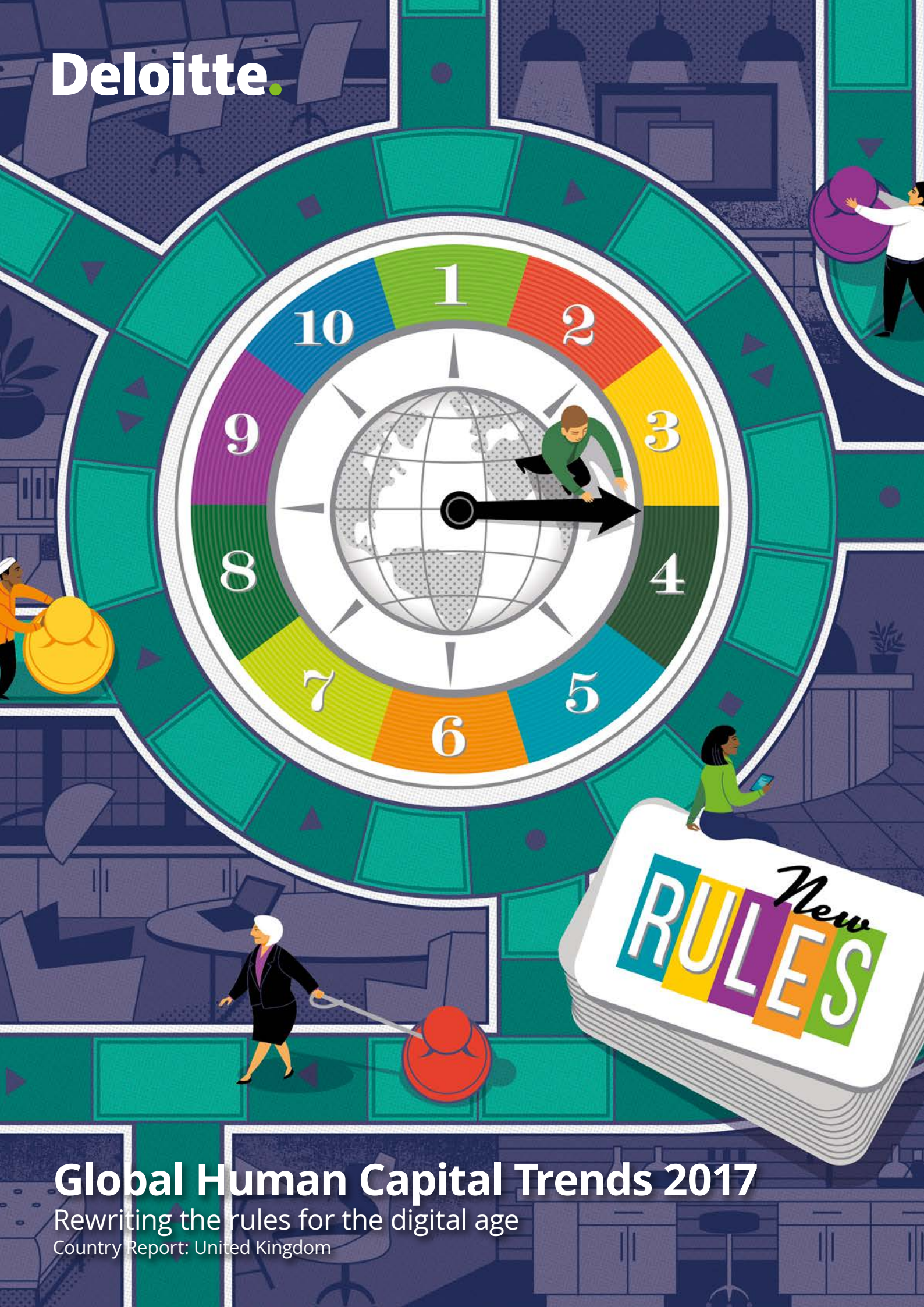


Deloitte.



Global Human Capital Trends 2017

Rewriting the rules for the digital age

Country Report: United Kingdom

Contents

Introducing the UK Human Capital Trends 2017 report	1
Global Human Capital Trends 2017	2
Top trends in 2017 for the UK	4
Top trends compared to last year	5
A spotlight on the top 3 trends:	
1. Organisations of the future	6
2. Talent acquisition	8
3. Careers and learning	10
UK survey demographics	12
Contacts	13

This year, over 10,000 HR and business leaders, in 140 countries, participated in Deloitte's Global Human Capital Trends Survey, 215 of which were based here in the UK.

