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The rise of the social enterprise

2018 Deloitte Global Human Capital Trends

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COVER AND CHAPTER ILLUSTRATIONS BY TRACI DABERKO

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Introduction

The rise of the social enterprise

The 2018 Deloitte *Global Human Capital Trends* report showcases a profound shift facing business leaders worldwide: The rapid rise of what we call the social enterprise. This shift reflects the growing importance of social capital in shaping an organization's purpose, guiding its relationships with stakeholders, and influencing its ultimate success or failure.

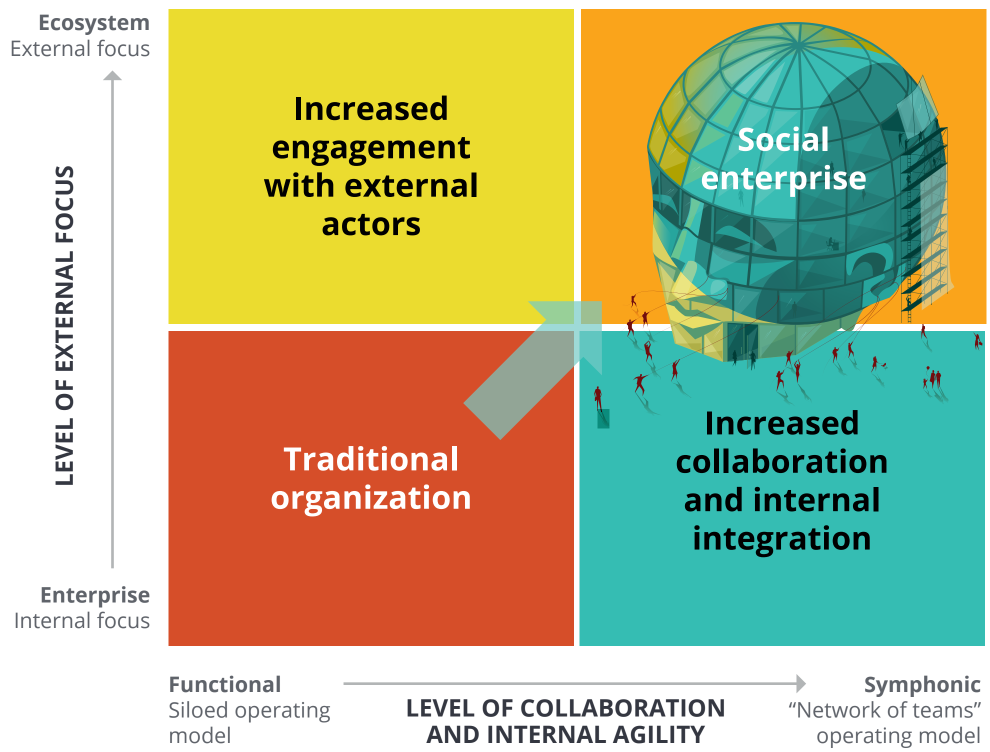
IN 2018, we are witnessing seismic changes in the workforce, the workplace, and the technologies used in the world of work. Based on this year's global survey of more than 11,000 business and HR leaders, as well as interviews with executives from some of today's leading organizations, we believe that a fundamental change is underway. Organizations are no longer assessed based only on traditional metrics such as financial performance, or even the quality of their products or services. Rather, organizations today are increasingly judged on the basis of their relationships with their workers, their customers, and their communities, as well as their impact on society at large—transforming them from *business* enterprises into *social* enterprises.

In many ways, social capital is achieving a newfound status next to financial and physical capital in value. In a recent survey, for instance, 65 percent of CEOs rated "inclusive growth" as a top-three strategic concern, more than three times greater than the proportion citing "shareholder value."[1] Today, successful businesses must incorporate external trends, perspectives, and voices by maintaining positive relationships, not just with customers and employees, but also with local communities, regulators, and a variety of other stakeholders. Building these relationships challenges business leaders to listen closely to constituents, act transparently with information, break down silos to enhance collaboration, and build trust, credibility, and consistency through their actions. This is not a matter of altruism: Doing so is critical to maintaining an organization's reputation; to attracting, retaining, and engaging critical workers; and to cultivating loyalty among customers.

WHAT IS A SOCIAL ENTERPRISE?

A social enterprise is an organization whose mission combines revenue growth and profit-making with the need to respect and support its environment and stakeholder network. This includes listening to, investing in, and actively managing the trends that are shaping today's world. It is an organization that shoulders its responsibility to be a good citizen (both inside and outside the organization), serving as a role model for its peers and promoting a high degree of collaboration at every level of the organization.

Figure 1. The evolution of the social enterprise



Source: Deloitte *Global Human Capital Trends* survey, 2018.

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In past *Global Human Capital Trends* reports, we have noted the movement of many organizations toward a "network of teams" operating model that aims to enable greater collaboration and internal agility.[2] Now, this movement has been joined by the growing shift from an internal, enterprise focus to an external, ecosystem one (figure 1). Organizations on the leading edge of both of these changes embody our concept of the social enterprise: an organization that is alert enough to sense, and responsive enough to accommodate, the gamut of stakeholder expectations and demands.

The last decade: Building toward today's tipping point

Why has this shift occurred? We believe that it is driven by social, economic, and political changes that have grown since the global financial crisis. Despite the economic recovery the world has seen since 2008, many people feel frustrated that financial gains have failed to improve individuals' lives, address social problems, support political stability, or mitigate technology's unintended consequences. People today have less trust in their political and social institutions than they have in years; many expect business leaders to fill the gap.

This point was made this year by BlackRock chief executive Laurence Fink. In his annual letter to CEOs, Fink noted that people are increasingly "turning to the private sector and asking that companies respond to broader societal challenges" and demanding that organizations "serve a social purpose."[3] Fink stated that shareholders, including BlackRock itself, are now evaluating companies based on this standard. A *New York Times* report suggested that the letter could be a "watershed moment on Wall Street" that raises questions about "the very nature of capitalism."[4]

Among the many factors contributing to the rise of the social enterprise, we see three powerful macro forces driving the urgency of this change.

First, the power of the individual is growing, with millennials at the forefront. For the first time in mature markets, young people believe that their lives will be worse than their parents'—and they are actively questioning the core premises of corporate behavior and the economic and social principles that guide it.[5] Among this group, social capital plays an outsized role in where they work and what they buy, and 86 percent of millennials think that business success should be measured in terms of more than just financial performance.[6] Millennials comprise a majority of the workforce in many countries, and their power will likely grow over time.

People today have less trust in their political and social institutions than they have in years; many expect business leaders to fill the gap.

This shift in power to the individual is being propelled by today's hyper-connected world, which enables people to track information about companies and their products, express their opinions to a wide audience, and sign onto social movements, globally and in real time. Back in 2015, we called this trend toward greater transparency "the naked organization";[7] in 2018, individuals know and expect even more from companies than they did three short years ago.

Second, businesses are being expected to fill a widening leadership vacuum in society. Across the globe, people trust business more than government. The 2018 Edelman Trust Barometer reported that people worldwide place 52 percent trust in business "to do what is right," versus just 43 percent in government.[8] In the United States, in particular, trust in government has hit a four-year low, at just 33 percent.[9] There is a widespread perception that political systems are growing more and more polarized and less and less effective at meeting social challenges. Citizens are looking to business to fill the void on critical issues such as income inequality, health care, diversity, and cybersecurity to help make the world more equal and fair.

This expectation is placing immense pressure on companies, but it is also creating opportunities. Organizations that engage with people and demonstrate that they are worthy of trust are burnishing their reputation, winning allies, and influencing or supplanting traditional public policy mechanisms. CEOs such as Amazon's Jeff Bezos and Salesforce's Marc Benioff have an unprecedented ability to activate their companies for the good of society.[10] Consider the organization jointly created by Amazon, Berkshire Hathaway, and JP Morgan Chase to lower health care costs for employees—tackling an issue that government cannot solve on its own, while also promising to deliver business benefits.[11] On the other hand, companies that appear aloof, tone-deaf, or disengaged face harsh headlines, negative attention on social media, and tough questions from a range of stakeholders.

Third, technological change is having unforeseen impacts on society even as it creates massive opportunities to achieve sustainable, inclusive growth. Advances in artificial intelligence (AI) and new communications technologies are fundamentally changing how work gets done, who does it, and how it influences society.[12] For instance, machine learning was not in the mainstream three years ago. Today, it is simultaneously one of IT's hottest areas—and a source of tremendous anxiety about potential job losses. People increasingly realize that rapid technological change, while holding out the promise of valuable opportunities, also creates unforeseen impacts that can undermine social cohesion. Many stakeholders are alarmed, and they expect businesses to channel this force for the broader good.

The good news is that technological advances can open up new opportunities for businesses to have a positive impact on society. Reflecting this view, 87 percent of C-level executives say that Industry 4.0—the industrial revolution brought about by the combination of digital and physical technologies—will lead to more equality and stability, and 74 percent say business will have more influence than governments or other organizations to shape this future.[13]

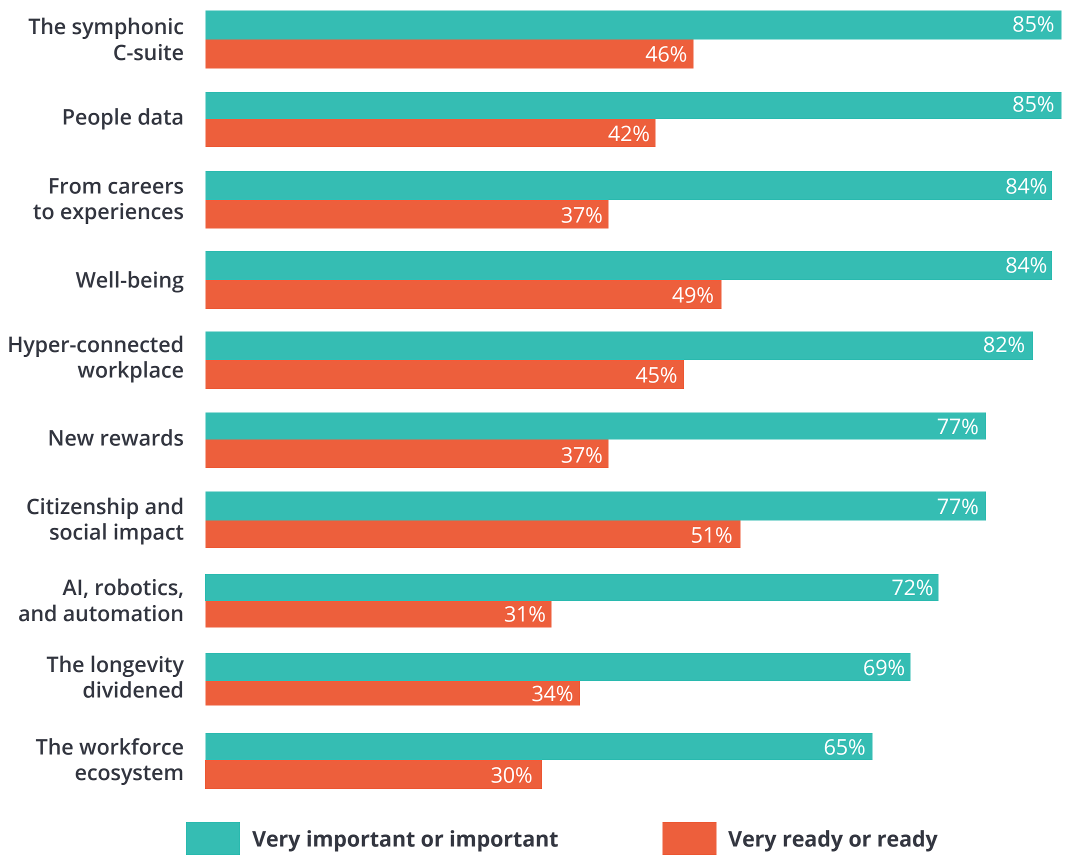
Becoming a social enterprise

Foundational to behaving as a social enterprise is to *listen* carefully to the external as well as the internal environment—not just business partners and customers, but all parties in society that an organization influences and is influenced by. In today's world, the listening opportunity is greater than ever if organizations truly take advantage of the people data they have at their fingertips. The increasingly

2018'S 10 HUMAN CAPITAL TRENDS: IMPORTANCE AND RESPONDENT READINESS

Respondents generally agree that, while each of the following trends is important, most organizations are not yet ready to meet expectations.

Figure 2. Trend importance and readiness



n = 11,070
Source: Deloitte *Global Human Capital Trends*, 2018.

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Explore the data further in the **Global Human Capital Trends app**.

hyper-connected nature of the workplace means that interactions between and among workers and the outside world can be a tremendous source for analysis if managed appropriately. Leaders need to take a proactive approach to managing this wealth of information and leveraging it to keep an eye on the trends both inside and outside of the workplace.

Being a social enterprise also means *investing* in the broader social ecosystem, starting with an organization's own employees. It means treating all workers—on- and off-balance-sheet—in a fair, transparent, and unbiased way. Leaders should seek to provide a work environment that promotes longevity and well-being, not only in an individual's career, but also in the physical, mental, and financial spheres. By doing this, an organization invests both in its own workforce and in the workforce ecosystem as a whole, which benefits both the organization and society at large.

Finally, a social enterprise seeks to *actively manage* its position in the social ecosystem by engaging with stakeholders and strategically determining and pursuing the kind of relationship it wants to maintain with each. This cannot be done in a siloed way. Hence, this year we have provided a set of actions that C-suite leaders can take related to each trend. Each area of focus requires strong collaboration amongst leaders both across the organization and outside of it. Leaders should form relationships with the governments and regulatory bodies that shape the "rules of the road," work collaboratively with them to create and sustain a fair, just, and equitable marketplace, and partner with communities and educational institutions to help sustain a steady flow of talent with the right skills for the organization—and the broader economy—to thrive.

2018's 10 human capital trends

The 10 human capital trends we explore in this year's report come together to create an integrated view of the social enterprise.

From the top: The symphonic C-suite

TREND 1. THE SYMPHONIC C-SUITE: TEAMS LEADING TEAMS

Behaving as a social enterprise and managing the external environment's macro trends effectively demands an unprecedented level of cross-functional vision, connectivity, and collaboration from C-suite leaders. To do this, they must behave as what we call the "symphonic C-suite," in which an organization's top executives play together as a team while also leading their own functional teams, all in harmony. This approach enables the C-suite to understand the many impacts that external forces have on and within the organization—not just on single functions—and plot coordinated, agile responses.

The symphonic C-suite is the next stage in the ongoing evolution of leadership models. This new model is necessary to help leaders to understand, manage, and respond to the complex social capital issues that organizations face, enabling them to tap opportunities, manage risks, and build relationships with internal and external stakeholders. What's more, the symphonic leadership model is vital for growth: Our survey finds that respondents who indicate their C-suite executives "regularly collaborate on long-term interdependent work" are a third more likely to expect their companies to grow at 10 percent or more during the next year than respondents whose CxOs operate independently.

The C-suite must lead an organization's response to the other nine trends highlighted in this report. The pace and complexity of the changes involved, and the high stakes of success or failure, elevate these as C-level issues, which cannot be delegated or approached in silos. Only a symphonic C-suite team is sufficient for the scale and speed of the following nine trends. In our chapter on the symphonic C-suite, we call out specific actions executives can take to drive greater collaboration.

The power of the individual

As the power of the individual grows, organizations are revamping their approaches to workforce management, rewards systems, and career models to better listen and respond. In particular, as workers and networks outside the organization grow in importance, companies are striving to build effective ongoing relationships with every segment of the workforce ecosystem. In this year's report, we have included actions for the individual worker to consider in influencing and managing their personalization and career experiences. The challenge is to figure out how to appropriately address each individual's preferences and priorities while engaging with a more diverse set of workers and workforce segments than ever before.

TREND 2. THE WORKFORCE ECOSYSTEM: MANAGING BEYOND THE ENTERPRISE

Business leaders and chief human resources officers (CHROs) recognize the need to actively and strategically manage relationships with workforce segments beyond the enterprise, which increasingly affect how an organization delivers services and interacts with customers. When asked to forecast the makeup of their workforce in 2020, 37 percent of survey respondents expected a rise in contractors, 33 percent foresaw an increase in freelancers, and 28 percent expected growth in gig workers. Organizations are finding ways to align their culture and management practices with these external talent segments—engaging the workforce ecosystem for mutual benefit.

TREND 3. NEW REWARDS: PERSONALIZED, AGILE, AND HOLISTIC

Leveraging their power as individuals, employees are asking for more personalized, agile, and holistic rewards, including a focus on fair and open pay. While companies recognize this overall shift, only 8 percent report that their rewards program is "very effective" at creating a personalized, flexible solution. Early experiments are exploring how to develop a holistic variety of rewards and match them to individual preferences, across diverse talent segments and on a continuous basis.

TREND 4. FROM CAREERS TO EXPERIENCES: NEW PATHWAYS

In a 21st-century career, the individual and his or her experiences take center stage. Instead of a steady progression along a job-based pathway, leading organizations are shifting toward a model that empowers individuals to acquire valuable experiences, explore new roles, and continually reinvent themselves. However, 59 percent of our survey respondents rate their organizations as not effective or only somewhat effective at empowering people to manage their own careers. Improvement in this area is essential to attract critical talent, especially as technology shifts the skills landscape.

Filling society's leadership vacuum

Leading companies are developing strategies that address societal concerns such as longevity and well-being—and doing so in ways that help improve productivity and performance. Those in this vanguard are finding rich opportunities to build social capital and become a leading voice on key societal issues.

TREND 5. THE LONGEVITY DIVIDEND: WORK IN AN ERA OF 100-YEAR LIVES

Forward-looking organizations see extended longevity and population aging as an opportunity. Twenty percent of this year's survey respondents said that they are partnering with older workers to develop new career models. This longevity dividend enables companies to both address a pressing societal issue and tap into a proven, committed, and diverse set of workers. However, doing this requires innovative practices and policies to support extended careers, as well as collaboration between business leaders and workers, to tackle shared challenges such as age bias and pension shortfalls.

