

Resetting Horizons
Human Capital Trends 2013



Country Forward Report – South Africa



I am pleased to share with you a summary of the market trends and priorities that are driving human capital decisions for corporate leaders across South Africa.

This specially tailored report compares the South African results to the overall results of our comprehensive survey of more than 1,300 business leaders and HR executives in 59 countries comprising the world's major economic regions.

Deloitte's global human capital survey set out to determine which trends are playing the most significant role in global organisations today and which are further out on the horizon. Accordingly, we have categorised these trends as either leading or highly relevant today, rising, relevant in the next one to three years, or emerging, three or more years from now.

This South African report was designed to complement the Deloitte 2013 Global Human Capital Trends report, "Resetting Horizons." We believe both reports will inform your organisation's leaders on the issues impacting companies throughout our country – and around the world.

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

Yours sincerely

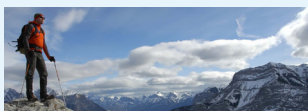
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Resetting Horizons: Human Capital Trends 2013 – South Africa report

Five years after the onset of the recent recession, companies are beginning to reset their horizons. While South Africa had averted the initial impact of the global crisis due to the greater insulation of our financial system, the last few years have seen downward revisions of our growth figures and depressed business confidence. Local policy uncertainty and marked shifts in the labour environment have exacerbated the general downturn. Consequently, for the last several years, human capital decisions have been largely shaped by the recession and its aftermath of weak economic growth.

Listening to clients, conversing with experts and conducting research, Deloitte's Human Capital team has identified thirteen global trends that we believe are driving human capital decisions. The relevance of these trends was tested in our global survey of more than 1300 HR and business leaders in 59 countries. In this special report we compare the South African results with the trends globally and against the EMEA results.

Exploration



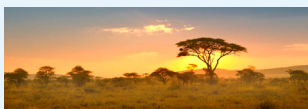
Leadership.Next: Debunking the Superhero Myth

Yesterday's leadership theories are not keeping pace with the velocity of today's disruptive marketplace. Organisations are seeking a new model for the age of agility.



How Boards are Changing the HR game

To seize new opportunities for sustainable growth and manage heightened risks, boards of directors at high-performing organisations are pulling CHROs much deeper into business strategy – and far earlier in the process.



Leading Talent from the BRIC

In an era of pervasive globalisation, organisations are building multi-directional talent networks that are not only geared toward existing markets, but can also power new emerging markets.



A Global Diversity Dividend

In the midst of ongoing global expansion and a worldwide shortage of critical talent, companies are stepping up efforts – at very different speeds and levels of investment – to recruit and retain a workforce diverse in both demographics and ideas.



Workplaces of the Future: Creating an elastic workplace

Workplace flexibility has become table stakes for attracting and retaining employees. Now companies must align their flexibility strategy with their core strategy to realise the benefits.



The Open Talent Economy

Jump ahead to the year 2020. Half the people you rely on don't actually work for you and that's a good thing – if you're ready.

Execution



Organisation Acceleration

Faced with tougher, more numerous challenges, today's organisations are demanding more from their change initiatives by pursuing strategies that are customised, precise, and sustainable.



The War to Develop Talent

The talent management pendulum is swinging from recruitment to development.



Transforming HR to Meet New Business Priorities

HR transformation efforts are continuing to shift their focus to business priorities, concentrating on areas such as talent, emerging markets, and the HR organisation.



Branding the Workplace: Innovating the talent brand

Social media has erased whatever lines used to exist between the corporate brand and the talent brand. They're two sides of the same coin.



The Aging Workforce: Finding the silver lining in the talent gap

Organisations can capitalise on shifting retirement patterns to help narrow their talent gap.



The Performance Management Puzzle

Some say traditional ways of managing employee performance are irrelevant in today's fast-changing work environment. Others argue that these methods drive accountability and differentiated compensation. Both are right.