Introducing the UK Human Capital Trends 2017 report

I am delighted to share the UK findings from Deloitte's 2017 Global Human Capital Trends survey. This year, over 10,000 human resources (HR) and business leaders in 140 countries participated in Deloitte's Global Human Capital Trends Survey, 215 of whom were based here in the UK. This excerpt from the global report summarises the trends that emerged as priorities for HR and business leaders in the UK.

Compared to the global responses, it is interesting to note that in spite of the June 23, 2016 referendum result in favour of Brexit, UK respondents to the 2017 survey returned responses that were broadly in line with the global average. This may be explained by the global nature of many of the organisations represented by respondents based in the UK – either UK-based multinationals or those with their headquarters elsewhere. Or it may be simply that the broader, global trends identified in our survey are even more disruptive, important and, frankly, pressing for the HR profession than the potential future impacts of Brexit.

The theme of this year's report, "Rewriting the rules for the digital age" reflects the seismic changes we are seeing in the world of work. Organisations are now facing change at an accelerated rate as digital becomes a crucial ingredient for growth. As a result, companies face a radically changing environment for the workforce, the workplace, and the world of work. These shifts are changing almost every aspect of how organisations lead, support and develop their people.

"Organisations are now facing change at an accelerated rate, as digital becomes a crucial ingredient for growth."

To tackle these seismic changes, it is imperative that HR teams become more pre-emptive in helping their organisations and employees build the skills and agility to adapt quickly. At a time when, due to rapid technological and demographic change, many established companies are losing competitive advantage or even ceasing to exist, the organisations that are able to adapt rapidly will be the ones that thrive.

Business leaders across all industries, sectors and geographies are having to change the way they attract and develop their people and structure their organisation. In our report, we focus on the top three human capital trends that have a significant impact in the UK – the organisation of the future, talent acquisition, and careers and learning – and delve into the challenges and opportunities these themes present.

For the second year in a row the organisation of the future is the top trend, showing how significant the shift towards more agile organisational models continues to be. But both globally and in the UK, the critical trends from previous years – culture, leadership and learning – remain important.

We hope this report provides your organisation with insights into the key challenges and opportunities for the world of work in the UK. I would also encourage you to read our detailed global report and interactive survey dashboard available at www.deloitte.co.uk/hctrends, where we share insights and case studies in more detail.



Anne-Marie Malley
UK Human Capital Leader



Global Human Capital Trends 2017

Rewriting the rules for the digital age

Our survey of 10,000 HR and business leaders globally examined ten critical trends shaping the human capital agenda.



The organisation of the future: arriving now

Given the pace of change and the constant pressure to adapt, global executives identified building the organisation of the future as the most important challenge for 2017. This level of interest signals a shift from designing the new organisation to building organisational ecosystems and networks. Agility plays a central role in the organisation of the future, as companies race to replace structural hierarchies with networks of teams empowered to take action.



The employee experience: culture, engagement, and beyond

Culture and engagement are vital parts of the employee experience and leading organisations are broadening their focus to include a person's first contact with a potential employer through retirement and beyond. Today, companies are looking at employee journeys, studying the needs of their workforce, and using net promoter scores to understand the employee experience. Workplace redesign, well-being, and work productivity systems are all becoming part of the mandate for HR.



Careers and learning: real time, all the time

The concept of a career is being shaken to its core, driving companies toward 'always-on' learning experiences that allow employees to build skills quickly, easily, and on their own terms. New learning models both challenge the idea of a static career and reflect the need constantly to learn new skills critical to the 21st-century organisation.



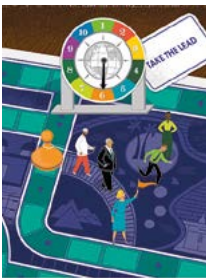
Performance management: play a winning hand

For the last five years companies have been experimenting with new performance management approaches that emphasise continuous feedback and coaching, reducing the focus on appraisal. This year companies are moving beyond experimentation to deploying new models on a wide scale. Even though HR technology tools have not quite caught up, new approaches to performance management are increasing productivity and changing corporate culture.