TREND 6. CITIZENSHIP AND SOCIAL IMPACT: SOCIETY HOLDS THE MIRROR

An organization's track record of corporate citizenship and social impact now has a direct bearing on its core identity and strategy. Engagement with other stakeholders on topics such as diversity, gender pay equity, income inequality, immigration, and climate change can lift financial performance and brand value, while failure to engage can destroy reputation and alienate key audiences. Many organizations are still catching up: 77 percent of our respondents say that citizenship is important, but only 18 percent say this issue is a top priority reflected in corporate strategy.

TREND 7. WELL-BEING: A STRATEGY AND A RESPONSIBILITY

As the line between work and life blurs further, employees are demanding that organizations expand their benefits offerings to include a wide range of programs for physical, mental, financial, and spiritual health. In response, employers are investing in well-being programs as both a societal responsibility and a talent strategy. More than 50 percent of survey respondents view a variety of such programs as "valuable" or "highly valuable" to employees, but big gaps remain between what employees value and what companies are delivering.

Leveraging technology for sustainable growth

Organizations are looking to capitalize on the benefits of a surge of new AI-based software, robotics, workplace connectivity tools, and people data applications, while also mitigating potential downsides and unforeseen effects. These tools and investments can help to redesign work architecture, lift productivity, and enhance people efforts, but organizations must also pay attention to and respect their impacts on the workforce as a whole.

TREND 8. AI, ROBOTICS, AND AUTOMATION: PUT HUMANS IN THE LOOP

The influx of AI, robotics, and automation into the workplace has dramatically accelerated in the last year, transforming in-demand roles and skills inside and outside organizations. Perhaps surprisingly, those roles and skills focus on the "uniquely human" rather than the purely technical: Survey respondents predict tremendous future demand for skills such as complex problem-solving (63 percent), cognitive abilities (55 percent), and social skills (52 percent). To be able to maximize the potential value of these technologies today and minimize the potential adverse impacts on the workforce tomorrow, organizations must put humans in the loop—reconstructing work, retraining people, and rearranging the organization. The greatest opportunity is not just to redesign jobs or automate routine work, but to fundamentally rethink "work architecture" to benefit organizations, teams, and individuals.

TREND 9. THE HYPER-CONNECTED WORKPLACE: WILL PRODUCTIVITY REIGN?

New communications tools are rapidly entering the workplace. Seventy percent of respondents believe workers will spend more time on collaboration platforms in the future, 67 percent see growth in "work-based social media," and 62 percent predict an increase in instant messaging. But as these tools migrate from personal life to the workplace, organizations must apply their expertise in team management, goal-setting, and employee development to ensure that they actually improve organizational, team, and individual performance and promote the necessary collaboration to truly become a social enterprise. Like the outside world, organizations are becoming hyper-connected; can they also become hyper-productive?

TREND 10. PEOPLE DATA: HOW FAR IS TOO FAR?

The rapid increase in data availability and the advent of powerful people analytics tools have generated rich opportunities for HR and organizations—but they are now also generating a variety of potential risks. While more than half of our survey respondents are actively managing the risk of employee perceptions of personal data use, and a similar proportion is managing the risk of legal liability, only a quarter are managing the impact on their consumer brand. Organizations face a tipping point: Develop a set of well-defined policies, security safeguards, transparency measures, and ongoing communication around the use of people data, or risk employee, customer, and societal backlash.

A call to action

The 2018 *Global Human Capital Trends* report sounds a wake-up call for organizations. The rise of the social enterprise requires a determined focus on building social capital by engaging with diverse stakeholders, accounting for external trends, creating a sense of mission and purpose throughout the organization, and devising strategies that manage new societal expectations. At stake is nothing less than an organization's reputation, relationships, and, ultimately, success or failure.

In this new era, human capital is inextricably tied to social capital. This reality demands a fundamental pivot in how organizations do business today—and how they prepare for the human capital challenges of the future.

Appendix A: Trend importance by region, industry, and organization size

Table 1. Trend importance by region

	Global	Americas		Europe, Middle East & Africa					Asia Pacific	
		Latin & South America	North America	Africa	Central & Eastern Europe	Middle East	Nordic countries	Western Europe	Asia	Oceania
The symphonic C-suite	**85.0%**	91.7%	84.8%	88.8%	81.5%	83.4%	80.1%	76.9%	90.6%	88.3%
People data	**84.8%**	88.2%	85.0%	89.3%	81.4%	86.4%	84.7%	77.2%	90.1%	85.6%
From careers to experiences	**84.1%**	87.2%	80.6%	84.7%	80.3%	81.3%	81.4%	79.8%	91.6%	87.3%
Well-being	**84.0%**	88.2%	78.9%	88.0%	75.1%	84.8%	83.3%	80.1%	91.6%	86.6%
The hyper-connected workplace	**82.1%**	85.5%	84.6%	85.0%	72.8%	79.9%	84.3%	78.9%	83.6%	89.0%
New rewards	**77.4%**	85.3%	71.1%	85.6%	74.8%	85.0%	58.8%	69.8%	87.5%	65.6%
Citizenship and social impact	**76.7%**	81.0%	76.1%	86.8%	63.6%	76.6%	67.8%	72.0%	83.0%	82.8%
AI, robotics, and automation	**72.4%**	70.4%	64.5%	70.7%	67.0%	74.5%	83.0%	69.2%	84.1%	73.2%
The longevity dividend	**69.1%**	74.8%	59.7%	73.2%	58.1%	70.5%	63.8%	69.2%	76.5%	66.7%
The workforce ecosystem	**65.4%**	72.4%	53.8%	71.2%	61.0%	70.3%	58.0%	60.1%	76.5%	61.5%

n = 11,070

Note: Figures represent the percentage of respondents rating each trend "important" or "very important."

Source: Deloitte *Global Human Capital Trends* survey, 2018.

Table 2. Trend importance by industry

	All industries	Consumer business	Energy & resources	Financial services	Life sciences	Manufac-turing	Profession-al services	Public sector	Real estate	Tech, media & telecom-munica-tions
The symphonic C-suite	**85.0%**	86.4%	83.6%	85.6%	85.6%	84.9%	86.3%	77.1%	82.6%	87.4%
People data	**84.8%**	85.8%	83.9%	89.2%	85.0%	81.2%	84.0%	78.6%	79.1%	89.8%
From careers to experiences	**84.1%**	83.9%	83.3%	86.1%	82.8%	81.2%	84.5%	78.6%	86.1%	88.9%
Well-being	**84.0%**	83.4%	85.3%	84.4%	85.3%	82.6%	83.5%	79.7%	88.1%	86.5%
The hyper-connected workplace	**82.1%**	79.1%	79.9%	85.0%	80.4%	74.4%	86.2%	77.0%	81.1%	90.0%
New rewards	**77.4%**	79.7%	75.3%	79.2%	74.4%	77.7%	79.3%	65.8%	81.6%	80.2%
Citizenship and social impact	**76.7%**	76.6%	80.5%	78.9%	80.7%	73.1%	74.8%	77.7%	70.1%	75.9%
AI, robotics, and automation	**72.4%**	69.2%	75.7%	80.7%	73.1%	75.7%	71.0%	55.9%	65.2%	77.0%
The longevity dividend	**69.1%**	67.7%	73.9%	67.8%	70.0%	71.0%	67.0%	69.7%	76.1%	65.7%
The workforce ecosystem	**65.4%**	65.0%	66.7%	63.4%	58.5%	60.9%	73.0%	58.9%	66.2%	69.3%

n = 11,070

Note: Figures represent the percentage of respondents rating each trend "important" or "very important."

Source: Deloitte *Global Human Capital Trends* survey, 2018.

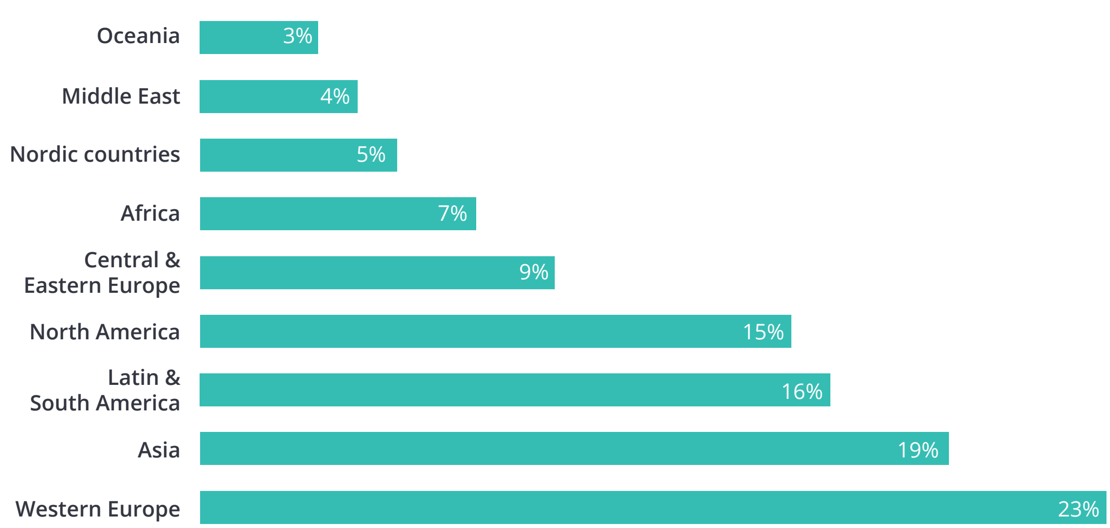
Table 3. Trend importance by organization size (number of employees)

	All respondents	Large (10,001+)	Medium (1,001 to 10,000)	Small (1,000 or fewer)
The symphonic C-suite	**85.0%**	84.1%	85.2%	85.3%
People data	**84.8%**	88.3%	86.4%	82.2%
From careers to experiences	**84.1%**	85.3%	84.6%	83.2%
Well-being	**84.0%**	84.6%	83.9%	83.8%
The hyper-connected workplace	**82.1%**	84.7%	81.1%	81.5%
New rewards	**77.4%**	73.5%	76.8%	79.5%
Citizenship and social impact	**76.7%**	81.7%	77.7%	73.7%
AI, robotics, and automation	**72.4%**	82.4%	73.0%	67.4%
The longevity dividend	**69.1%**	69.5%	69.2%	68.8%
The workforce ecosystem	**65.4%**	64.7%	62.9%	67.2%

n = 11,070
Note: Figures represent the percentage of respondents rating each trend "important" or "very important."
Source: Deloitte *Global Human Capital Trends* survey, 2018.

Appendix B: Survey demographics

Figure 3. Respondents by region



n = 11,070
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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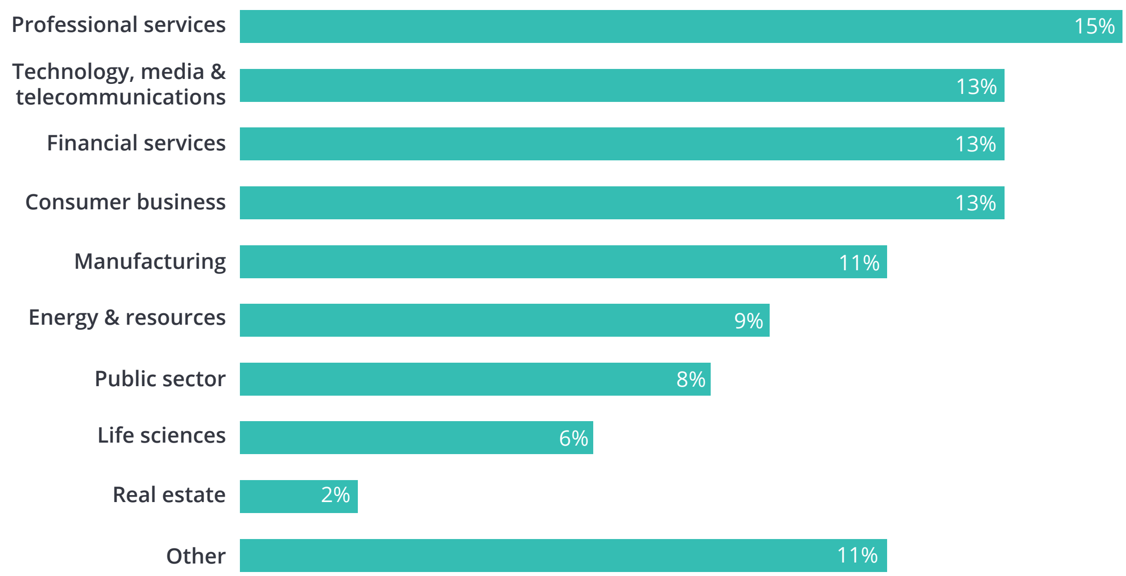
Figure 4. Respondents by industry



n = 11,070
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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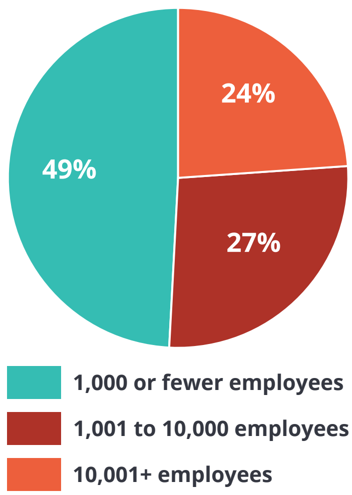
Figure 5. Respondents by organization size (number of employees)



n = 11,070
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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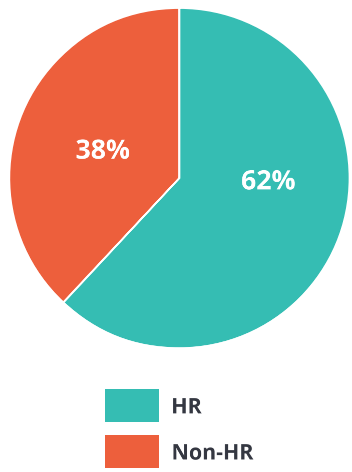
Figure 6. Respondents by job function



n = 11,070
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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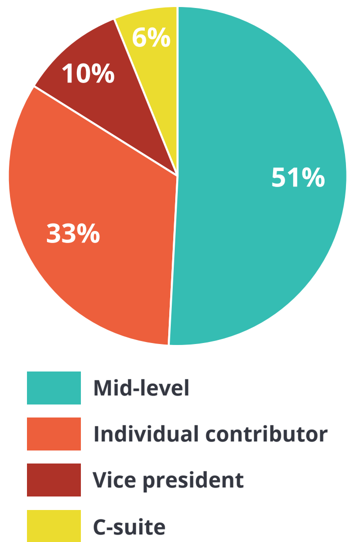
Figure 7. Respondents by level



n = 11,070
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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Table 4. Country in which respondent works

United States	1,344
China	817
India	724
Belgium	649
Germany	429
Mexico	407
South Africa	354
Brazil	337
Canada	322
Norway	302
France	261
Japan	236
Spain	232
Australia	229
Ireland	212
United Kingdom	202
Poland	198
Turkey	161
Ukraine	160
Russian Federation	158
Finland	154
Colombia	152
Ecuador	139
Netherlands	136
Costa Rica	133
Uruguay	126
Greece	125
United Arab Emirates	108
Italy	106
Nigeria	102
Other	2,055
Total	**11,070**

Source: Deloitte *Global Human Capital Trends* survey, 2018.

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The symphonic C-suite

Teams leading teams

As the business environment becomes more competitive and digital disruption continues, organizations have become more team-centric, networked, and agile. While these approaches are taking hold in sales, operations, and other functional areas, a big problem remains: The C-suite must change as well. Rather than behave as independent C-level functional experts, the C-suite itself must now operate as a team. We call this trend the "symphonic C-suite," and our respondents viewed it as the most pressing human capital issue facing organizations today.

IN the last two years of our global research, the most important human capital trend identified by our survey respondents has been the need to break down functional hierarchies and build a more networked, team-based organization. This year, this trend has reached the C-suite. Senior leaders now realize that they must move beyond their functional roles and operate as a team. In this new construct, C-suite executives combine business unit and functional ownership with cross-functional teaming to run the organization as an agile network.

The urgency around this issue is clearly reflected in our survey results. Fifty-one percent of the respondents we surveyed this year rated "C-suite collaboration" as very important—making it the most important issue in our 2018 survey—and 85 percent said that it was important or very important. Additionally, we found that respondents at organizations with the highest level of CxO cross-collaboration were the most likely to anticipate growth of 10 percent or more. Stunningly, however, 73 percent of respondents told us that their C-suite leaders *rarely*, *if ever*, work together on projects or strategic initiatives.

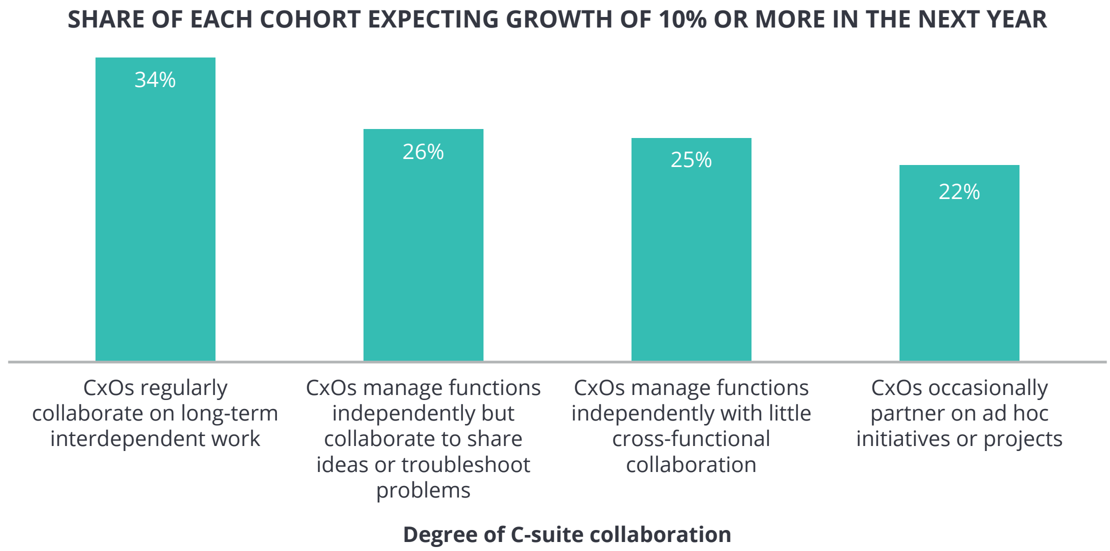
The message is clear: Senior leaders must get out of their silos and work with each other more. To navigate today's constantly changing business environment and address cross-disciplinary challenges, a company's top leaders must act as one.

