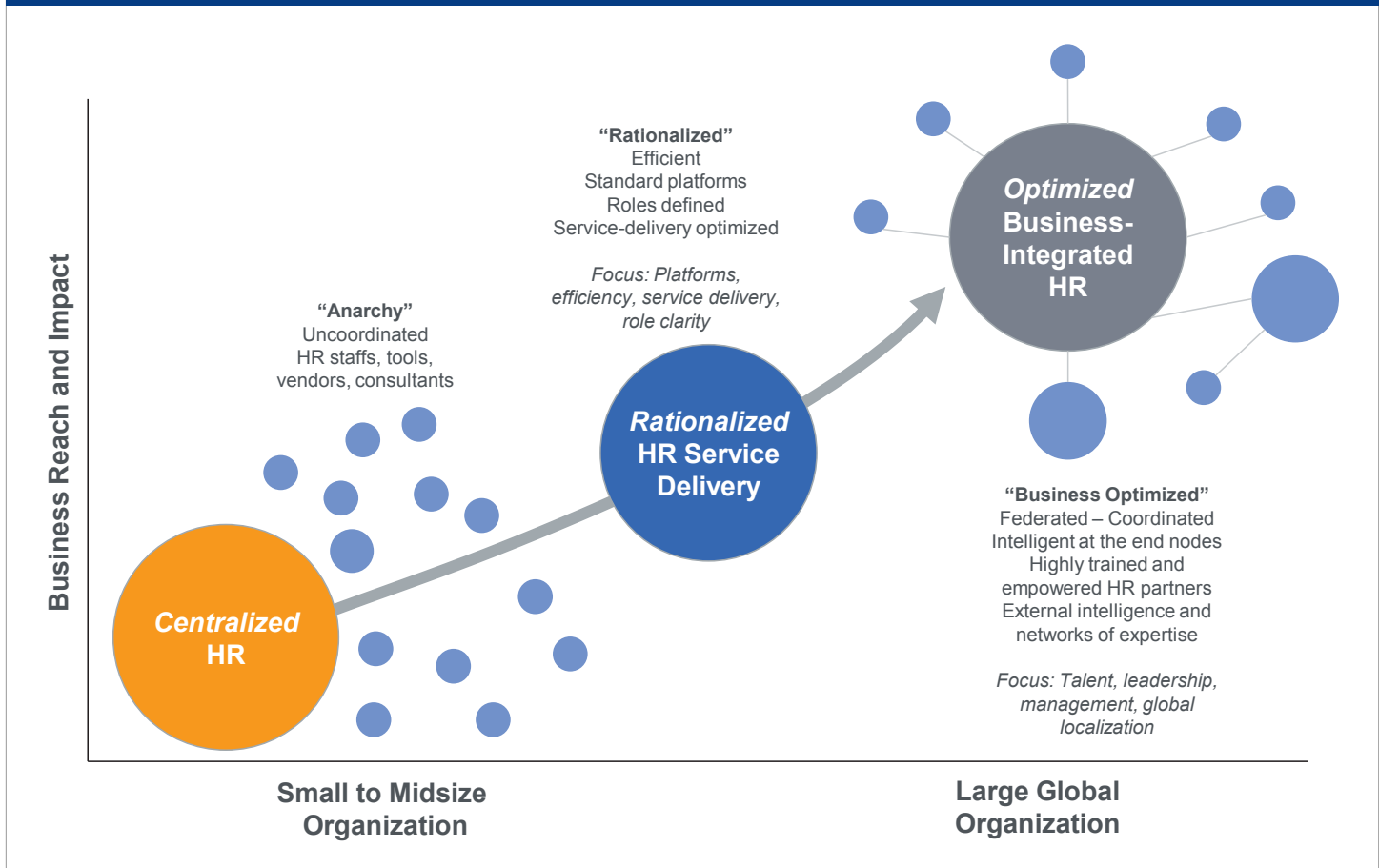
Source: *Bersin by Deloitte, 2013.*

Consider Figure 12. The first step in HR transformation is to streamline, standardize, and integrate HR services into a set of common practices, technologies, and services (rationalized). But as many companies go down this path, they find that this "rationalization" is not enough. Once costs are in-line, the company then must focus on redistributing HR expertise back into the business—creating networks of expertise, and focusing on optimizing the impact on the business and line leadership.

In 2014, you should look at your HR structure in this new way. This is the year to focus on "optimizing" HR to focus on the delivery of talent services, performance consulting, and deep expertise in management, coaching, and recruiting.

Simplify

One more point. As we look to further optimize HR in 2014, I want to recommend that you start to simplify wherever possible.

Organizations tell us that their performance management, development planning, benefits, learning administration, and other HR applications and programs are simply too complex. More than 40 percent of the companies we recently surveyed told us that one of their biggest challenges is the problem of the "overwhelmed employee." If it takes your manager 20 hours to do performance reviews, they are not taking the time to talk with their people enough.