Talent acquisition: enter the cognitive recruiter

As jobs and skills change, finding and recruiting the right people is more important than ever. Leading organisations are now using social networking, analytics, and cognitive tools to find people in new ways, attract them through a global brand, and determine who will best fit the job, team, and company.



Leadership disrupted: pushing the boundaries

As companies transform and digital organisational models emerge, leadership needs to change as well. Organisations are clamouring for more agile, diverse, and younger leaders, as well as new leadership models that capture the 'digital way' to run businesses.



Diversity and inclusion: the reality gap

Fairness, equity, and inclusion are now CEO-level issues around the world. Executives can no longer abdicate diversity strategies to the chief human resources officer or chief diversity officer. A new focus on accountability, data, transparency, and 'diversity through process' is driving efforts to train people to overcome unconscious bias. Despite these efforts, however, we see a reality gap. Diversity and inclusion continue to be frustrating and challenging for many organisations.



Digital HR: platforms, people, and work

As the enterprise as a whole becomes digital, HR must become a leader in the digital organisation. This means going beyond digitising HR platforms to developing digital workplaces and digital workforces, and to deploying technology that changes how people work and the way in which they relate to each other.



The future of work: the augmented workforce

Robotics, Artificial Intelligence (AI), sensors, and cognitive computing have gone mainstream, along with the so-called 'open talent' economy. Companies can no longer consider their workforce to be just the employees on their balance sheet. They must include freelancers, 'gig economy' workers, and crowds. Together these trends will result in the redesign of almost every job and introduce a new way of thinking about workforce planning and the nature of work.



People analytics: recalculating the route

Data about people at work has become more important than ever but the focus of people analytics has changed. Formerly a technical discipline owned by data specialists, people analytics is now a business discipline, supporting everything from operations and management to talent acquisition and financial performance.

"Companies can no longer consider their workforce to be only the employees on their balance sheet, but must include freelancers, "gig economy" workers, and crowds."

Top trends in 2017 for the UK: talent and technology move up

The organisation of the future emerges as the prime focus for HR professionals in the UK in 2017, with talent acquisition and careers and learning also high on the business agenda.

The ranking for the top 5 2017 trends for the UK is:



Organisation of the future



Talent acquisition



Careers and learning



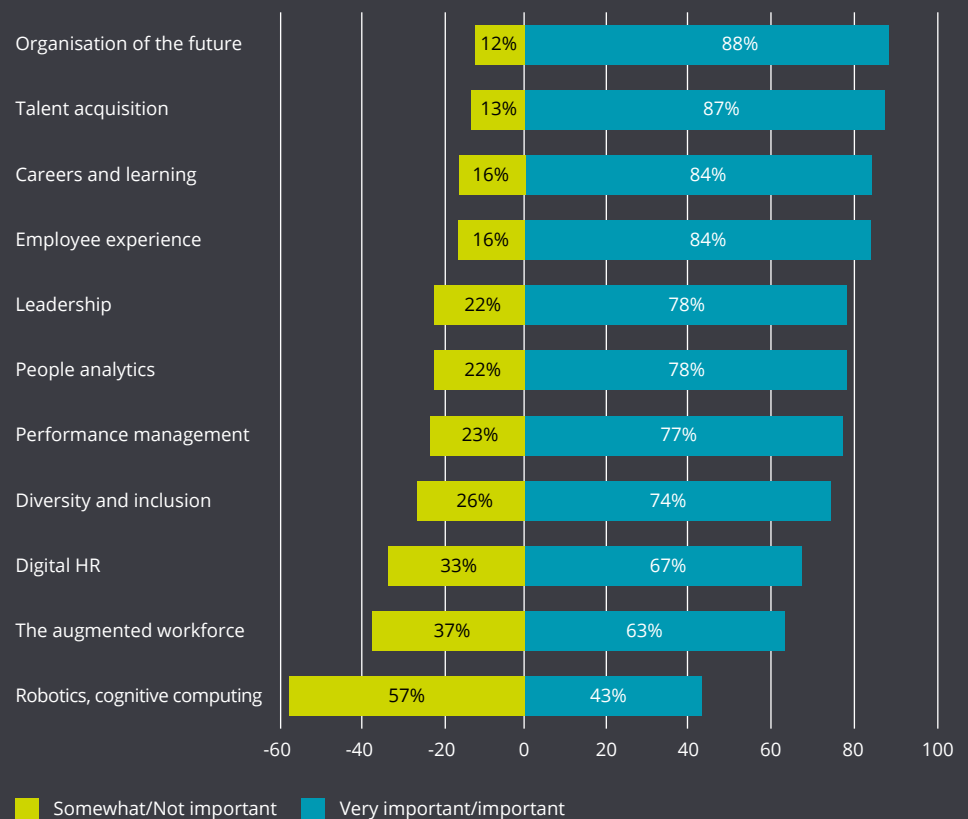
Employee experience



Leadership

These top UK trends are broadly aligned to the top global trends.