We call this new, collaborative, team-based senior executive model "the symphonic C-suite." Like a great symphony orchestra, a symphonic C-suite brings together multiple elements: the musical score, or the strategy; the different types of instrumental musicians, or the business functions; the first chairs, or the functional leaders; and the conductor, or the CEO. In this model, C-suite members not only lead their own area of responsibility, but also collaborate with other functional leaders, work on teams that affect the enterprise's strategic direction, and influence and inspire networks of teams throughout the organization. In short, the goal is a symphony of specialized experts playing in harmony—

C-SUITE COLLABORATION CORRELATES WITH HIGHER GROWTH EXPECTATIONS

Respondents from organizations where C-suite executives regularly collaborate on long-term interdependent work were the most likely to anticipate growth of 10 percent or more.

Figure 1. Influence of C-suite leadership style on company growth



n= 11,070
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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instead of a cacophony of experts who sound great alone, but not together.

A turning point in C-suite evolution

This wasn't always the way C-suites behaved. In the 1800s and early 1900s, the CEO stood alone at the top, making most of the important decisions and delegating responsibility to functional managers in the business. This model was later extended to create a series of "specialist heroes," each with a "C" in his or her title: chief financial officers, chief information officers, chief human resources officers . . . the list goes on and on. Each was given responsibility to "own" his or her domain, operating under a "divide and conquer" model.[1]

With this increased specialization, however, a new dynamic emerged: The individual CxOs did not, as a rule, work closely together. This made sense in a relatively static, predictable business environment where most problems had readily identifiable root causes, were limited in scope, and required deep functional expertise to solve.

But the current business environment is a far cry from what it was in the 1980s, which saw a huge increase in the number and type of functional C-suite roles.[2] Frequent marketplace disruptions, a global economy, and the accelerating rate of technological change mean that the problems companies now face are more difficult, more complex, and more multidimensional than ever. More and more problems are of the "wicked" variety—problems with multiple roots and drivers that cannot be effectively solved by one party working alone.

> The message is clear: Senior leaders must get out of their silos and work with each other more. To navigate today's constantly changing business environment and address cross-disciplinary challenges, a company's top leaders must act as one.

In a dynamic environment demanding both cross-disciplinary collaboration *and* deep functional expertise, operating as a symphonic C-suite makes a great deal of sense, allowing leadership teams to tackle issues that no single function can satisfactorily address. For instance, today's digitally savvy, well-informed consumer is demanding that businesses deliver not only good products, but a great end-to-end customer experience—from the time he or she becomes aware of a product through the end of the product's life cycle. Rising to this challenge demands that organizations work across functions to understand and fulfill customer needs at every touch point.

As another example, consider a company's need for agility in navigating rapidly shifting markets, technologies, competitors, and customer expectations. If an executive team does not operate as an integrated decision-making unit, they risk moving too slowly to align the organization with the demands of its time and place. HP's decision to split its businesses, for example, was made in an integrated fashion among its C-suite—which allowed the company to rapidly respond to shifting marketplace needs.[3]

An integrated approach can work for long-term planning as well. At Cummins Power Systems, a leader in energy and power systems, the C-suite works tightly together to build a 15-year plan for its products, services, and business model. The HR, IT, and other support teams then use this plan to build their own 15-year plans. This process has helped Cummins maintain its market leadership and renowned employment brand for many decades.[4]

In a sense, the symphonic C-suite's evolution can be seen as a logical extension of the movement to networks of teams that has been occurring for some time at lower organizational levels and across the broader economic and social landscape. Functional units are organizing around teams, initiatives, and agile projects; businesses are building ecosystems and networks; even public institutions are forming new coalitions. And in these efforts, what has become clear is that cross-functional teams can often get work done more quickly and effectively than a siloed, top-down approach. Why should C-suites be immune to this effect?

What could a symphonic C-suite look like?

Not every problem, of course, requires every C-suite officer to get involved. The experience of companies such as General Electric suggests the importance of the "G3" team of the CEO, CHRO, and CFO,[5] while other experts emphasize the "golden triangle" of the CFO, CMO, and CIO.[6] Some professional services leaders highlight the value of

In the next few years, we expect that the need for ever-greater cross-functional collaboration will drive continued evolution in the C-suite, as well as in the leadership development pipelines that feed it.

the "leadership dyad"—a close team of two senior executives focused on resolving conflict.[7] Alliances between the CMO and other functional leaders can determine marketing success for a digital business.[8]

Here are some specific ways that a symphonic C-suite might configure and reconfigure itself to address different types of challenges:

- **Digital business models.** The transition to digital business models is at the top of the strategic agenda for many businesses today. A high-performing digital business aims to deliver its products and services to customers as an integrated experience. To achieve this, the chief marketing officer (CMO) and chief information officer (CIO) can work together so that front, middle, and back-office systems converge to provide a seamless customer experience. For instance, used-car retailer CarMax's CMO and CIO worked together to design a digital experience that would allow customers to choose vehicles using interactive online tools, as well as offer them a more satisfying experience overall.[9]
- **The future of work.** Redesigning work and workforces to integrate robotics and artificial intelligence technologies, as well as to capitalize on new employment models such as gig workers and crowds, is a complex and growing opportunity across industries and functions. CIOs and CFOs can work with each other and with business leaders, supply chain executives, and the CHRO to pilot and implement automation solutions and redesign work around new platforms in a way that creates meaningful jobs, careers, and development opportunities for people.
- **Brand protection.** In a connected and transparent world, both customers and employees—some of whom may be one and the same—are inextricably linked to corporate brand. CMOs and CHROs, along with the chief risk officer, could collaborate to manage an organization's total internal and external brand.
- **Innovation.** Chief innovation officers and chief research officers can play a critical role in driving innovation across other functions as well as across the business. When one team innovates, those innovations can affect work in other teams, allowing all teams to learn together.

Cultivating the symphonic C-suite

The transition of C-suites to full "symphonic" mode still appears to be in its infancy. Fifty-four percent of the respondents in our 2018 *Global Human Capital Trends* survey told us that their companies are not ready, or only somewhat ready, for the level of executive-team collaboration they believe is now required.

Where can C-suites start? A first step is for the CEO to review priorities for each C-suite leader and determine how each can have an impact more broadly across the organization. Next, cross-disciplinary projects should be prioritized so that CxOs can form specific alliances and align their efforts to drive success. Last, executive teams need to put those cross-disciplinary projects on the agenda, not only for themselves, but for the organization as a whole to increase the visibility of their collaboration to the rest of the workforce as a model to follow.

In executing this shift, teamwork, influence, and expertise gain in value. No longer can C-suite executives succeed only through authority—they must create followership among their peers. The need for CxOs who can do this means assessing potential leaders in new ways.

Achieving C-suite collaboration also requires performance management systems and career paths that facilitate teaming and give leaders cross-functional experience. For example, L'Oréal Group has reimagined its performance management systems to emphasize the importance of teamwork, adopting a new credo: "The team is the new hero."[10] Our own survey shows that CxOs with experience in a greater number of functions prior to reaching their current level are more likely to indicate that their organization's C-suite regularly collaborates.

In the next few years, we expect that the need for ever-greater cross-functional collaboration will drive continued evolution in the C-suite, as well as in the leadership development pipelines that feed it.

THE BOTTOM LINE

The movement toward the symphonic C-suite is proving to be one of the most powerful and urgent trends for organizations worldwide. CxOs at leading companies understand that working, collaborating, and interacting as a team is now essential—and they are reorganizing around this model. We expect this trend to accelerate as organizations begin to recognize that the symphonic C-suite—teams leading teams—is the most effective way to tackle the complex issues businesses face today.

Table 1. What role does the C-suite play in acting as a team? How can individuals adjust?

All C-suite executives	Incorporate collaboration and teamwork into daily routines, prioritizing interaction, information-sharing, and real-time decision-making across functions. Introduce incentives for your own direct reports to drive integrated thinking and cross-functional collaboration.
CHRO	Update leadership profiles to build a pipeline of future-ready executives and shift the organization's culture to encourage greater collaboration across business units, functions, and geographies. Consider expanding the use of "networks of teams" in areas in need of innovation or disruption.
Individuals	As a leader or manager, think through ways you can spend time working in teams across functions, silos, and organizational boundaries. Encourage greater cross-functional collaboration among executive leaders.

Source: Deloitte analysis.

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The workforce ecosystem

Managing beyond the enterprise

Today's workforce has become a dynamic ecosystem. Only 42 percent of this year's survey respondents tell us that their organizations are primarily made up of salaried employees, and employers expect to dramatically increase their dependence on contract, freelance, and gig workers over the next few years. As alternative work arrangements become more common in the broader economy, HR and business leaders are rapidly trying to plan and optimize their own workforce ecosystems, pressured by the need to improve service, move faster, and find new skills.

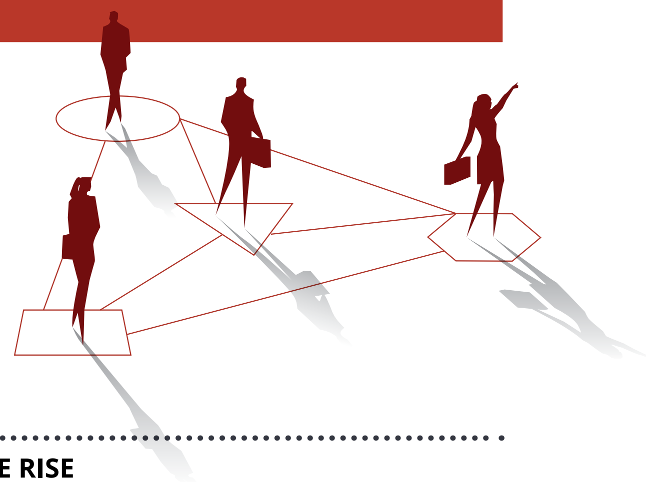
THE composition of the workforce is changing dramatically. Globally, there are approximately 77 million formally identified freelancers in Europe, India, and the United States.[1] In the United States, more than 40 percent of workers are now employed in "alternative work arrangements," such as contingent, part-time, or gig work.[2] This percentage is steadily rising—increasing by 36 percent in just the past five years—and now includes workers of all ages and skill levels.[3] In this year's *Global Human Capital Trends* survey, 50 percent of the respondents reported a significant number of contractors in their workforces; 23 percent reported a significant number of freelancers, and 13 percent reported a significant number of gig workers.

All of this suggests that, in simplest terms, the traditional employer-employee relationship is being replaced by the emergence of a diverse workforce *ecosystem*—a varied portfolio of workers, talent networks, gig workers, and service providers that offers employers flexibility, capabilities, and the potential for exploring different economic models in sourcing talent.

While it may be appealing to hire contractors quickly or to outsource technical or service work, taking advantage of the emerging workforce ecosystem's benefits brings a variety of new challenges, and our research shows that most companies are not fully ready. When asked to forecast the makeup of their workforce in 2020, 37 percent of this year's survey respondents expected growth in the use of contractors, 33 percent in the use of freelancers, and 28 percent in the use of gig workers. But despite this anticipated growth, only 16 percent told us they have an established set of policies and practices to manage a variety of worker types, pointing to an enormous gap in capabilities.

The challenge is not just the tactical one of finding enough of the right people to execute particular tasks at particular times. To drive real value through the new workforce ecosystem, organizations need to understand how to appeal to and engage with workers of all kinds. And not all workers in this ecosystem have traditional views of what an employer-worker relationship should look like. Consider the common aspirations of millennials and Generation Z: A recent study found that 75 percent of workers in these generations plan to start their own business;[4] more than 70 percent want their work to support their personal interests, and only 12 percent believe that an invention they create should belong to their employer.[5]

> To drive real value through the new workforce ecosystem, organizations need to understand how to appeal to and engage with workers of all kinds.



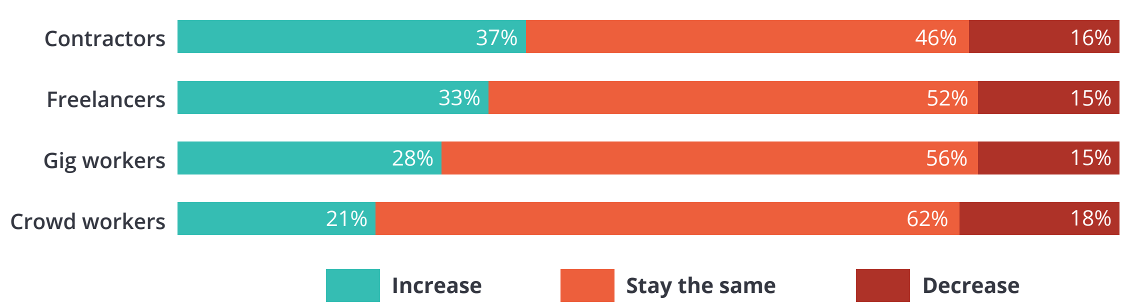
The challenges of managing the workforce ecosystem

Our interviews and survey data suggest that most non-traditional workers are managed tactically, often handled by the procurement department, with few consistent talent strategies in place. In this year's *Global Human Capital Trends* survey, only 29 percent of respondents said that their organizations track these ecosystem workers' compliance with work contracts, and only 32 percent track their quality of work.

ALTERNATIVE WORK ARRANGEMENTS ARE ON THE RISE

Respondents expect a substantial increase in their organizations' use of contractors, freelancers, and gig workers over the next two years.

Figure 1. Anticipated use of each labor type in 2020 relative to today



n = 11,070
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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The sheer variety of today's work arrangements makes it hard to even understand what types of workers are employed, let alone manage them strategically. As shown in figure 2, the workforce ecosystem ranges from full-time workers to freelancers, gig workers, and crowds who focus on projects and tasks but may have little understanding of or interest in an organization's overall strategy. Organizations may expect these workers to be well trained and ready to work, but in reality, they need support, guidance, and performance measures if an employer wants to optimize the entire mix.

Making things even more difficult is the fact that the HR software market has historically not built many tools to help employers manage non-traditional workers. Only in the last few years have vendors such as WorkMarket (just acquired by ADP) and Fieldglass (acquired by SAP in 2014), as well as startups such as RallyTeam, Fuel50, and others, started to offer contingent, gig, and project management tools to help companies manage and communicate with the broader workforce ecosystem.[6] In most cases, once they see the problem as strategic, organizations build their own tools and apps to manage the most-used types of contingent workers.

That the problem *is* strategic is becoming beyond debate. Aside from the opportunity cost of failing to capitalize on alternative work arrangements, new workforce models can create legal, security, privacy, and other risks. For instance, more than one-third of our respondents (42 percent) worry about the loss of confidential information due to the use of contractors, and 36 percent are concerned about the reputational risk that could arise from a negative perception of non-traditional employees. Some 38 percent worry about the instability of a non-traditional workforce, and 39 percent worry about violations or changing government regulations in managing or categorizing these workers.

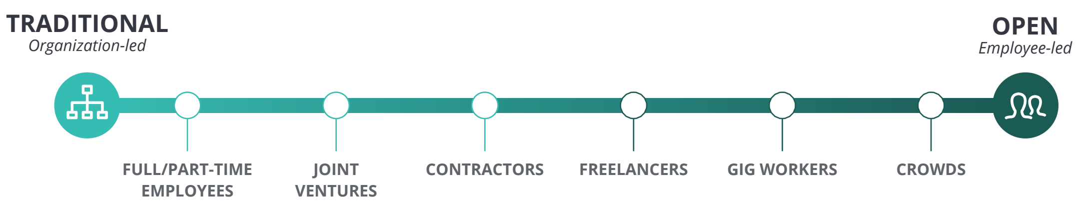
Engaging the workforce ecosystem

What can organizations do to engage these increasingly important ecosystem workers, even as they turn away from the very idea of being "employees"? Our research and experience point to several important components of success.

First, organizations should extend their talent management approaches to workers across the entire ecosystem. HR teams should work with legal and IT to give gig and contract workers clear performance goals, secure communication systems, and the right amount of training and support to make them productive and aligned with the company's strategy. Cummins, for example, a global leader in power, energy systems, and engines, considers its contractors "a part of the family," and tries to give them the same focus as full-time employees.[7]

Second, HR should get more involved in sourcing and selection decisions for alternative workers. Today, more than a third of our survey respondents say that HR is not involved in sourcing (39 percent) or hiring (35 percent) decisions for contract employees. This suggests that these workers are not subject to the cultural, skills, and other forms of assessments used for full-time employees. Since alternative workers can make up 30 to 40 percent of the workforce, organizations should carefully consider

Figure 2. A wide range of worker types



Source: Deloitte analysis.

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under what circumstances they should be screened like regular employees, if at all.

Third, organizations should provide ecosystem workers with onboarding and development opportunities. Perhaps because organizations fear these workers will become categorized as "full-time employees," nearly half of the HR respondents to our survey (46 percent) say they are not involved in onboarding alternative workers, and more than half (55 percent) do not support training for this population. Again, this shows a lack of understanding of the workforce ecosystem's importance. Most employers are currently treating alternative workers as unskilled labor, not as professionals.

Fourth, companies should consider workforce brand and incentive programs that cover the range of ecosystem workers. What can alternative workers do to make more money? What skills and capabilities should they develop? How will they be measured? HR should formalize these practices for the ecosystem rather than waiting for procurement to do it.

Success stories show the way

The challenges raised by the workforce ecosystem are all manageable, and companies can benefit from taking an integrated view of the problem. Consider a large pharmaceutical company whose in-house scientists had been struggling with a technical challenge for months. When the company engaged external talent for the problem, it found the solution in just six days.[8]

Businesses such as Fiverr, E-Lance, Doordash, and others have learned to manage contingent and gig workers. Many are growing at rapid rates while exploring approaches to improve alternative workers' lives. A recent coalition led by Fiverr, Care.com, DoorDash, Etsy, Postmates, and others, working with Stride Health, has launched an initiative to help freelancers access health care programs and insurance in the United States.[9] As freelancers, gig, and crowd workers become a growing proportion of the workforce, improving programs like these and integrating alternative and full-time workforces will grow in importance.