Case in Point: Simplying Processes

Look at the new performance management processes designed by Adobe, Motorola Solutions, New York Life, and others. Each company has reduced the number of steps from eight or more, to three or less.

This makes the process easier to learn, more widely adopted, and leaves time for coaching, discussions, and actual feedback to take place. ≈

We have all adopted lots of HR technology over the years (and this continues). The temptation is to design and build feature-rich programs with complex competency models and lots of options. Today, people want less, not more. Managers want simple tools that give them more time—time to work with their people, not administer HR programs. Employees want one-click solutions to problems and job candidates want one-click tools to apply for a position.

Occam's Razor shows that, when two scientific explanations or hypotheses are considered, the simpler one is always right. The same is usually true in HR. One simple program, well-executed at scale, is far superior to a highly complex program that takes lots of time and is never fully adopted.

In high-impact HR, we have to focus our energy on the expertise and development of the HR staff and line managers—giving them the

information, tools, and support to manage people well. Make the process simple and help people to manage well. If your HR program has seven steps, get it down to two or three. If your competency model has eight competencies, try to reduce it to three or four. If your training program has 10 interventions, try to reduce it to three. In 2014, less will be more—and your entire HR team will improve impact and effectiveness as a result.

We look forward to working with you on this journey as we launch our new High-Impact HR research this year.

7. Reinvent and Expand Focus on Talent Acquisition

If there is one area that will really differentiate your company this year, it is talent acquisition. Today, U.S. businesses spend more than $110 billion on talent acquisition (more than $3,000 per hire, on average) and, in many ways, it is the most important thing we do. It is almost impossible to grow a business without hiring great people.

This area is particularly challenging for two other reasons:

1. The labor market is becoming more competitive in almost every region

2. Talent acquisition is the fastest-changing part of human resources

An explosion of social networking, assessment, and Big Data tools has transformed the recruiting marketplace, changing the approaches to employment branding, sourcing, recruiting, and hiring. The way we source and recruit today is radically different than what we did only five years ago—and the venture-capital community continues to put more money into this sector.

Let me highlight a few important predictions and critical focus areas for 2014.

Global Employment Brand

The first imperative we see for the coming year is the need to build a globalized, integrated employment brand. Today's employment brand walks out the door every night, as employees go home, and post news

on Facebook or LinkedIn about what happened at work. If you are not taking your entire employee value proposition seriously, you are then likely seeing candidate flow weaken. Tools like Glassdoor, Twitter, and Facebook make it very easy for your employees to communicate the pros and cons of working at your company.

In 2014, talent acquisition leaders should partner with their chief marketing officer and build out an authentic, localized employment value proposition in each major geography. Companies (like Ford, Apple, Hyatt, and others) have focused heavily on updating their employee value proposition and developing localized programs to recruit key talent in each geography. This can only be accomplished by evaluating your current brand—that is, interviewing and surveying your current employees because nothing is more damaging than an employment brand which does not turn out to be true when the newly hired employee shows up at work.

Talent Networks and Candidate Relationship Management

The second issue for 2014 is the need for recruiting teams to create time and roles to manage talent networks, and implement candidate relationship marketing. Forward-thinking companies (like Deloitte and AT&T) have developed email and external communications campaigns that target potential candidates at all levels of the career pyramid. College students, technical specialists, and even people who work for your competitor will read and watch videos about your company if you communicate well.

These interactions turn into marketing opportunities that later turn into "sales" (let's face it, recruiting is selling). Our research shows that candidate relationship marketing and global employment branding are among the most high-impact practices in recruiting today.[47]

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47   For more information, *Why Reputations and Networks Matter in the Open Talent Economy*, Bersin by Deloitte / Stacia Sherman-Garr, September 30, 2013. Available to research members at www.bersin.com/library.

Data Science and Big Data Tools

The third area for 2014 is the exploding market for Big Data tools, assessments, and data services. In recruiting, perhaps more than any other area, a number of fast-growing companies are mining employee social and public data to give you amazing new sources of information about where candidates are, who they are, and when they are looking to change positions.

Solution providers (like LinkedIn, Gild, TalentBin, Identified, Evolve, Burning Glass Technologies, and many more) are now offering new Big Data tools to help recruiters to find unique candidates in specialized markets. You can now buy targeted advertising in LinkedIn, Facebook, Twitter, and Google to find people with very specific characteristics.

Recruitment Talent Analytics

The previous section leads to the fourth area—the need to implement modern applicant tracking technology that provides advanced analytics. The applicant tracking systems market is among the oldest markets in HR software, so many of the products are somewhat complex and hard to use. But there are many new offerings now available (nearly every talent management software company has an applicant tracking system) and solution providers (like SAP/SuccessFactors, IBM/Kenexa, Oracle, Workday, ADP, Cornerstone OnDemand, Peoplefluent, and SumTotal) have made huge investments in recruiting software.

The problem we face in 2014 is not just managing incoming résumés but, rather, analyzing the data about candidates—where did they come from, which sources are most efficient and effective for which candidates, and how much time and money is it costing us to find people. Most importantly, companies are now starting to measure "quality of hire" (often by looking at first-year turnover and other performance metrics).

