

Predictions for 2017

Everything Is Becoming Digital

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A Note from the Analyst

As I look back over the last year and think about the year ahead, I am struck by how many things are changing this year. As I developed this report, I realized there is one theme that brings it all together: *digital*.

I do not need to explain how technology has infiltrated our lives. We are now constantly connected; we send and receive messages 24 hours a day; and we can view news, video, podcasts, and live streams of information from any device in a coffee shop, standing in line, or even in an airplane. Video, a medium which used to seem expensive and slow, is now becoming the primary form of content on the Internet (and live video is coming fast).

The devices we carry around (which are far more than “smartphones” today) are not only computers and phones—they carry digital sensors which make them smarter and more useful than ever. (The typical smartphone has a GPS, temperature sensor, audio sensor, humidity detector, accelerometer, proximity sensor, camera(s), and some even have altimeters. Soon these devices will listen to our voices for stress, monitor our heartbeats, and possibly even our diets!)

Artificial intelligence (I like to call it “augmented intelligence”) has now become a mainstream technology. Our phones and computers can understand our voice, respond to commands, recommend and solve problems, and, through robotics, automate many jobs we never before thought possible. Oxford University believes 47 percent of today’s jobs will be redefined within 20 years and this does not seem unreasonable at all.¹

But, while technology is changing jobs and work (I talk about the “future of work” later in this report), the biggest change we see is that new way we manage, lead, and operate our companies. Organizations that thrive in the digital age just act differently, so all of the trends I discuss revolve around learning to “be digital,” not just “do digital.”

What does this mean? Earlier this year, we conducted a study with MIT² (more than 1,000 business leaders responded) and we found two important things. First, 90 percent of these companies believe their core business is threatened by new digital competitors that are challenging their products and services. Second, 70 percent believe that they do not have the right leadership, skills, or operating models to adapt.

¹ *The Future of Employment: How susceptible are jobs to computerisation?*, Oxford Martin School, University of Oxford / Carl Benedikt Frey and Michael Osborne, 2013, <http://www.oxfordmartin.ox.ac.uk/publications/view/1314>.

² “Aligning the Organization for Its Digital Future,” *MIT Sloan Management Review* and Deloitte University Press / Gerald C. Kane, Doug Palmer, Anh Nguyen Phillips, David Kiron, and Natasha Buckley, 2016, <http://www2.deloitte.com/us/en/pages/technology/articles/mit-sloan-management-review-and-deloitte-digital-business-study.html>.

Our Deloitte Human Capital Trends study³, which surveyed more than 7,000 companies in 130 countries, found that 92 percent of companies believe that they are not organized correctly to succeed, while only 14 percent know what this “new organization” looks like. As we describe in that report, the world is moving from a top-down hierarchical model to one of a “network of teams” in which people are iterating and solving problems in a dynamic, agile way. This shift in structure, roles, and careers changes the way we lead, manage, reward, and move people throughout the company. It also pushes us to continuously learn—faster than ever.

In fact, one of the hallmarks of high-performing companies in today’s digital world is the ability to learn fast. Companies today should try new things (often through crowdsourcing⁴ or hackathons), rapidly deploy new products and services (through the MVP⁵ or minimally viable product approach), and quickly learn what fails and what works. This fast-moving, customer-centric way of doing business has shifted decision-making to the edges of the company, and involves a new way of thinking about management and HR.

The bottom line to all of our predictions for 2017 is this—technology has not only changed our lives, it has changed our organizations. Let us now dive in to the 11 predictions we see.



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³ *Global Human Capital Trends 2016: The new organization—Different by design*, Deloitte Development LLC and Deloitte University Press, 2016, <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/gx-dup-global-human-capital-trends-2016.pdf>.

⁴ “Crowdsourcing” is the practice of obtaining needed services, ideas, or content by soliciting contributions from a large group of people, and especially from an online community or the Internet, rather than from traditional employees or suppliers.

⁵ A minimum viable product (MVP) is a development technique in which a new product is developed with sufficient features to satisfy early adopters. The final, complete set of features is designed and developed only after considering feedback from the product’s initial users.

Key Predictions for 2017

The following are the top 11 predictions that we see impacting HR and talent for 2017.

PREDICTION

Organization design, including structure, roles, talent mobility, and the role of leadership, must become flexible and adaptive—changing many elements of HR.

Prediction 1: Organizational Design Will Be Challenged Everywhere

The first prediction for 2017 is one I seem to talk about with every company—we need to rethink the way our organizations are designed. For more than 100 years, companies have been set up for scalable efficiency. We build functional teams that run product design, engineering, manufacturing, sales, marketing, finance—all with a focus on scale. How can we ship more products per dollar, gain more leads per advertisement, and achieve more sales per salesperson?

Today, in the world of rapidly changing markets, and digital products and services, the traditional concept of “scale” and “efficiency” no longer applies. Thanks to the cloud and the Internet, barriers to entry have been lowered. You cannot “keep your market” just because you are big or efficient—someone else will likely reinvent it before your eyes, and then his / her company may disrupt yours in only a few years.

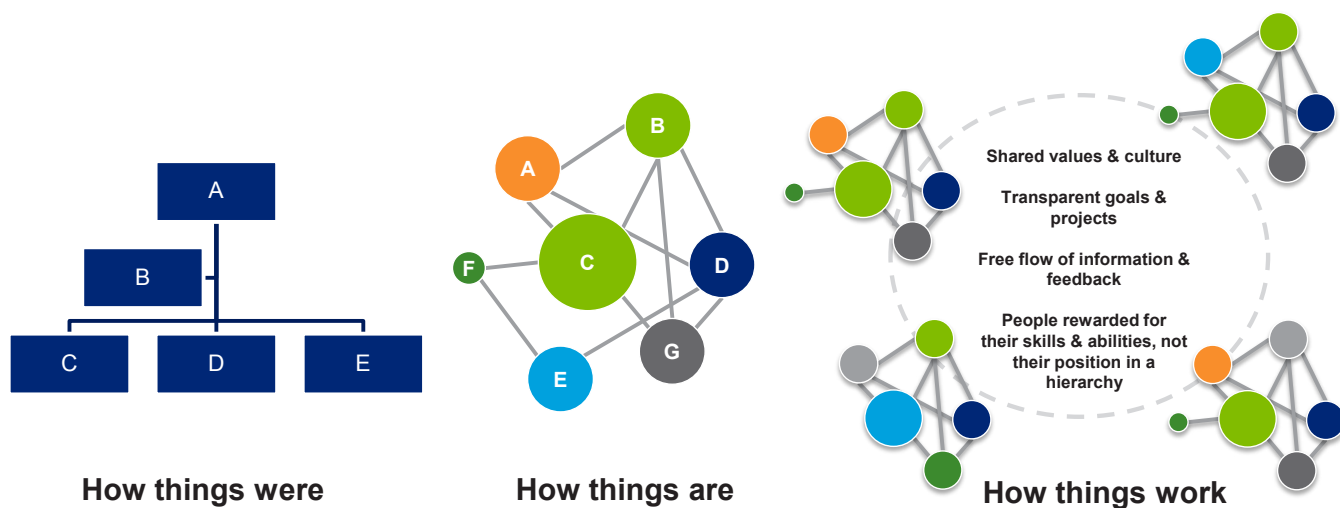
As John Hagel, director of Deloitte LLP’s Center for the Edge in Deloitte stated,

