

Deloitte.

Deloitte
University
Press

Global Human Capital Trends 2015 Leading in the new world of work

Country Report: United Kingdom



Global Human Capital Trends 2015

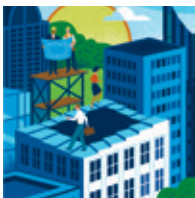
Leading in the new world of work

Today's organisations must navigate a "new world of work" that has turned traditional assumptions about talent management upside down. In this new world, the gap between growing business needs and HR capabilities is becoming increasingly wide. Many organisations are struggling to keep up.

Deloitte's Global Human Capital Trends 2015 report – based on responses from more than 3,300 business and HR leaders from 106 countries – is a leadership guide to the new thinking required to navigate the demands of the new world of work.

This year's 10 trends are focused on four broad areas

Leading



Leadership: Why a perennial issue?

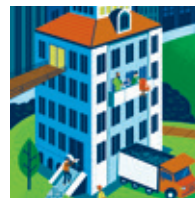
Companies are struggling to develop leaders at all levels and are investing in new and accelerated leadership models.



Learning and development: Into the spotlight

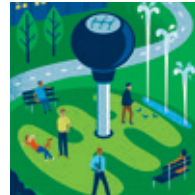
Companies are actively exploring new approaches to learning and development as they confront increasing skills gaps.

Reinventing



Reinventing HR: An extreme makeover

HR is undergoing an extreme makeover to deliver greater business impact and drive HR and business innovation.



HR and people analytics: Stuck in neutral

Too few organisations are actively implementing talent analytics capabilities to address complex business and talent needs.

Engaging



Culture and engagement: The naked organisation

Organisations are recognising the need to focus on culture and dramatically improve employee engagement as they face a looming crisis in engagement and retention.



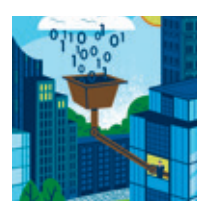
Workforce on demand: Are you ready?

Companies are taking a more sophisticated approach to managing all aspects of the workforce, including the hourly, contingent, and contract workforce.



Performance management: The secret ingredient

Organisations are replacing traditional performance management with innovative performance solutions.



People data everywhere: Bringing the outside in

HR and talent organisations are expanding their HR data strategies by harnessing and integrating third-party data about their people from social media platforms.

Reimagining



Simplification of work: The coming revolution

Organisations are simplifying work environments and practices in response to information overload and increasing organisation and system complexity.



Machines as talent: Collaboration, not competition

The increasing power of computers and software to automate and replace knowledge workers is challenging organisations to rethink the design of work and the skills their employees need to succeed.

Introducing the UK Human Capital Trends report, 2015

The working world is truly evolving – barriers between work and life have been eliminated, mobile platforms and technology are changing the way we do business and demographic changes and generational transitions are having a major impact on the demands and drivers of the workforce. The question is: How well equipped are organisations and their HR functions to adapt to these changes? The results of our 2015 Human Capital Trends survey suggest that they are not quite ready.



I am pleased to share with you a summary of the market trends and priorities that are driving human capital decisions, according to our survey of corporate and HR leaders across the UK. Our theme for this year, "Leading in the new world of work," reflects our strong conviction that in 2015 business leaders must adapt to a new world that requires a dramatic change in strategies for leadership and talent. To keep up with the pace of change and demands of the workforce, HR needs to become more agile, forward thinking and bolder in its solutions.

More than 3,300 business and HR leaders participated in our Global Human Capital survey. They represent businesses of varying sizes across a range of industries in over 100 countries. This special excerpt of the report is based on results from 72 UK respondents, and summarises the trends and priorities of HR and business leaders across the country. This UK report is designed to complement the Deloitte 2015 Global Human Capital Trends report, available at www.deloitte.co.uk/hct2015.

We hope the report provides your organisation with insights into the key challenges and opportunities we see on the horizon here in the UK. And we look forward to helping you to address these challenges and opportunities proactively in the year to come.

A handwritten signature in black ink that reads "Anne-Marie Malley".

Anne-Marie Malley
Partner in Human Capital

Top trends in 2015 for the UK

The emergence of culture and engagement and leadership as a perennial issue

The top UK trends for 2015 – defined as those areas HR professionals consider most important for the year ahead – are broadly aligned to the top global and EMEA trends. The top five for the UK are:

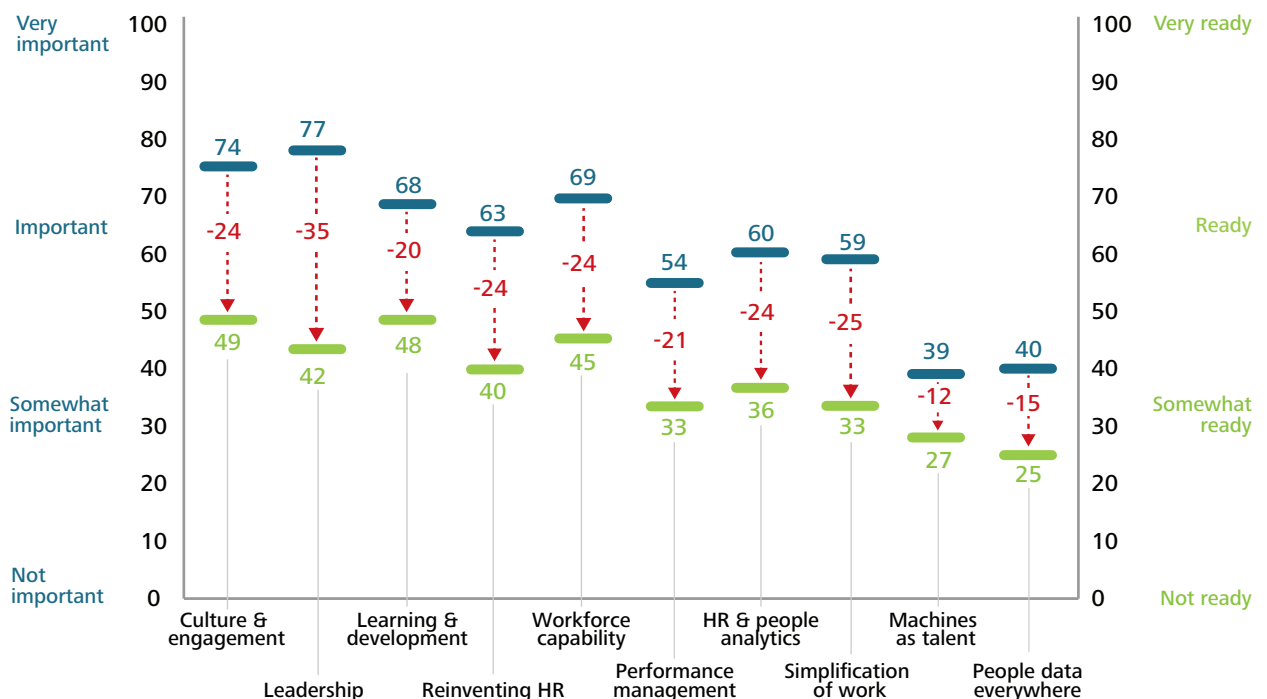
1. Leadership;
2. Culture and engagement;
3. Workforce on demand;
4. Learning and development;
5. Reinventing HR.

And as figure 1 illustrates, the majority of HR professionals surveyed in the UK report that their organisations are largely not ready to address these trends.

For the third year in a row, leadership remains one of the top trends both in the UK and globally. 86% of HR and business leaders surveyed in the UK cite leadership as one of their most important challenges. Yet, only 8% of organisations believe their leadership pipeline is “very ready” to address it. Organisations around the world are trying to strengthen their leadership pipelines, yet over the past year businesses fell further behind. Last year’s weighted “capability gap” measure for leadership was 31; this year it is up to 35. A particular issue is organisations’ ability to develop Millennial leaders – the leaders of the next generation – and this is not just in HR but across the business.

Another interesting feature of the results is that learning and development jumped from the No. 11 to the No. 4 most important talent challenge in the UK in this year’s study, with 72 percent of survey participants rating learning as a “very important” or “important” problem. However, despite its increase in importance, capabilities in learning have dropped significantly, and the gap between importance and readiness has nearly doubled for this trend since 2014 (from 13 percent in 2014 to 20 percent in 2015).

Figure 1. Top UK trends by urgency and Importance Index vs Capability Gap



Note: There may be a +/- 1 difference in the capability gap index between UK data in this report when compared to the UK data in the global report due to differences in the rounding methodology used.

The top 5 trends in the UK

		Importance Proportion of UK respondents rating this trend as 'important' or 'very important':	Readiness Proportion of UK respondents rating that they are NOT ready to tackle the trend:
1	 Leadership: Why a perennial issue? Companies are struggling to develop leaders at all levels and are investing in new and accelerated leadership models.	86% Importance index score = 77	24% Readiness index score = 42
2	 Culture and engagement: The naked organisation Organisations are recognising the need to focus on culture and dramatically improve employee engagement as they face a looming crisis in engagement and retention.	80% Importance index score = 74	23% Readiness index score = 49
3	 Workforce on demand: Are you ready? Companies are taking a more sophisticated approach to managing all aspects of the workforce, including the hourly, contingent, and contract workforce.	75% Importance index score = 69	14% Readiness index score = 45
4	 Learning and development: Into the spotlight Companies are actively exploring new approaches to learning and development as they confront increasing skills gaps.	72% Importance index score = 68	17% Readiness index score = 48
5	 Reinventing HR: An extreme makeover HR is undergoing an extreme makeover to deliver greater business impact and drive HR and business innovation.	67% Importance index score = 63	30% Readiness index score = 40

1. Leadership: Why a perennial issue?



Leadership is at the top of the list of critical talent problems for nearly every company, yet surprisingly, few companies feel that they are making progress in addressing it. So, what could be the reason for this?