Look for analytics tools in recruiting (this is the most common analytics function in use in HR) to make your work more effective and efficient.

Mobile Candidate Experience

Next, recruiting is a market with tremendous shifts in technology. Talent acquisition leaders tell us that more than 40 percent of all candidates now apply on mobile devices. This means, if you do not have a mobile-enabled job application process, you are potentially losing good people. Right now, some of the applicant tracking systems vendors have mobile tools and some do not, so you will have to work extra hard to build or buy a mobile interface this year. In the coming years, this will be an embedded part of your recruitment platform.

Upgrading the Talent Acquisition Team

Finally, let us talk about the team. The talent acquisition function is going to be one of the most important parts of HR this coming year; you will be competing heavily for technical and professional people, and you will need a globalized process to scale. We see a tremendous need to build skills, create new roles (e.g., sourcers, social network and candidate relationship management teams, assessment experts), and step up the governance and scale of the recruiting function.

While outsourcers are as important as ever (some of the RPO[48] firms are now becoming world-class branding and sourcing experts), our research shows that one of the biggest opportunities we have in recruiting is to build a global function—one which leverages local expertise and local recruiters, but also uses global platforms, assessments, job models, and manager tools. (Do not forget to train your line managers on how to screen and interview candidates. All of our research in 2013 still pointed out that the recruiter-manager relationship continues to be one of the biggest factors in success or failure in high-value recruiting.)

Talent acquisition will be one of the most exciting areas of HR this year and we will be increasing our research focus to help you to stay ahead.

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[48]   "RPO" stands for recruitment process outsouring.

8. Continued Explosive Growth in HR Technology and Content Markets

PREDICTIONS

The adoption of integrated, easy-to-use HR software has become a mission-critical factor in business success. Vendor solutions are more integrated than ever; solution providers are rushing to make their systems easy to use, mobile-enabled, and integrated with core HRMS. This market will accelerate its tremendous growth in 2014.

The HR and talent management software market, which is now more than $6 billion in size,[49] will continue to grow. We estimate that the talent management market will grow at 12 percent to 15 percent, and the market for core HR and payroll (which is now more than 30 percent delivered by cloud computing) will grow at 10 percent to 12 percent overall, with many vendors growing at three to four times that rate.

Platforms: Integration, Mobile, Analytics, and Simple User Experiences Are Now Key

The theme for 2014 technology is integration, ease of use, and data. Once considered a market of highly innovative software providers, now the market is focused on delivering integrated end-to-end platforms. All of the major ERP[50] providers (Oracle, SAP, Workday, ADP, and even Infor and NetSuite) are building out end-to-end HR, payroll, and talent management platforms. In 2014, they will be focusing heavily on developing analytics platforms and easy-to-use mobile interfaces, as well as on improving their recruiting systems.

The 20-year-old applicant tracking systems market continues to grow, with many smaller vendors providing innovative new solutions. Solution providers (like JobVite, Peoplefluent, iCIMS, and others) will continue to offer leading recruiting platforms for midsize companies, but large enterprises are more likely to look at Oracle (Taleo), SAP / SuccessFactors, IBM (Kenexa BrassRing), and soon Workday. New solutions from Saba and Cornerstone OnDemand are focused on integrated social functionality that makes recruiting workflow, social sourcing, and advertising management easier to manage; these solutions will integrate internal and external recruiting into a single platform.

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[49]   For more information, *The Market for Talent Management Systems 2013*, Bersin & Associates / Katherine Jones, Ph.D., Wendy Wang-Audia and David Mallon, November 2012. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/tms.

[50]   "Enterprise resource planning" (or ERP) is a category of enterprise software that typically integrates financials, HR, manufacturing, order processing and customer relationship management in an integrated solution.

Among the ERP providers, many of the majors are now offering 100-percent, cloud-based offerings.

- Workday is the growth leader in core cloud-based HRMS (70 percent to 80 percent year-to-year growth), and is now working hard to deliver recruiting and new talent features.

- SAP is doing an excellent job integrating SuccessFactors into its legacy platforms; the SuccessFactors team has taken the lead in areas like mobile, analytics, social learning, and enterprise learning management system (LMS). SuccessFactors' huge bet on Employee Central (its cloud-based HRMS and payroll) is now paying off with 200-plus production customers.

- Oracle's acquisition of Taleo has paid off as it is now the number one provider of talent management software (measured by number of customers), but still has work to do in the cloud-based HRMS market.

It is interesting how the big ERP HRMS companies are each going in slightly different technology directions.

- Workday is taking what we call the "Apple" model—try to build everything themselves (recruiting is coming next), working methodically to keep all of the functionality and user experience integrated. This creates a seamless system, but slows its time to market. Even Workday customers have integration issues, since there are so many technologies needed to make an integrated HR system work (i.e., assessments, payroll and benefit providers, training systems, etc).

