

**Deloitte.**

**In pursuit of sustainable productivity through  
Canada's greatest asset – *our workforce***





## Human-centric productivity

Canada's productivity has been a topic of discussion since the 1980s. Experts have pointed to inadequate investment in technology, reliance on low-cost Canadian labor, and a cautious corporate culture as contributing factors. As the global economy evolves, Canadian productivity is once again under scrutiny. With decades of debate and limited progress, **why should business leaders now prioritize productivity as a strategic imperative?** And if we are to address this challenge once more, **how can we tackle it differently?**

At the organizational level, productivity efforts have often focused on financial outcomes, assuming that reducing human

involvement is key. While financial health and streamlined operations are important, many organizations overlook the importance of sustainable productivity gains through human-centric factors like organizational structure, technology-driven work methods, performance culture, and optimized delivery. With over 70% of transformation efforts failing to sustain value<sup>1</sup>, enhancing productivity is not about quick savings but about driving meaningful change in leadership, work, and organization.

1. Organizations can't change if leaders can't change with them

**70%**  
*of transformation  
efforts fail to  
sustain value*

## Challenges and barriers to productivity and investment in Canada

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The OECD reports that Canada's productivity growth has been nearly stagnant, lagging in generating economic output from natural resources, human resources, and capital. The Conference Board of Canada emphasizes that "Productivity is the single most important determinant of a country's per capita income over the longer term."

Our economic stability is further threatened by actions that hinder trade liberalization, such as potential U.S. tariffs on Canadian imports, along with persistent interprovincial trade barriers. Canada's competitiveness and productivity are often questioned due to several factors:

### **Fiscal incentives**

These often prioritize consumption over developing new capabilities

### **Subsidies**

Incentives are unevenly distributed, favoring a select few

### **Few dominant players**

Sectoral consolidations reduce the drive to innovate

### **Public sector**

Increased headcount demands without improved outcomes

### **Entrepreneurship**

Many ventures seek foreign capital and ownership for growth

The challenge is that economic analyses of Canada's productivity issues are often abstract and disconnected from business leaders' daily decisions. Large-scale (nation building) investments in education, infrastructure, technology, R&D, innovation, and intellectual property require

## *Productivity is the single most important determinant of a country's per capita income over the longer term*

coordinated efforts. Deloitte's Future of Canada Centre has explored these challenges and suggested actions like regulatory simplification, spending shifts, and education reform. While these are necessary, what can business owners and managers do beyond supporting collective action?

### **Unlocking human capital for sustainable growth**

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Human capital is key to unlocking exceptional productivity in both private and public sectors, especially given our economic ties with the United States. While media focus often highlights resources like Oil & Gas, Potash, Nickel, or Uranium, we overlook the potential of Canadian human capital to build a more competitive and productive nation. We are more than "hewers of wood and drawers of water."

Prioritizing human capital in our strategy allows us to leverage a significant yet underutilized Canadian workforce. Canada leads the G7 in the proportion of the working-age population with college

or university credentials<sup>2</sup>. Despite recent challenges to the national consensus on immigration, we remain a destination for diverse talent, envied by many advanced economies. The dynamism of Canadian talent should not be overlooked, but we must address organizational frictions and tackle the "organizational debt" that has accumulated over decades of unchecked growth. This debt manifests in sub-optimal control spans, excessive management layers, overlapping responsibilities, and tasks ripe for digitization and technology enablement, particularly through artificial intelligence.

Optimizing human capital doesn't mean making people work harder, longer, or for less. It means empowering employees to work smarter, both individually and collectively, with the right team size and skill sets to succeed.

As Canadian companies aim to boost competitiveness, cost-reduction initiatives will likely increase. However, **our research shows that 82% of these initiatives fell short of their goals in 2023**, primarily due to a narrow focus on immediate job cuts rather than sustainable approaches that optimize organizational structures, streamline processes, and redefine work.