In short: organisations treat leadership sporadically. They focus their efforts on a select few employees, typically senior executives, rather than making long-term investments to develop leaders across all levels. Despite the fact that Millennials are the future leaders of organisations, only 6 percent of respondents in the UK report say they have “excellent” programmes in place to develop them. Many organisations also view leadership development as short-term training programmes and events that are considered a luxury, only affordable when times are good.

Yet companies don’t have time on their side. With approximately four million Baby Boomers retiring every year, research shows that the talent gap is growing, especially at the senior leadership level. Despite this, many businesses, globally and in the UK, say their leadership pipelines and succession programmes are weak. Part of this issue may stem from the fact that there is a lack of commitment in leadership development from the top. Leaders are not appropriately incentivised for developing successors and building talent, in spite of the fact that a weak leadership pipeline directly impacts the ability for their business to perform effectively in the long term.

What can organisations do to address this perennial issue? To start, ownership of leadership needs to come from the very top and it needs to be considered a continuous investment. Executives and HR leaders need to begin by re-defining what leadership means for their organisation, both for today and tomorrow, and how they will go about building their leaders across all levels. In developing their plans, consideration should be given to the following:

- Build a leadership framework for assessment, development and coaching of leaders and ensure this is clearly linked to business outcomes. But remember – keep it simple.
- Focus on developing leaders at all levels. Leadership development programmes have typically been reserved for senior executives and high-potential or high-performing employees. Organisations should consider broadening the availability of leadership development information to any people leader who needs to develop his or her skill set. They must focus on growing segments of leaders, such as Millennials and women, and the first-level and mid-level managers who are the future leaders of the company.
- Bespoke and mobile technology should be leveraged to make leadership development initiatives more accessible to employees – increasingly employees want access to information and development wherever, whenever. Data-driven tools can also be used to better assess leadership qualities and track and understand career patterns.

It’s clear that for many companies, when it comes to leadership, something needs to change. It may sound trite but Millennials will one day (soon) rule the world, and to meet their needs, HR needs to take on a more dynamic approach to leadership, focussing on providing continuous feedback and recognition and a more personalised approach to career and leadership development.

Author



Adam Canwell
adacanwell@deloitte.co.uk

2. Culture and engagement: The naked organisation

Interest in corporate culture has risen over the past few years. A successful culture is often associated with a combination of deep employee engagement, job and organisational fit – a sense among employees that their work has meaning – along with a strong sense of leadership and organisational direction. And, of course, an unsuccessful culture may be often associated with the opposite traits. Interest in corporate culture has perhaps risen most in the UK Financial Services sector which has been plagued by high-profile incidents and worsening public perception, leading to increased scrutiny and reform.

Culture is a highly valuable asset and one of the most influential tools an organisation has at its disposal. Yet it is also a systemic problem for many organisations, with leaders struggling to define or embed the desired cultural change in a way that is aligned with business needs.

“When culture and strategy are aligned, companies can show as much as 50 percent differential in performance.”

James L. Heskett of Harvard Business School.

But globally, only 10 percent of survey respondents believe their organisations are “excellent” at effectively driving the desired culture. Attaining a desired culture, particularly in well-established enterprises, has become, if anything, even more difficult, as employees are becoming more transient and motivated by both intrinsic drivers such as social environment, workplace, job characteristics, and extrinsic drivers such as employer reputation and brand. It is not just about remuneration and advancement. As many companies aim to become digital and promote an agile workforce, they are seeing a radical shift – or even a ‘shock’ – in culture. To build a strong and lasting culture in a changing workforce, leaders need to be held accountable for defining, disseminating and managing it.

“Over time a dysfunctional culture is likely to affect everything from your company’s performance to the way your brand is perceived. The value of your company is driven by your company’s culture.”

Howard Schultz, CEO of Starbucks

Only 19 percent of companies in the UK believe they have a strong definition of their culture and effectively communicate and measure culture. In the few cases where companies do measure culture, it is often done through the use of engagement surveys which are not well suited to measuring passive resistance, a critical component to identify when tracking or managing culture. Passive resisters may believe that expressing a favourable attitude is the most savvy move for them, while feeling little or no motivation to act in line with the views they have openly expressed.

There are a huge range of levers that can be pulled to influence the right cultural change for your organisation. This includes leadership and role models; systems, policies and procedures; reward and performance mechanisms; on-boarding and development; symbols and stories; and, your structures. The key to affecting culture change is to recognise which of these levers are the most important before you begin.

