

**Deloitte.**



## Human Capital Trends 2016

The new organization:  
Different by design

India report

May 2016



# Message from Our Leaders: Introducing Human Capital Trends 2016

Sweeping global forces are reshaping the workplace, the workforce and work itself. To help organisations and leaders understand these challenges, Deloitte in partnership with NHRD is pleased to share the 2016 Global Human Capital Trends India country report. This country report summarises the HR and talent trends and priorities shaping the business landscape for corporate India.

The India report draws on responses from 239 leaders from across India who took part in a comprehensive global survey of more than 7,000 business and HR leaders in over 130 countries in the fourth quarter of 2015. Deloitte in India conducted this fourth annual survey, in partnership with National Human Resource Development (NHRD) Network.

The India report has been designed to complement Deloitte's [2016 Global Human Capital Trends report "The New Organisation: Different by Design"](#). Specifically this country report summarizes the challenges facing organisations today and the business and HR capabilities required to address them; this tailored report presents and compares the India results with both the global and APAC results. We believe both of these reports will help apprise business leaders on the critical HR and talent issues impacting organizations throughout the country and across the world.

Our 2016 Global Human Capital Trends Report begins with the key finding that organization design is a critical and timely priority for executives, and reinforcing this trend are the emphases on creating a shared organization culture, an engaging work environment, and new models for leadership and career development within organizations. Vying to attract and retain top talent in an increasingly competitive and highly transparent job market for the most critical skills, firms are focusing on maintaining their external employment brands, while embracing digital technologies to create a seamless employee experience internally - an experience that promotes a culture of employee driven learning, diversity, and inclusion. Amidst these changes, the skill requirements for the HR function are rapidly evolving to include new capabilities including design thinking, people analytics, and behavioural economics.



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# Global Human Capital Trends 2016

## Defining this year's top 10 trends



### **Organizational design:** **The rise of teams**

Hierarchical organizational models aren't just being turned upside down—they're being deconstructed from the inside out. Businesses are reinventing themselves to operate as networks of teams to keep pace with the challenges of a fluid, unpredictable world.



### **Design thinking: Crafting the employee experience**

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



### **Leadership awakened: Generations, teams, science**

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



### **HR: Growing momentum toward a new mandate**

Good news: This year's Global Human Capital Trends survey shows an improvement in the HR organization's skills, business alignment, and ability to innovate. But as companies change the way they are organized, they must embrace the changing role of HR as well.



### **Culture: Shape culture, drive strategy**

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



### **People analytics: Gaining speed**

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



### **Engagement: Always on**

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



### **Digital HR: Revolution, not evolution**

A new world for HR technology and design teams is on the horizon. Mobile and other technologies could allow HR leaders to revolutionize the employee experience through new digital platforms, apps, and ways of delivering HR services.



### **Learning: Employees take charge**

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



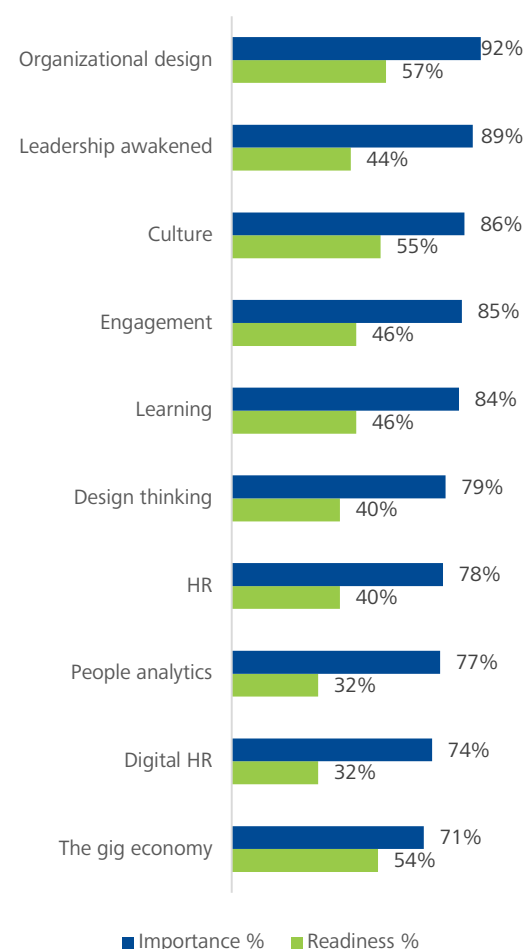
### **The gig economy: Distraction or disruption?**

How can a business manage talent effectively when many, or even most, of its people are not actually its employees? Networks of people who work without any formal employment agreement—as well as the growing use of machines as talent—are reshaping the talent management equation.

# Top Global Human Capital Trends Ranked by Importance

92% of the surveyed global executives, rank *organization design* as the top priority for 2016, ahead of the previous year's focus on culture, leadership and learning.

Figure 1: 2016 trends ranked in order of their importance and readiness



The top five trends for globally are:

1. Organizational design
2. Leadership
3. Culture
4. Engagement
5. Learning

Perennial issues such as leadership, and learning continue to rank high in importance this year, a key shift is under way, as corporate leaders turn a more focused eye towards adapting their organization's design to compete successfully in today's highly challenging business environment and competitive talent markets.

Culture and engagement continue to place in the top five. The rise of social networking tools and apps leave companies more transparent than ever (last year) we explored this trend in a chapter on [The Naked Organization](#). Executives increasingly recognize the need for a deliberate strategy to shape their corporate culture, rather than having it defined for them through Glassdoor or Facebook.