Human Capital Analytics: Thinking like an economist

Increasingly, many HR leaders have to answer questions that have an economic issue at their core – the allocation of a scarce resource called talent.

Top 5 leading, rising and emerging trends in South Africa

While there are some variations in response rates, South Africa's top trends are largely consistent with the global trends.

South African business and talent leaders rate **Leadership.Next** and **Organisation Acceleration** as the two most important trends. The importance of developing leaders in line with and in preparation for the shifting economic realities is the key trend with immediate relevance.

Organisation Acceleration or the ability of business to implement customised strategies with a greater focus on outcomes is the leading trend for the next three years and beyond.

South African companies rate **The War to Develop Talent** as the third most important trend compared to first and second rank in EMEA and globally respectively.

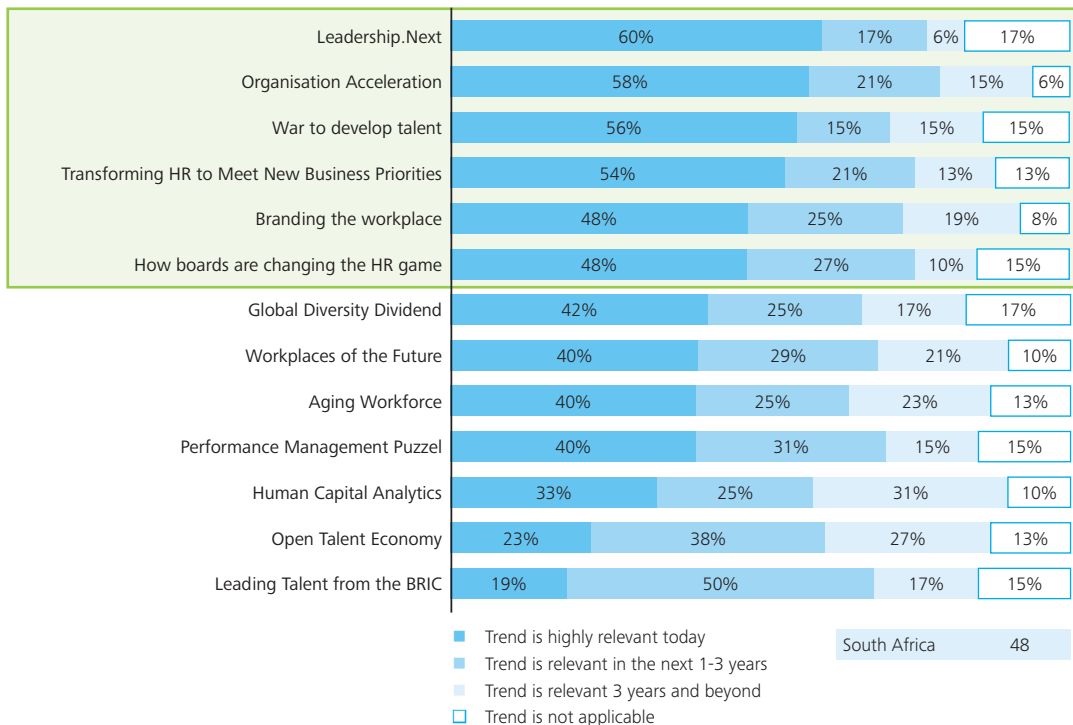
Transforming HR ranks highly locally and globally. In a slight deviation from the global trend, however, South African companies rate **Branding the Workplace** as the

fourth most important trend for the coming years, ahead of **Transforming HR**. Direct employment engagement, use of social media and innovative engagement techniques across a mixed and diverse workforce appear to receive greater focus locally than enhancing the structural side of the HR and talent programs.

Interestingly, South African results also show a significantly larger group of business and talent leaders who do not rate **Leadership.Next** and **War for Talent** as trends that are applicable. This is three times more than regional or global averages. While the majority of companies believe these trends to be important, a significant group of respondents appear to be confident that the current practices to develop new leaders and fill the leadership pipeline to meet future business demands are adequate.