When doing this, it is best to remember that culture is an enabler of strategy and a catalyst for business transformation, and fundamentally culture always needs to align with and support business strategy. You can start by trying to change it where there is a yawning gap between the two. But know that ultimately, culture change is difficult, because culture runs through everything. It is shaped by leaders’ actions, but it is also sustained by employee behaviours and even reinforced by business and organisational systems. Organisational culture is now widely recognised as a critical challenge with tangible business impacts, as our survey very much suggests. It is no longer seen as a soft concept or just a nice to have. And it is an issue which, however complex, is worth addressing.



Author



Natalie Wharton

nwharton@deloitte.co.uk

3. Workforce on demand: Are you ready?



As companies look to contingent and part-time workers as a fast way to access networks of innovators, technical experts and seasoned professionals, the profile of the 21st century workforce is becoming increasingly “on-demand”.

The phenomenon is growing and is here to stay, particularly in the UK. 64 percent of UK HR and business leaders reported that their need for contingent workers will continue to grow over the next 3-5 years. Networks like Kaggle (an external network of data scientists who bid on analysis problems) and Innocentive (an online marketplace where companies post problems on which innovators bid and respond) make it easier for organisations to access expertise without hiring full-time staff. Netflix, NASA, and GE are among the organisations that use such services to find innovators in the freelance economy and more than half of Procter & Gamble’s (P&G) product initiatives involve significant collaboration with outside innovators. This vast pool of external talent has helped P&G develop hundreds of successful offerings, such as Swiffer Dusters, the Crest SpinBrush, and Olay Regenerist.

Nearly 80 percent of UK leaders surveyed cite workforce capability as one of their most important challenges, yet only 4 percent believe they are “very ready” to address the issue. Off balance sheet global talent models present a real challenge. The overarching question is: how to integrate the on-demand workforce into the complex ecosystem of an organisation? To engage and retain these often highly talented people, organisations need to think about how their HR programmes, processes, strategies and analytical tools translate to contingent, part-time, remote and contract workers, whilst taking care not to alienate traditional employees. And then other questions arise: How should organisations train, performance manage and reward contingent workers whilst avoiding a dual class system? How do they manage the legal and fiscal implications of contract workers? How can they administer on-demand employees, many of whom may be managed by procurement and not even included in HR systems?

Clearly, a new way of thinking is required. A good place to start is to proactively plan for a hybrid workforce that includes “owned” and “on-demand” employees. Our analysis showed that UK organisations are good at understanding current capability gaps and where skilled workers are located, but struggle with understanding future skill requirements and redesigning work to access skills in different places.

Open talent economy models require integrated management and risk controls across the business, procurement and HR. Talent strategies and analytics also need to be extended to include factors that drive performance, continuity, engagement, flexibility, collaboration and retention for different types of talent. HR and procurement processes and systems need to be modified, and clear ownership and governance for managing on-demand workers should be assigned: for example, is a director of extended workforce management or a dedicated workforce management office needed?

The “on-demand” workforce is now a critical part of virtually every company’s talent pool. It is time for organisations to respond with sophisticated adjustments to talent practices to make sure the whole employee base is managed effectively.

Author



Will Gosling

wgosling@deloitte.co.uk

4. Learning and development: Into the spotlight

Learning and Development (L&D) has firmly established itself on the corporate agenda this year. Not even ranked in the top ten trends last year, it now sits fourth in the 2015 rankings. This shows that L&D is now something that business and HR leaders are starting to take seriously, with many UK organisations embarking on their own learning transformation journeys. This year, 36 percent of respondents cited learning as “very important”, an increase of nearly 30 percent from 2014. However, despite the importance attributed to this trend, HR and business leaders surveyed in the UK generally reported that the capabilities needed to address the related challenges are not up to the mark. Furthermore, many organisations are not yet geared up to deliver the required L&D strategy to its workforce. Between 2014 and 2015, the capability gap for learning and development has almost doubled, increasing from 12 to 20. But what are some of the issues driving this increase?

One major reason appears to be that, in a tightening labour market, development of existing resources is needed more and more in order to sustain or build essential organisational capabilities. It is not as easy as it once was to just hire these in. Learning is becoming a business-critical priority for increasing skills, improving the leadership pipeline and enhancing employee engagement. Innovative and engaging learning solutions today are on-demand, fast to absorb, and available on mobile devices, yet many organisations still have a tendency to over-burden their employees through expansive course catalogues of out-dated content, on creaking LMS platforms. 2015 has to be more about quality not quantity when it comes to the learning experience. It is about being better focussed on the things that really matter, and directing learning efforts and development pathways with this in mind.

Another factor contributing to the increased capability gap is probably failure to embrace fast moving technological change. At a time where there is a greater need for better L&D solutions, the learning industry is facing a massive digital transformation. The modern learner expects more, has technology at their fingertips and is eager for more on-demand learning opportunities. However, despite an increase in the availability of digital and mobile learning tools, only 8 percent of respondents rate themselves “excellent” at providing mobile learning, and only 15 percent rate themselves “excellent” at using advanced media such as video, audio and simulations.