Figure 1: Top UK trends by importance



In line with the global results, the **organisation of the future**, has emerged as the top trend, with 62 per cent ranking it as “very important” and a further 26 per cent “important”. Though respondents rate it as their key priority, only 13 per cent of organisations believe they are “very ready” to build organisational ecosystems and networks effectively.

Talent acquisition continues to remain a struggle for organisations, both in the UK and globally, as jobs and the skills needed to do them change continually.

Our UK respondents have identified this as a key priority, ranking it as the second most important trend, whereas it is third globally. This may signal more acute talent shortages in Britain – with perhaps still greater shortages anticipated post-Brexit.

Careers and learning has moved up the rankings this year and is now the third most important trend, having been at number seven in 2016. The increased importance of this trend reflects how quickly, in the context of new and disruptive technologies,

the skills that businesses need are now changing, and there is a need to equip the workforce accordingly.

Figure 2: Top 10 trends for 2017 compared 2016

Trend	Ranking 2017	Ranking 2016	Change
 Organisation of the future	1	1	▶ 0
 Talent acquisition	2	10	▲ 8
 Careers and learning	3	7	▲ 4
 Employee experience	4	9	▲ 5
 Leadership	5	3	▼ 2
 People analytics	6	5	▼ 1
 Performance management	7	–	New
 Digital HR	8	7	▼ 1
 The augmented workforce	9	–	New
 Robotics, cognitive computing & AI	10	–	New

Spotlight on the top three trends

1. Organisation of the future: arriving now

Once again, the organisation of the future emerged as the number one trend, both globally and in the UK. This is not surprising given the pace of change, the growing need to respond to digital disruption, and increasing demands for organisations to be more flexible, mobile and dynamic.



This year, however, we see a shift from redesigning organisational structures to building organisational ecosystems and networks. These networks move away from the hierarchical models of the past, towards agile, team-centred models where new tools, technologies and mindsets are required to effect real change. In particular, respondents identified collaboration, agility and customer-centric models as the critical characteristics that will enable future organisational success.

But it is clear that although organisations have a shared understanding of what the future ought to be, they are struggling to make this transition. While 56 per cent of UK organisations say they are in the process of designing or building their organisations of the future, only 33 per cent feel ready to tackle this process. It is no longer enough to have a vision of and plan for the future. More than ever before, companies are required to redesign and transform themselves quickly and achieve more with less and in a shorter time.

For a company to meet the demands of the future, it needs to be built on a network of teams, fuelled by collaboration and knowledge-sharing (figure 3). Many companies are already focusing more on flexible, team-centred models, with 41 per cent of UK respondents reporting the use of these models in their organisation today.

In order to turn their visions into reality, UK organisations also need to take fuller advantage of the tools and data available to understand how their organisations and teams work together. An example of these tools is Organisational Network Analysis (ONA), which is a structured way to visualise how communications, information and decisions flow through an organisation. Use of ONA-related tools is slowly becoming

“98 per cent of UK organisations say customer centric organisation models are important and very important.”

more mainstream and nine per cent of UK organisations say they are using network analysis to support their organisation.