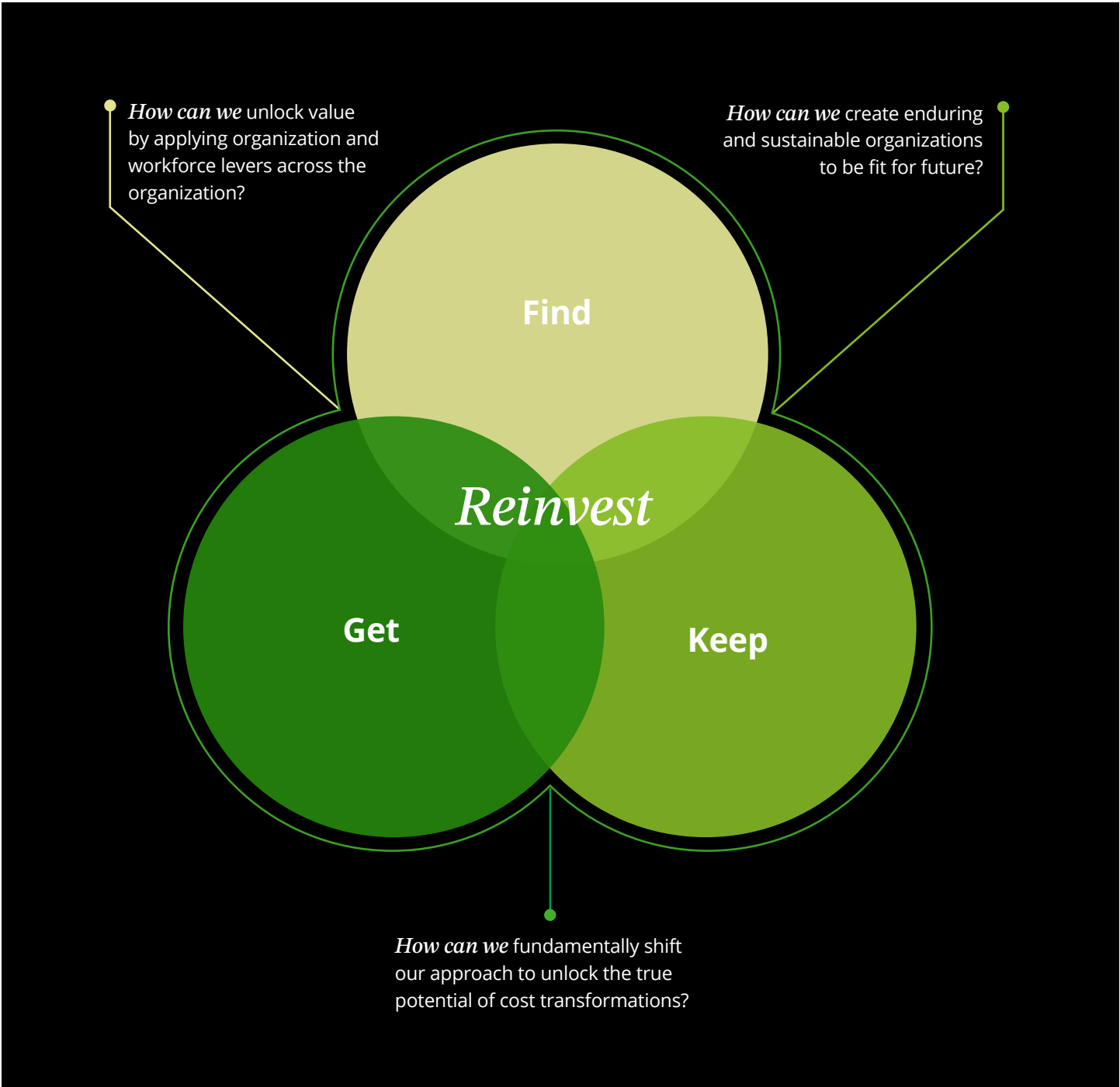
To ensure enduring success, it is vital to adopt a 'save to grow' philosophy that not only achieves cost reductions but also reinvests these savings into essential areas like digital transformation, artificial intelligence, and data literacy. This strategy enables organizations to develop a resilient, future-ready workforce, fostering continuous growth and innovation.

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<sup>2</sup>. Statistics Canada - A salute to Canadian workers

Approach for enhancing the value of human capital cost transformation

Guided by the science of people to “Find, Get, Reinvest, and Keep productivity savings.”



## Driving value necessitates leveraging the right mix of organizational and workforce levers

Canadian organizations should adopt a comprehensive approach that integrates organizational and workforce levers to achieve effective and sustainable productivity enhancements.

### *End to end organizational productivity/cost improvement*



*Can your organization structure/model be simplified?*

#### Organizational simplification

Organizational simplification focuses on streamlining and optimizing the organizational model to boost efficiency and reduce costs. This involves conducting a thorough workforce analysis to pinpoint redundancies, skill gaps, and realignment opportunities. By redefining roles and responsibilities, removing unnecessary layers, and aligning the organizational structure with strategic priorities, companies can create a leaner, more agile organization. Simplifying not only reduces overhead costs but also enhances decision-making processes and operational flexibility, positioning the company for sustainable growth.



*Can the work itself be simplified?*

#### Work re-architecture and simplification

Work re-architecture and simplification aim to streamline activities and processes to eliminate inefficiencies and enhance productivity. This involves reengineering work processes to eliminate redundancies, utilizing automation technologies for repetitive tasks, and conducting task audits to identify non-value-added activities. By implementing strategic workforce planning and cost simulation, organizations can ensure their capacity aligns with demand, preventing staffing issues and optimizing resource allocation. The outcome is a more efficient and effective workflow, reducing operational costs and improving overall performance.