In terms of readiness, companies are making progress. While the average capability gap improved from 45 percent in 2015 to 40 percent in 2016, overall the gap continues to remain high for the most important trends. Interestingly, while the readiness in Analytics and Leadership Development jumped up by 11 percent and 14 percent respectively, they continue to remain focus areas for HR capability development, with capability gap of 40 percent.

# Human Capital Trends in 2016 – India

91% Indian survey respondents ranked *organization design* as the leading trend in line with the global survey and slightly short of the APAC respondents.

The India and global top priorities are similar. The top five Human Capital trends in India for 2016 are:

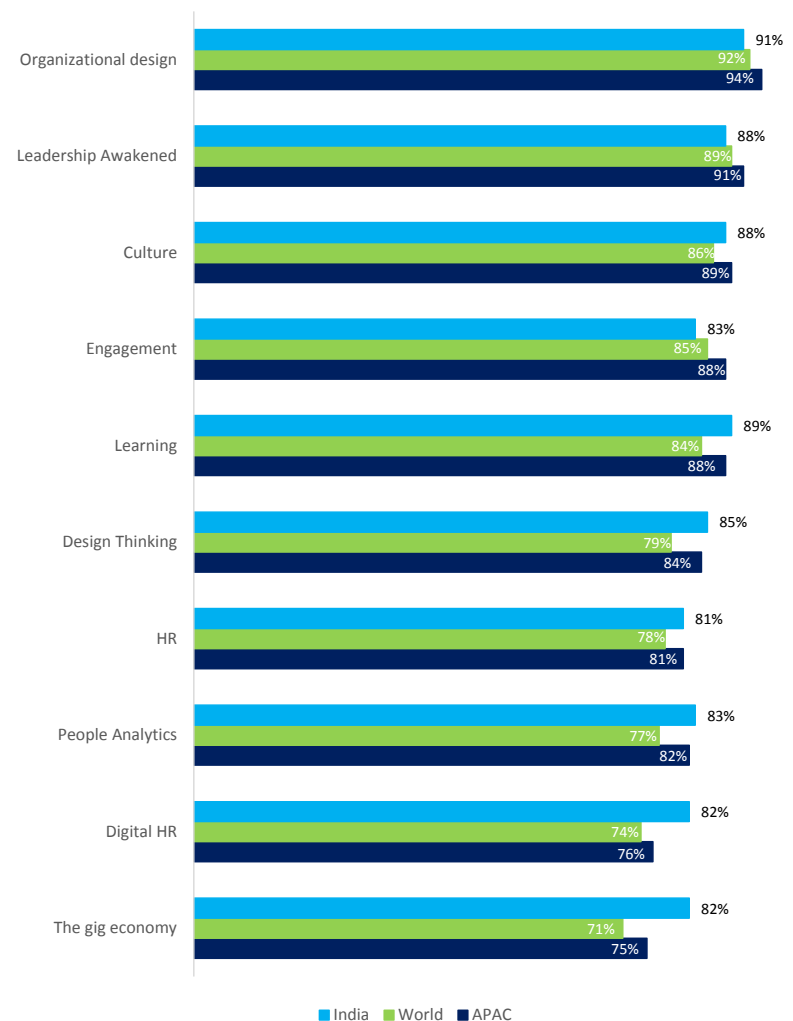
1. Organizational Design
2. Learning
3. Leadership
4. Culture
5. Design Thinking

Design Thinking moves up the priority list for India, with 85 percent respondents identifying it as “important” or “very important”, in comparison to 79 percent respondents globally.

People analytics is seen as relatively more important in India and APAC than globally (Fig 2) as well. Interestingly the capability gap across the three remains the same with 2 out of 5 respondents not ready to meet the requirements.

The relative importance of digital HR and contingent workforce (gig economy) in India are also high when compared to respondents across APAC and the globe. Perhaps this is in recognition of the urgency to address these challenges in light of the growing digitally savvy and entrepreneurial Gen-Y workforce in India.

Figure 2: 2016 trends importance percentages by geography





# Top Trends Compared to Last Year

An increased sense of urgency in 2016 across all of the Human Capital trends in comparison to 2015

The 2016 findings suggest that organisations are looking to raise the bar for HR and talent in terms of rigor, evidence, and more structured and analytic approaches to delivering business relevant talent solutions. While the relative rank of HR organisations' capability building dropped 6 places (in the trends ranking), the survey also reported the emergence of new priorities and capabilities including organisation design, design thinking and managing the growing temporary and contract workforce (gig economy).

Both culture and engagement continue to be critical human capital issues in India today. This year we asked executives to evaluate them separately. Interestingly, in India, culture ranked several places ahead of engagement at 88 percent--compared to engagement which respondents ranked at 83 percent in terms of importance.

Compared to 2015, two trends which saw significant increases in importance are Digital HR, which increased 14% between 2015 and 2016, and People Analytics which increased 9% in importance year on year. The competitive challenges of India's knowledge and services economy are driving this a shift in focus both in People Analytics and Digital HR.