Today, the key to organizational success is not “scalable efficiency,” but “scalable learning.” You, as an organization, must be able to experiment, put prototype products in front of customers, rapidly learn from your competitors, and stay ahead of your marketplace, industry, and technology trends. This means your whole organization has to focus on customer-centric learning, experimentation, and time to market.⁶

The solution is often easy to understand, but hard to implement. We should break our functional groups into teams—teams focused on product releases, customers, markets, or geographies. These teams should be smaller, flatter, and more empowered—and leaders should focus on hands-on leadership, not leadership from behind a desk.

⁶ Based on conversations with Bersin by Deloitte.

Figure 1: Network of Teams



Source: Bersin by Deloitte, 2016.

KEY POINT

We should break our functional groups into teams—teams that are smaller, flatter, and more empowered—and leaders should focus on hands-on leadership, not leadership from behind a desk.

Cisco studied its organizational structure and found that the company already has more than 20,000 teams, with people sitting on many teams at the same time. This is true in nearly every company; we just have to design for it.

In 2017, companies will discuss and struggle with this mightily, and I suggest some of the changes should include:

- Formally creating small team structures (Jeff Bezos⁷ famously stated, “... if the team needs more than two pizzas for lunch, it’s too big.”)
- Radically reducing the number of job levels to incent people to strive for results and learning, not just promotions, as they move from job to job
- Changing reward systems to reward team success, not just individual success
- Redesigning goal management, so that goals can be updated quarterly, not annually, and goals are transparent and shared publicly
- Promoting young professionals into leadership early, so they can rapidly contribute to team success
- Teaching managers to manage “projects” not “people” (WL Gore)
- Providing “career coaches” and “sponsors” instead of “managers” to help people to grow
- Creating always-on learning, and a culture of exploration and discussion to enable continuous invention
- Sponsoring hackathons and other collaborative development programs to let people at all levels contribute
- Implementing information systems that deliver real-time dashboards and reports, so that all teams can operate with the same insights and perspectives

⁷ <http://www.businessinsider.com/jeff-bezos-two-pizza-rule-for-productive-meetings-2013-10>.

The books *Team of Teams*⁸, *The Silo Effect*⁹, and *Reinventing Organizations*¹⁰ describe how organizations will be structured in the future. These books, which I recommend you read, give examples of companies that outperformed their larger peers by keeping teams small, communicating vigorously between teams, and using shared culture to bring people together (see Prediction 2).

I also want to reinforce one more point—the old-fashioned concept of “organizational design” is going away. The redesign of your organization does not mean doing a spans and layers analysis; it means looking at the way work gets done, studying the organizational networks you have (using organizational network analysis), and then designing work to support cross-functional success. In most cases, it means making teams smaller, creating more open office spaces, creating new cross-team roles, and often changing functional leadership.

Case in Point: Organization Restructure

One large IT department found that its current functional structure (e.g., application design, infrastructure, security, client service, etc.) had created silos of people who could not be shared among projects. Managers were “hoarding” their teams—and preventing people from being promoted or moved, primarily to protect their positions. Also, leaders considered their jobs sacrosanct because they had “paid their dues,” so to speak, and would not move into new roles.

The CIO, who was facing dozens of new projects that cut across functional teams, totally redesigned the function. Hundreds of people were promoted into team leadership roles; many vice presidents were demoted to team leadership roles; and many technical experts suddenly had teams built around them.

While the redesign was challenging, within only a few months many of the younger, more ambitious leaders rose to the occasion; several of the senior vice presidents resigned; and the CIO found the organization was more engaged, excited, and productive than ever. He realized that no spans-and-layers project would ever have solved this problem—and now is excited to see an agile, “digital” organization emerge, one with more leaders, more empowerment, and much faster time to market.

⁸ *Team of Teams: New Rules of Engagement for a Complex World*, General Stanley McChrystal / Portfolio, 2015.

⁹ *The Silo Effect: The Peril of Expertise and the Promise of Breaking Down*, by Gillian Tett / Simon & Schuster, 2016.

¹⁰ *Reinventing Organizations: A Guide to Creating Organizations Inspired by the Next Stage of Human Consciousness*, by Frederic Laloux / Nelson Parker, 2014.

PREDICTION

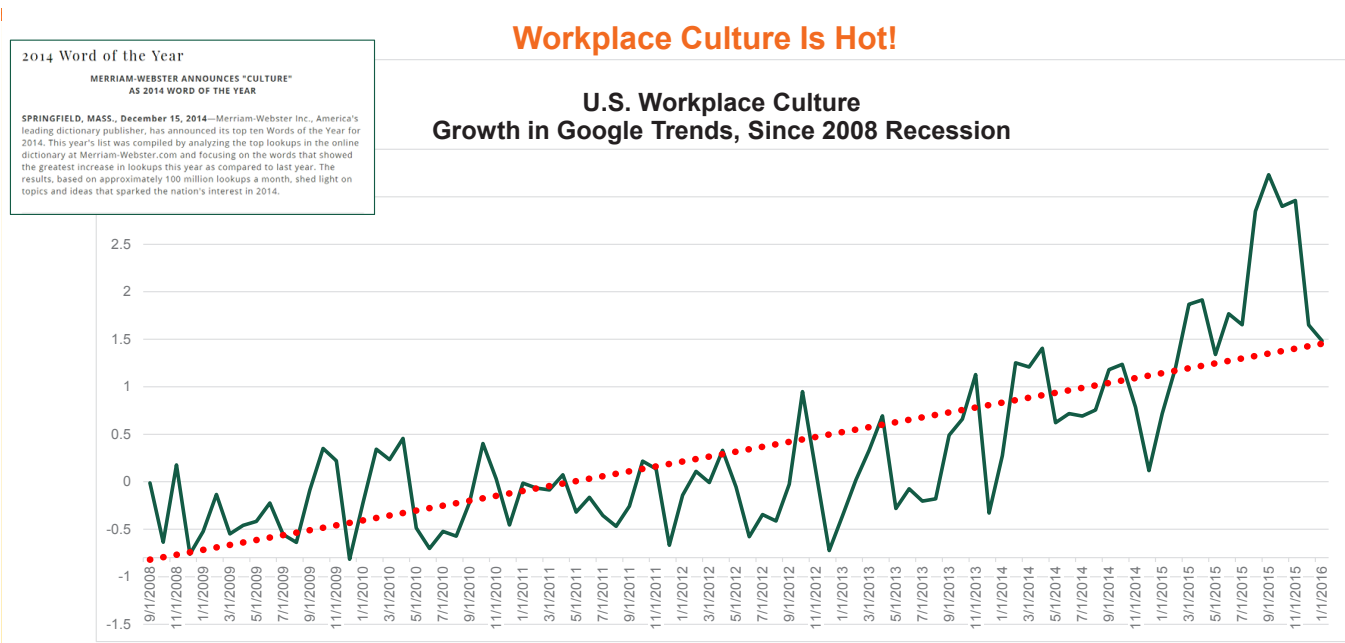
The topics of culture and engagement will continue to be top priorities, and we can now measure them closely.