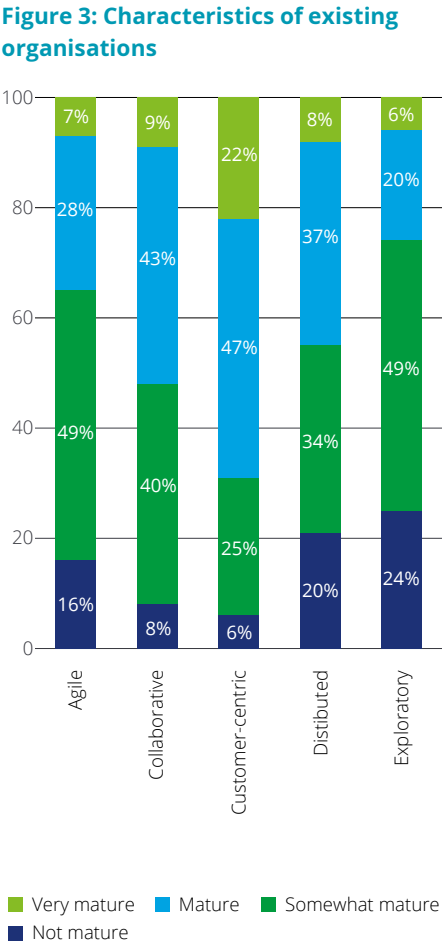
While 98 per cent of organisations consider agility as an “important” or “very important” characteristic, only 35 per cent consider themselves agile. For larger organisations, in particular, agility is very difficult to achieve. Twenty-three per cent of large UK organisations acknowledge their current level of agility is not mature, compared with 14 per cent in smaller organisations with 1,000 or fewer employees.

Finally, 98 per cent of UK respondents said customer-centric organisation models are either “important” or “very important”. And some UK companies are leading the way in adopting the customer-centric approach to organisation design. For example, one leading UK retailer has been experimenting with creating cross-functional teams across traditional and digital channels in selected product categories, aimed at creating an enhanced customer experience. These teams have been operating with a significant degree of latitude, unconstrained by traditional management layers. They have had to operate in an agile manner, frequently experimenting with creating novel customer offers. The results so far have been positive, and the retailer plans to codify these practices and scale them up across other product categories.

The very title of the trend, organisation of the future, is grand, and the level of disruption to cope with is significant, but there are a couple of practical steps organisations should consider to help address this.

Firstly, the organisation’s leadership should work to create a culture of trust and experimentation, where risk-taking and learning from mistakes is encouraged and appropriately incentivised.

Secondly, begin to establish the organisation of the future concept in a small yet focused manner. For example, a niche might be sought in your organisation where it makes sense to disrupt and where the planned change will have a clear and measurable impact. It is better to learn from small experiments than to put a lot at stake in big, multi-million, multi-year programmes. Small beginnings may provide leaders with the successes they need to build momentum for change.



2. Talent acquisition: enter the cognitive recruiter

Talent acquisition was seen as even more important by UK survey respondents than the global average, ranking second in the UK for importance, versus third globally, with 87 per cent of UK respondents classing the category as “important” or “very important” versus 82 per cent globally. However, only 40 per cent of UK respondents felt their organisations were ready to address developments in this area, as opposed to 46 per cent globally.



Once the sole domain of HR, talent acquisition now stands as one of the top concerns for business leaders. Leading companies are increasingly turning to innovative ways to overcome the challenges presented by the so-called Open Talent workforce. This is a workforce characterised by an increasing use of contractors, freelancers and flexible workers as opposed to full-time, permanent employees. It is also an obvious side effect of the organisation of the future trend.

Here, as elsewhere, the availability of new technology is playing its part in driving change, with a new breed of cognitive technologies that harness machine-learning capability and powerful data analytics, shaking up the traditional talent acquisition model. Technology vendors are able to customise recruitment solutions for organisations using AI and predictive analytics in ways that not only improve cost per hire but substantially improve quality of hire metrics. Our survey findings show that in the next three to five years 45 per cent of organisations are planning on leveraging these new technologies throughout the recruitment process.

One technological game-changer is the chatbot: a computer programme designed to simulate human conversation in a structured way and used to guide candidates through the online job application process. Not only does this enhance early candidate experiences, it also provides an opportunity to automate a large proportion of recruitment processing, resulting in substantial long-term cost savings. The ability of chatbots to filter and target the right candidates effectively negates human cognitive bias and improves the quality of candidate experiences during the latter stages of the hiring process by ensuring only candidates with the right attributes get through.

Deloitte UK are already pioneering the use of computing tools in the talent acquisition space, working together with Watson Recruitment. These tools harness cognitive computing and bot technology, such as the chatbots described above, both to improve candidate experiences and produce analytics

“In the UK, 40 per cent of respondents are in the process of updating their talent agenda and 28 per cent have done so within the last year.”

that can help guide future recruitment decisions and candidate targeting.