Some organisations recognise that they have failed to embrace the possibilities presented by new mixing technology and delivery channels, through using Massively Open Online Courses (MOOCs) and their counterpart, Small Private Online Courses (SPOCs), for example. Research shows that to date, these have had fairly poor up-take by corporations here in the UK. But new technology is only one part of a learning transformation, several companies are now rationalising their distributed learning teams, cutting down on duplicative content and consolidating technologies to build an integrated, consistent learning environment. Technology is also no substitute for the expertise of a company's own people, with many firms unleashing the power of their own experts to promote a learning culture.

In summary, to address the learning and development challenge and begin a Learning Transformation Journey, organisations need to begin in several areas:

- Critically analyse your learning spend. Research shows that many firms underestimate spend on learning by a magnitude of two to three, finding multiple learning teams and duplicative content and tools. Rationalising learning spend often identifies ways to improve and reengineer learning with little or no additional investment.
- Reimagine the overall learning experience – review your learning technology and content strategy, and expand your thinking to create an agile learning environment that attracts and encourages people to learn.
- With old measurement models no longer providing satisfactory information, think about different ways of capturing data about learning including activity and usage, feedback, and net promoter scores in addition to the traditional items such as satisfaction and instructor ratings.
- Rethink your learning model and consider if your firm is spending money on L&D strategically, with appropriate central operations concentrating on technology, tools, content and methods whilst distributing content and programs locally appropriate to market/business unit needs.



Author

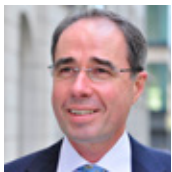


Jonathan Eighteen
jeighteen@deloitte.co.uk

5. Reinventing HR: An extreme makeover



Author



Brett Walsh
bcwalsh@deloitte.co.uk

HR is at a crossroads. Traditionally viewed as an administrative function, the HR organisation of today has expectations put upon it that are far more ambitious than it seems able to deliver. HR is now expected to be agile, business-integrated, data driven and deeply skilled in attracting retaining and developing talent to align to the overall goals of the organisation. And typically, HR needs a makeover to deliver greater business impact and to drive much needed innovation when it comes to talent solutions.

While CEOs and business leaders in the UK consistently rate talent as a top priority, only 10 percent of organisations rate their HR performance as “excellent”, showing a modest increase from last year. This year, no UK respondents felt that their organisations provide “excellent” development for HR, and 66 percent cited their HR functions as lacking the capabilities to meet the rate of change across the organisation.

It is clear from the numbers that HR is not keeping up with the pace of change in business expectations. There is an opportunity for HR to play a significant role at the highest levels of business strategy, but this has not yet translated into improved perceptions of the function. In the UK, there are a number of contributing factors:

- CEOs and senior executives are more worried about talent than ever before. Over half of survey respondents (56 percent) feel that their organisations do not adequately prepare HR staff to deliver programmes aligned with business needs.
- The highly competitive global talent market has shifted power into the hands of the employee, forcing HR to redesign programmes in the face of a much more demanding workforce. Yet, two-thirds of UK respondents (67 percent) cited that they are “weak” in holding HR accountable for providing innovative solutions and programmes.
- Many organisations are considering moving to a global business services model, and back-office functions and systems are transitioning to cloud technology. HR is often at the forefront of these discussions given the relative advancement of HCM Cloud technologies compared to other back office functions, and should harness the opportunity to play a leading role in defining the scope of enabling technologies and retained functional roles.

Against this backdrop, companies must move beyond talk to action, revisiting the required capabilities of the HR function. HR needs to raise its game by aligning its skills and capabilities with the organisation’s overall business goals. Here are some of the specific things that should be done:

- Design the HR organisation to best address the most critical business problems – as the Global Human Capital Trends report shows these do not stay static year to year. For example, HR is being forced to redefine its role from ‘service provider’ to an enabler and builder of talent.
- Create business-integrated ‘networks of excellence’, shifting from a group of HR generalists to a team of highly skilled business consultants. Coordinate strategic programmes centrally, implement them locally.
- Organisations must create rigorous assessments for top HR staff and rotate high performers from the business into HR. This way HR will better be able to serve business objectives.
- Invest in HR skills and capabilities. Professional development and research have emerged as key HR capabilities. Companies with strong development programmes and focused strategies to incorporate external data far outperform their peers.

As HR pursues transformation, its strategic role must also change to meet the intense pressures of today’s business environment. Business leaders should look to HR for advice as they develop business strategies, respecting and admiring HR professionals as co-leaders of the business. This can all happen, but only with a deliberate and proactive makeover.