Similarly, the role of boards in shaping or influencing the talent agenda, while a top five trend, is seen by a larger local group as not being applicable, when compared regionally and globally. Clearly South African companies are lagging in board oversight of human capital issues, probably because we lag the legislative regimes that are very prevalent in the USA and Europe in particular.

South Africa Human Capital Trends Summary



The regional EMEA comparison shows stronger variations. Across Europe, the Middle East and the rest of Africa, **War to Develop Talent** is the top ranked trend with a markedly stronger focus on the structural elements of delivering human capital solutions.

Transforming HR and the role of **Boards** are rated second and third. While South Africans rated **Leadership.Next** and **Organisation Acceleration** as our most relevant trends, these ranked fifth and fourth respectively across EMEA.



Top 5 global leading trends (%)



Top 5 EMEA leading trends (%)



General Business Outlook in 2013

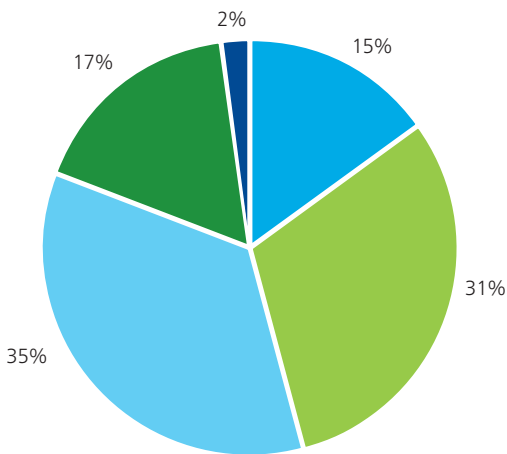
Many executives who participated in Deloitte’s survey appear to recognize 2013 as a pivot point in terms of economic expectations. South Africans, with 46%, are a little less bullish about moderate to strong growth than their global counterparts with 51%. However this is significantly more positive than the regional executives across Europe, the Middle East and the rest of Africa, with only 30% EMEA respondents expecting moderate to strong growth. Asia Pacific, with 63% has the most positive growth outlook for moderate to strong growth.

Interestingly, despite South Africa’s relatively strong reliance on trade with Europe, our outlook is more positive despite Europe’s continued low growth recovery focus. This appears to reflect the shift to more diversified business and trade strategies expanding into the BRICS and within Africa. Our moderately positive outlook is also indicative that South Africa’s economy did not suffer as deep a downturn as the broader global contraction. Recover to high growth rates however is still slow.

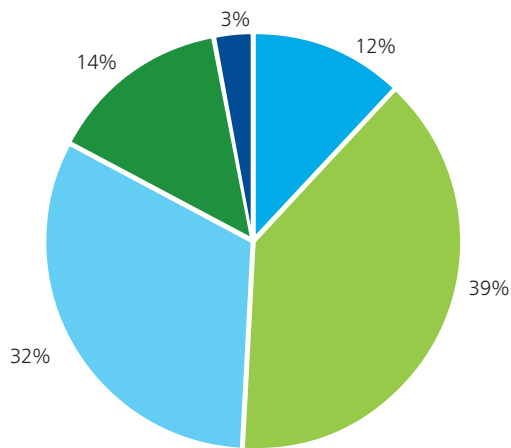


General Business Outlook in 2013

South Africa Summary



Global Summary



- Strong growth compared to 2012
- Moderate growth compared to 2012
- Similar growth compared to 2012
- Slower growth than 2012
- Much slower growth than 2012