THE BOTTOM LINE

The growth of new workforce models is redefining the employer-worker relationship, and many organizations have the opportunity to draw upon today's variegated labor market. HR and business leaders should proactively form new leadership alliances—especially between HR and procurement—to develop integrated workforce strategies and programs that can help an organization take advantage of the breadth of workforce options available today.

Table 1. What role does the C-suite play in capitalizing on the workforce ecosystem? How can individuals adjust?

CHRO	Develop workforce management strategies that leverage open talent workforces to meet the organization's changing needs. Work with managers supervising contingent workers to shift their focus toward these workers' engagement and productivity, instead of concentrating strictly on task performance. Create development opportunities and performance management approaches to help give off-balance-sheet workers access to learning experiences and coaching while engaged with your organization.
CFO	Understand the financial implications of the workforce ecosystem and work with business leaders to understand the financial benefits that can be achieved by managing this extended workforce. The significant potential implications for the balance sheet make it important to take a proactive view of how an organization's changing workforce composition can affect a large cost item on the P&L.
CIO	Work closely with HR to create an IT infrastructure to help effectively manage the workforce ecosystem. Help your organization move past the use of different systems to manage full-time employees vs. alternative workers. Aim to develop a single workforce management solution that can provide full and consistent visibility to the workforce as a whole.
Chief risk officer	Consider what new policies may be needed for managing employment responsibilities within the workforce ecosystem, including policies around issues such as protecting confidential information and managing reputational risk. Work closely with HR to determine where new policies may be needed, and constantly monitor (and, where appropriate, seek to influence) the regulatory environment around how employers engage with new worker types.
Individuals	Use the open talent economy to your advantage. Employers who have embraced the workforce ecosystem and are using different types of work arrangements can help you gain the experiences you need to increase your attractiveness in the employment market.

Source: Deloitte analysis.

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New rewards

Personalized, agile, and holistic

For decades, designing rewards programs was a relatively straightforward exercise of finding the right mix of compensation and traditional benefits such as health insurance and vacation time. Those days are over. Leading organizations now understand that a personalized, agile, holistic rewards system is essential to attracting, motivating, and developing talent. So why are so many companies falling short, even as they realize their rewards programs are outdated?

REWARDS are in the midst of a transition from the strictly standardized to the highly personalized. Companies at the forefront of this wave are creating rewards programs that are delivered more continuously, aligned more closely with individual preferences, and based more fully on an employee's whole contribution—to the team and the organization. These companies understand that effective rewards programs require a personal relationship with each worker. Done correctly, this new approach to rewards can become a huge competitive advantage.

Yet our research indicates that few companies are making this transition successfully. Yes, they understand the need; 76 percent have reinvented performance management to be more continuous. However, 91 percent of companies still follow the utterly conventional practice of conducting salary reviews only once a year—or even less often.[1] Even worse, organizations rate their rewards program with a net promoter score of -15, and only 21 percent would recommend their program to others.[2]

Many business as well as HR leaders recognize the problem. In this year's *Global Human Capital Trends* survey, 37 percent of respondents rated rewards as very important, yet only 9 percent indicated that they were "very ready" to deal with this challenge.

From this low baseline, we did additional research to try to understand how well rewards systems are driving business outcomes. The results are shockingly poor (table 1).[3]

These low numbers point to a serious problem. While other talent strategies have evolved, rewards practices are lagging behind.

What is wrong with rewards?

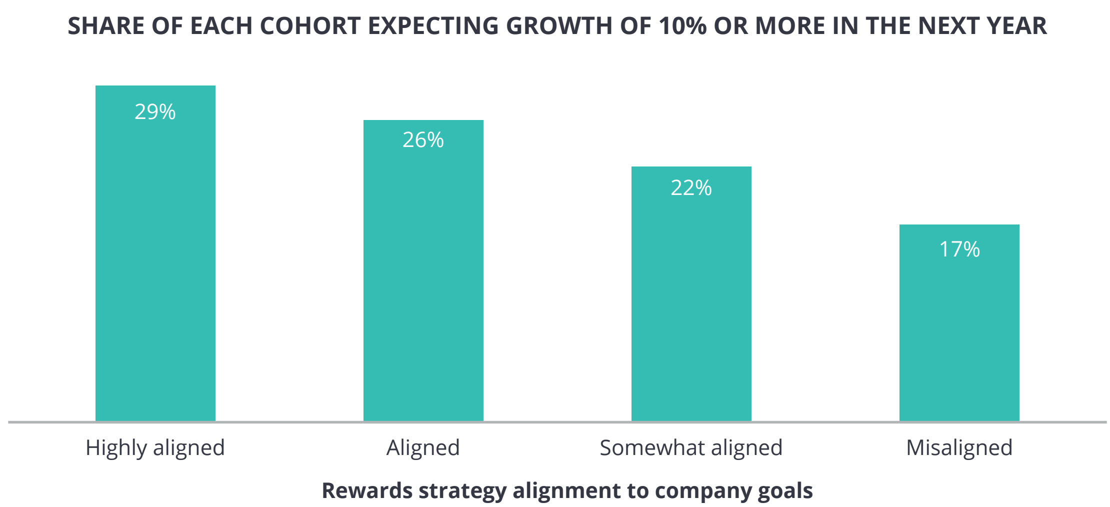
We see three major areas where today's rewards programs are out of line with employee preferences.

First, employees respond favorably to agile compensation programs that provide raises, bonuses, or other incentives more often than the traditional

AN ALIGNED REWARDS STRATEGY CORRELATES WITH HIGH GROWTH EXPECTATIONS

Respondents from organizations whose rewards strategies were highly aligned with organizational goals were the most likely to anticipate growth of 10 percent or more.

Figure 1. Influence of rewards strategy alignment on organizational growth



n = 11,069
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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Table 1. Rewards' perceived effectiveness in driving business outcomes

Business outcome	Percentage of respondents rating their organization's rewards programs "very effective" in achieving this result
Motivating talent	3%
Growing and developing talent	5%
Attracting talent	6%
Retaining talent	8%
Aligning with business goals	12%

Source: Bersin, Deloitte Consulting LLP, High-impact total rewards research, 2018.

once-a-year rewards system. And companies have a strong incentive to implement these programs. A study by Globoforce found that employees who receive regular small rewards, in the form of money, points, or thanks, are a staggering *eight times* more engaged than those who receive compensation and bonus increases once a year.[4]

Our research shows that 20 percent of companies give workers performance ratings more than once per year, but only 9 percent adjust salary at that pace.[5] Compounding the problem, most remuneration programs are inflexible and narrowly focused on experience and tenure.

Second, organizations are missing an opportunity to better understand worker preferences and tailor a wider range of rewards to a more diverse workforce. Rewards programs remain primarily focused on traditional (on-campus, on-balance-sheet) workers and traditional types of benefits such as

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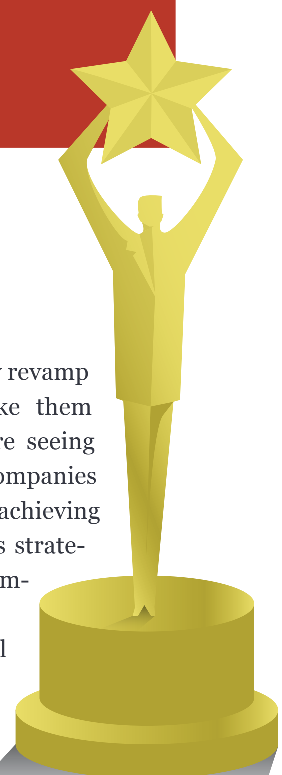

health insurance, sick leave, and overtime pay. Many exclude elements such as flexibility, development, recognition, and other incentives, particularly for contract or other off-balance-sheet workers.

While some first movers are shifting toward truly personalized rewards, most companies are still struggling to customize and communicate rewards tailored to the individual. Only 8 percent of organizations in this year's survey said that their rewards program was "very effective" at creating a personalized, flexible solution. And just 9 percent of companies in a recent study reported that they use data and analysis, such as conjoint analysis, to a great or very great extent to understand employee preferences.[6]

Third, most rewards programs are not seen as "fair." For instance, upon surveying more than 4,000 workers at the 10 biggest technology companies, Blind found that only 45 percent of those highly compensated employees felt they were "fairly paid."[7] At many companies, the process for deciding pay is considered political or arbitrary, which has a huge impact on retention and turnover. Lack of transparency compounds the problem: A study by Payscale found that employees who do not understand the pay process are 60 percent more likely to leave the organization.[8]

Topics such as pay for performance, pay fairness, and pay equity are nothing new; HR departments have debated them for decades. What makes things different today are workers' increased expectations—for transparency and flexibility around rewards—and their greater access to information, including salary data via websites such as Glassdoor, Fishbowl, LinkedIn, and others.

First movers: Aligning rewards with preferences

Companies that fundamentally revamp their rewards programs to make them more varied and personalized are seeing positive results. Some of these companies are taking creative approaches to achieving greater alignment among rewards strategy, individual preferences, and company goals.

For example, a major apparel manufacturer now offers people three elements of remuneration. Each element is based on a different set of criteria: Increases in base pay reflect an employee's alignment and growth in core values; bonus amounts are entirely tied to the achievement of specific goals; and incentives and long-term stock options are awarded based on leadership activities and 360° feedback. This flexible system empowers employees to decide if they want to focus on core teamwork, achieve stretch goals, or move into leadership roles.

Or consider a European consulting firm that gives new employees a range of rewards options when they accept an employment offer. The new hire can choose salary or stock options; an extra week of vacation or higher pay; and a higher bonus based on results or a more modest increase in base pay.

> Talent today wants a custom rewards experience that reflects how they live, work, and communicate—not a one-size-fits-all approach rooted in the past.

Patagonia has an innovative compensation and rewards model that aligns with its culture and identity. It goes beyond the historic mix of traditional benefits by adopting an unconventional approach to rewards that caters to employees' lives both inside and outside of work. This includes 26 three-day weekends per year, a surfing policy that allows employees to surf or do other exercise during work hours, and extensive family benefits such as on-site day care to support parenting and breastfeeding. Patagonia strongly believes in hiring passionate and motivated people who stand behind what they believe, and has seen a rise in performance and productivity when they are rewarded accordingly. The company encourages employees to treat work as play and regards its own workers as the ultimate customers, which means it places a special emphasis on how it treats and rewards them.[9]

Supporting continuous performance management

Changing talent management approaches are a key driver of the evolution in rewards. A 2016 study found that three-quarters of employees said that their companies should change performance management practices, and less than 40 percent of corporate leaders said that these practices helped achieve business objectives.[10] In a 2017 study, more than 70 percent of companies reported designing "continuous performance management" practices.[11]

A few pioneers have begun to create "continuous rewards" to match. For example, one consumer finance firm now both pays out its broad-based cash incentive plan and processes promotions twice a year, aligning with its semiannual approach to performance reviews and ratings.

Cisco's head of rewards favors an approach of continuous experimentation that involves listening to employee needs as well as understanding competitive benefits and rewards in the market. To promote transparency and trust, the company regularly benchmarks its total compensation against that of competing firms and gives employees a view of how each job family is paid compared to competitors.[12]

Keeping it personal

Surprisingly, rewards are perhaps the last area of human capital to become personalized, even though personal preferences may be the most important in this area. As a result, companies that personalize rewards—or better yet, create an individual relationship around rewards with each worker—can seize a distinct advantage in the talent market.

Our view is that a system that offers a variety of rewards *and* a way to personalize them is the only structure with the required flexibility to meet the diverse needs and desires of today's variegated workforce. Talent today wants a custom rewards experience that reflects how they live, work, and communicate—not a one-size-fits-all approach rooted in the past.

THE BOTTOM LINE

Most organizations now recognize the need to reshape rewards with a more personalized, agile, and holistic approach, matching other talent management strategies. The few organizations that have translated recognition into action have expanded their definition of rewards and looked beyond traditional approaches to design and delivery. The field remains wide open for organizations to experiment and test new tools in the effort to boost rewards' efficacy by establishing a personalized relationship with each worker.

Table 2. What role does the C-suite play in capitalizing on new rewards? How can individuals adjust?

CHRO	Recognize that overhauling talent management is not complete without a corresponding overhaul of rewards. Use analytics to determine what workers value in their rewards to appropriately align rewards programs and generate a market advantage for your organization. Revisit your rewards approach on an ongoing basis to reflect the continuing evolution of the workforce and their priorities.
CIO	Work with HR to expand your organization's analytics capabilities in the rewards space, and promote ways to use people analytics more broadly across the organization. Rewards will continue to be an area where employee insights can be incredibly beneficial.
CFO	Collaborate early and often with HR to understand how changes in rewards structures can affect the workforce's overall cost, as rewards make up a significant portion of the human capital balance sheet.
Chief risk officer	Monitor regulations in the rewards space to understand how new laws and policies could impact your organization's rewards strategy—especially with respect to rewards for gig workers.
Individuals	Tell your employer what you want and expect in your relationship with the organization. Many organizations are now open to new ideas for a variety of different rewards. It's up to you to make your voice heard.

Source: Deloitte analysis.

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From careers to experiences

New pathways

In the 21st century, careers are no longer narrowly defined by jobs and skills but through experiences and learning agility. The ongoing transformation of work, the need for people and organizations to constantly upgrade capabilities, and shifts in employee preferences demand new approaches to learning, job design, performance management, and career development.

AS rapidly advancing technologies and team-centered business models drive organizations to redesign themselves, leaders are also struggling to create new career models and build new skills across the workforce. In this year's *Global Human Capital Trends* survey, "building the 21st-century career" emerged as the third-most-important trend; 47 percent of respondents described it as very important. Yet only nine percent of respondents are very ready to address this trend, demonstrating the challenge's urgency.

What is a 21st-century career? We define it as a series of developmental experiences, each offering a person the opportunity to acquire new skills, perspectives, and judgment. Careers in this century may follow an upward arc, with progression and promotion at various times—but they will look nothing like the simple stair-step path of generations ago.

This year, 61 percent of our survey respondents told us they are actively redesigning jobs around artificial intelligence (AI), robotics, and new business models, and 42 percent believe automation will have a major impact on job roles over the next two years. This disruptive change has huge implications for workforce needs, including skill development. However, many learning and development (L&D) departments are falling behind. A separate 2017 employer survey found that more than half of the respondents did not have learning programs to build the skills of the future.[1]

The skills of the future may not be what you think

As technology advances, skills are becoming obsolete faster than ever. But—contrary to conventional wisdom—the greatest value now lies beyond purely technical skills. In fact, the most valuable roles are those that enable machines to pair with skilled, cross-disciplinary thinkers to innovate, create, and deliver services.[2]

Many of today's fastest-growing jobs are in fields such as health care, sales, and professional services that are essentially human, but can be aided and augmented by machines. Indeed, the most in-demand technical roles have shifted from STEM to STEAM, where the "A" stands for arts.[3] A recent Burning Glass study found that even data and analytics jobs now require skills such as writing, research, problem-solving, and teamwork.[4] Scott Hartley writes in his book, *The Fuzzy and the Techie,* that the best technology and products come from innovations that blend the arts and sciences together: "We need both context and code, data literacy and data science."[5]

Organizations are beginning to understand this new skills landscape. In this year's survey, companies list complex problem-solving, cognitive abilities, and social skills as the most needed capabilities for the future. Businesses are clamoring for workers with this blend of skills, not pure technical competency.

Shaping new career models

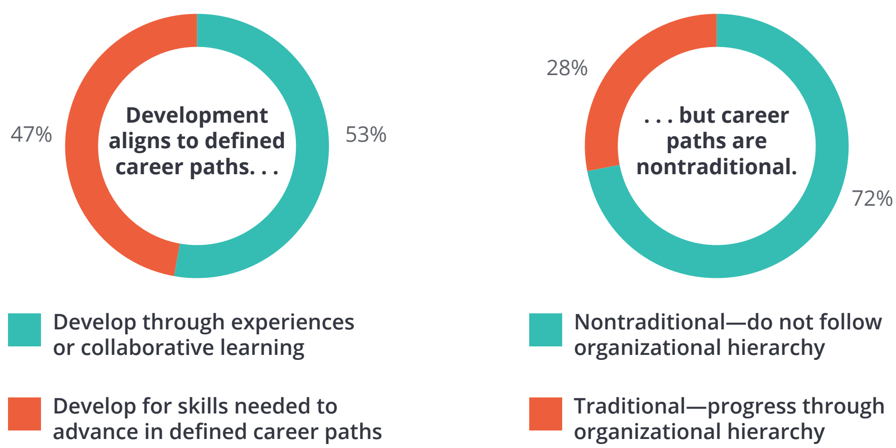
This demand means that companies should not just reform their L&D programs, but may also need to fundamentally reshape their career models. That starts with scrapping the traditional "up or out" career ladder in favor of careers where people can continuously reskill, gain new experiences, and reinvent themselves at work. Careers today can last as long as 70 years,[6] so individuals must be able to pivot throughout this journey to align with evolving jobs, professions, and industries.

Although organizations are recognizing this shift and responding, many challenges remain. Nearly three-quarters of our survey respondents (72 percent) indicate that career paths at their company are not based on the organizational hierarchy, simple moves up the organization chart. Still, only

A DISCONNECT BETWEEN DEVELOPMENT PROGRAMS AND TODAY'S CAREER PATHS

Though nearly three-quarters of respondents indicate that career paths in their organization are not based on a traditional organizational hierarchy, almost half still base their development program on the skills needed for these defined paths.

Figure 1. Traditional skill development vs. nontraditional career paths



n = 11,069

Source: Deloitte *Global Human Capital Trends* survey, 2018.

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Careers in this century may follow an upward arc, with progression and promotion at various times—but they will look nothing like the simple stair-step path of generations ago.

20 percent said that their organizations develop people through experiential learning, and just 18 percent feel they give employees the ability to actively develop themselves and chart new pathways for their careers. More than half of the respondents (54 percent) said that they had no programs in place to build the skills of the future, and internal mobility is still often driven by tenure, title, and internal politics.

This fundamental mismatch between career pathways and the development employees need to be successful leaves people feeling frustrated and powerless. Not surprisingly, nearly 60 percent of respondents this year rated their organizations as only somewhat effective or not effective in empowering people to manage their own careers.