The digital age has also brought with it a fundamental shift in the type of information available to prospective candidates who want to know what working in a certain organisation might be like. The perception of the employer, or employer branding, is becoming increasingly important. While our survey findings suggest that as many as 64 per cent of UK candidates will actively research prospective employers on sites like Glassdoor, Seek and Careerbliss during the application process, only 47 percent of respondents were aware of how their brand is being perceived and discussed by candidates visiting those sites.

While these employer branding figures are better than the global average, they lag behind the United States, with its large, regionally dispersed and complex labour market. But over the next few years it is likely that the UK will move increasingly towards the US employer branding model. As the UK labour market becomes larger, more dispersed and more complex, organisations will also feel the impacts of Brexit and the need to build a visible and attractive employment brand will be more important than ever. An example where this has already been done effectively is a major car manufacturer, which recently won a top UK employer brand award. They did this in part by using YouTube to showcase the diversity of its workforce and exciting career opportunities.

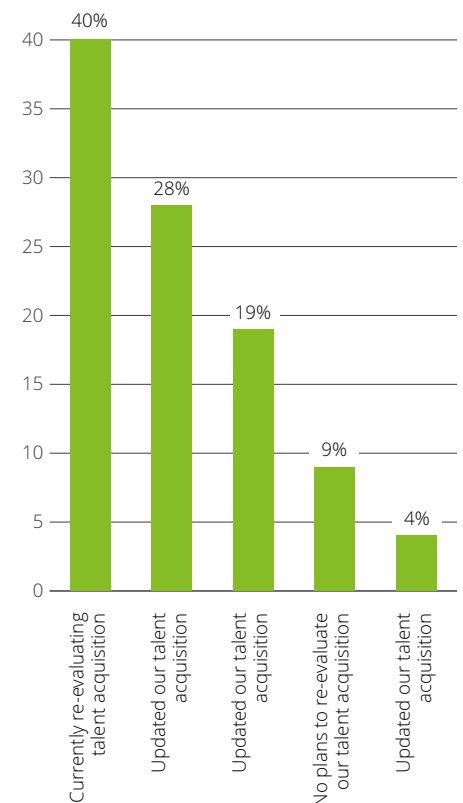
Aside from employer branding strategies or more sophisticated AI technologies, one simple way for employers to address

the talent challenge is to widen the talent pool. Enabled by the open talent economy, organisations are looking to less traditional sources to staff the so-called 'borderless' workplace, such as freelancers, 'gig economy' workers and the crowd. Platforms such as ProFinder, Hired, Upwork and Topcoder can make off-balance sheet workers available to work on demand.

Unsurprisingly, many organisations are responding to these widespread changes by re-evaluating their talent acquisition strategy and programmes. In the UK, 40 per cent of respondents are in the process of updating their talent agenda and 28 per cent have done so within the last year. As part of this, there is an opportunity to optimise the talent acquisition operating model. Adopting a centralised approach to talent acquisition will usually lead to benefits of scale and efficiency and more importantly, will create a strong and distinctive candidate experience.

Finally, given the UK's high levels of employment and economic growth, particularly in the South East of England, and the potential impact of Brexit on the availability of skilled labour from the EU, it is not surprising that this trend was seen as slightly more important than the global average by UK respondents. What was surprising was that in terms of future priorities it ranked slightly lower than the global average, coming in only eighth out of ten. Deloitte's obvious concern is whether UK employers are taking their talent acquisition challenge sufficiently seriously. And in future years, this challenge could become considerably more acute.

Figure 4: Current state of UK organisations' talent acquisition strategy



3. Careers and learning: real time, all the time

Careers are becoming more diverse and agile. In the past, people would learn to gain skills that they would then apply in a long career, building on each stage of knowledge step by step and in a structured way. But now the career itself is often disrupted and needs to change direction towards a whole new skill set. As young people today look ahead, potentially, to 60 years in the world of work, and a change in career every 4 to 5 years, organisations with the ability to help their employees develop skills and knowledge in a flexible and continuous way will find themselves at a distinct advantage.



In the UK, 84 per cent of organisations reported that careers and learning was an “important” or “very important” focus for their business. However, only 33 per cent considered themselves ready to respond to the changing demands of the workforce. This gap has grown in recent years, showing that business leaders must act quickly. Careers and learning solutions are now a principal driver of employment brand and companies need to ensure they abandon old practices and adopt a completely new focus.