Capabilities of Organisation’s HR and Talent programmes

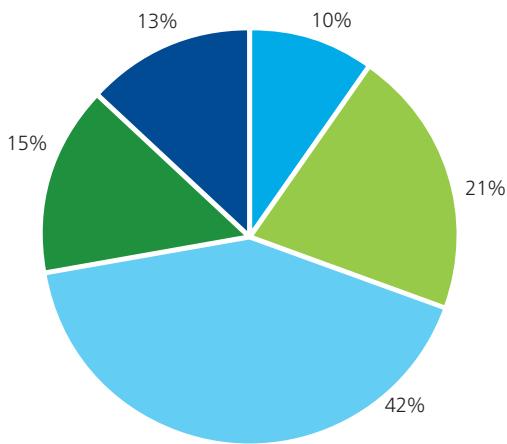
According to our survey, South African executives are confident that their companies have stronger HR and talent programs when compared to their global counterparts. Nearly a third (31%) consider their organizations’ programs to be “world class” in all or at least some areas, compared to fewer than one in 4 (24%) global respondents. South African companies

may need further introspection and benchmarking to internationally recognized companies given the large difference to what is a large global sample.

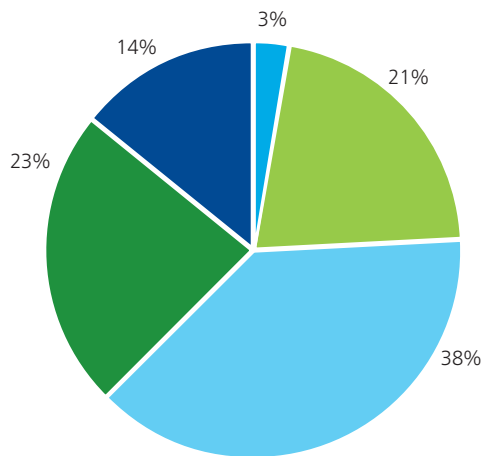
The number of local respondents who believe that their HR and talent programs require either significant or radical improvements is markedly lower (28%) than the global average (37%). A similarly positive view is only reflected in the America’s region (29%).

Capabilities of Organisation’s HR and Talent programmes

South Africa Summary



Global Summary



- We are world-class in HR and Talent programmes
- We are world-class in some areas of HR and Talent programmes while we need to improve in several key areas
- We have adequate HR and Talent programmes for our industry but we need to improve
- We are getting by in HR and Talent programmes but significant improvements are needed
- We are underperforming in HR and Talent programmes and radical improvements are needed

When executives were asked to name the top three most pressing talent and HR concerns facing them today, South African and other executives globally were largely in agreement. Today's corporate leaders are squarely focused on the need to develop new leaders and plan for leadership succession. Perhaps this indicates that the global demand for new leaders is outpacing the supply, and that the coming years will require different approaches to developing leadership capability and enhancing leadership development pipelines.

Top 3 pressing HR and talent concerns (based on respondents)

Ranking	South Africa	Global
#1	Developing leaders and succession planning (58%)	Developing leaders and succession planning (55%)
#2	Sustaining employee engagement/morale (40%)	Sustaining employee engagement/morale (39%)
#3	Recruiting hard-to-find skill sets (35%)	Connecting HR and talent with business critical priorities (33%)

(% indicates the percentage of total respondents who rated the concern 1,2 or 3)

“Sustaining employee engagement/morale” was the consensus choice as the second most pressing talent concern for executives worldwide as well as in South Africa. This echoes the fact that the “**War to Develop Talent**” was also cited by respondents as a top human capital trend in all regions. Clearly, executives are eager to improve employee engagement.

While mirroring the top two global concerns, South Africa differs from all regions in placing “Recruiting hard-to-find skill sets” as today's third most pressing talent priority. Despite the difference, it is consistent with South African executives belief that **The War to Develop Talent** is one of their top three human capital trends. Interestingly, the rating is indicative that South African executives seem to be more focussed on the recruitment – rather than the talent development challenge. The third most pressing global challenge is “Connecting HR and talent with business critical priorities”, indicative of an approach more focussed on developing internal talent, compared to our recruit the hard to-find skills prioritisation.

Please refer to the full Global Human Capital Trends 2013 report to read about each of these trends.



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