Solutions will not come from the education industry, leaving the responsibility squarely with organizations. While educational institutions are developing more multidisciplinary degrees, research shows that degrees are not all that matters. High-performing organizations evaluate and hire candidates for attributes such as work ethic, values, and potential as well as for their experience and skills.[7]

Learning reinvented

One significant enabler of a 21st-century career is an organizational focus on building a culture of learning. According to research, companies that practice a growth mind-set, create "designed growth" and stretch assignments, and openly discuss mistakes to promote learning are three times more profitable and have up to four times better retention than those that do not.[8]

The corporate learning market is shifting to help companies find and deliver these solutions. A vast array of new self-directed learning tools have entered the market,[9] enabling employees to find content, take courses, and share information like never before.

Building on these tools, companies such as Visa, Ingersoll Rand, IBM, Walmart, and others are creating learning networks and knowledge-sharing systems, using new platforms to curate content sourced both internally and from massive open online courses (MOOCs).[10] Salesforce, SAP, and other large vendors are now opening up their content to workers for free, helping people find the training they need with the click of a mouse.[11]

Others are pushing further, applying advanced technologies such as augmented reality (AR) and virtual reality (VR). For example, BMO uses an AR application that allows employees to interact with a digital layer over their physical workplace, providing on-demand access to learning materials and using gamification to encourage exploration.[12]

Companies like Shell are transforming their careers and learning capabilities into interactive digital experiences that use both AR and VR to accelerate knowledge and augment the job experience. Shell is also responding to the increased pace of change by emphasizing experiences early in employees' careers. "We cannot foresee what campus hires will be doing five years from now but we do know we will always need the best talent for our business, so we are focused on accelerating development to innovate, collaborate, and make a business impact" says Jorrit van der Togt, Shell Executive Vice President, HR Strategy and Learning.[13]

The new imperative: Reinvention within organizations

Successful organizations are providing tailored solutions that empower individuals to reinvent themselves within the company. This is key both to enabling workers to navigate 21st-century careers and to allowing employers to access the skills of the future.

Some employers are targeting both goals at once through means such as using data-driven career development tools to identify the best "next move" for employees.[14] For instance, IBM has created AI-based self-assessment tools to help employees find training, job openings, and career paths most relevant to their personal needs.[15]

When effective, programs like these will allow employees to find, pursue, and excel in the kinds of experiences they need to grow. This helps organizations to retain employees and equip them to meet current and future work demands, powering a new career pathway that benefits both the individual and the organization.

THE BOTTOM LINE

For organizations and business leaders, there is a new imperative: Examine, understand, develop, and implement a variety of solutions to support 21st-century careers. Only a focus on experiences, new career models, data-driven tools, and L&D offerings will enable companies to develop, retain, and reinvent the right talent at the right time.

Table 1. What role does the C-suite play in enabling today's careers? How can individuals adjust?

CHRO	Work with the business to understand what new skills will be required to work differently in the future. Identifying these skills can help you plan ways to transform your organization's offerings and programs—from its learning infrastructure to its career architecture—to create a better, more attractive experience for today's top talent.
CIO	Work with HR to embed digital technologies into the learning process in ways that allow learning experiences to extend beyond the classroom and align with workforce expectations around accessibility and availability. Learning can also be a great opportunity to experiment with new advancements in AI and cognitive technologies.
Chief risk officer	While considering criteria such as passion, cultural fit, and learning agility when evaluating job candidates can result in better long-term hiring decisions, it can also open up the organization to significant risk. Review hiring policies and practices to manage potential downstream risk.
Chief marketing officer	Offering new career models and experiences can help bolster an organization's employment brand, especially considering that many millennials say they place a high value on continuous learning and career development. Think beyond marketing's typical role to leverage your skill set toward promoting your employment brand and increasing your competitiveness in the talent market.
Individuals	Drive your own career advancement by broadening your focus beyond traditional career paths to also consider alternative career experiences that may increase your overall value to employers. Seek opportunities to build "essentially human" skills such as creativity and problem-solving even if you hold a more technical role.

Source: Deloitte analysis.

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The longevity dividend

Work in an era of 100-year lives

Rising life expectancies and an aging global workforce present organizations with unprecedented challenges and untapped opportunities. Companies that plan, design, and experiment with workforce strategies, workplace policies, and management approaches for longer working lives can reap a longevity dividend. Those that lag behind face potential liability concerns and skill gaps. Creating ways for people to have meaningful, productive multi-stage and multidimensional careers is a major opportunity to engage workers across generations.

ONE of modern science's greatest achievements is longevity: the unprecedented length of human lives today. Average global life expectancy has rocketed from 53 years in 1960 to 72 years in 2015—and it is still climbing,[1] with life expectancy projected to grow by 1.5 years per decade.[2] Longevity, combined with falling birth rates, is dramatically increasing the share of older people in populations worldwide.[3] Looking ahead, the number of retirees per worker globally is expected to decline from 8:1 today to 4:1 in 2050.[4]

These demographic facts have profound implications for individuals, organizations, and society. In this era of longevity, an individual's career can last far longer, spanning generations of technologies and businesses. Companies can employ people into their 60s, 70s, and beyond as the pool of traditional "working-age" (20- to 54-year-old) adults shrinks. For their part, many individuals find the need—financially and/or emotionally—to stay in the workforce past "traditional" retirement age.

In our 2018 *Global Human Capital Trends* survey, 29 percent of the respondents rated longevity as a very important issue, and another 40 percent rated it as important. Respondents in Japan in particular, whose population is rapidly aging, were especially concerned about the issue, with 41 percent saying that it is very important.

The looming impacts of global aging

Population aging poses a workforce dilemma for both economies and organizations. Thirteen countries are expected to have "super-aged" populations—where more than one in five people is 65 or older—by 2020, up from just three in 2014.[5] These include major economies such as the United States, the United Kingdom, Japan, Germany, France, and South Korea. China's 65-and-older population is projected to more than triple from approximately 100 million in 2005 to over 329 million in 2050.[6] In fact, analysts have estimated that 60 percent of the world's population over 65 will live in Asia by 2030.[7]

Compounding the challenge, almost all developed economies now have birth rates below the replacement rate of 2.1.[8] This means that companies in these countries must either attract workers from abroad or tap into the maturing workforce. For a view of the challenges ahead, one needs to look no further than Japan—the world's oldest country—where a shortage of roughly 1 million employees in 2015 and 2016 is estimated to cost nearly $90 billion.[9]

New research is being conducted to help organizations shape their talent and business strategies for an era of longevity. The MIT AgeLab, for example, works with businesses, government, and other stakeholders to develop solutions and policies aimed at engaging the elderly population. The AgeLab uses consumer-centered thinking to understand the challenges and opportunities of longevity in order to catalyze innovation across business markets.[10]

Older talent as a competitive advantage

As talent markets grow more competitive, organizations often find it valuable to keep older workers on the job rather than replace them with younger ones. Our research shows that older workers represent a largely untapped opportunity: Only 18 percent of this year's respondents said that age is viewed as an advantage in their organization. But leading companies are beginning to focus on this talent pool as a competitive advantage.

The older labor pool represents a proven, committed, and diverse set of workers. More than 80 percent of US employers believe that workers aged 50 and more are "a valuable resource for training and mentoring," "an important source of institutional knowledge," and offer "more knowledge, wisdom, and life experience."[11] The UK government incentivizes employers to retain, retrain, and recruit older workers, and it is committed to policies that support lifetime learning and training and decrease loneliness and social isolation.[12]

Proactive organizations are tapping into the older talent pool by extending their career models, creating new development paths, and inventing roles to accommodate workers in their 50s, 60s, and 70s. This year, 16 percent of the respondents we surveyed for this report say their companies are creating special roles for older workers, and 20 percent are partnering with older workers to develop new career models. Organizations could find great value in older workers' ability to serve as mentors, coaches, or experts. Taking on these kinds of roles allows older workers to "pass the baton" to younger generations, while making room for ambitious younger workers.

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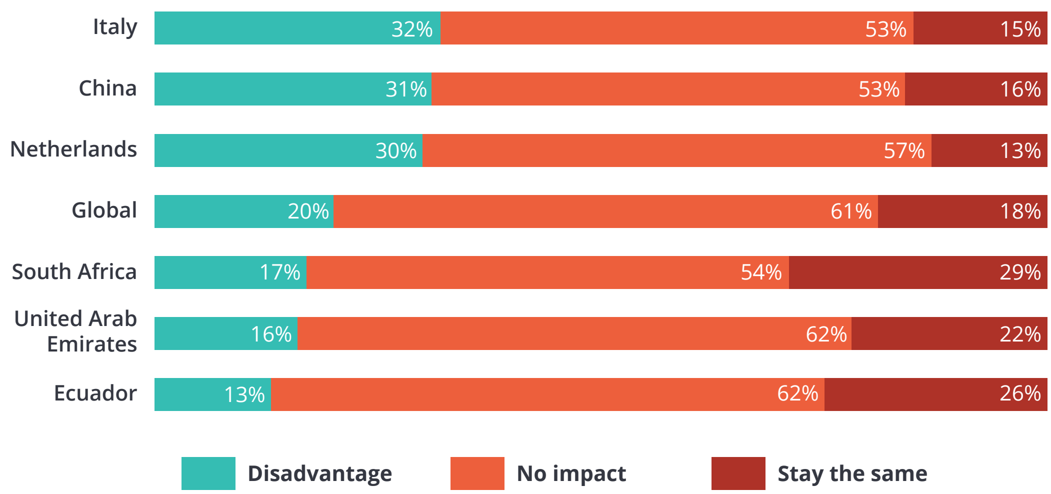
Many companies are also experimenting with workplace changes to help older employees remain in the workforce. For instance, BMW increased productivity on an assembly line staffed with older workers by 7 percent in just three months through simple changes such as providing cushioned floors

ARE OLDER WORKERS AN ADVANTAGE OR A DISADVANTAGE?

Perceptions of workers over 55 years old spanned both extremes, though these perceptions varied significantly by country.

Figure 1. Organizational perception of workers over 55



Note: Chart shows the six countries with more than 100 responsesshowing the greatest deviation from global "disadvantage" percentage. Number of responses: Italy = 106, China = 817, Netherlands = 136, global = 11,070, South Africa = 354, United Arab Emirates = 108, Ecuador = 139.

Source: Deloitte *Global Human Capital Trends* survey, 2018.

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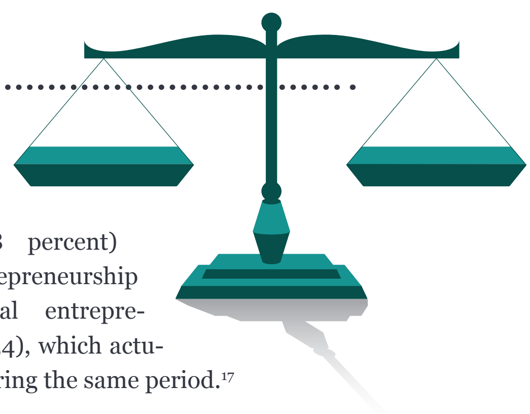

and adjustable work benches.[13] Home Depot and other organizations are engaging older workers with flexible scheduling options and part-time positions.[14] Further, as many as one-third of retirees are willing to work part-time, offering opportunities to leverage this group on a contingent or gig basis.[15]

Reskilling also plays a role in successful strategies to utilize older talent. One global telecommunications provider encourages senior workers to reinvent themselves and invests in programs to help them acquire new technical skills.[16] Software engineers who have built careers on older technologies such as COBOL or C++ can use this experience to learn mobile computing, AI, and other technologies at a very rapid rate.

An interesting and little-known fact, moreover, is that older people are among the most entrepreneurial of workers across age groups. Between 1996 and 2014, the percentage of older workers (aged 55–64) starting new ventures increased—exceeding (by 68 percent) the rate of entrepreneurship among millennial entrepreneurs (aged 20–34), which actually decreased during the same period.[17]

The new challenges of an aging workforce

The transition toward older talent can present challenges. Older workers may have specialized workplace needs and can attract resentment from younger workers, and they often enjoy higher salaries because of their tenure. Organizations looking to assimilate an older worker population may face the need to design new wage policies, create more flexible rewards programs, and train young leaders to manage people across generations (including team members who may be their parents' age).

Pensions are another area where longevity impacts organizations. The World Economic Forum estimates that a $70 trillion global retirement savings gap exists today, highlighting the sharp difference between retirement needs and actual retirement income. Moreover, this gap is projected to grow to $400 trillion by 2050.[18] Helping older adults to work longer and manage their retirement savings will be a vital need for companies in order to avoid the negative productivity effects of financial stress.

Our *Global Human Capital Trends* research shows that many organizations are unprepared to deal with the aging of global workforces. Nearly half of the respondents we surveyed (49 percent) reported that their organizations have done nothing to help older workers find new careers as they age. Rather than seeing opportunity, 20 percent of respondents view older workers as a competitive *disadvantage*, and in countries such as Singapore, the Netherlands, and Russia, this percentage is far higher. In fact, 15 percent of respondents believed that older employees are "an impediment to rising talent" by getting in the way of up-and-coming younger workers.

Based on these findings and our anecdotal observations, we believe there may be a significant hidden problem of age bias in the workforce today. Left unaddressed, perceptions that a company's culture and employment practices suffer from age bias could damage its brand and social capital.

Age discrimination is already becoming a mainstream diversity issue and liability concern. More than 21,000 age discrimination complaints were filed with the US Equal Employment Opportunity Commission in 2016.[19] The problem is particularly acute in Silicon Valley's technology industry, where older software engineers are often pushed to take lower-paying jobs or look for work outside Silicon Valley because of the emphasis on the "youth culture."[20]

The demographic math is undeniable: As national populations age, challenges related to engaging and managing the older workforce will intensify. Companies that ignore or resist them may not only incur reputational damage and possible liabilities, but also risk falling behind those organizations that succeed in turning longevity into a competitive advantage.

THE BOTTOM LINE

Staying competitive in a world of unprecedented longevity demands that organizations adopt new strategies to engage with older talent. Traditional assumptions—that learning ends in one's 20s, career progression ends in the 40s, and work ends in the 60s—are no longer accurate or sustainable. Rethinking workforce strategies across multiple generations to account for longer lives will require open minds and fresh approaches.

Table 1. What role does the C-suite play in capitalizing on longevity? How can individuals adjust?

CHRO	Create a comprehensive engagement plan designed to appeal to the older worker's specific needs to foster an environment where they can maximize their productivity.
CIO **Chief operations officer**	Develop approaches for IT and the broader workplace environment to enable older workers to be productive. Determine what accommodations can or should be made.
CFO	Identify ways to manage defined benefit and other retirement programs in the context of longevity to help circumvent longer-term financial issues.
Chief risk officer	Review relevant policies related to age discrimination. Consider proactively implementing bias training to help ensure that the workforce understands how to create a fair work environment for older workers.
Individuals	The key to career longevity is constant reinvention of skills and competencies. Take advantage of training opportunities to learn new skills beyond your current job's day-to-day activities to make yourself as attractive as possible in the job market. Also consider looking beyond traditional, full-time jobs: Older workers may find substantial opportunities as part of the gig economy.

Source: Deloitte analysis.

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Citizenship and social impact

Society holds the mirror

The social enterprise must evaluate its actions based on its impact on society, not just the bottom line. As stakeholder expectations rise, an inauthentic or uneven commitment to citizenship can quickly damage a company's reputation, undermine its sales, and limit its ability to attract talent. For organizations, a new question is becoming vital: When we look in the mirror held up by society, do we like what we see?

CORPORATE citizenship is no longer simply a corporate social responsibility (CSR) program, a marketing initiative, or a program led by the CHRO. It is now a CEO-level business strategy—defining the organization's very identity. Issues such as diversity and inclusion, gender pay equity, income inequality, immigration, and global warming are being openly discussed by individuals, families, and political leaders around the world. And our research shows that many stakeholders are frustrated with political solutions to these problems and now expect businesses to help address these critical problems.

In a letter to investors in early 2018, BlackRock CEO Laurence Fink indicated that people are "turning to the private sector and asking that companies respond to broader societal challenges."[1] This sentiment, confirmed by this year's *Global Human Capital Trends* research, prompts CEOs and the entire C-suite to hold their companies to higher standards. In this year's *Global Human Capital Trends* survey, 77 percent of our respondents cited citizenship as important and 36 percent rated it as very important.

The term "citizenship" can refer to everything an organization does that impacts society. We define it as a company's ability to do social good and account for its actions—both externally, among customers, communities, and society, and internally, among employees and corporate stakeholders.

Why is citizenship critical now?

What is driving the intense focus on citizenship for organizations and society?