Figure 3: Importance of Top Trends compared to last year

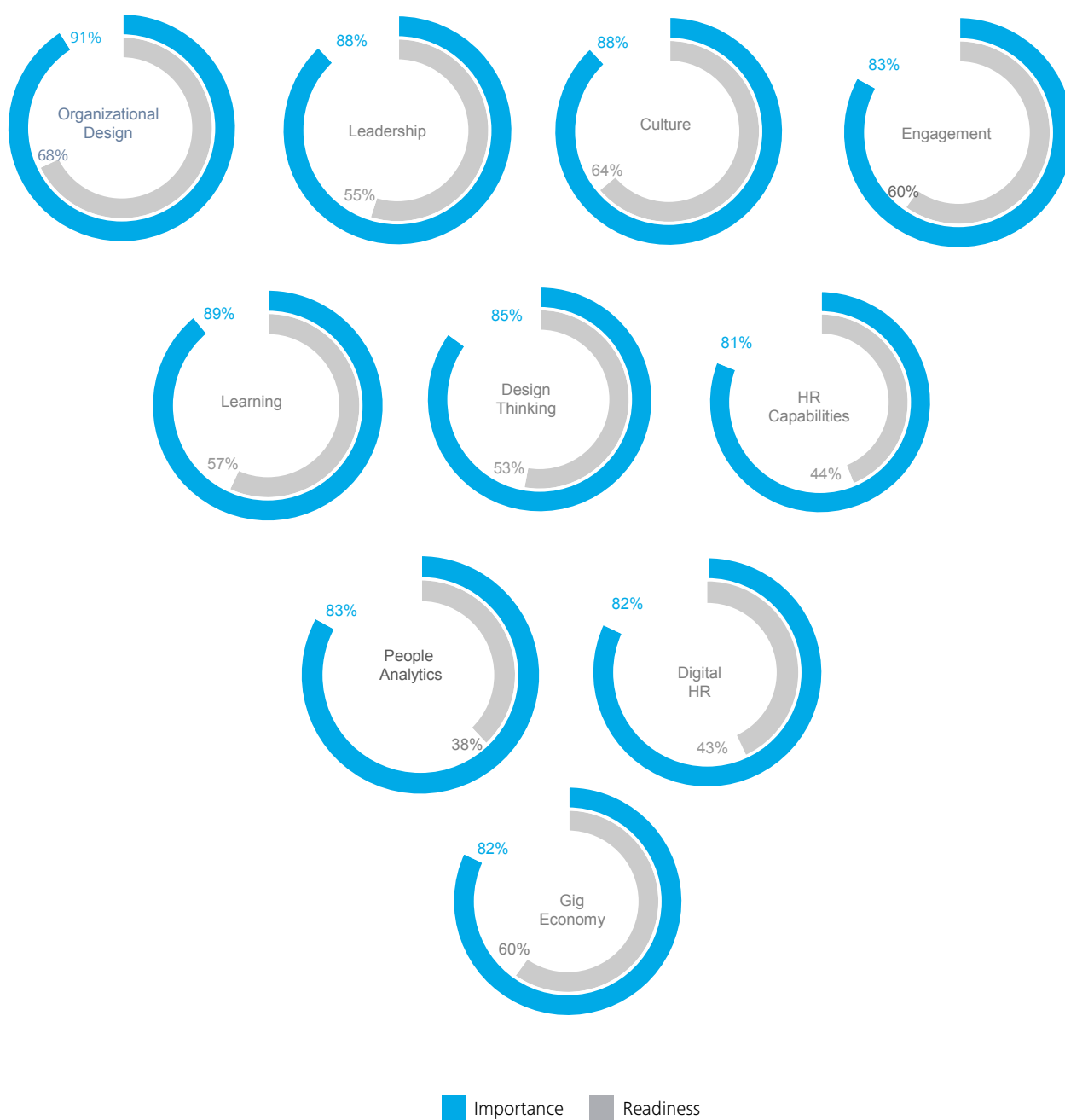
Trend	2016	2015	Difference in ranking
Organizational Design	91%	-	New
Learning	89%	85%	—
Culture	88%	90%	↓ 1
Leadership	88%	89%	↓ 3
Design Thinking	85%	-	New
People Analytics	83%	76%	↑ 2
Engagement	83%	90%	Modified
The Gig Economy	82%	-	New
Digital HR	82%	72%	↑ 1
HR	81%	86%	↓ 6

Looking at both importance and readiness, business and HR respondents across India suggest that there is work to be done to bridge the capability gaps to meet the Human Capital challenges ahead. We believe leaders who can do so will enjoy important competitive advantages.

Reference to Figure 3:

1. Engagement and Culture have been considered as two different Trends in this year's survey while they were clubbed as one trend in the 2015 edition
2. In 2015, 'Machine as Talent' was an emerging trend which is similar to the 2016 Trend 'Digital HR' hence they have been compared with each other

Figure 4: Importance and Readiness of India



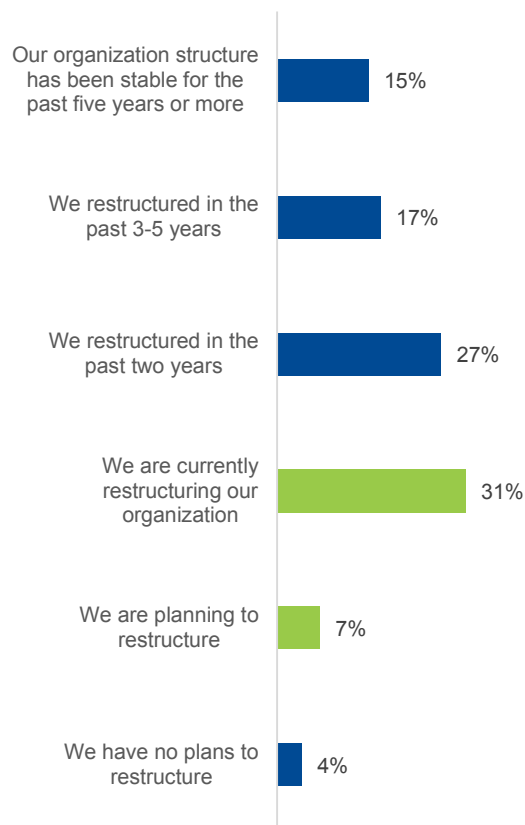
# A Spotlight on the Top Five Human Capital Trends in India