- SuccessFactors has been willing to buy leading technology (e.g., Plateau, Jobs2Web, Infohrm, Cubetree), and integrate it through both user experience and back-end integration efforts. The result is deep and wide functionality in all areas, and lots of integration interfaces.

- Oracle is building its own middleware tools and mobile interfaces (Oracle is an infrastructure company), and is making more strategic acquisitions to stay competitive. The company likes to buy leading vendors (not hot technologies), so you could expect Oracle to continue to acquire other market leaders.

- Other important vendors (such as ADP, IBM, Infor, NetSuite, SumTotal, Peoplefluent, NorthgateArinso, Kronos, and many more) are all seeking out new companies to acquire, continuing their efforts to integrate new technologies into their solutions.

In HR technology, the word "integration" is key because, even as the cloud becomes prevalent, companies find integration increasingly important. Regardless of which core HRMS vendor you select, your talent management software (whether it comes from that vendor or others) is going to need many forms of integration (e.g., integration with assessments, content, niche tools, payroll and benefits providers, data providers, engagement tools, etc.) to create a complete employee experience. The leading vendors accept this problem and invest heavily in integration tools.[51]

In your search for new technologies, consider what we discussed earlier—a simpler system that is widely used is far better than a complex, feature-rich system which employees cannot figure out how to use. Obviously you want to select a vendor with staying power but, beyond that, user adoption is one of the biggest keys to success. Our new research on HCM implementations again shows that change readiness, training, and simplification are keys to success.[52]

Not only do you want a seamless and simple user experience, in 2014 you are likely to push ahead with a more robust analytics strategy. This will push you (and your vendors) to make integration even better and more complete. Our research[53] shows that only 14 percent of companies have any integrated talent analytics today and data quality continues to be one of the biggest challenges. SuccessFactors and Oracle have the most experience here; each has integrated analytics and data warehouse solutions, with data models designed for HR and talent analytics.

In the talent and learning management systems market, innovation continues, but at a slower pace. Strong players (like CornerstoneOnDemand, SumTotal, Peoplefluent, Saba, and hundreds of new LMS and niche talent software providers) continue to expand their offerings (we believe there are around 200 LMS vendors now). This market continues to grow rapidly and many small vendors are starting to deliver midmarket solutions.

KEY POINT

A simpler system that is widely used is far better than a complex, feature-rich system which employees cannot figure out how to use.

KEY POINT

Our research shows that only 14 percent of companies have any integrated talent analytics today and data quality continues to be one of the biggest challenges.

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51   For more information, please see the blog, "HR and Talent Software Vendors Get Into.... Data Management," Bersin by Deloitte / Josh Bersin, September 23, 2013, http://www.bersin.com/blog/post/HR-and-Talent-Software-Vendors-Get-Into-Data-Management.aspx.

52   This information is based on our current research on the topic of HCM implementations, the report for which is due to be published Q1'2014.

53   For more information, *High-Impact Talent Analytics: Building a World-Class HR Measurement and Analytics Function*, Bersin by Deloitte / Josh Bersin, Karen O'Leonard, and Wendy Wang-Audia, October 2013. Available to research members at www.bersin.com/library.

We continue to talk with many companies every quarter which are unhappy with their HR and talent management software. While there is a frantic rush to replace software with cloud systems (I am somewhat astounded at the number of companies moving off legacy systems), there are also plenty of companies that are unhappy with their new solutions. We will introduce a new research program to help you to identify the keys to success in this area during 2014, but the basics remain the same.

HR organizations should:

1. Establish a set of strategic HR and talent priorities

2. Then develop a roadmap of processes and programs they want to deliver

3. From there, select a set of software vendors to consider

No vendors are perfect (they never will be), so you will always be making tradeoffs. Without that strategic plan, you cannot possibly make the right tradeoffs in the middle of exciting demos from vendors.

We are very bullish about the emerging market for data science vendors which provide social recruiting tools (such as LinkedIn, Gild, TalentBin, Identified, Evolve, and others), next-generation assessment tools (from companies like Logi-Serve and Good.co), new data analytics tools (like Visier and Evolve), and new real-time learning tools (like Axonify). We are expanding our research on HR software and tools to help you keep up to date. Many of these companies are reinventing the way in which recruiting, analytics, and learning takes place—and providing innovation that bigger software vendors cannot deliver.

> ### 🔑 KEY POINT
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> The average, large HR department has seven different "systems of record" today, not even including time and attendance.

The average, large HR department has seven different "systems of record" today (not even including time and attendance); that problem is not going to disappear overnight (perhaps never). In your vendor selection and long-term strategy, think hard about integration. Remember that ultimately "data" will be the currency and long-term strategy for your HR organization, so you have to think about building a virtual data dictionary, regardless of from which vendors you buy.

One more thing to consider—while the cloud will continue to become more and more prevalent into the future, remember that cloud vendors are still vendors. In most cases, they are software companies making critical technology and product decisions every day. While the cloud makes your job of selecting and managing technology far easier, you

still have to do due diligence because ultimately there is a software (and platform) company behind the scenes.