First, organizations now operate in a highly transparent world. Internal and external behavior is almost impossible to hide.[2] In 2017, dozens of stories about gender bias, unequal pay, and poor executive behavior made the headlines. Any mistreatment of customers can be instantly filmed and shared with a global audience. And in 2018, for the first time,

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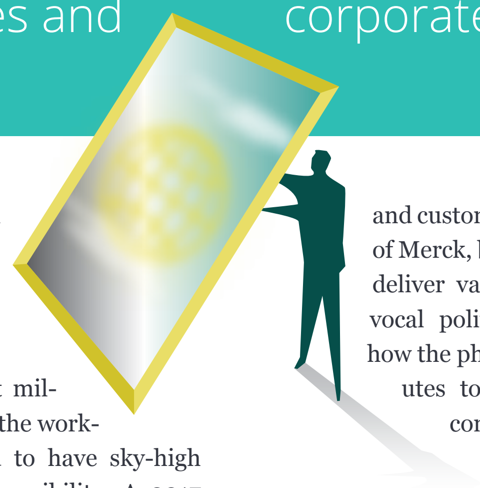


most US public companies will be required to disclose their “CEO pay ratio,” which compares the CEO’s compensation to employees’ median pay.[3]

Second, it is now clear that millennials, who make up over half the workforce in many countries,[4] tend to have sky-high expectations for corporate responsibility. A 2017 study by Deloitte found that millennials are becoming increasingly sensitive to how their organizations address issues such as income inequality, hunger, and the environment. Eighty-eight percent of millennials believe that employers should play a vital role in alleviating these concerns, and 86 percent say the business success should be measured by more than profitability.[5]

Third, corporate citizenship now directly impacts customer and employee brand. A recent Nielsen study found that 67 percent of employees prefer to work for socially responsible companies, and 55 percent of consumers will pay extra for products sold by companies committed to positive social impact.[6] The Deloitte millennial study mentioned earlier found that millennial employees who believe that their employer supports the local community are 38 percent more likely to stay at that employer for five years.[7]

Finally, more and more businesses are becoming embroiled in issues of political, social, and economic controversy. These debates are challenging CEOs to take political positions on behalf of their employees and customers. Kenneth Frazier, the CEO of Merck, believes that “business exists to deliver value to society.” He has taken vocal political positions and redefined how the pharmaceutical industry contributes to society.[8] High-profile global commentators such as Nicholas Kristof and Yale professor Jeffrey Sonnenfield have called on businesses to seize their potential to help address social problems and improve lives.[9]

Good corporate citizens outperform others financially

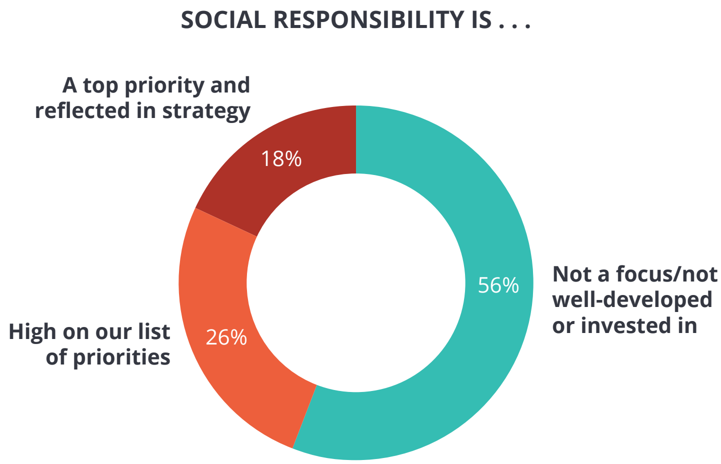
An organization’s financial performance appears to be linked to its citizenship record. Watchdog groups have created hundreds of CSR and “best places to work” indexes, including *Fortune’s* Most Admired Company list,[10] the Dow Jones Social Responsibility Index,[11] and many others. A new meta-study found a direct correlation between CSR index ranking and profitability,[12] and a longitudinal study of purpose-focused companies found that they outperformed their S&P 500 peers by a factor of eight.[13]

The investment community is paying attention. A study of 22,000 investment professionals found that 78 percent have increased their investments in CSR-focused firms.[14] Some investors also evaluate organizations through online rating platforms such as Glassdoor, understanding that employment

ARE ORGANIZATIONS WALKING THE TALK?

While 77 percent of global respondents cited citizenship as important, only 18 percent said that it was a top priority reflected in organizational strategy.

Figure 1. Description of organization's social responsibility programs



n = 11,069
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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brand correlates directly with the quality of hiring and retention.

Many organizations are responding to the demand for good citizenship and the growing link between social impact and financial performance. Target recently announced that it would increase pay for all 320,000 of its retail employees to $15 per hour by 2020—twice the US federal minimum wage. The company also offers employees shopping discounts, tuition reimbursement, and flexible schedules in its efforts to "do well by being good."[15] Salesforce donates 1 percent of its profits to charities and gives employees a full week of "volunteer time off" each year.[16] Unilever directs employees to avoid a singular focus on ROI and instead implement "USLP": Unilever's Sustainable Living Plan.[17]

Organizations across many industries are putting citizenship at the core of their mission. Tesla defines its business as "accelerating the advent of sustainable transport."[18] This has helped the company broaden its value statement to give investors a sense of societal impact. CEO Elon Musk regularly speaks about the importance of electric vehicles in preventing "environmental catastrophe."[19] And Bank of America focuses on responsible growth, "guided by a common purpose to help make financial lives better through environmental, social, and governance leadership."[20]

Needed: An integrated, authentic citizenship strategy

Despite these high-profile examples, many other organizations appear to be failing to effectively integrate citizenship into their overall strategy. In this year's *Global Human Capital Trends* survey, while 77 percent of our respondents cited the issue as important, only 18 percent said that citizenship was a top priority reflected in corporate strategy. Another 34 percent had few or poorly funded citizenship programs, and 22 percent admitted to having none at all.

In 2018, we believe that companies have a unique opportunity to make citizenship a core part of their strategy and identity. Moving beyond fragmented programs, CEOs and executive committees should communicate a single, comprehensive, and authentic strategy that defines who the company is, what it says, and what it does. Then, they should hold organizational leaders accountable for results.

Some of the most successful corporate citizens are already moving in this direction. Such an effort is necessary to measure, understand, and improve the many impacts that make up corporate citizenship.

THE BOTTOM LINE

In the era of the social enterprise, stakeholders are taking an intense look at organizations' impact on society, whether it is how well a product meets people's needs, how a manufacturing plant affects the community, or how employees feel about their jobs. This mirror—held up to businesses by society—reflects an organization's identity for all to see, and burnishing that reflection is now vital for success.

Table 1. What role does the C-suite play in pursuing citizenship? How can individuals adjust?

CHRO	Focus on embedding the organization's citizenship strategy into its overall talent strategy so that citizenship becomes more than a series of one-off programs. Make citizenship integral to creating an engaging experience for the workforce.
CIO	Promote corporate citizenship efforts through the use of technology-based channels, such as social media. Use technology in a way that creates positive perceptions of your organization's culture, identity, and treatment of customers and employees.
CFO	Work with HR and marketing to promote citizenship-based programs to help increase overall shareholder value.
Chief risk officer	Proactively manage risks associated with citizenship activities to guard against damage to the corporate brand even when the intention is positive. As much as good corporate citizenship can benefit an organization, leaders also should be mindful of unintended consequences, especially in today's sensitive political environment.
Chief marketing officer	Collaborate with IT and HR to position the corporate citizenship strategy in ways that strengthen the organization's overall brand, leveraging data and insights from social media.
Individuals	Speak up and take action. Tell your employer what you expect from your organization's internal and external behavior, and volunteer to help make life better for your community, colleagues, and customers.

Source: Deloitte analysis.

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Well-being

A strategy and a responsibility

As the line between work and life blurs, providing a robust suite of well-being programs focused on physical, mental, financial, and spiritual health is becoming a corporate responsibility and a strategy to drive employee productivity, engagement, and retention. While organizations are investing heavily in this area, our research reveals there is often a significant gap between what companies are offering and what employees value and expect.

MANY major organizations are rethinking their reward and development programs to include some version of holistic, end-to-end well-being programs, which are now both a responsibility of good corporate citizenship and a key element of an enterprise talent strategy. This investment responds to the needs of workers, companies, and corporate leaders, and is being addressed by a growing number of well-being resources and tools.

We first wrote about the "overwhelmed employee" in 2014. While the issue of highly stressed workers is not new, the relentless pace of business today has made the problem worse.[1] Driven by the always-on nature of digital business and 24/7 working styles, studies now show that more than 40 percent of all workers face high stress in their jobs, negatively affecting their productivity, health, and family stability.[2] Hourly workers might complain of inflexible schedules, while white-collar workers often complain of an endless stream of emails and messages that make it impossible to disconnect from their jobs. In some countries, individuals are working more hours and taking fewer vacations than ever.[3] And, according to Deloitte's millennial survey, a majority of surveyed millennials in 19 out of 30 countries report that they do not expect to be "happier" than their parents.[4]

In response, the digital well-being market is exploding. More than $2 billion in venture capital has been invested in this area over the last two years, creating a flood of online videos, apps, and tools to help assess, monitor, and improve all aspects of health.[5]

Well-being emerges as a strategic priority

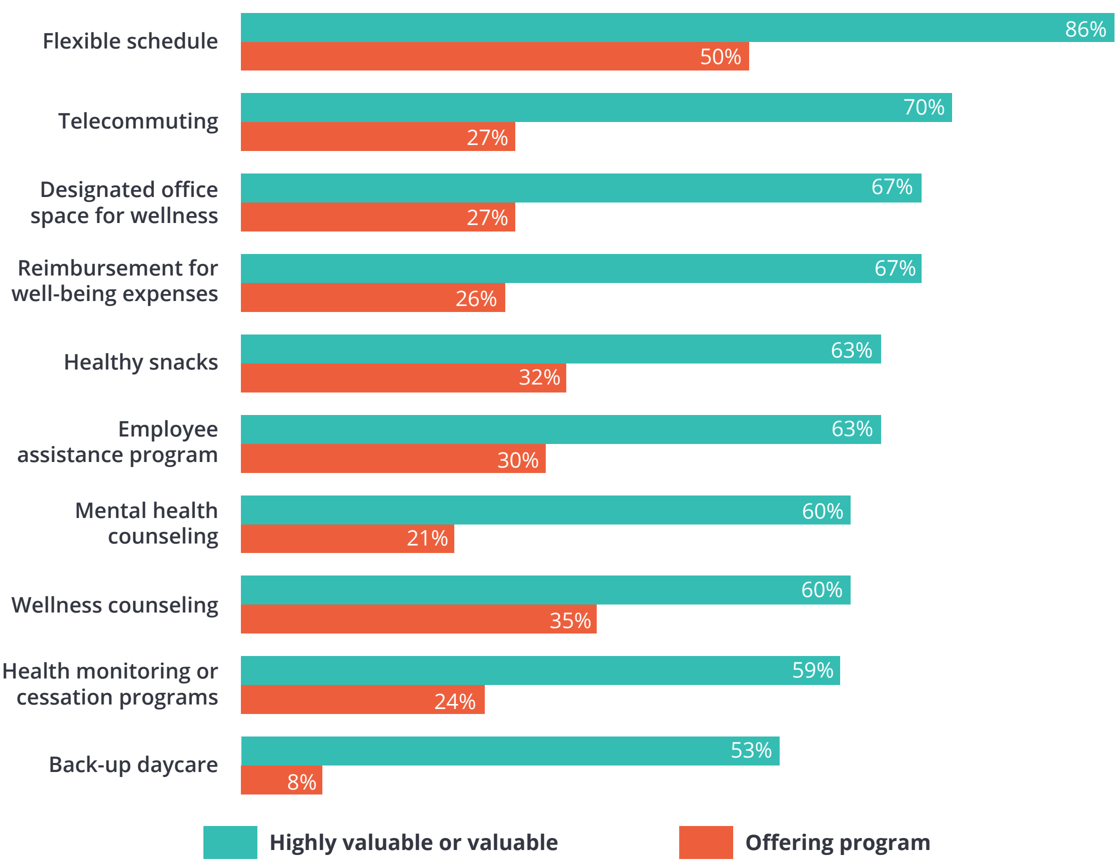
The corporate wellness marketplace began decades ago with a highly specific focus on employee physical health and safety. Today, however, the definition of wellness has expanded dramatically to include a range of programs aimed at not only protecting employee health, but actively boosting performance as well as social and emotional well-being. These now include innovative programs and tools for financial wellness, mental health, healthy diet and exercise, mindfulness, sleep, and stress management, as well as changes to culture and leadership behaviors to support these efforts.

Propelled by these innovations, the corporate wellness market—including health care programs, screening, assessment, education, and apps—has reached nearly $8 billion in the United States alone, where it is expected to hit $11.3 billion by 2021.[6] And as the market has grown, so has leadership's understanding of the critical role these programs play in defining an organization. For example, two-thirds of organizations now state that well-being programs are a critical part of their employment brand and culture.[7]

Yet despite increased corporate attention and investment in well-being, our research indicates that companies must do a better job connecting well-being programs with employee expectations. As the chart below illustrates, substantial gaps remain in many areas between what employees value and what companies offer to their employees.

It is our view that expanding well-being programs to encompass what employees want and value is now essential for organizations to treat their people responsibly—as well as to boost their

Figure 1. Well-being: What employees value vs. what employers offer



n = 11,070
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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social capital and project an attractive employment brand.

Research has found that student loan support is one of the most highly regarded well-being benefits, as are volunteerism and opportunities for local citizenship.[8] Salesforce, for example, prides itself on giving employees seven days of "volunteer time off" each year to help them feel purpose at work.[9]

Well-being plays a crucial role in multinational food company Danone's overall business strategy, which is based on the two pillars of economic and social growth. The company's Dan'Cares program provides medical coverage for most significant health-related risks, and the company has implemented a global parental leave policy. The aim is not only to support worker well-being, but to position Danone employees as health ambassadors.[10]

Lendlease, a multinational construction, property, and infrastructure company, focuses not only on using the physical workplace to support well-being, but also on developing policies and leadership approaches that embed well-being into its culture. The company's work environment features "neighborhood" tables, working walls, focus points for activities that require concentration, and enclosed

pods and breakaway areas that foster collaboration and social interaction.[11] Lendlease's Wellness Hub, a preventative care facility that occupies two floors of its corporate headquarters, offers employees the use of dedicated rooms—the "Consultation Room," the "Contemplation Room," the "Carer's Room," and the "First Aid Room"—as well as adjoining areas for physical activity and training.[12] A highlight of the Wellness Hub is a six-meter-high breathing wall, which contains about 5,000 plants that accelerate the removal of air pollutants and cools the surrounding space—while also improving energy efficiency and reducing air conditioning costs. The company's leave policy includes two days during which employees can volunteer their time to a charity of personal interest. Across its international regions, Lendlease continuously rolls out well-being initiatives, including three annual well-being days and extensive health initiatives around diet and exercise that incorporate inclusive and supportive health assessment approaches.[13]

Well-being benefits are particularly important to younger employees. Millennials, who now make up more than half of the workforce in many countries, spend almost twice as much on "self-care" as baby boomers do.[14] This has fed the growth of consumer apps for mindfulness, cognitive-behavioral therapy, and online personal and professional coaching,[15] all of which are also available as employer programs.

Advancing from health to well-being to performance

As the definition of well-being expands, organizations now see well-being not just as an employee benefit or responsibility, but as a business performance strategy. In this year's *Global Human Capital Trends* survey, only 23 percent of respondents told us that their well-being program was designed to reduce insurance costs. In contrast, 43 percent believed that well-being reinforces their organization's mission and vision, 60 percent reported that it improves employee retention, and 61 percent said that it improves employee productivity and bottom-line business results.

There is growing evidence to support the idea that well-being drives performance. Research shows that the costs of lost productivity are 2.3 times higher than medical and pharmacy costs.[16] Complicating the range of potential employer responses, these costs often occur when an employee is actually at work. A study at Dow Chemical Company found that "presenteeism" costs reached an average of $6,721 per employee per year.[17] No wonder, then, that the focus on well-being now extends to helping employees perform well at work, not just avoid absences.

New solutions, indexes, and tools

Driven by intense demand and an influx of venture capital, many new well-being solutions have entered the market. Vendors such as Castlight Health, Limeade, VirginPulse, and others now offer corporate platforms that allow employers to deliver a wide range of employee well-being solutions through an integrated app.[18]

VirginPulse, for example, offers an employee app that is used as frequently as Facebook and whose active users are 65 percent more engaged, have 32 percent lower turnover rates, and deliver 9 percent higher productivity than their peers.[19] Deloitte has developed its own "Vitality" app to help their professionals better manage their energy, and now offers a "Well-being Index." Other vendors are developing similar indexes to help organizations benchmark their well-being programs.

CEOs and CHROs are getting the message. Just as productivity, citizenship, and inclusion have risen in importance, so has the importance of well-being moved up on the agenda. Aetna CEO Mark Bertolini summarizes the importance and impact of well-being programs: "If people can't make ends meet at home with food, benefits, health, and health care in particular, how can they be present, engaged knowledge workers when they come to work?"[20]

THE BOTTOM LINE

Well-being is becoming a core responsibility of good corporate citizenship and a critical performance strategy to drive employee engagement, organizational energy, and productivity. It is also a growing expectation among the talent companies most want to recruit, access, and retain. No longer an optional or narrowly focused element of the rewards menu, well-being is now front and center as a business imperative for leading, high-performance companies.

Table 1. What role does the C-suite play in promoting well-being? How can individuals adjust?

CHRO	Well-being is a personal matter, so it needs to evolve as individuals' needs evolve. Invest in ways to take a constant pulse of employee's needs, even looking at ways to leverage predictive analytics to stay ahead of trends in this space.
CIO	The cornerstone of a sustainable well-being strategy is the integration of technology to promote, track, and manage well-being programs. Avoid offering a multitude of disparate apps that may provide bells and whistles, but defeat the purpose of an integrated platform that can increase the value of well-being investments.
CFO	The link between well-being and productivity is clear. Work with others on the executive team to quantify the financial costs and benefits of continued investment in well-being programs that can improve the bottom line.
Chief risk officer	Consider ways to manage the increased focus on personal data and the associated risks. With more technologies and applications in use around well-being today, getting involved early can help to put the appropriate controls in place to guard against future adverse impacts.
Chief marketing officer	Position well-being programs as critical components of your employer brand and rewards strategy, *and* as integral to your organization's performance and productivity strategy.
Individuals	Look for and take advantage of well-being programs available through your employer, and consider these programs when making employment decisions—to join, stay, or leave.

Source: Deloitte analysis.

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AI, robotics, and automation

Put humans in the loop

AI, robotics, and automation have gained a rapidly expanding foothold in the workplace, faster than many organizations ever expected. While organizations are increasingly using these technologies to automate existing processes, true pioneers are radically rethinking work architecture to maximize the value of both humans and machines—creating new opportunities to organize work more effectively and to redefine the human workforce's skills and careers.

THE adoption of automation, robotics, and artificial intelligence (AI) is accelerating dramatically. Forty-one percent of respondents to this year's survey rate this topic as very important. Almost half (47 percent) of this year's respondents say that their organizations are deeply involved in automation projects, with 24 percent using AI and robotics to perform routine tasks, 16 percent to augment human skills, and 7 percent to restructure work entirely.

Expectations for AI and robotics have also increased significantly. This year, 42 percent of the respondents we surveyed believe that AI will be widely deployed at their organizations within three to five years—up from 38 percent last year. But despite these expectations, many organizations may still be coming to grips with AI's potential uses. Indeed, a 2017 survey of 1,500 senior executives found that only 17 percent of them were familiar with both the concept of AI and its applications at their companies.[1] This finding is consistent with our own results: Our analysis of the "readiness gap" for this issue shows that, while 72 percent of our respondents see this area as important, only 31 percent feel ready to address it.