With learning technology rapidly changing, traditional learning management systems and the strategies that have supported them are being turned on their heads. Employees are now looking for instant answers to their development needs and forms of learning that can be accessed anytime, anywhere, over a range of mobile platforms. The UK shows signs of lagging slightly behind other countries. For example, when looking at advanced learning solutions such as gaming, video and simulations, 74 per cent of UK organisations consider themselves to be weak, compared to 64 per cent globally. Similarly, 59 per cent of UK respondents stated they were weak at providing mobile learning programmes, compared to 53 per cent around the world.

There is, however, evidence that business leaders across the UK do understand that people are looking for a different style of career than in the past. Fifty per cent of respondents stated that they actively invite sideways career moves throughout their business, and only a very small proportion, six per cent, offer highly structured career paths with defined roles. This data suggests that UK learning and development functions should be looking towards more agile development models – ones that can more effectively support the organisation of the future.

“Looking to the future, 34 per cent of UK companies are planning on increasing their investment in HR over the next 12 months.”

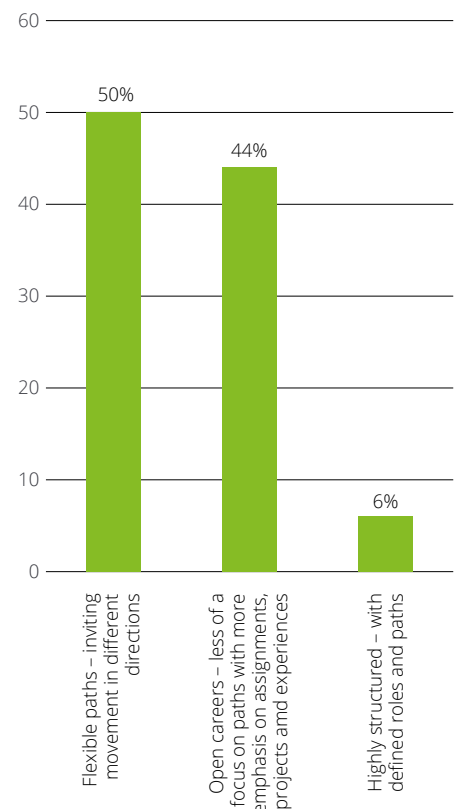
To build this organisation of the future, many companies already know that they need to provide learning and development that can be highly tailored to the individual, that is ‘always on’ and available over a range of mobile platforms, responding to the fast pace of people’s working lives and their need to build skills quickly and easily. Several UK companies are now actively seeking systems that can deliver ‘direct to learner’ learning and the leading firms are deploying content creation tools in their organisation that stimulate knowledge sharing and content creation by employees across their business. This allows people to teach one another, across a variety of different roles, departments and regions.

Increasing numbers of people are moving to ‘portfolio careers’, where they perform different roles in a variety of sectors. As AI and robotics advance, Deloitte believes many in the workforce will be continually finding and adapting to roles that cannot be done by robots. The need for enhanced flexibility in learning curricula and organisational competency frameworks will necessitate a move to advanced online and mobile learning solutions. For example, access to a variety of massive open online courses (MOOCs) is becoming a fairly standard expectation of employers today.

Corporate universities are also becoming more common, with forward-thinking companies using theirs as cornerstones for collaboration, leadership development and cross-functional innovation. Corporate universities should enable people from different functions, regions and backgrounds to come together, share learning and be challenged to find solutions to problems, using a diverse set of skills and mindsets. This provides a basis not only for individuals to rethink their careers but also for the organisation to rethink its learning model and understand better how it contributes to strategic goals.

Looking to the future, 34 per cent of UK companies are planning on increasing their investment in HR over the next 12 months, with the majority of that investment expected to be targeted at people career development of some form or other (leadership development, talent management, or changing the employee mindset). If these companies invest well in these areas they will be better able to attract the ever-growing number of talented employees seeking dynamic and varied careers. And in the organisation of the future as described in the 2017 trends, this number can only continue to grow.

Figure 5: Organisation’s career model in the next 3-5 years



UK survey demographics

215 respondents from the UK participated in this year's survey, representing a range of small, medium and large organisations.