Mobile, Video, MOOCs, Social Tools, and Wearable Computing

In the area of technology in general, 2014 may continue to throw you off-balance. You may not realize it, but many employees spend more time on mobile devices than they do on PCs. Developing a mobile and web-based "quality experience" for your HR applications should be a priority. Employers tell us that 40 percent to 50 percent of their job candidates want to apply from their mobile phones, so in 2014 you must find a way to fully mobile-enable your job application process.

Video and photos are now ubiquitous. Consumers upload more than 550 million photos every day and more than 100 hours of video per minute.[54] Video-based learning, video-based recruiting, video-conferencing, and video-blogging are all commonly available from most HR platforms. This means you, as an HR department, need to get comfortable with video, develop a small team of people who can edit and manage video, and push your IT department to help you with content management. Our research shows that companies still find this area intimidating and difficult; 2014 is the time to catch up.

Mobile computing is moving even faster than anyone could have expected. Today, more than 88 percent of all mobile devices are smartphones and more than five billion mobile devices are in use around the world.[55] Research by Kleiner Perkins in fall of 2013 shows that tablets are now selling at similar volumes to laptop devices and wearable computing devices will come next.

People check their cellphones as often as 150 times a day; a wearable computer would do this automatically. These devices, coupled with computers in industrial and automotive equipment, will provide us a variety of new ways to communicate with and monitor our workforce.

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[54]   Source: "Internet Trends: D11 Conference," Kleiner Perkins Caufield Byers / Mary Meeker and Liang Wu, May 29, 2013, http://www.slideshare.net/kleinerperkins/kpcb-internet-trends-2013.

[55]   Source: "Internet Trends: D11 Conference," Kleiner Perkins Caufield Byers / Mary Meeker and Liang Wu, May 29, 2013, http://www.slideshare.net/kleinerperkins/kpcb-internet-trends-2013.

In 2014, you should make sure that HR, recruiting, and collaboration applications work well on mobile and tablet devices, and that your IT organization has adopted a "bring your own" technology strategy.

The MOOC market is exploding,[56] so you should pay attention to this, too. MOOCs (massive open online courses) are free or low-cost courses offered by major universities and a wide variety of other providers. While most of these courses are still academic, more and more business programs are becoming available every day. Today, more than 24 million people have already taken low-cost online courses around the world and these branded courses will soon be viewed as a new form of certification for employees at all levels.

While companies are still skeptical about the value of free online courses (today 70 percent of employers still do not trust the credibility of the completion,[57] but that means that 30 percent do!), the MOOC providers are developing validated certifications; even LinkedIn is now offering a MOOC-enabled certification module within its online résumé.[58] Bank of America, Yahoo, 1800-Flowers, GE, and others are experimenting with this; it will become a major source of training content for your organization this year. Watch this space. While the current MOOC vendors are small, the adoption of their content is growing at an explosive rate. Soon you will be recruiting people with brand-name, online degree certifications.

Social and online communications tools continue to grow in importance. Who would have guessed that Twitter and text messaging would start to replace email? Can we possibly have predicted that Facebook, LinkedIn, Google+, and other social networks would become the sourcing and employment branding leaders? Thanks to tools like Snapchat, younger employees now prefer messaging to email, so this year you will have to work with IT to make sure that you are adopting modern collaboration, messaging, and file-sharing technology.

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[56]   Source: "The MOOC Market Takes Off," Forbes.com / Josh Bersin, November 30, 2013, http://www.forbes.com/sites/joshbersin/2013/11/30/the-mooc-marketplace-takes-off/.

[57]   Source: "Moocs are treated with suspicion by students and recruiters," ft.com / Della Bradshaw, August 18, 2013, http://www.ft.com/intl/cms/s/2/f6f45fc4-0678-11e3-ba04-00144feab7de.html#axzz2m9ygKutC.

[58]   Source: "Introducing A New Way to Add Certifications to Your LinkedIn Profile," LinkedIn / Alexis Baird, November 14, 2013, http://blog.linkedin.com/2013/11/14/introducing-a-new-way-to-add-certifications-to-your-linkedin-profile/.

> **KEY POINT**
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> In 2014, organizations should move beyond "experimentation" with corporate social systems and make sure that they are working to deliver an integrated set of tools.

In 2014, organizations should move beyond "experimentation" with corporate social systems and make sure that they are working to deliver an integrated set of tools. Young employees enter your organization with high expectations for online collaboration, knowledge-sharing, and top-to-bottom transparency. You should have a social media policy—and accept the facts that your employees bring their own mobile devices, and want to collaborate vigorously within and outside your organization. If you do not provide a good working environment, people will go elsewhere.