## 1. Organization Design

More than 9 out of 10 respondents (91 percent) identified rethinking organization design as an “important” or “very important” priority, with 38 percent of respondents (Fig 5) reporting they are currently restructuring or planning to restructure in the near term. The focus is on building agile empowered teams, increasingly led by younger and more entrepreneurial leaders, with a global mindset. Concerted efforts are underway to build organizational capabilities to enable project or program based cross functional teams, optimizing organizational layers and span of control, with 68 percent of respondents expressing confidence in driving this change.

Figure 5: How recently was the organisation restructured?



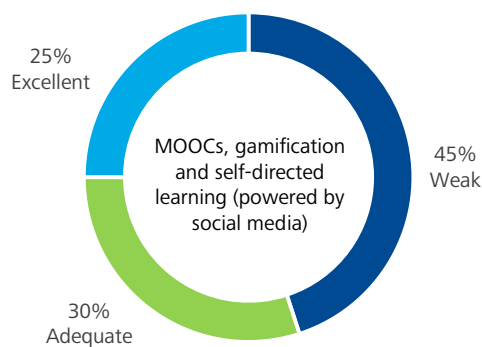
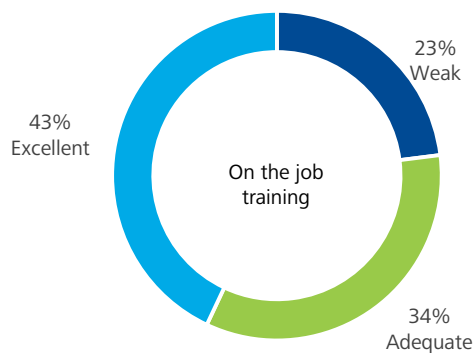
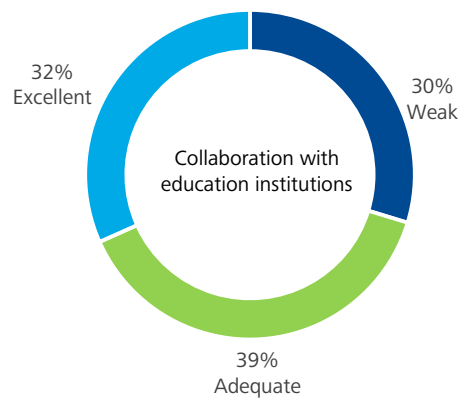




## 2. Learning

Learning features in the second spot in the India list of top Human Capital trends, two years in the row, with over 88 percent respondents rating learning as “very important” or “important”. 77 percent of respondents to the survey in India this year report having adequate to excellent capabilities for on-the-job training along with high levels of activity in corporate partnerships and certifications, with 1 in 4 organization reporting the adoption of new technologies and learning models including MOOCs, gamification and self-directed learning powered by social media (Fig 6).

**Figure 6: Learning and development capabilities**

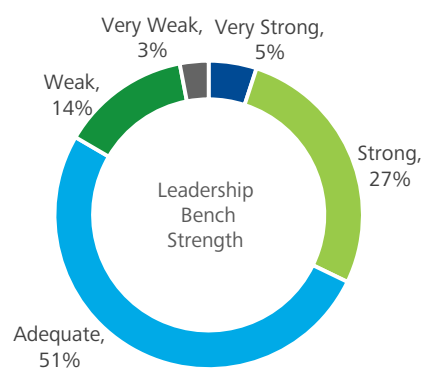
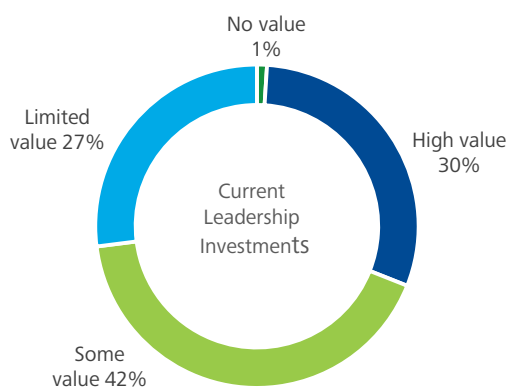
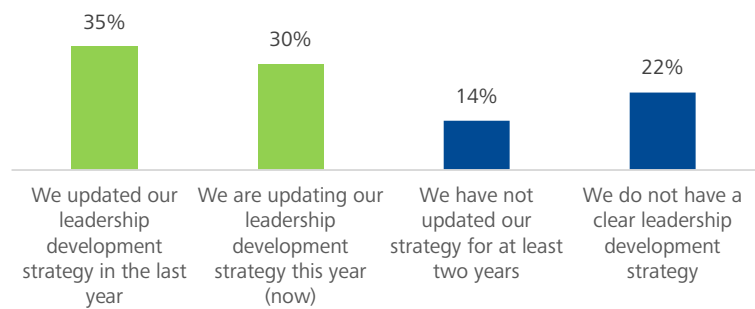




### 3. Leadership

The leadership challenge remains: 68 percent of respondents across India are still not confident on their leadership bench strength. 65 percent of respondents reported they are currently reviewing or have reviewed their leadership development strategy in the last two years, with 30 percent having made high value investments (Fig 7). The need of the hour is to invest in and deliver high impact programs addressing the needs of leaders at every level including senior leaders, next generation leaders, women and diverse leaders, and millennial leaders – expanding exposure to challenges including global skills and experiences and rapidly changing technologies.