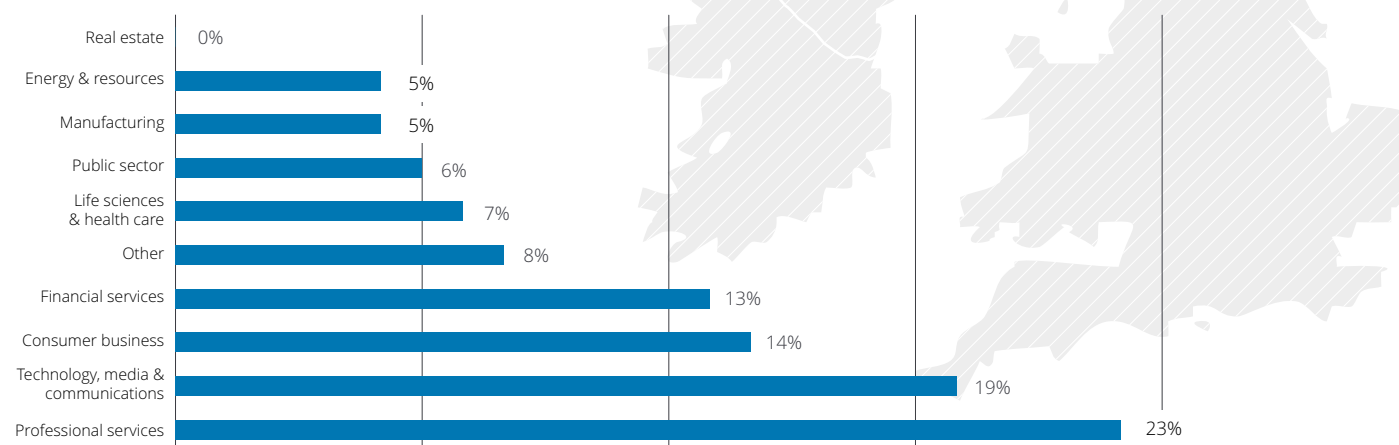
While a range of industries were represented, the largest number of responses came from Professional Services (23 per cent), followed by Technology, Media and Telecommunications (19 per cent) and Consumer Business (14 per cent). The percentage of respondents from the Professional Services and Technology sectors was substantially smaller in the global survey (at 15 per cent and 12 per cent respectively).

The survey respondents were split between mid-level (43 per cent), C-Suite (44 per cent) and others, classified as 'individual contributors' (13%). Over half of all respondents (64 per cent) work within the HR function.

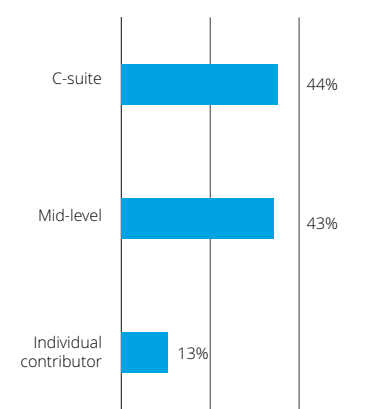
"The largest number of responses came from Professional Services (23 per cent)."

Figure 6: Survey demographics – UK

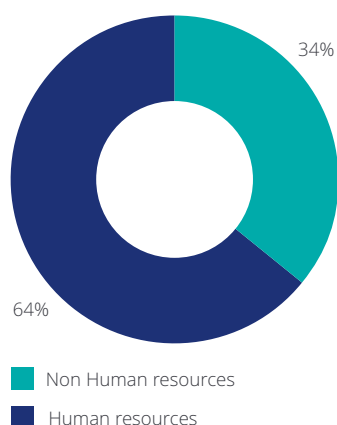
Industry



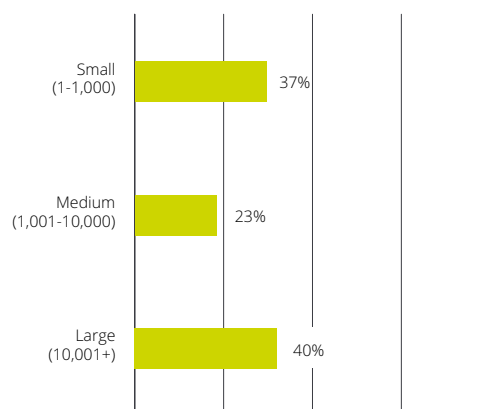
Organisation level



Job function



Organisation size



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