One HR leader I interviewed late last year said,

> *"Social tools have changed every practice in HR— recruiting, performance management, training, onboarding, and even the way we communicate, meet, and interact."*

That is a good way to think about it. Look at the impact of social tools in all of your HR practices and make sure you have an integrated infrastructure (we call it a "learning infrastructure") that makes these systems easy to use, secure, and available at all times. Companies with wide adoption of social and mobile tools will find it easier to attract and retain people, they can collaborate and perform better, and their people can learn faster.

While all of our research shows that HR technology is not the "answer" to many challenges, today it is prevalent and needed to operate well. Your HR team should understand and lead the adoption of these tools; you should monitor the growth of new areas, like the "quantified self[59]" and "Big Data analytics[60]," to make sure that you are ahead of the curve. One thing we do know—our research shows employees are somewhat overwhelmed with all these tools, making it even more important that you work on creating a simplified work environment.

To give you just a glimpse of what is coming, one of our clients developed a new training application that uses location awareness in its service-provider operations. When a repair technician enters a communications facility to perform work, his / her phone identifies the

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[59]   Source: http://en.wikipedia.org/wiki/Quantified_Self.

[60]   For more information, *Big Data in HR: Building a Competitive Talent Analytics Function – The Four Stages of Maturity*, Bersin & Associates / Josh Bersin, April 2012. Available to research members at www.bersin.com.

location and looks up the technician's training history for the device he / she is going to repair. If that repair technician's certification on this particular equipment is not current, his / her keycard will not open the door; the repair technician is told to complete certification before entering the building to do the work.

This is only a simple example of the exciting ways in which new mobile, social, and embedded technologies are going to change the way we manage people and our businesses.

9. Talent Analytics Comes to the Front of the Stage

One of the biggest trends for 2014 is the continued growth and focus on talent analytics.[61] In 2013, we launched some of our most important research in this area (we have been studying learning and talent analytics since 2003); we hope that you will carefully examine our Talent Analytics Maturity Model (see Figure 13) and join our membership program to become part of this wave. We will be expanding our working group, and delivering much more research on tools, leading practices, data governance, data cleaning, and all of the other interesting and somewhat arcane topics in this area.

As many of our blogs and articles describe, we are entering the golden age of data within HR. I like to call it the "datafication of HR"— referring to the trend toward data-driven thinking and integrated data infrastructure as part of doing business. This trend already occurred in finance and marketing, so it is naturally coming to our discipline. I know it will take a good five to 10 years to mature, but we are right on the cusp of big changes.

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[61]   More than two-thirds of organizations are significantly increasing their investments in talent analytics in 2014. For more information, *High-Impact Talent Analytics: Building a World-Class HR Measurement and Analytics Function*, Bersin by Deloitte / Josh Bersin, Karen O'Leonard, and Wendy Wang-Audia, October 2013.

Figure 13: Bersin by Deloitte Talent Analytics Maturity Model

Level 4: Predictive Analytics
Development of Predictive Models, Scenario Planning,
Risk Analysis and Mitigation, Integration with Strategic Planning

Level 3: Advanced Analytics
Statistical Modeling and Root-Cause Analysis to Solve Business Problems,
Proactively Identify Issues and Recommend Actionable Solutions

Level 2: Advanced Reporting
Proactive, Operational Reporting for Benchmarking and Decision-Making,
Multidimensional Analysis and Dashboards

Level 1: Operational Reporting
Reactive, Operational Reporting of Efficiency and Compliance Measures,
Focus on Data Accuracy, Consistency, and Timeliness

Source: *Bersin by Deloitte, 2013.*

In 2014, you must take time to:

- Rationalize and integrate your analytics team (bring them together into a center of expertise)

- Invest in your core reporting and data infrastructure

- Build a roadmap toward business-driven talent analytics.

Our research and services will show you precisely how to pull this together.

Your most likely home runs in this area will be:

- **Recruiting**—Understanding the quality of sources, best candidate qualifications, cost and efficiency of source, analyzing quality of hire, etc.

- **Sales Analysis**—Profile of high-performing sales professionals, sourcing, and training needs

- **Turnover or Retention Analysis**—Developing or buying a model to predict retention (since that will become such a huge issue this year)

- **Analysis of Talent Mobility and Leadership**

Here is an example. Conversations with recruiters tell us that 70 percent of managers hire people who share their own interests and background. Is that the best approach? No. One of our client companies carefully analyzed its top sales performers and found that almost all the criteria used to screen candidates (i.e., GPA, quality of school, quality of references, sales experience) had little to no relationship to candidate performance and tenure. After studying high performers, this particular company changed its screening criteria and saw a $4 million revenue increase within six months.

There are hundreds of opportunities to analyze the people side of your business:

- Why are there accidents in certain plans?

- How do we reduce fraud?

- Why is there inordinate overtime and payroll leakage in certain business units?

- What are expected patterns for retirement?

The list goes on.

This focus on employee data will continue to expand. The market for wearable computing devices (products like the FitBit®) is doubling every month,[62] producing terabytes of new data about where we are, what we are doing, and how we are doing it. Today, healthcare providers are starting to recommend that people use these devices as a way to improve healthy living. While few employers have yet to launch programs to collect this data, it is only a matter of time before employees may be wearing Google Glass (or equivalent), and collecting real-time data about working conditions, job candidates, customer interactions, and manufacturing or operations problems.