Prediction 2: Culture and Engagement Will Remain Top Priorities

In 2017, the topics of culture and engagement will remain top of mind for business and HR leaders around the world; I suggest that the challenge of managing culture will become even harder. If you do not believe me, let me show you some data.

Figure 2 charts the frequency of Google searches on “workplace culture.” You can see that, since the 2008 recession, people have been curious about it more and more each year.

Figure 2: Growth in the Importance of Workplace Culture



Source: Bersin by Deloitte, 2016.

The Deloitte Human Capital Trends¹¹ research shows that 86 percent of business leaders rate “culture” as one of the more urgent talent issues, yet only 14 percent understand what the “right culture” really is. The problem is not one of “talking about culture”; for 2017, it is time to carefully define your culture, measure it, and find where and how it may be misaligned.

This problem is increasing in urgency. Our latest research on Millennials¹² (about one-half of the workforce now) shows that two-thirds of Millennials now state their organization’s “purpose” is the reason they choose an employer. Similar data shows that baby boomers feel the same way. Only 27 percent of Millennials believe

¹¹ *Global Human Capital Trends 2016: The new organization—Different by design*, Deloitte Development LLC and Deloitte University Press, 2016, <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/gx-dup-global-human-capital-trends-2016.pdf>.

¹² *The Deloitte Millennial Survey 2016: Winning over the next generation of leaders*, Deloitte Consulting LLP, 2016, <http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>.

a company's purpose is to make money (down from 35 percent in 2013), while the remainder believe the focus should be on stakeholders and impact.

What exactly is organizational culture? Quite simply, it is the reward systems and implicit behavior that takes place when nobody is looking. In other words, your culture drives all forms of optional and discretionary behavior. Do your employees spend more time with clients? On quality? On safety? On compliance? On cost-cutting? Or perhaps on improving their own careers? Each of these microdecisions we make during the day are driven by the implicit reward systems, examples, and messages conveyed by culture. When “bad” things happen (i.e., misalignment, fraud, unethical behavior, etc.), there is usually a cultural problem underneath.

KEY POINT

Study after study have shown that companies with a strong sense of purpose and a clearly defined set of cultural values outperform their peers.

(One study¹³ found, for example, that “toxic employees” (those who commit fraud or crime) are contagious. People who work on the same floor as they do exhibit similar behaviors. This shows how powerful and possibly dangerous culture can be.)

Part of culture is defining a purpose for your organization. Study after study have shown that companies with a strong sense of purpose and a clearly defined set of cultural values outperform their peers. Our newest research (Bersin by Deloitte High-Impact Leadership¹⁴) proves that companies with a leadership culture are nine times more likely to be good at identifying and developing leaders than those lacking a leadership culture.

Many reasons for this trend exist, but I suggest there are three big causes you cannot ignore.

- a. **Your culture is now transparent.** Thanks to websites like Glassdoor, LinkedIn, Twitter, and Facebook, employees are regularly talking about your company's culture in a public way. When customers or employees are upset, people find out about it. So your culture has become an integral part of your brand which, in turn, impacts your ability to hire, the type of people who come to work for you, and the brand you convey to customers.

A large airline, for example, is now implementing a pulse survey tool designed to assess all of its employees (from flight attendants to baggage handlers) on its new cultural values. A large, well-known technology company has created a culture manifesto, which forms a complete redesign of the company and its job roles. Manufacturers that suffer product defects are reacting faster than ever; companies are raising wages; all over the world, we see businesses reacting to the need to build a focused and aligned culture through business decisions that mean serious investment and focus.

- b. **Culture brings teams together.** As your company operates more and more like a network of teams (regardless of what your organizational chart looks like), culture is what brings it all together. Why would a team share its findings with another versus compete for glory? Why would a team loan an expert to another versus hoard experts for themselves? Why would a team focus on customers

¹³ “It's Better to Avoid a Toxic Employee than Hire a Superstar,” *Harvard Business Review* / Nicole Torres, December 9, 2015, <https://hbr.org/2015/12/its-better-to-avoid-a-toxic-employee-than-hire-a-superstar>.

¹⁴ Bersin by Deloitte High-Impact Leadership research, 2016.

versus internal promotion? All these behaviors are cultural—and should be reinforced through a strong set of cultural values.

If you look at the published best places to work and highest-performing companies on the S&P 500, you commonly find companies with a strong, well-branded culture. Quicken Loans, for example, ranked as one of the best places to work and a company that is continuously disrupting the mortgage loan market, has an entire book designed for culture, called the *ISM's of Quicken Loans*¹⁵. This cartoon book is filled with examples, stories, and customer behaviors that the company considers its sacrosanct culture.

- c. **Culture creates innovation.** When a company has a clearly defined culture (whatever that may be), it offers employees a sense of security and freedom—they know what to expect. Consider a conversation we had with the vice president of talent at a large automobile company. This auto manufacturer studied the most effective innovations over the last decade (and also the biggest failures) and found that the one predictable dimension of the teams which succeeded was that those teams were the most connected people in the organization. In other words, today's organizations cannot succeed in silos—so people who “fit the culture” and feel comfortable communicating throughout the company also tend to be most effective as individuals.

Such a transparent and open environment can only happen when people feel authentic, included, and respected. All of these qualities come from a strong, reinforced, and well-documented culture. Even if your culture is one of “up or out” and “make your numbers or die,” communicating it clearly should bring clarity and freedom to people—and help your managers understand their roles in pushing forward the organization.

KEY POINT

As a whole, the entire workforce (from Boomers to Millennials) is becoming more demanding than ever—pushing the topic of culture to ever higher levels of priority.