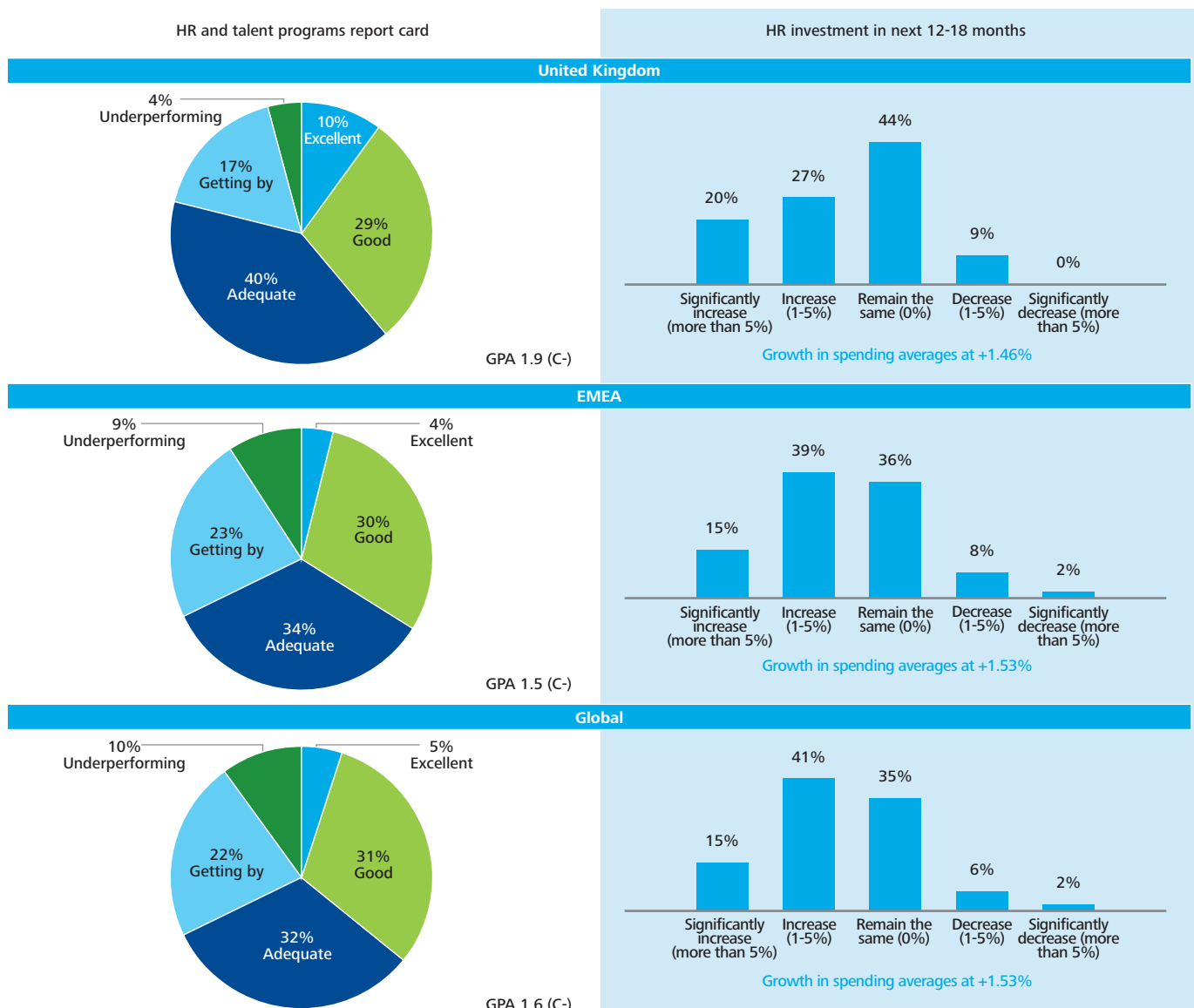
HR report card and trends in HR investment

Respondents were asked how they felt their HR Departments were performing in the delivery of HR and talent programmes, and what the HR investment trend was for 2015, for their own organisation.

This year, when it comes to the HR report card, we have seen a slight improvement in overall grades but HR and talent programmes in the UK are still largely only performing at an “adequate” level (40 percent). As Figure 2 shows, UK businesses received an average GPA of 1.9 (which translates to a letter grade of C-), a figure that is only slightly higher than global and EMEA correspondents, and last year’s grade of 1.6. Given these consistently poor grades, organisations need to invest more in HR to help drive change.

Additionally, according to this year’s research, nearly five in 10 companies are planning to increase HR spending in the next 12-18 months; if only at a very low rate of increase. It will be interesting to see whether this investment really comes, and, if so, how successful it is in effecting the improvements that are needed to be better than just “C minus”.