*Can the workforce and workplace be simplified?*

#### Delivery optimization

Delivery optimization focuses on restructuring the workforce and workplace to balance cost-saving initiatives with maintaining service quality and customer satisfaction. This includes adopting alternative delivery models such as outsourcing, which allows organizations to maximize resource utilization and achieve savings. By implementing a strategic location strategy, companies can align their operations with organizational goals, balancing costs with access to talent and markets. Forming strategic alliances and partnerships further optimizes resources and enhances capabilities. Flexible work models, including remote work and gig workers, help manage capacity efficiently. These initiatives, supported by AI and predictive analytics, ensure that organizations can deliver work cost-effectively while maintaining high standards of quality and service.



*Can high performing teams and individuals be unlocked?*

#### Performance enhancement

Performance enhancement leverages advanced technologies, including artificial intelligence (AI), to improve individual and team effectiveness. This involves setting clear performance metrics and KPIs, implementing upskilling and reskilling programs to address skill gaps, and fostering leadership development to inspire innovation and decisive actions. AI plays a critical role by providing real-time performance analytics, enabling data-driven decision-making, and identifying areas for improvement. Additionally, AI-powered tools can personalize learning experiences, optimize compensation structures, and enhance employee engagement. The ultimate goal is to create a high-performing workforce that aligns with cost-efficiency objectives and drives sustainable growth.



## CASE STUDY

### "Taking your own medicine" and getting started on the productivity improvement journey

Our firm collaborates with Canada's (and indeed the world's) largest companies across all sectors of the economy on these types of productivity challenges. However, it can be argued that offering advice is much easier than implementing change. For this reason, we wanted to highlight a case study of Canada's largest professional services firm and the journey it has undertaken to unlock another level of productivity, similar to what we have described above.

As with many of our clients, we have engaged in significant organizational design efforts over the past few years. This encompassed both our back-office and enabling functions, as well as a global realignment of our market-facing practices. There was a growing recognition that years of unchecked growth had resulted in structures that lacked efficiency. Spans of control were narrow, layers of management had increased, and activities were duplicated across the business. Refreshing our operating model helped address all of these issues and reduce friction in everyday work, while driving savings.

In addition to transforming our organizational design, significant effort has been invested in automating core processes and introducing Generative AI use-cases across the business. While we are busy advising our clients on scaling AI, it is not lost on us that professional services itself, and the knowledge products it produces, are more in the crosshairs of disruption than many of our clients that extract resources or manufacture or sell products that we all consume.

**30%**  
*of tasks within  
the firm were  
automatable  
or at risk of  
automation,  
impacting  
workers earlier  
in their careers*

Our embrace of AI is a commitment to disrupt ourselves on our terms. Case in point, we conducted a study in 2024 using our Periscope tool to perform an in-depth analysis of the potential impact of Generative AI on our operations. Periscope, designed to provide insights into organizational efficiency and capacity, revealed that approximately 30% of tasks within the firm were automatable or at risk of automation, with impacts increasing significantly for workers earlier in their careers and areas focused on technology or administration. This finding underscored the significant capacity that could be unlocked through the strategic implementation of Generative AI. The study provided a high-level overview of the

areas where automation could be most effectively applied and helped to seed AI use-cases that not only have driven savings but more importantly have enabled teams to redeploy effort against higher-order activities that require judgment, experience, and nuance. The journey is only beginning, but it's clear that we will be delivering work in a dramatically different way in the coming months and years.

Finally, we've also taken a hard look at how and where work is delivered. Ultimately, we must be guided by what our clients value and are willing to engage us on. That means better utilizing Global Business Services and offshore centers around the world that have unparalleled access to advanced technical talent and start-up ecosystems and the obvious benefits of labor arbitrage that come from that. Far from being an example of "hollowing-out" our onshore Canadian business, we continue to be proud of being the nation's largest 100% Canadian owned and operated professional services firm with thousands of employees from coast to coast. In other words, this is an example of utilizing the best of our diverse and talented Canadian workforce while taking advantage of the unique strengths of global talent pools.



## Conclusion

Achieving sustained productivity improvements is a continuous journey requiring strategic foresight and deliberate action. Executives and managers are essential in this transformation. By strategically prioritizing change, equipping teams with the necessary tools and skills, evaluating productivity initiatives with clear metrics, and fostering a culture of innovation where new ideas are encouraged and tested, they can significantly enhance productivity. Utilizing these strategic levers allows organizations to realize their full potential, boosting their bottom line while contributing to a more prosperous and competitive economy. As our own story suggests, this is an ongoing journey on an uneven and uncertain path. Nonetheless, we all have a role in enhancing Canadian competitiveness, and it all starts in our own backyards.

*Fostering a culture of innovation where new ideas are encouraged and tested, organizations can significantly enhance productivity*

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