By the way, the challenges of managing culture are getting harder. Not only is culture a major issue when companies grow or merge, but Millennials are now becoming even more demanding. Our research shows that this enormous cohort of workers is now having children, demanding more work-life balance, and expecting to be rewarded for their leadership roles. (Forty-one percent of Millennials now have four or more direct reports; most refuse to adopt the “incumbent style” of the existing CEO simply because he / she is there). Only one-third of Millennials believe they are being truly used to their full potential at work and 41 percent now say that their work performance is impacted by the company's family assistance benefits. As a whole, the entire workforce (from Boomers to Millennials) is becoming more demanding than ever—pushing the topic of culture to ever higher levels of priority.¹⁶

In 2017, we believe it will be urgent for you as an HR leader to work with your CEO and top business executives to define your culture (in a small set of cultural values), then identify tools to measure the culture in every possible way. You can now measure culture through tools like Deloitte CulturePath and others, which focus on an organizational view of culture.

¹⁵ <http://www.quickenloanscareers.com/about-us/culture/>.


¹⁶ *The Deloitte Millennial Survey 2016: Winning over the next generation of leaders*, Deloitte Consulting LLP, 2016, <http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>.

What about the Topic of Engagement?

Employee engagement, which is an individual employee’s reaction to your work culture, is more of a challenge than ever. Hundreds of studies have shown that highly engaged employees are more productive, deliver better customer service, are more innovative, and are more likely to stay at your organization. In today’s dynamic, always-on world of work, how do we keep engagement high?

Our research¹⁷ shows that this is a complex problem, and one that warrants close attention and lots of monitoring. Figure 3 identifies 20 key drivers of engagement today. You have to think about all of them—and monitor and listen for feedback to stay vigilant of problems.

Figure 3: Bersin by Deloitte Simply Irresistible™ Model



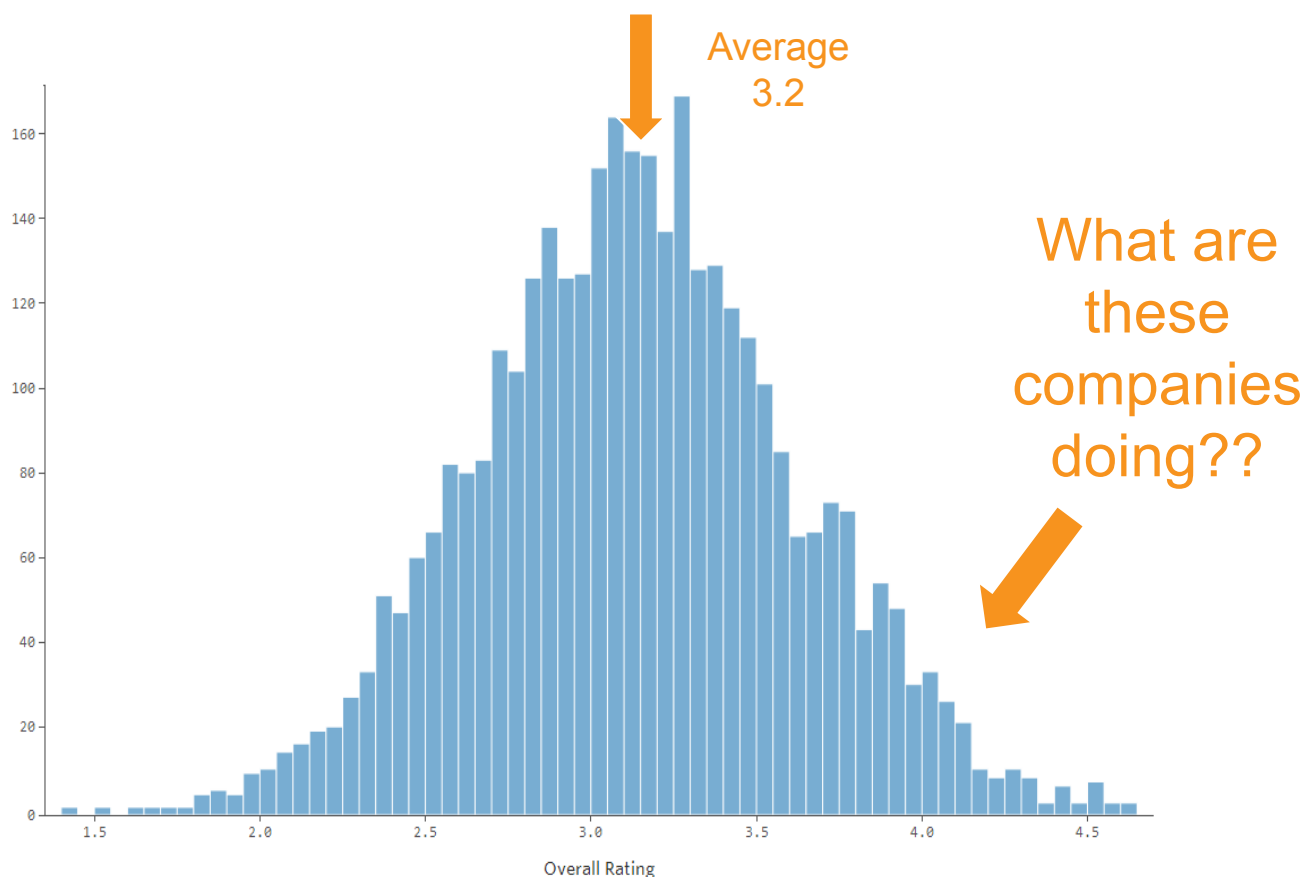
Meaningful Work	Great Management	Fantastic Environment	Growth Opportunity	Trust in Leadership
Autonomy	Clear Goal-Setting	Flexible, Humane Work Environment	Facilitated Talent Mobility	Mission & Purpose
Selection to Fit	Coaching & Feedback	Recognition-Rich Culture	Career Growth in Many Paths	Investment in People; Trust
Small Teams	Leadership Development	Open, Flexible Work Spaces	Self & Formal Development	Transparency & Communication
Time for Slack	Modern Performance Management	Inclusive, Diverse Culture	High-Impact Learning Culture	Inspiration

Source: Bersin by Deloitte, 2016.

Generally speaking, this problem is not getting better. Figure 4, compiled from Glassdoor data (would you recommend your company as a place to work), shows almost no change from the last three years. So, while many companies focus on the issue of engagement, it remains a challenge for all but the “best” companies in the world.

¹⁷ Bersin by Deloitte Employee Engagement research, 2015.

Figure 4: Engagement Is Critical to Success



Glassdoor Ratings of Employer (Recommended to friends), 20,000+ Respondents

Source: Bersin by Deloitte, 2016.

If this is a priority for the coming year, what can we learn from the companies on the right of Figure 4? Well, after analyzing this data for many months, we found that no particular dimension predicts high-engagement companies—they are not small or large, not in a particular industry, or of a particular age.