Figure 2. HR report card and investments



Business outlook in the UK



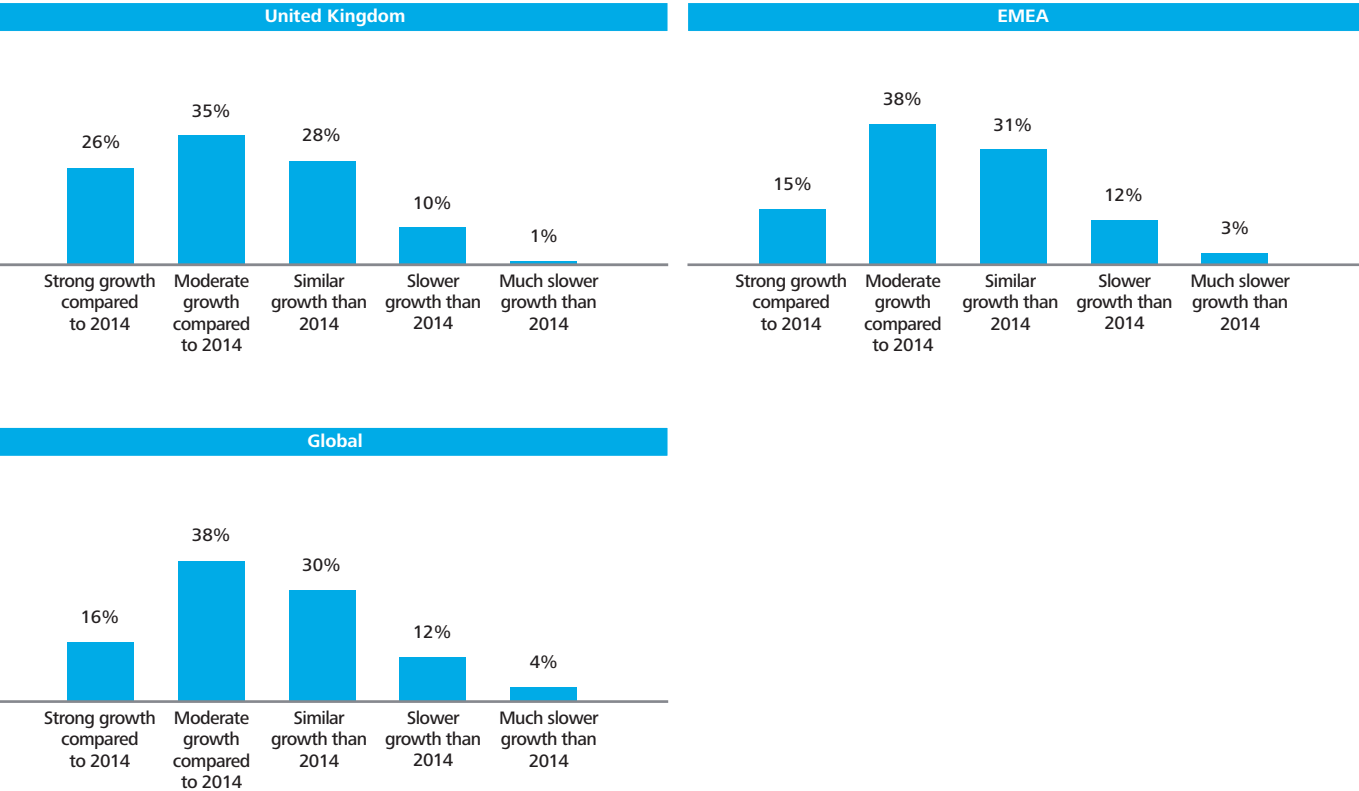
Compared to 2014, business outlook has largely remained the same among HR leaders in the UK. Companies in the UK continue to remain cautiously optimistic about the future.

Growth expectations for businesses in the UK were generally slightly more positive than the rest of EMEA and globally, although given the size of the sample this was to an extent that is not statistically significant.

In 2015, a clear majority, or 61 percent of respondents, expect either strong or moderate growth for their business during the year ahead, while those seeing stasis or decline are now in a minority.