Industrial data is also exploding. GE just introduced a new program to harness data on the "industrial Internet," called GE Predictivity

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62   Source: "Internet Trends: D11 Conference," Kleiner Perkins Caufield Byers / Mary Meeker and Liang Wu, May 29, 2013, http://www.slideshare.net/kleinerperkins/kpcb-internet-trends-2013.

Solutions[63]. Working with a number of software and hardware companies, GE is capturing data on windmills, power plants, turbines, and other equipment to predict failures, and provide real-time information on machine performance and wear.

All of this data is now available to organizations, so why not use it to understand the relationship between people practices and business return? Google, a company that initially did not really believe in management, used its own production and people data to convince itself that certain people practices really do matter.[64] The more data we have, the more potential we have to improve our decisions on who to hire, how to manage, and how to optimize the people part of the business.

Investors are clearly thinking this way. Some of the most interesting new tools (and venture-backed companies) for talent acquisition, employee engagement, assessment, and mobility are based on Big Data. New management and recruiting tools, that are based on Big Data and advanced people science, are coming from companies like Gild, TalentBin, Identified, Jobfig, Apploi, Evolve, and LinkedIn, among others. Startup science-based engagement companies (like Good.co, Cultureamp, and Roundpeg) are developing new approaches to employee selection and engagement. Oracle, SAP, SuccessFactors, and Workday are all building out their analytics platforms to provide better predictive models to help you to answer these questions.

We are investing heavily in this part of the market in 2014. Not only will we accelerate our research, but we now have tremendous consulting capabilities available from Deloitte to help you with technical and data integration, and the development of advanced models and visualization tools.

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63   Source: GE Software, http://www.gesoftware.com/predictivity.

64   Source: "How Google Sold Its Engineers on Management," Harvard Business Review / David A. Garvin, December 2013, http://hbr.org/2013/12/how-google-sold-its-engineers-on-management/ar/1.

10. Innovation Comes to HR: The New, Bold CHRO

The final prediction I want to mention is the changing role of the CHRO.

Over the last 30 years, the role of "senior vice president of HR" or "chief HR officer" has changed dramatically. Once viewed as a senior administrative position, now the CHRO has a much more strategic and complex job.

- First, the CHRO should run HR well. Hiring, onboarding, training, payroll, labor relations, benefits, and all of the other administrative functions must work well—or else the business simply cannot operate.

- Second, CHROs are responsible for the "corporate talent system." Through their efforts, they build the performance, learning, succession, onboarding, career management, and compensation systems that drive productivity, engagement, and performance. This is a strategic and difficult role—one that requires senior-level relationships, as well as deep experience in the practices of talent management.

- Third, the CHRO is the "keeper of the culture." While the senior executives and CEO create and drive the culture, the CHRO should monitor its health, provide feedback, and advise the CEO when things have to change. Many companies (like Xerox, Motorola Solutions, Telus, Juniper Networks, Google, and others) define their success through their culture. It is the CHRO's role to help senior leadership to develop and reinforce the behaviors that drive success.

- Fourth, the CHRO should transform and upskill the HR team. Now, more than ever, organizations feel that the bar has been raised on HR. The team must not only serve as strategic consultants to the business, they also need to understand analytics, implement complex new software tools, and understand the role of changing technology for business operations.

- Finally, the CHRO must plan for the future. HR, through its particular lens into the business, has a unique perspective on the people challenges and opportunities we face. The CHRO must drive a view into the future—developing an understanding of future skills gaps, labor market opportunities, and the impact of potential mergers and acquisitions.

In many ways, the CHRO is part chief HR officer, chief people officer, chief culture officer, and chief change officer. Within all of these functions, they must be able to act boldly, drive innovative new programs, and collaborate directly with the CEO and other top leaders.

Given these challenges, today there is a trend to bring non-HR business leaders into these roles. Liberty Mutual, Time Warner Cable, Yahoo, and many other companies are now promoting business leaders into the CHRO role—attempting to drive bold and innovative thinking into the people part of the business.

Conclusion

2014 will be one of the most exciting years we have ever seen. The growing global economy will present challenges, competitive threats, and new opportunities. Take your talent pipeline seriously—attracting, developing, and keeping people will take top priority.

This is the year to "sharpen your saw"—innovate, think outside the box, and look systemically at your total "corporate talent system." We look forward to helping you succeed in your organization's HR, learning, and leadership journey.

KEY TAKEAWAYS

1. You need to think of all of the elements of talent management as one integrated "system"—each working together, but fitting into a total employee environment. No one HR program stands alone; you need to stitch these elements together to address a variety of talent challenges.

2. Year after year, we find companies which outperform their competitors because they have deeper skills, a stronger learning culture, and a deep investment in leadership. These winning companies continuously invest in their team's skills (e.g., technical, professional, and leadership)—and they do not slow down during recessions. This "continuous capability development" approach makes them more innovative, responsive, and agile as their markets change. By the way, people are usually more engaged and loyal at these companies, because these companies invest in them.