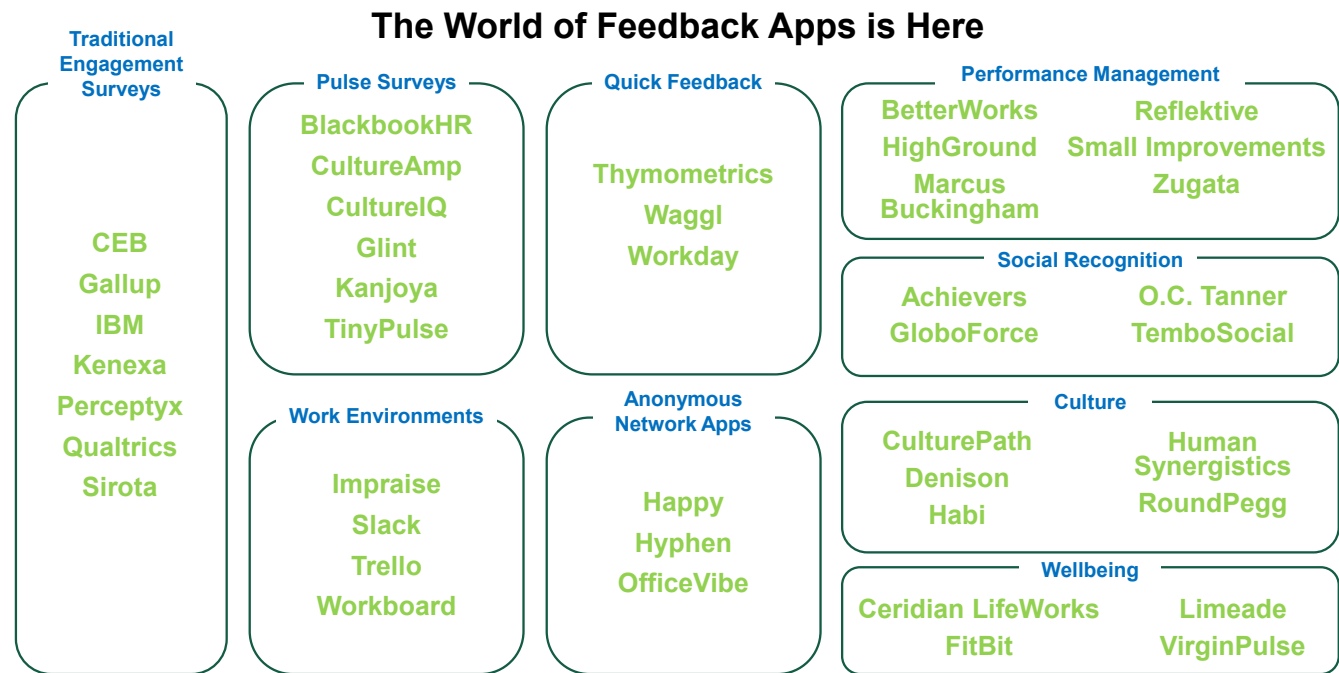
What is unique about these companies on the right is their leadership. These companies place “employees first”—and their leaders and managers think hard every day about what they can do to make their employees more productive and rewarded at work.

The biggest trend in 2017 is not that engagement is an issue—but rather how we are dealing with it. Today, like never before, companies are adopting “always-on” listening tools to monitor engagement. These include pulse surveys, exit interviews, stay interviews, and open anonymous networking tools. Leaders are sharing feedback after every major company change and they are conducting open meetings to encourage people to speak up.

My research shows that most employees feel “committed” to their companies—and they all have opinions, feedback, and gripes for you to hear. If you give the organization the right “listening culture,” then you can unleash this information and drive up engagement.

For 2017, an entire industry of new feedback tools has been created. We predict that most companies will likely adopt or experiment with these tools, usually with amazingly positive effects. Figure 5 gives a sample listing of some of the vendors in these feedback tool categories.

Figure 5: Feedback Tools



Source: Bersin by Deloitte, 2016.

As you build a “feedback-rich culture,” you not only enhance engagement but your entire performance management process can become better. Modern performance management (which I discuss later) is built on regular and continuous feedback—and new feedback tools are now becoming embedded into most HR platforms, performance management systems, and real-time analytics systems.

Where Are We Today?

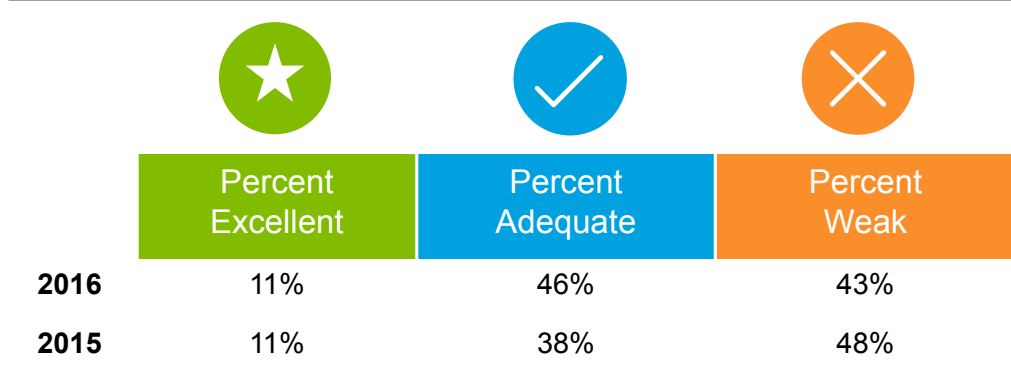
We know people are making progress on this; in 2016, our research¹⁸ showed slow but steady growth in maturity.

When asked how well companies are adapting their management practices to the demands of the modern, multigenerational workforce, we saw a slow but steady improvement (see Figure 6).¹⁹

¹⁸ *Global Human Capital Trends 2016: The new organization—Different by design*, Deloitte Development LLC and Deloitte University Press, 2016, <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/gx-dup-global-human-capital-trends-2016.pdf>.

¹⁹ Ibid.

Figure 6: How Well Companies Are Adapting to the Multigenerational Workforce*



*Percentages may not total 100% due to rounding.

Source: Deloitte Consulting LLP and Bersin by Deloitte, 2016.

When asked “how frequently do you measure your employee’s engagement,” we found progress, but still plenty of work to do. Sixty-four percent of companies measure engagement once per year, 11 percent once per quarter, and 7 percent more frequently than once per quarter—but 18 percent never measure engagement at all, so the market still has a way to go. (Surprisingly, only 4 percent of companies measure social media to understand their employees’ sentiment, a number which is far too low.)²⁰

Prediction 3: Real-Time Feedback and Analytics Will Explode in Maturity

PREDICTION

Real-time feedback, pulse surveys, text and narrative analytics, and network analytics tools will become mainstream in 2017.