Figure 7: Leadership Development Strategy

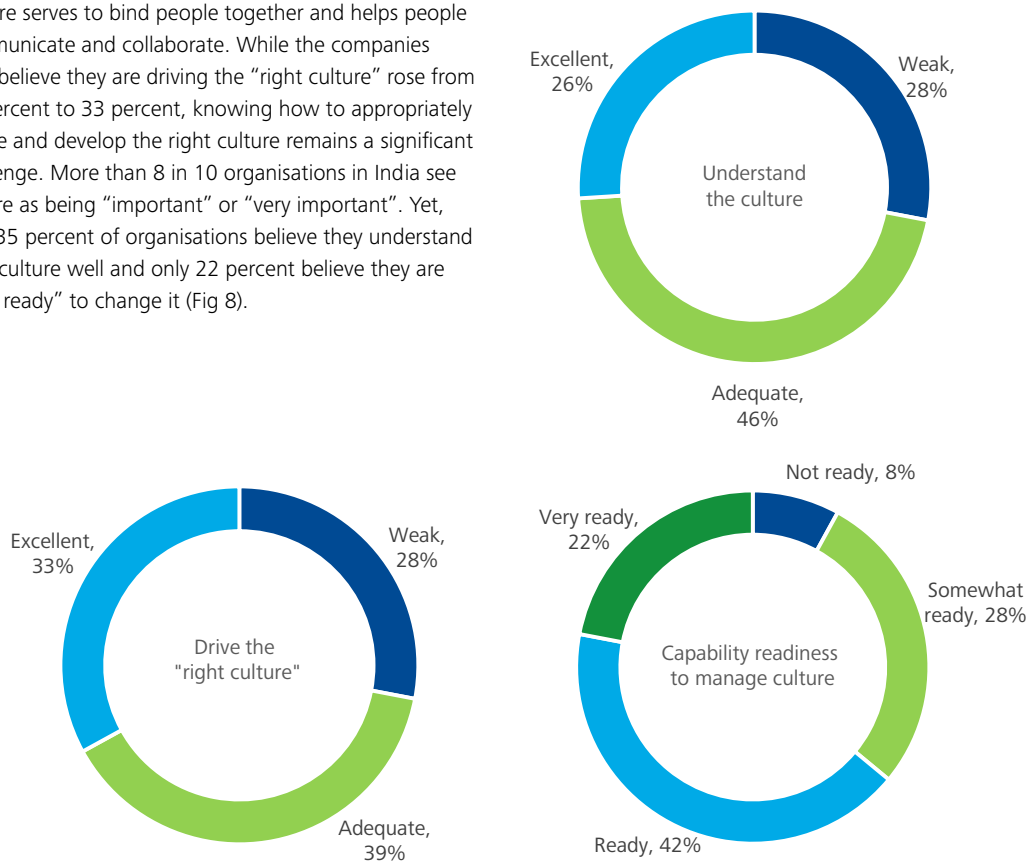




#### 4. Culture

Culture serves to bind people together and helps people communicate and collaborate. While the companies who believe they are driving the “right culture” rose from 16 percent to 33 percent, knowing how to appropriately define and develop the right culture remains a significant challenge. More than 8 in 10 organisations in India see culture as being “important” or “very important”. Yet, only 35 percent of organisations believe they understand their culture well and only 22 percent believe they are “very ready” to change it (Fig 8).