3. You can and should source and recruit talent where we think skills will be deepest and where you can best compete for people. In 2014, you must look at your global talent practices in unique ways; each country may need a different set of practices, slightly different approaches, and local optimization.

4. Rename your "L&D department" to the "capability development organization"—and start to look at skills development as a multiyear, continuous program that brings content, programs, and management practices together. This means you have to be good at tactical training, as well as long-term skills assessment and planning.

5. It is not enough to simply offer courses in a mobile interface. Companies should invest the money to integrate all of their learning content (as well as expert and social tools) into one easy-to-use interface—making continuous learning and knowledge contribution a part of your everyday life. This is the type of interface that young employees expect to find in your organization and it drives the enablement of continuous learning.

6. You should reengineer or redesign the old-fashioned performance appraisal process, and focus on "enabling high performance" instead. We call this the shift away from "competitive evaluation"

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toward "coaching and development." Until you create an organization that operates on candor, feedback, accountability, and strong personal relationships, no amount of annual performance ratings will help.

7. It is time to take a whole new look at employee engagement and retention. Stop talking about the annual engagement survey—and sit down and talk about how you are going to build passion. Part of building "passion" is hiring the right people. Every company has a unique culture; you should recruit people who believe in what you do and fit into your environment. If you suffer from high turnover, you may not only have a management issue, you may also have a recruiting issue. The entire "talent system" should be considered when building passion. Understand your mission and purpose, develop leaders who manage well, and look for people who believe. You will find passion.

8. Organizations should also look at the work environment itself. Given the long hours people spend at work, you can redesign the work environment to make it more enjoyable, collaborative, and fun.

9. Entering the global talent-constrained environment, organizations should continuously monitor employee engagement through exit interviews, open blogs and wikis, and ongoing communication activities with people at all levels. This continuous stream of feedback should push you to make work simpler, more flexible, and more fun. Remember, the days of "controlling" workers are over— an engaged employee will automatically work harder and deliver higher-quality results.

10. Some of the key principles for HR redesign in 2014 and beyond include:

    a. Clearly establishing a service-delivery framework, service centers, self-service, and automated transactions for most operational and transactional employee needs

    b. Redesigning the business-partner role to become a strategic advisor, aligned directly with line leaders and embedded into the business

    c. Reducing the number and need for "HR generalists," and moving them into the role of "HR specialists," who are focused on recruiting, organizational development, employee relations, and compensation

    d. Intense focus on external intelligence, research, benchmarking, and the continuous scanning of new tools, technologies, marketplace and workforce changes, and demographic shifts

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e. Internal training, certification, and development of the HR team—focused on making everyone within HR a "master craftsman" who understands his / her trade, knows how to use tools and data, and feels connected to the larger community of leading practices and new ideas in the marketplace

f. Development of standard frameworks, technology platforms, tools, and standard vendor solutions that prevent "reinventing the wheel" around the company, created by COEs and also gathered from specialists around the world

g. A new center of excellence, called talent analytics, that becomes the "center of data" for the talent—bringing together analytics around recruiting, leadership, performance, engagement skills, and all the various spending levels within HR

h. A strong and bold CHRO who is not only tightly aligned with the business, but is also willing to push for innovation and new solutions that are actually unique, company-specific programs that leverage the business's unique culture, business strategy, workforce demographics, and people strategy

11. Talent acquisition leaders should partner with their chief marketing officer and build out an authentic, localized employment value proposition in each major geography.

12. You will be competing heavily for technical and professional people, and you will need a globalized process to scale. With the talent acquisition function, we see a tremendous need to build skills, create new roles (e.g., sourcers, social network and candidate relationship management teams, assessment experts), and step up the governance and scale of the recruiting function.

13. Less is more—a simpler system that is widely used is far better than a complex, feature-rich system which employees cannot figure out how to use.

14. With regard to systems implementations, HR organizations should:

a. Establish a set of strategic HR and talent priorities

b. Then develop a roadmap of processes and programs they want to deliver

c. From there, select a set of software vendors

15. Organizations should move beyond "experimentation" with corporate social systems and make sure that they are working to deliver an integrated set of tools. You should have a social media

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policy—and accept the fact that your employees bring their own mobile devices, and want to collaborate vigorously within and outside your organization. If you do not provide a good working environment, people will go elsewhere.

16. With regard to analytics, you must take the time to:
    a. Rationalize and integrate your analytics team (bring them together into a center of expertise)
    b. Invest in your core reporting and data infrastructure
    c. Build a roadmap toward business-driven talent analytics

17. In many ways, the CHRO is part chief HR officer, chief people officer, chief culture officer, and chief change officer. Within all of these functions, the CHRO must be able to act boldly, drive innovative new programs, and collaborate directly with the CEO and other top leaders.

Appendix I: Table of Figures

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