This leads me to my third prediction. Driven by the need to understand and improve engagement, and the continuous need to measure and improve employee productivity, real time feedback and analytics will explode.

The feedback tools market (see Figure 5) is now more than \$300 million in size and growing at more than 100 percent annually.²¹ Most major HR software tools are now embedding pulse survey tools, activity streams, and other techniques for feedback. Most new performance management tools are including these features as well. Let me give you a few examples.

- A large healthcare provider (more than 300 hospitals around the U.S.) has just replaced its annual engagement survey with a weekly pulse survey (one question per week). The senior vice president of HR told me, “... *they are amazed at what information, issues, and new ideas have surfaced.*” The company is already delivering weekly dashboards directly to line managers and is now looking to add similar feedback tool to patients at the bedside.
- A large airline is adopting pulse surveys across its entire employee base (from customer service agents to baggage handlers), and for the first time delivering

²⁰ *Global Human Capital Trends 2016: The new organization—Different by design*, Deloitte Development LLC and Deloitte University Press, 2016, <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/gx-dup-global-human-capital-trends-2016.pdf>.

²¹ This information is based on our ongoing research on the topic of employee engagement.

engagement and feedback dashboards to line managers. Not only is this central to the company’s new customer focus, it is likely to be used for performance management, leadership development, and even customer service.

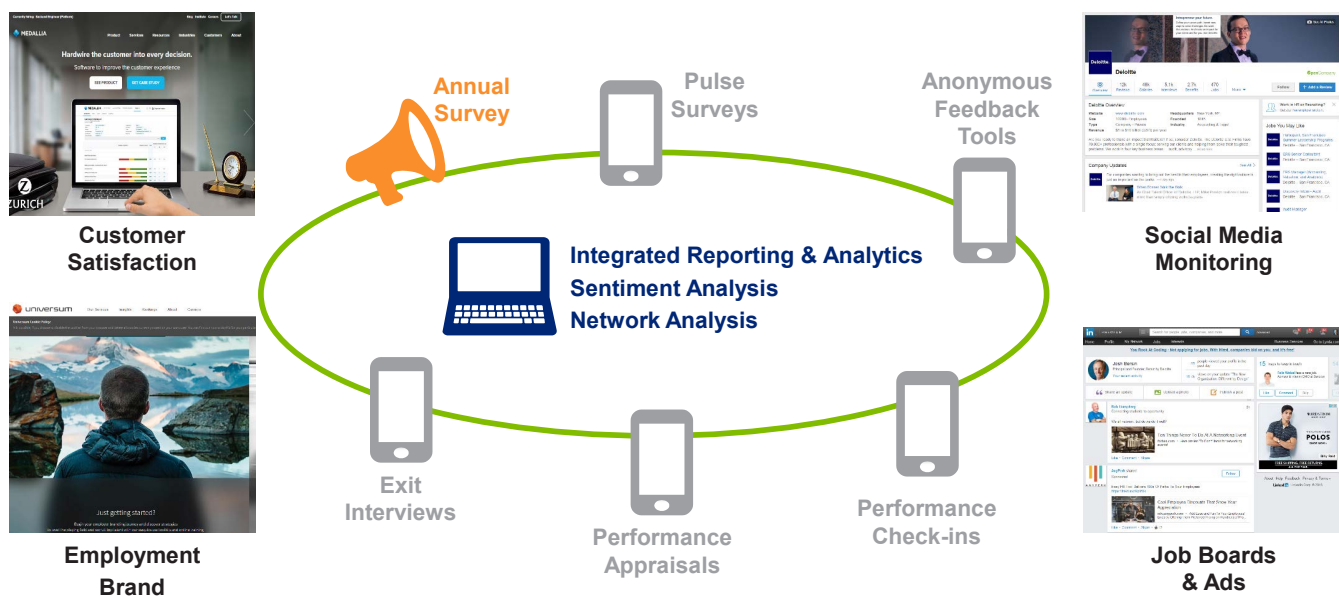
- A fast-growing marketing software company (3,000-plus employees) sends pulse surveys to its entire sales team every week. The senior vice president of sales told me, “... I can tell Friday night from the feedback survey exactly who is going to perform well the following week and who needs extra coaching.”
- A large educational institution going through downsizing used a rapid feedback tool to gain immediate feedback from employees after a layoff was announced. The CEO and HR leaders discovered some problems with the program within 24 hours; the next day, the company was able to respond and modify the program to better meet the needs of employees.

Not only are dozens of exciting new vendors selling pulse survey tools with analytics backends, but these tools are becoming smarter and smarter. Several of the vendors have real-time analytics (you can see groups that are unhappy in real-time), text analytics engines (all open feedback questions can be analyzed and grouped by topic), and built-in action plans.

The exciting thing about the feedback market²² is that it goes far beyond measures of employee engagement. The new world of performance management (discussed later in this report) is now built on “always feedback.” Tools like Slack, Outlook, and Gmail now have plugins to give people feedback. New feedback apps are being used to rate meetings, benefits, and even new product announcements.

For 2017, I think it is critical for companies to build a strategy to automate and instrument your entire range of employee experiences—and develop what I like to think of as a “feedback architecture.”

Figure 7: Enterprise Feedback Architecture



Source: Bersin by Deloitte, 2016.

22 “Feedback Is The Killer App: A New Market and Management Model Emerges,” Forbes.com / Josh Bersin, August 26, 2015, <http://www.forbes.com/sites/joshbersin/2015/08/26/employee-feedback-is-the-killer-app-a-new-market-emerges/#1f95389f6626>.

KEY POINT

2017 is the time for you to build a plan and roadmap for feedback systems (and tools) throughout your employee lifecycle.

Every part of your employee experience (from candidates looking for a job; new hires going through onboarding; employees at work on a daily basis; and performance checkins, reviews, and exit surveys) all bring together information you need to understand your entire “employee experience” (discussed later in this report). While none of the HR vendors in the market can cover this entire range of applications as yet, it is coming soon. So, 2017 is the time for you to build a plan and roadmap for feedback systems (and tools) throughout your employee lifecycle.

Growth of People Analytics

As real-time feedback data grows in volume, and your company focuses more heavily on issues like culture, engagement, and external brand, your analytics team needs to keep up. CulturePath, for example (a Deloitte tool that helps companies to diagnose their business culture), produces data at an individual team level that can be matched directly with engagement, turnover, and other metrics. You will need an analytics team to bring all of this together.

We have been studying HR and talent analytics for a decade now and, this year, the improvement in maturity is striking.

Figure 8: People Analytics Maturity Grows

	2015	2016	Percent Change
Correlating people data to business performance	24%	39%	+63%
Correlating people data to business performance (percent excellent)	5%	11%	+120%
Using people data to predict business performance	28%	36%	+29%
Using people data to predict business performance (percent excellent)	4%	9%	+125%
Performing multiyear workforce planning	38%	48%	+26%

Source: Bersin by Deloitte, 2016.