Figure 8: Shaping Culture, Drive Strategy

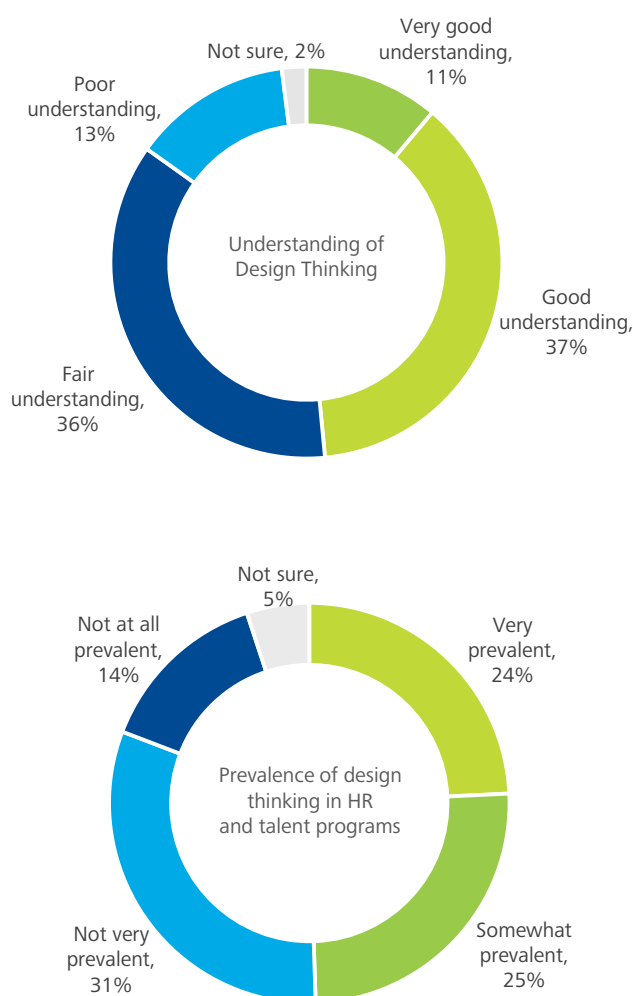




## 5. Design Thinking

As companies become more customer focused, design thinking is increasingly becoming central to all business decisions, with 85 percent executives ranking this trend as “important” or “very important”. Human resources is no different. Today employees demand a simplified and intuitive work environment which allows them to be focused and flexible in the accelerated market place and managing the demands of professional and personal life. In contrast to the global baseline, the Indian counterparts surveyed reported a higher understanding (48 percent as against 40 percent) and adoption (24 percent as against 12 percent) of design thinking in HR and talent programs (Fig 9). While we have made considerable headway in integrating this concept in the ways of working for the HR function and in fostering collaboration and creativity across the organization, 4 out of 5 respondents share that we have yet to develop capabilities to enable innovative programs and structures, and redesign work in itself.

Figure 9: Design thinking and HR



Similar to the global rankings, the India survey results reported a similar pattern for the Human Capital trends across industries, suggesting broad agreement on the relevance and importance of trend priorities.

Figure 10: Importance of trends in different industries

Industry	Consumer Business	Energy & Resources	Financial Services	Life Sciences & Healthcare	Manufacturing	Professional Services	Public Sector	Technology Media & Telecommunication
Total Count	17	15	20	14	38	47	6	41
Organizational design	94%	100%	90%	93%	89%	87%	100%	90%
Learning	82%	93%	95%	79%	84%	91%	100%	93%
Culture	100%	80%	80%	86%	87%	89%	100%	85%
Leadership	88%	93%	95%	93%	89%	89%	100%	85%
Design thinking	100%	87%	95%	64%	82%	85%	67%	90%
People analytics	71%	100%	95%	79%	84%	89%	83%	73%
Engagement	82%	93%	85%	43%	87%	87%	67%	88%
Digital HR	88%	87%	90%	71%	79%	87%	83%	85%
The Gig Economy	88%	87%	85%	79%	82%	77%	100%	80%
HR	76%	93%	85%	86%	82%	77%	83%	85%

Higher Importance  Lower Importance

# State of HR in India

While the India survey respondents are generally satisfied with the performance and capabilities of HR, this is paired with a trend towards driving more investment to HR-- indicating improving prospects for innovation and development in the function in the coming year. Over 70 percent of respondents (Fig 11) rate their HR capabilities as adequate, good, or excellent, echoing the positive global consensus about HR performance. India respondents report 57 percent with plans to increase investments in HR in the next 12-18 months, a more positive response than the global aggregate (49 percent), but generally at par with the outlook for HR investments in APAC (51 percent) (Fig 12).

Approximately, more than a quarter of the respondents, however, reported that there is still significant room for improvement across HR programs and capabilities.

In responses about the changing skill requirements for HR, 56 percent of those surveyed in India reported that they were either already reworking, or actively considering changes in their talent sourcing and recruiting capabilities. More than 41 percent of respondents in India noted that the career paths for HR professionals in their firms were ad-hoc with no clear career models for HR professionals.

Figure 11: HR and talent programs report card

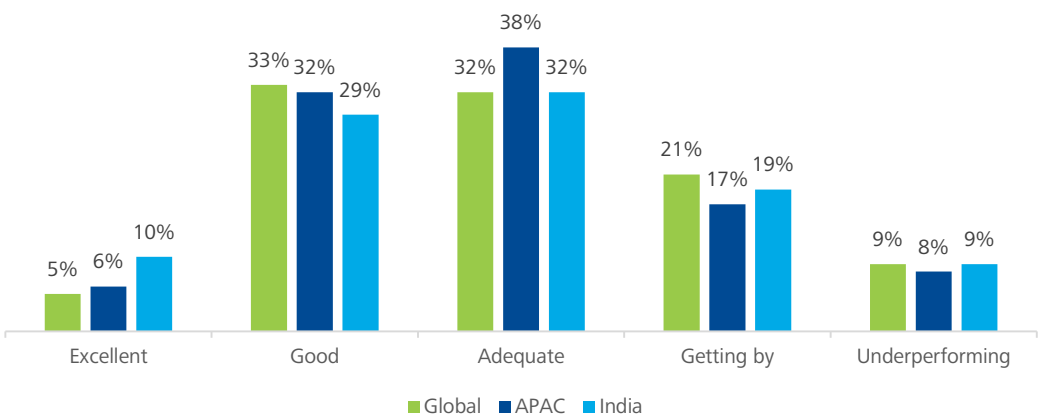
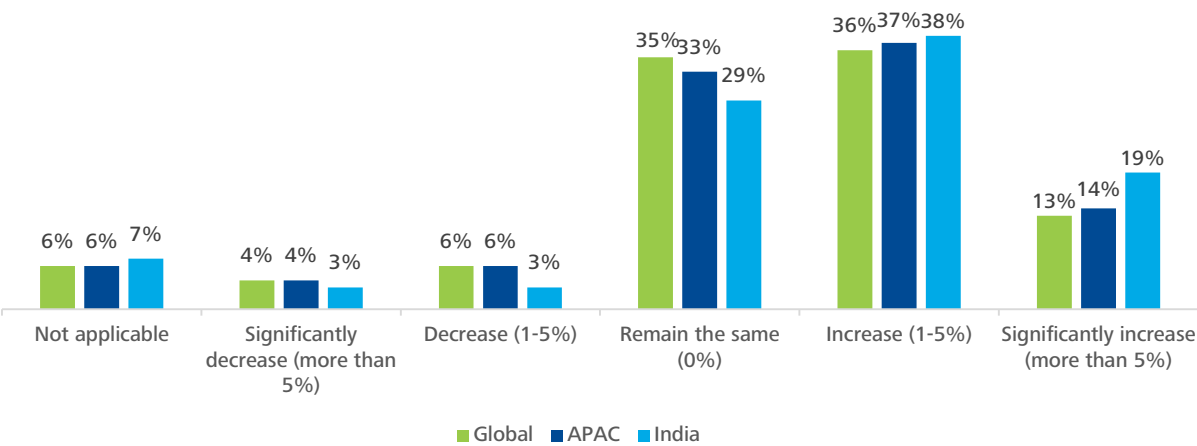