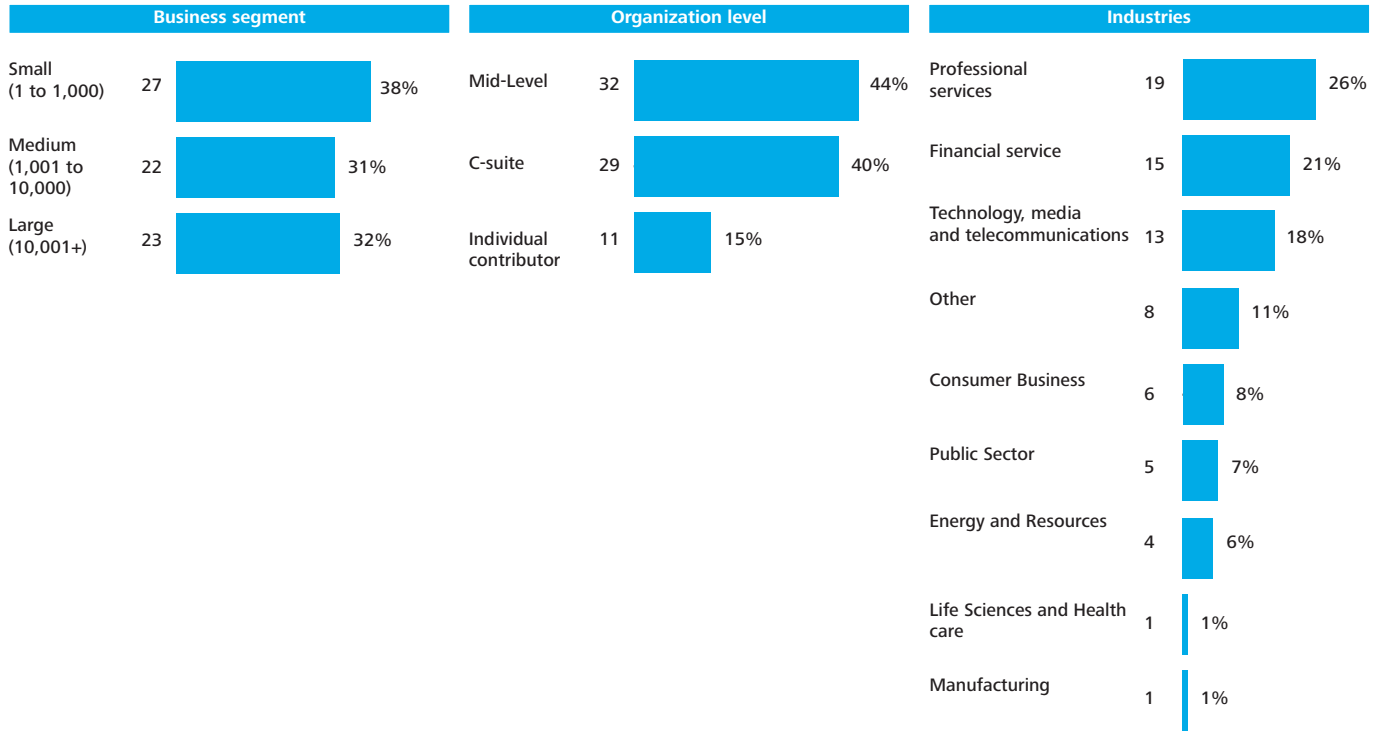
Looking at the UK business outlook, it is no surprise that once again, areas such as leadership and culture and engagement remain at the top of the list of challenges for the year ahead. As the UK economy grows, and skills become more specialised, the war for talent is only getting more fierce. To help attract and retain talent, organisations need to revamp their entire strategy to measure, manage and improve employee engagement. As the economy recovers, companies are seeing an increasing demand for leadership at all levels, especially among Millennials. But improvements are not coming through fast enough to support renewed demands in the function, as we see from the size of the capability gap in key priority areas.

Figure 3. Business outlook



Survey demographics

Figure 4. Demographics – UK



The 72 UK respondents who participated in this year's survey represent a broad range of UK businesses. 67 percent of these respondents sit within the HR function of their organisation.

The survey respondents were nearly equally divided between Mid-Level (44 percent) and C-Suite (40 percent). Two-thirds of these respondents work in the HR function.

Nearly two-thirds of survey responses came from companies in the Professional Services, Financial Services or Technology, Media and Telecommunications (TMT) industries. Although, a wide range of industries are still represented among respondents, with a good blend of responses from small, medium and large organisations.



The year ahead: Becoming active and engaged

We encourage you to read the full Global report at www.deloitte.com/hct2015 to learn more about leading in this fascinating and challenging new world of work. Dive in to a few chapters of particular concern to your firm or industry and also take time to reflect on the broader, longer-term trends that we examine. If they do not concern you now, they will in the future – and your competitors may already be working to address them.

One of the most important features of this report is an interactive tool, the Human Capital Trends Dashboard, available at www.deloitte.com/hcdashboard. This tool lets you access and analyse the research from the survey by industry, geography, and company size, offering new insights into talent priorities and challenges.

Deloitte contacts

About the report

This report, focussing specifically on human capital trends in the UK, was designed to complement Deloitte's 2015 Global Human Capital Trends report.

The Global Human Capital Trends report 2015 was based on a comprehensive global survey of over 3,300 business leaders, capturing results from all of the world's major economic regions.

This report compares national results to EMEA and to overall global results.

For more information visit: www.deloitte.com/hct2015

Contacts



Anne-Marie Malley
+44 (0) 20 7007 8075
amalley@deloitte.co.uk



Brett Walsh
+44 (0) 20 7007 2985
bcwalsh@deloitte.co.uk

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte MCS Limited is a subsidiary of Deloitte LLP, the United Kingdom member firm of DTTL.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte MCS Limited would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte MCS Limited accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2015 Deloitte MCS Limited. All rights reserved.

Registered office: Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom. Registered in England No 3311052.

Designed and produced by The Creative Studio at Deloitte, London. 43580A