This shift means more than simply becoming better at statistics and data management. I believe in 2017 we will see analytics move from a niche group in HR to an important operational business function.

Here is why. As all of this data becomes available, the people analytics team becomes central to almost everything we do in management, leadership, and HR. Every program designed, every incentive rolled out, and every structural change or organizational challenge faced should be informed by data. So, in 2017, we should stop thinking of “people analytics” as a team of statisticians producing reports and retention models—this team is now becoming a general purpose data and consulting group to the entire company. Here are a few examples.

- A major manufacturer can now predict unplanned absences, and has adjusted the pace of performance reviews and other management practices to directly reduce absence at key times of the year.
- A large energy company has reinvented its leadership model by studying the pattern of high performers in Asia to find that the career trajectory and academic background they use in the U.S. no longer applies.
- A fast-growing telecommunications company in India now uses real-time dashboards to measure candidate flow, candidate quality, and time to productivity for all of its hiring in more than 100 different sales and business locations.
- Several banks now use proprietary risk analytics models to identify communication patterns, and potential threats of compliance risk and fraud, based on patterns of communication and past history.
- A large consulting company (Deloitte) instrumented its employees in a series of cities to determine ways to design conference rooms, windows, and work environments to help to optimize productivity and employee happiness.
- A major services company now gives its employees a mobile app that recommends what office, location, and parking spot they should take to optimize their work environment, based on their preferences.
- Another services company now gives its employee a “nudge” app that monitors their travel, time billed, and miles flown to help them to cut down on excess stress and overwork, without alarming their managers.
- A food service company analyzed its highest retention customers, and found that the behaviors of the highest-performing teams do not focus on sales or service, but rather on safety and accident avoidance.
- An energy utility found that an accident it incurred could have been predicted if the company had more carefully used text analytics to monitor employee feedback in emails and surveys over the prior years.

As you can see, the realm of people analytics has moved far beyond “engagement analysis and retention modeling” to business analytics—to understand what we know about our people that can help us to improve performance, reduce risk, or cut cost.

As part of this maturing of people analytics, we see other changes in 2017. These will be further explored in our upcoming new People Analytics Maturity Model²³.

- Analytics skills are now available to HR, but most companies struggle to find people who can interpret data, visualize data, and define real interventions that take advantage of data.
- Analytics teams are becoming more “federated” within the organization, so business partners and line managers can now gain the demonstrated benefits of analytics through prebuilt dashboards that measure what matters (which has been determined in advance through modeling).
- HR tools and platforms are becoming better at consolidating and analyzing data, but most analytics projects are still done by hand.

²³ This information is based on our current research on the topic of people analytics, the report for which is due to be published in 2017.

- Data management continues to plague most large companies, despite the wave of investment in new cloud systems. A focus on data governance, security, and a sound data dictionary are more important than ever.
- Artificial intelligence (AI) is now becoming commonplace, so it is no longer necessary to just “model a problem”—many software tools now “prescribe or recommend” solutions. One vendor, HireVue, for example, can view interview videos, and determine when someone is likely to be lying, exaggerating, or perhaps is just not a cultural fit. Its reliability is good enough that major companies are now replacing dozens of interviews with such AI / analytics tools.

PREDICTION

The revolution in performance management practices (moving from an annual to continuous model) is finally being supported by a new breed of performance management software vendors.

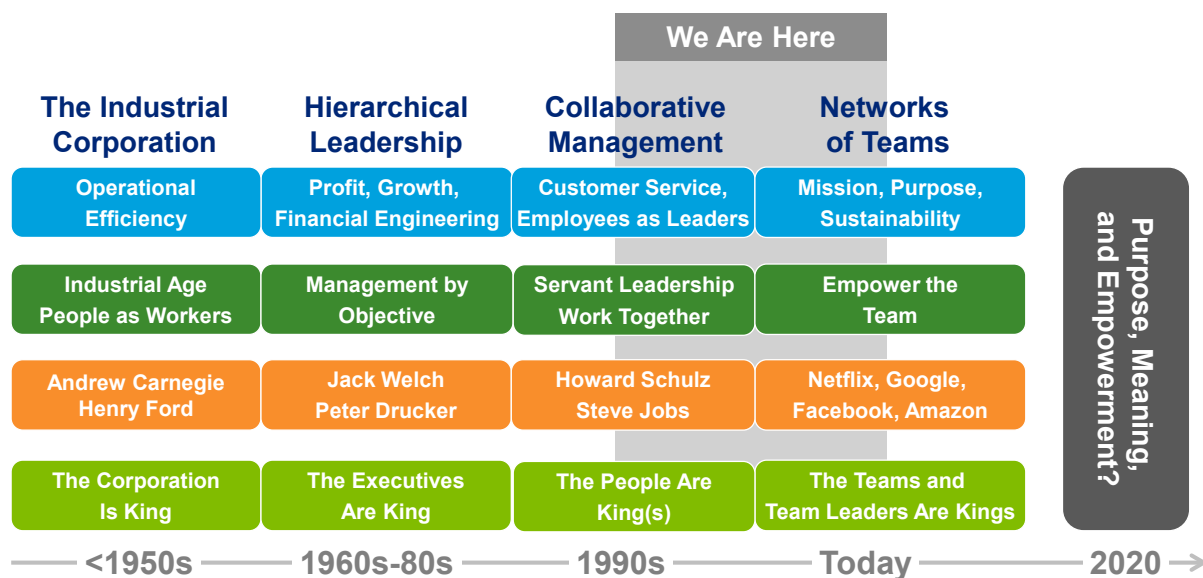
Prediction 4: A New Generation of Performance Management Tools Will Emerge

This prediction has already come true. Today, driven by the power of innovation, dozens of new companies are trying to reinvent the performance management tools market. These companies are not just creating things from scratch—they are responding to a huge gap in the market.

Let me give you some perspective. Over the last 15 years, companies have shifted from a very top-down, process-driven approach to employee performance management (and annual appraisals) to a much more agile, continuous, feedback-based approach. Much of this is driven by the need to engage and empower young demanding employees, but much is also driven by a shift in management thinking.

As Figure 9 illustrates, we are in a new world of management. Employees want to be “empowered” and “inspired,” not told what to do. They want to provide feedback to their managers, not wait for a year to receive feedback from their managers. They want to discuss their goals on a regular basis, share them with others, and track progress from peers.