Figure 12: Plans to invest in HR in the next 12-18 months





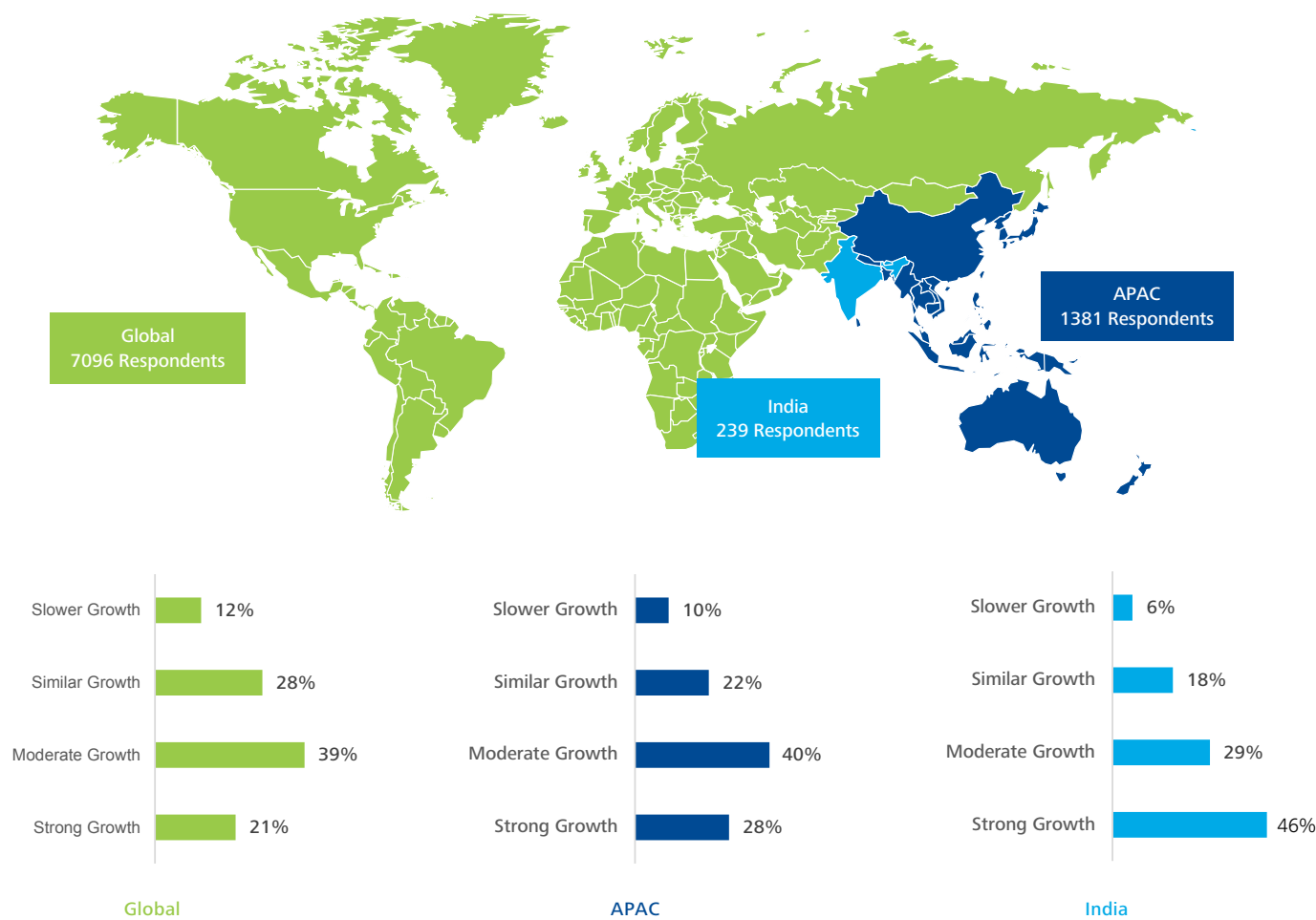
# Business Outlook

India's economy appears on track to be one of the fastest-growing economies in APAC in the coming year. Resilient domestic demand, a limited reliance on the external sector, sustained growth in consumer spending, fostered by moderate inflation and favourable demographics, and strengthening investments are expected to fuel continuing growth (Fig 13).

In comparison to last year's survey, Indian respondents are optimistic about the future. Most Indian businesses

have a positive view on the future of their organization. Approximately 75 percent of the respondents expect better growth in 2016 compared to last year while 18 percent expect similar growth to last year. One key observation is the slight increase in companies undergoing a growth of more than 10 percent compared to last year. While 44 percent of the companies witnessed a growth of more than 10 percent last year, it was 46 percent this year.