Accelerating experimentation, shifting to implementation

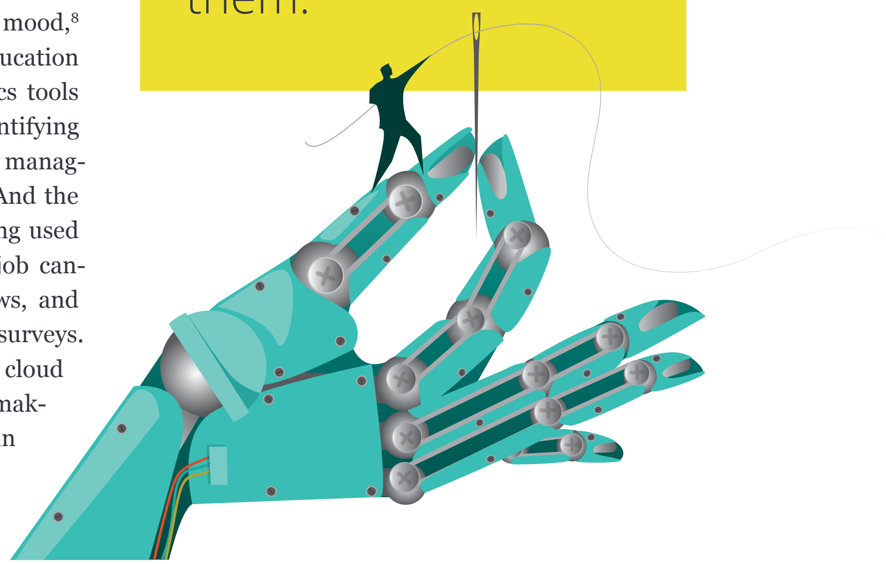
As more organizations rush to embrace these technologies, the marketplace for AI tools and robotics is booming. Leading companies such as Microsoft, IBM, Facebook, and other technology giants are heavily investing in this area. At the same time, analysts believe that more than $6 billion has been pumped into over 1,000 AI start-ups in the last three years, in industries ranging from transportation to health care, and across a range of specialties—including HR.[2]

Organizations outside the tech world are also forging ahead with implementation. Coca-Cola used

AI analysis of data from self-service soda fountains to help make the decision to launch Cherry Sprite.[3] Morgan Stanley equipped 16,000 financial advisers with machine learning algorithms that automate rote tasks, freeing up advisers to focus on client service.[4] In health care, AI and robotics are speeding up patient service, improving medical record-keeping, and monitoring employee well-being.[5] Overall, AI tools are projected to create nearly $3 trillion in business value by 2021.[6]

AI and robotics open exciting new capabilities for HR. Software can now recognize faces and identify gender,[7] listen to voices and identify mood,[8] and decode video interviews to identify education level, lying, and cognitive ability.[9] Analytics tools are intelligently selecting candidates,[10] identifying employees' career options,[11] and coaching managers on improving their leadership skills.[12] And the potential doesn't end there: AI is even being used to create chatbots that can interact with job candidates, identify and score video interviews, and understand the sentiment of engagement surveys. Every major human capital management cloud provider is now implementing algorithms, making it important for organizations to maintain accurate data and carefully review these tools for accuracy and potential bias.

Leading companies increasingly recognize that these technologies are most effective when they ***complement*** humans, not replace them.



AI and people are smarter together

Leading companies increasingly recognize that these technologies are most effective when they *complement* humans, not replace them. Amazon now has 100,000 robots in operation,[13] which has shortened training for holiday workers to less than two days.[14] Walmart recently deployed virtual reality technology to improve its in-store training and effectively simulate customer environments.[15] Manufacturers such as Airbus and Nissan are finding ways to use collaborative robots, or "co-bots," that work side by side with workers in factories.[16]

There is also growing recognition that AI tools require human oversight. Behind the scenes, major tech firms have tens of thousands of humans continuously watching, training, and improving their algorithms.[17] As the CEO of CrowdFlower—a start-up that provides algorithm trainers—puts it, an algorithm is only as effective as "the quantity and quality of the training data to get [it] going."[18] This realization has given rise to new jobs with titles such as "bot trainer," "bot farmer," and "bot curator."

In the HR technology domain, vendors of recruitment chatbots such as Textrecruit's Ari, Hiremya.com's Mya, and Paradox.ai's Olivia display the growing adoption of natural language processing. The hard part is often not decoding human language but training the software to ask the right questions, provide the right answers, and avoid alienating the job candidate. One vendor says it has taken over a year to train its chatbot to intelligently screen hourly job candidates.

The need for human involvement complicates the widely held view that AI will automate everything. If anything, humans and their innate skills seem to be growing *more* important as the need to devise, implement, and validate AI solutions becomes widespread. Understanding the unique capabilities that machines and humans bring to different types of work and tasks will be critical as the focus moves from automation to the redesign of work.

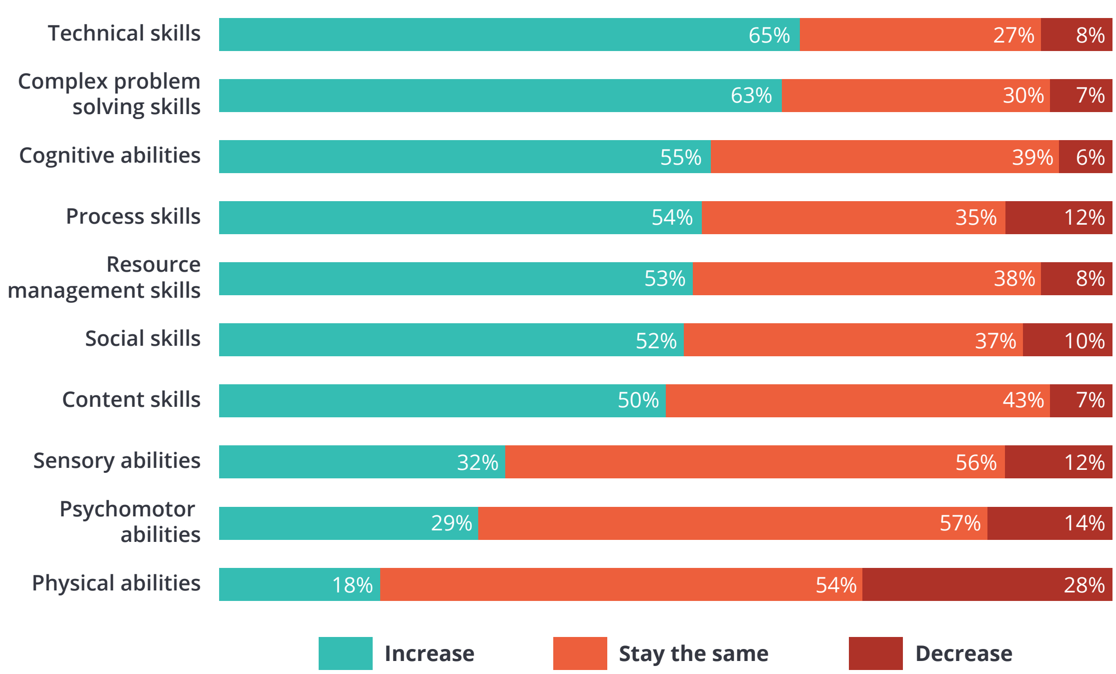
Moving from job redesign to work architecture

Research suggests that while automation can improve scale, speed, and quality, it does not do away with jobs. In fact, it might do just the opposite. As Boston University professor James Bessen has reported in his research, occupations with greater levels of computerization and technology experience higher, not lower, employment growth rates.[19] What's more, in many cases, the newly created jobs are more service-oriented, interpretive, and social,

WHAT HUMAN SKILLS ARE NEEDED TO USE AI EFFECTIVELY?

Respondents have a clear understanding of the human skills needed to manage AI, robotics, and automation, such as complex problem-solving, cognitive abilities, and social skills. Yet many also said they do not have a plan to cultivate these skills.

Figure 1. Expected emphasis on workforce skills as AI/robotics are integrated in the enterprise



n = 11,070
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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playing to the essential human skills of creativity, empathy, communication, and complex problem-solving. Sales professionals, for instance, can leverage AI tools such as Salesforce, Einstein, and others so they themselves can focus on human interaction, and health care workers can use intelligent machines to free up time to communicate with patients.

Indeed, despite the surge of interest in AI and automation, respondents to this year's *Global Human Capital Trends* survey predict tremendous future demand for human skills such as complex problem-solving (63 percent), cognitive abilities (55 percent), social skills (52 percent), and process skills (54 percent). While 65 percent also predict strong demand for technical skills, research shows that the technical skills to create, install, and maintain machines account for only a small fraction of the workforce.[20] Reinforcing this view, a recent World Economic Forum study found that the top 10 skills for the next decade include essential human skills such as critical thinking, creativity, and people management.[21]

The irony here is that most companies are struggling to recruit and develop these human skills of the future. Despite having an increasingly clear understanding of the skills needed in a world where humans work side by side with machines, 49 percent of our respondents told us they do not have a plan to cultivate them. We see this as an urgent human capital challenge requiring top executive support to transform organizational structures, cultures, career options, and performance management practices.

Despite having an increasingly clear understanding of the skills needed in a world where humans work side by side with machines, 49 percent of our respondents told us they do not have a plan to cultivate them.

Rather than replacing humans outright, the introduction of new machines *changes* the skills and requirements the workforce needs to be able to take advantage of the new technologies. The greatest opportunity this may present is not just to redesign jobs, but to fundamentally rethink "work architecture." Doing this involves decomposing work into its fundamental components—for instance, assessment, production, problem-solving, communication, supervision—and analyzing ways that new combinations of machines and humans working together can accomplish them, with each party bringing unique strengths to the task. Absent a thoughtful approach, organizations may not only risk failing to identify the skills they need to take effective advantage of technology, but also suffer damage to their employee and corporate brand due to perceptions around (real or supposed) workforce reductions.

Over the next several years, one of HR and business leaders' greatest challenges will be to redesign many of today's work and workforce configurations. This will require them to ask fundamental questions about which work tasks and activities can be automated, what technologies to use, and what combinations of people and smart machines can effectively do the work.[22] A renewed, imaginative focus on workforce development, learning, and career models will be important. Perhaps most critical of all, however, will be the need to create meaningful work—work that, notwithstanding their new collaboration with intelligent machines, human beings will be eager to embrace.

THE BOTTOM LINE

In 2018 and beyond, we expect continuing rapid adoption and maturation of AI, robotics, and automation solutions. Leading organizations are working hard to *put humans in the loop*—rethinking work architecture, retraining people, and rearranging the organization to leverage technology to transform business. The broader aim is not just to eliminate routine tasks and cut costs, but to create value for customers and meaningful work for people.

Table 1. What role does the C-suite play in capitalizing on AI, robotics, and automation? How can individuals adjust?

CHRO	With the adoption of new automation technologies, workers will need ongoing development and reskilling, with an emphasis on essential human skills such as critical thinking and problem-solving. Look beyond your organization to tap into a broader ecosystem of providers and solutions to access the content, training support, and infrastructure required to enable continuous learning.
CIO	Consider ways to constantly monitor the external marketplace to keep pace with innovation. AI, robotics, and automation technologies are rapidly evolving, and IT can lead the way by identifying and introducing innovations that can drive greater value.
CFO	The rapid evolution of technology calls for an investment approach that allows for innovation. Consider rethinking the typical appreciation periods that are often the basis for technology-related business cases. Help your organization manage the financial implications of ongoing technology investments to mitigate potential negative balance-sheet impacts.
Chief operations officer	Identify the new operational roles that will be required to effectively incorporate AI, robotics, and automation into the workplace. For instance, organizations may designate people to identify new ways to use automation, to manage the "bots" on the ground, and perform other critical tasks. These roles are important to making automation work; without them, automation's potential value may remain unrealized.
Chief marketing officer	Manage the potential external brand implications of increasing automation. Internally, identify areas where automation can increase marketing effectiveness.
Individuals	Identify the skills that you believe will be required to succeed in a highly automated workplace. Adopt a lifelong learning approach and seek opportunities to develop your skills both inside and outside your employer.

Source: Deloitte analysis.

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The hyper-connected workplace

Will productivity reign?

The sheer number and variety of communications tools continues to expand, all of them promising to make workers more efficient and productive. In an effort to realize this promise, smart organizations are reshaping work practices, physical workspaces, and leadership approaches to ensure that greater connectivity means greater productivity in a network of teams.

NEW communications tools raise a critical question for organizations: Are these tools actually increasing productivity, or is work turning into a chaotic, relentless series of messages, emails, conference calls, and chats? The move toward organizations designed around networks of teams adds a new dimension to this question.

In last year's *Global Human Capital Trends* survey, 88 percent of respondents were reorganizing their companies into a flatter, more networked team structure—2017's number-one trend. This year, if anything, this trend is reaching further into the organization. In 2018, 91 percent of respondents say that their organizations' employees spend time on projects outside their functional area, and 35 percent say that employees do so on a regular basis.

A flood of new tools is fueling this shift, each promising to give people more intelligent ways of communicating with each other. The market has attracted top tech companies such as Cisco, Microsoft, Facebook, Slack, Atlassian, and others, which have all announced new messaging, chat, and video communications systems.[1]

Yet this year's *Global Human Capital Trends* research uncovered a high level of anxiety about whether these new tools actually align with business goals. When asked about the productivity of the "new workplace," 47 percent of respondents said that it is a very important concern. And from an economic standpoint, the problem has become critical, as global workforce productivity growth is at its lowest rate in almost two decades.[2]

The massive change underway

How is this change in workplace communication playing out? Research shows that the communications behaviors, habits, and tools that people use in their personal lives are migrating into their work lives. Consider text messaging. Today, 74 percent of our survey respondents regularly use text messaging for personal communications; worldwide, 18.7 billion text messages are sent every day, with individuals between 25–34 years old sending and receiving more than 75 texts per day.[3] As texting has become ubiquitous in our personal lives, it has also become commonplace at work, and 32 percent of our survey respondents expect its use to increase.

Many believe that tools such as social media and instant messaging will follow a similar path into the workplace. In fact, our 2018 survey results were striking: 44 percent of respondents believe that face-to-face meetings will decrease in the future, and 30 percent believe that phone and text usage will decrease. To replace them, 70 percent believe that workers will spend more time on collaboration platforms, 67 percent see growth in "work-based social media," and 62 percent predict an increase in instant messaging. No single mode of communication will be dominant; instead, the work environment will feature many different ways to communicate.

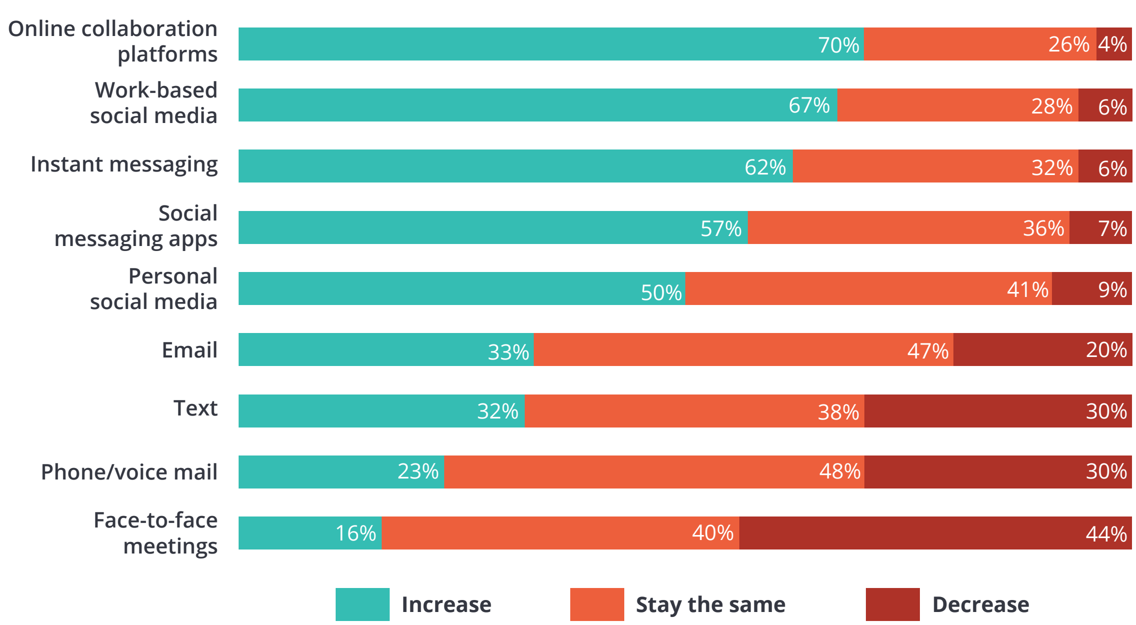
In addition, new, AI-based team management tools are starting to emerge. The newest versions of Office 365, G-Suite, and Slack now include AI-based recommendations to help individuals find the right document, respond to the right message, and understand what is most important.[4] One HR systems provider recently introduced a product that uses AI to read employee pulse surveys and give managers recommendations on how to improve their management style.

The impact of these new communications tools can be very positive. Consider how Mayo Clinic, one of the world's leading health care organizations, has improved teamwork, information-sharing, and patient care with technology.[5] Through a mobile app called AskMayoExpert, physicians can

PHYSICAL MEETINGS LOSING OUT TO VIRTUAL COLLABORATION

Face-to-face meetings and phone meetings are on the decline, while work collaboration platforms are on the upswing.