Figure 13: Growth Outlook in Each Region in 2016 compared to 2015

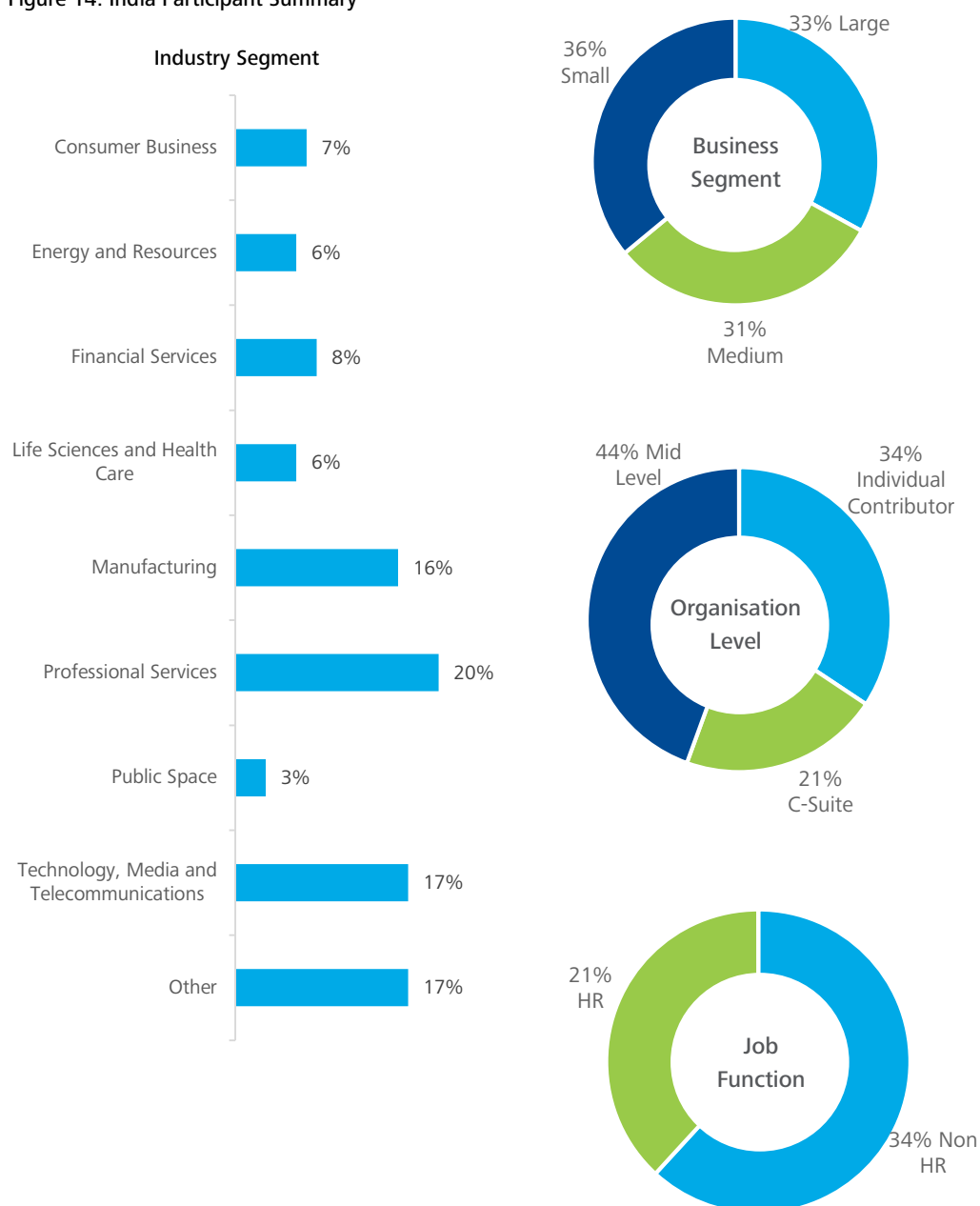


# India Participant Summary

The 239 respondents from India accounted for nearly 17 percent of the respondents from APAC. 66 percent represent the HR function, while 34 percent were Non HR business respondents.

Over half of the respondents were from three industries: Technology, Media and Telecommunications, Manufacturing, and Professional Services, with smaller responses from other industries and a representative mix from small, medium and large enterprises.

Figure 14: India Participant Summary



# Closing remarks

This report, presenting the survey results of the Human Capital Trends for India in 2016, and Deloitte's larger global report, offers important perspective on the future priorities and readiness of businesses in India to meet their most critical talent and HR trends.

We would like to sum up the report by highlighting three critical insights:

**First**, the results report the following top human capital priorities in 2016:

1. Organizational Design
2. Learning
3. Leadership
4. Culture

**Second**, for all of the urgent and important trends in India, the level of preparedness (Fig 3) lags the trends'

importance. This suggests a "capability gap" of 23-45 percent across the Human Capital trends. Business and HR leaders in India appear to agree on the importance of these trends while reporting they are not where they want to be in terms of preparedness to deal with the challenges.

**Third**, Indian business and HR leaders also agree with the positive global outlook on HR performance and express confidence in their HR capabilities to deliver. With plans to increase investment in the function, 2016 should be a time when greater attention is paid to closing the gaps between priorities and capabilities. The next year presents an opportunity to focus on what can be done differently-- discarding old approaches-- and moving the needle on the talent, leadership, and HR agendas and their impact on business results.



# Acknowledgment

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