Figure 1. Expected use of communications channels in the next three to five years



n = 11,070
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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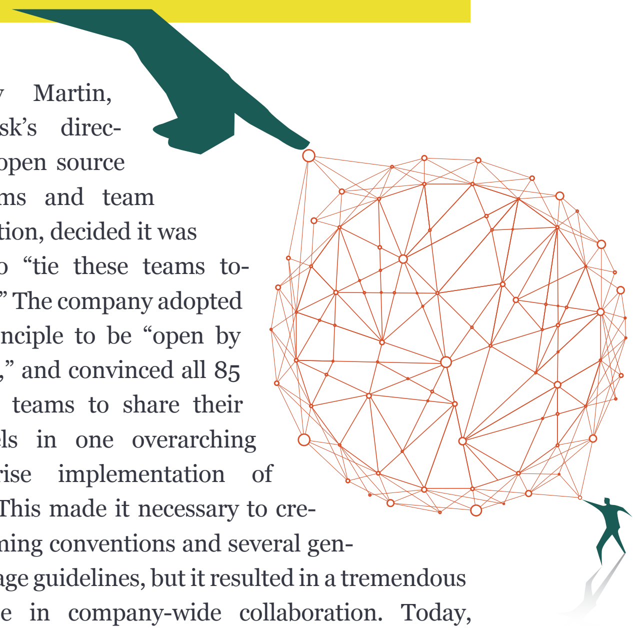
find information on diagnosis, treatment, cause, and prevention from other specialists and sources in the network. Users can ask and answer questions, and all information is tagged by topic, location, care process, and key fact. This highly interactive system is now widely used, with doctors obtaining access to experts more than 10 times a day.

Or take Starbucks. Just a few months after adopting Workplace by Facebook, 80 percent of Starbucks' store managers were actively using the tool to share knowledge, best practices, and support one another.[6] Likewise, Walmart claims that an offering like Workplace is helping the company break down language barriers, increase knowledge-sharing, and even manage emergencies like Hurricane Harvey.[7]

Managers must determine which tools are best for their organization, teams, and tasks based on a variety of factors, including culture, pace of communication, and level of formality.



The importance of management choices

While 2018 will see the continued introduction and adoption of many new and exciting tools, management must still make important decisions about which tools to use and how to use them. Critically, this can often include the decision *not* to use certain tools.

Managers must determine which tools are best for their organization, teams, and tasks based on a variety of factors, including culture, pace of communication, and level of formality. For example, some companies may benefit from a wholesale leap to a collaboration tool, while others will need to retain email as a vital and valuable means of communication. Whichever tools are selected, it is important to create standards and guidelines that align individual productivity with team and organizational productivity.

For instance, Autodesk, a leading provider of 3D design and engineering software, found that it was supporting 85 separate implementations of Slack, each used by a different team to manage work in its own unique way. While these teams were happy, there was no sharing of common best practices, and no ability to collaborate between teams.[8]

Guy Martin, Autodesk's director of open source programs and team facilitation, decided it was time to "tie these teams together." The company adopted the principle to be "open by default," and convinced all 85 project teams to share their channels in one overarching enterprise implementation of Slack. This made it necessary to create naming conventions and several general usage guidelines, but it resulted in a tremendous increase in company-wide collaboration. Today, Autodesk's Slack community has more than 5,000 active members, leading to greater learning, open collaboration, and positive sharing—the ingredients needed to move away from a "collection of teams" to a "network of teams."[9]

From connectivity and activity to teamwork and productivity

The proliferation of new tools and related programs is impressive. Nearly half of this year's survey respondents (46 percent) regularly use virtual meeting software, and 30 percent now use location-based videoconferencing. But greater use of communications tools by individuals does not automatically mean increased productivity for teams and organizations. Indeed, while 71 percent of our survey respondents believed that these new tools improve their *personal* productivity, 47 percent were concerned about whether the tools are really driving productivity overall.

Our research suggests that in today's networked organizations, a combination of technology, physical space design, new leadership approaches, and new work practices must all come together to achieve this goal. This requires collaboration between HR, IT, and the business to build an integrated, customized work environment.

Adaptable and flexible workspaces are one key to enabling productivity. For example, at ING Bank and Atlassian, agile teams work in co-located workspaces with large whiteboards that show project plans, shared goals, and project status.[10] Some software firms like Skype and others not only give employees private cubicles, but also lavish the workspace with gourmet cafeterias, quiet rooms, and even napping pods.[11] This mix of physical spaces helps people work together or privately when needed and quickly collaborate on projects.

Moving beyond thinking of personal productivity and technology tools in isolation is critical for organizations to achieve positive results. A combination of culture, leadership, and incentives needs to come together for effective collaboration and productivity to reign. To do this, HR organizations must work with IT to bring their expertise in team management, goal-setting, and employee development to help make using the new wave of connectivity tools productive, simple, and engaging.

THE BOTTOM LINE

Companies are concerned about a potential disconnect between new communications tools and organizational goals. To help ensure that personal connectivity translates to organizational productivity, they are adapting their practices, workspaces, and leadership styles to capitalize on the power of these tools while mitigating potential negative impacts.

Table 1. What role does the C-suite play in managing the hyper-connected workplace? How can individuals adjust?

CHRO	Create a deliberate strategy for using collaboration and communication platforms that extends beyond the technology, considering not only what tools to use, but ways to design the work environment to take effective advantage of those tools. This could involve adjustments to the physical workspace, different management techniques, and/or rewards or incentives to shape the way people use the available tools.
CIO	Take an inventory of all collaboration platforms currently in place across the organization. Develop a strategy for promoting connectivity in the workplace in ways that avoid duplicating systems and apps, and provide a platform that can help drive more data and insights with regard to how people interact, engage, and collaborate with one another. Such insights can be incredibly valuable as the organization works to drive up productivity.
Chief risk officer	Determine what risk policies should be in place around the use of collaboration and social tools in the workplace. For example, what information should be shared via social tools versus via private emails or phone calls? Consider implementing training for the workforce on ways to use collaboration and social tools in a way that manages privacy and other related risks.
Chief operations officer	Consider ways to embed collaboration tools into day-to-day work processes to increase adoption and help increase productivity.
Individuals	Think about how you can use collaboration tools to increase your own productivity without becoming overwhelmed. Are you regularly posting to internal social groups? Are you collaborating more often and more effectively? Using these tools effectively can help you to build your personal brand by expanding your networks, sharing your expertise more broadly, or promoting your achievements to those who may otherwise not be aware of them.

Source: Deloitte analysis.

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People data

How far is too far?

The domain of people analytics is growing rapidly, offering new opportunities to better hire, manage, retain, and optimize the workforce. As organizations collect more personal and business data about their employees, however, they raise growing risks and ethical questions about data security, transparency, and the need to ask permission. Organizations now need robust security safeguards, transparency measures, and clear communication around their people data efforts—or they could trigger employee privacy concerns and backlash over data abuse.

THE use of workforce data to analyze, predict, and improve performance has exploded in practice and importance over the last few years, with more growth on the horizon. In our 2018 *Global Human Capital Trends* survey, 84 percent of respondents viewed people analytics as important or very important, making it the second-highest-ranked trend in terms of importance.

What explains this surge? We see three converging forces driving people analytics:

- A growing emphasis on critical workforce issues such as productivity and employee engagement, as well as on social issues such as diversity and gender pay equity, is raising CEO-level questions about the best way to lead and manage people.
- Big HR investments in people analytics are yielding many new sources of data. Our research shows that more than 70 percent of respondents are in the midst of major projects to analyze and integrate data into their decision-making.
- Organizations are growing more anxious about their ability to protect employee data—and for good reason. This year, only 10 percent of our respondents felt that their companies were "very ready" to deal with this challenge.

The growing power of people data

The people data revolution, predicted for years, has finally arrived. Sixty-nine percent of organizations are building integrated systems to analyze worker-related data, and 17 percent already have real-time dashboards to crunch the avalanche of numbers in new and useful ways.[1] Among companies at level 3 and 4 in Bersin's people analytics maturity model,[2] 90 percent have accurate, timely data, and 95 percent have data security policies in place. These leading companies are monitoring people data from many sources, including social media (17 percent), surveys (76 percent), and integrated data from HR and financial systems (87 percent).[3] Creative organizations are mining this rich variety of sources to create a comprehensive "employee listening architecture," providing new insights about the entire employee experience as well as data on job progression, career mobility, and performance.

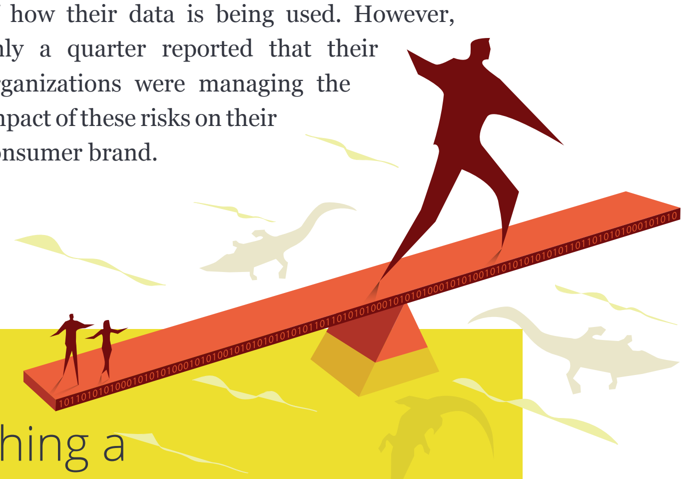
Advanced analytics can now track and analyze a dizzying amount of employee data, including data harvested from voice communications, personal interactions, and video interviews. Even the sentiment of employee emails can now be measured and monitored.[4] Several vendors now offer organizational network analysis (ONA) software that interprets email traffic to monitor employees' stress levels and help spot fraud, abuse, and poor management. Other ONA tools can analyze employee feedback and performance to identify management challenges, send coaching tips to different leaders, and identify key knowledge management resources, subject-matter experts, and organizational influencers based on their interactions and relationships—not necessarily their titles and roles.[5]

Heightened rewards, heightened risks

Analytics tools offer tremendous opportunities. But in the face of the obvious benefits, many executives may be slow—or perhaps reluctant—to recognize the significant potential risks. Organizations are approaching a tipping point around the use of people data, and those that tilt too far could suffer severe employee, customer, and public backlash.

Indeed, some organizations are now considering the mere existence of data to be a risk. This is the premise behind requirements in the European Union (EU) and elsewhere that one must delete a data element immediately when it is no longer relevant to the processing need, or else face a variety of consequences due to the risk that retaining it presents. Europe's new General Data Protection Regulation (GDPR), slated to come into effect in spring 2018, expands upon this concept by defining high-risk data as that which is "likely to result in a high risk for the rights and freedoms of individuals," and that, therefore, requires greater protection.[6] Private sector actions should keep pace with forward-looking efforts that are designed to strengthen data privacy regulations. Companies that break the new GDPR rules will face penalties as high as €20 million, creating strong incentives for organizations to take data protection seriously.[7]

What risks are most pressing? Our 2018 survey yields some important insights. This year, 64 percent of respondents reported that they are actively managing legal liability related to their organizations' people data. Six out of ten said that they were concerned about employee perceptions of how their data is being used. However, only a quarter reported that their organizations were managing the impact of these risks on their consumer brand.

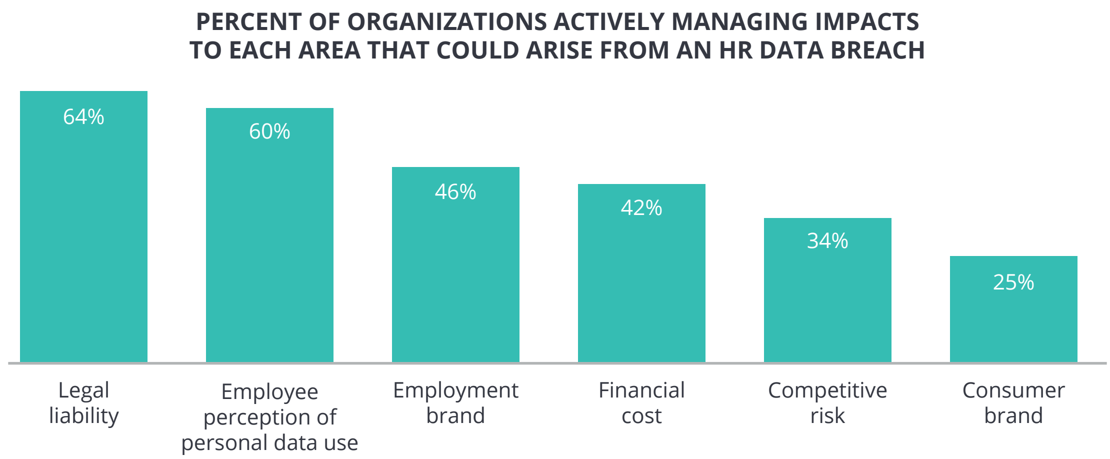


Organizations are approaching a tipping point around the use of people data, and those that tilt too far could suffer severe employee, customer, and public backlash.

PEOPLE DATA'S RISKS TO CONSUMER BRAND: A POTENTIAL BLIND SPOT?

When it comes to using people data, organizations are actively managing risks around employee perceptions and legal liability, but only a quarter are managing the potential impact on their consumer brand.

Figure 1. Management of HR data risk levers



n = 11,069
Source: Deloitte *Global Human Capital Trends* survey, 2018.

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Fears over employee privacy appear justified. Beyond the sheer quantity of data some organizations have amassed, the mere existence and possession of sensitive data creates risk, regardless of volume. One employer, for instance, installed body heat detectors at desks to track how many hours people spent in the office. Employees reacted with outrage, swamping managers with complaints and leaking unflattering stories to the media.

Many employees fear that sensitive data may be vulnerable to high-profile cyberattacks—again with good reason. While 75 percent of companies understand the need for data security, only 22 percent have excellent safeguards to protect employee data.[8] Research also shows that the 30 percent of companies that do not consider people data worth the exposure to data risk have no strong data governance structures at all.[9]

Emerging concerns about AI, algorithms, and machine-driven decisions

Data security is a long-standing risk, but there are new risks as well. Some experts worry that algorithms and machine-based decisions could actually perpetuate bias due to flaws in the underlying data or the algorithm itself. Understanding the potential for this type of risk is critical to preventing a new source of bias from seeping into an organization's hiring or promotion processes.

The marriage of people data and algorithm-based artificial intelligence (AI) raises such concerns to a new level. Just as people may never know why a certain advertisement pops up on their Web browser, business leaders are beginning to realize that "data-driven decisions" are not guaranteed to be understandable, accurate, or good.

Even advanced technology companies like Facebook and Twitter have discovered that AI without humans can be “stupid.”[10] In response, they are hiring thousands of people to monitor their AI-based social networking and advertising algorithms.[11] HR organizations must be rigorous in monitoring “machine-related” decisions to make sure they are reasonable and unbiased.

Tech leaders are beginning to invest more resources in solving these problems. A consortium of data experts recently formed the Partnership on AI to Benefit People and Society, a group funded by Amazon, Apple,[12] Facebook, Google, IBM, and Microsoft. This group was established specifically to study and formulate leading practices on AI technologies, to advance the public’s understanding of AI, and to serve as an open platform for discussion and engagement about AI and its influences on people and society.[13] Ginny Rometti, the CEO of IBM, has also laid out a set of ethical principles for the use of data and AI.[14]

Staying on the right side of the tipping point

Despite the potential risks, the promise of people analytics remains too valuable for organizations to pass up. For example, GE, Visa, IBM, and others are developing a suite of analytics tools that find “non-obvious” job candidates and recommend training.[15] GE’s HR analytics team is using data that tracks the “historical movement of employees and relatedness of jobs” to help employees identify potential new opportunities across the company—regardless of business unit or geography.[16] To boost productivity, Hitachi Data Systems uses smart badges to identify behaviors that contribute to employee happiness and performance, leveraging this data to rearrange workspaces and teams.[17]

We predict explosive growth in the coming year for smart products that leverage employee data. The spectrum of risks associated with the collection, storage and use of this data can and should be effectively managed. Strategies such as anonymization and encryption can allow organizations to make effective use of people data while managing the risks associated with storing and processing various kinds of personal information.

Creating a secure organizational context

It is now clear that companies using people data and analytics, as well as vendors that provide these services, need robust policies, security, transparency, and open communication to address the associated risks. These elements should work together to create a secure organizational context for the use of people data—one that reduces the likelihood of leakage, error, and abuse.

One important aspect of managing the risk of people data analytics is to know all of the places where personal data resides. Mapping the flow of personal data to and from systems, especially when those systems are connected to analytics engines, is essential for creating transparency and installing proper protections. The use of discovery, mapping, and classification tools can help organizations classify both structured and unstructured data.

The IT, HR, and legal departments at leading organizations are collaborating to make recommendations about data risks and organizational responses. These companies have clear policies and communications that explain to employees what data is being collected and how it is being used. This helps to engage employees as informed stakeholders who understand and support the benefits of people analytics for their work and their careers.

THE BOTTOM LINE

Organizations need to understand the trade-offs involved in the accelerating collection and use of employee and workforce data. Most have good intentions in collecting and using this data, but these troves of data also raise significant risks. Companies must be vigilant about data quality, data security, and the accuracy of machine-driven decisions. While this is a relatively new challenge for HR, it is rapidly, and rightly, becoming a top priority.

Table 1. What role does the C-suite play in capitalizing on people data? How can individuals adjust?

CHRO	Tighten collaboration between HR, IT, and risk to develop and communicate a useful, secure, and transparent people data strategy. That strategy should both push the envelope in leveraging data to gain greater insight into the workforce, and effectively manage the associated risks to guard against brand damage or legal consequences. If there is not one already in place, consider using a people data contract with workers to establish clear expectations of how data will be used.
CIO	Understand the flow of people data internal and external to the organization, and put the right security and IT controls in place to effectively manage the risk of the data falling into the wrong hands. Given how rapidly cyber risk is evolving, this is an area where ongoing monitoring and constant innovation is key.
Chief operations officer	Proactively review where automation is driving decision-making, and consider ways to put "humans in the loop" to help make sure that the right decisions are being made—especially as they relate to key operational processes.
Chief risk officer	Get and stay involved. You play a critical role in protecting your organization from people data-related risks, from implementing appropriate protections to tracking regulatory changes to identifying potential privacy issues.
Chief marketing officer	Constantly monitor both employee and consumer sentiment about how your organization is handling data. Because of people data's potential negative impact on brand, it's important for you to provide insights on where policies or actions should change to help avoid brand damage.
Individuals	Decide what kinds of data you are comfortable sharing with your employer, considering both potential benefits and privacy concerns. Protect your personal data by monitoring your social media profiles so that your data is being presented the way in which you want it to be.

Source: Deloitte analysis.

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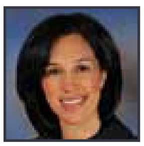

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