Figure 9: The Evolution of Management Thinking



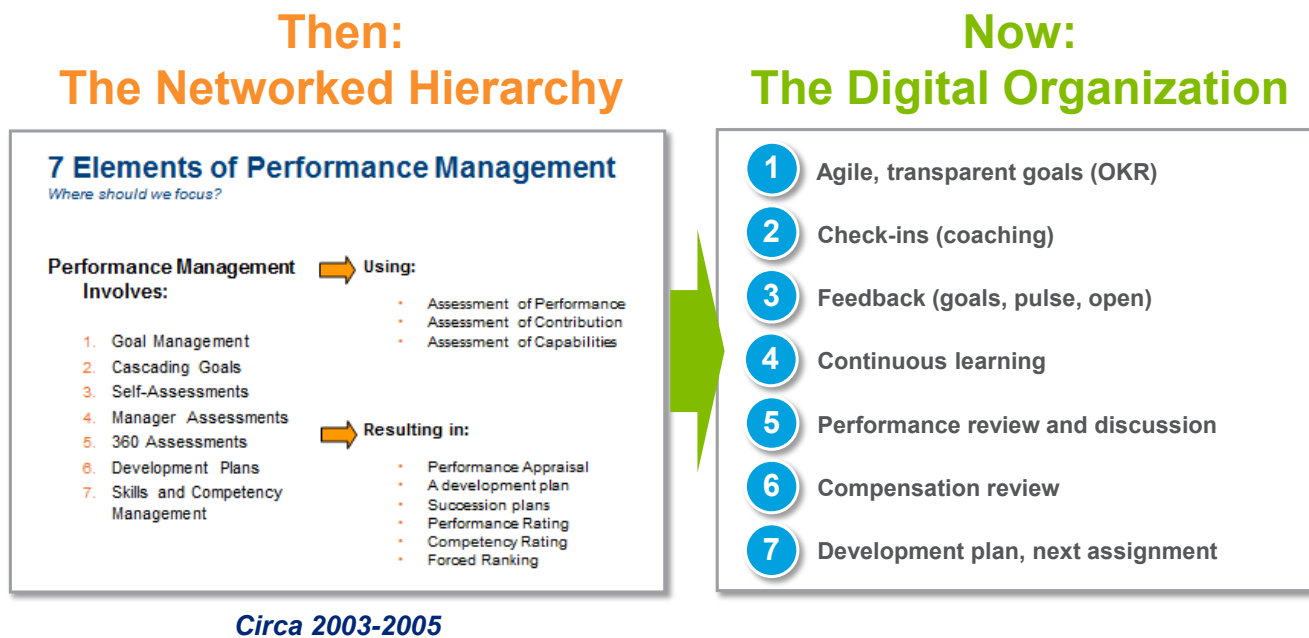
Source: Bersin by Deloitte, 2016.

All of these changes, plus a trend away from forced rankings and numeric ratings, have essentially created a whole new market for performance management systems. This revolution is still in its early phases, with most companies implementing things like regular checkins, OKR (objectives and key results) or agile goal practices, continuous coaching, and even models in which employees have one “sponsor” and another “project manager.”

These changes in how we manage people have primarily been positive. Companies like Adobe can now prove that the redesign of its performance process has directly increased retention, engagement, and innovation. But guess what? The big software vendors (such as Oracle, SuccessFactors, Workday, Cornerstone OnDemand, etc.) do not have the software yet.

In some ways, this trend (which we have been writing about for quite some time) has left the incumbent HR software providers “flat-footed.” They see the opportunity and they see the need, but frankly they have not moved fast enough to capitalize on the change. (Read more about this in our HR Technology Disruptions report.²⁴)

Figure 10: Performance Management—Then and Now



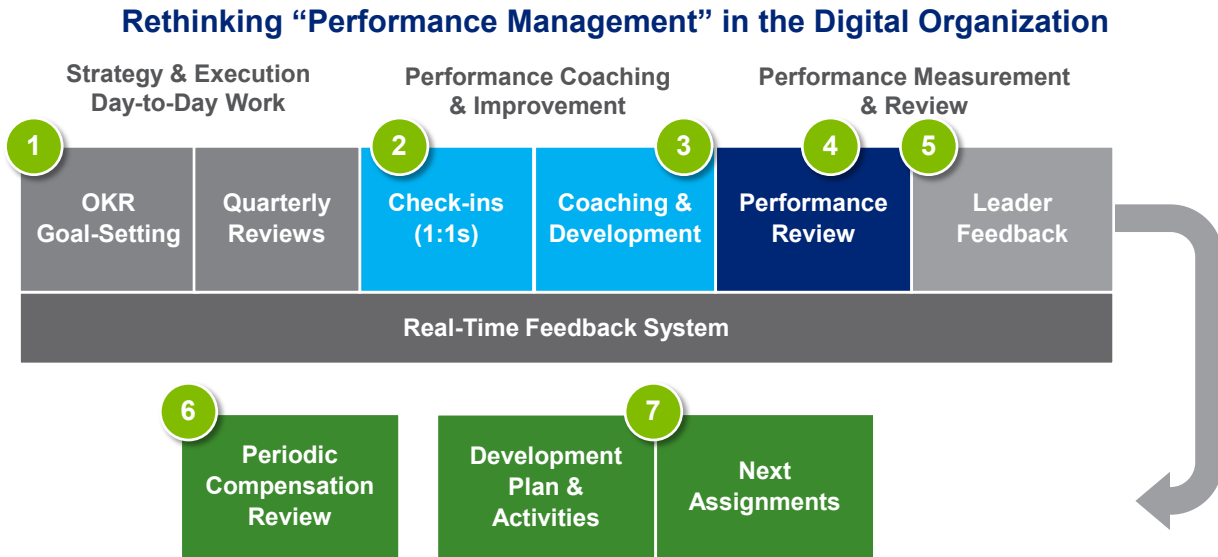
Source: Bersin by Deloitte, 2016.

In addition to these process changes, something else is going on. Today’s performance management practices are being integrated with disciplines, like engagement surveys, social recognition, career management, and continuous learning. The whole process of “managing and assessing performance” is one of setting goals, discussing progress, and coaching people to improve. As part of that process, we want to capture feedback (for the leader), plan for the next role, and help people to plan their careers.

²⁴ HR Technology Disruptions for 2017: Nine Trends Reinventing the HR Software Market, Bersin by Deloitte / Josh Bersin, 2016.

This new world is being invented before our eyes. As I research and talk with more companies, I find that the process is coming together, something like the illustration in Figure 11.

Figure 11: The New World of Performance Management



Source: Bersin by Deloitte, 2016.

This new world shifts the whole focus on software tools away from forms and year-end discussions toward tools that let us share and update goals, set development plans and plan next jobs, and of course assess end-of year results.

The end-of-year discussion is not going away nor is the need to set compensation each year. But now, rather than link the whole process to a simple “rating,” the process is more data-driven. It includes feedback and a year of goals discussions, and of course potential and career goals in the process. A senior HR manager told me that his company has essentially done away with nine-box grids (performance versus potential), because of the old-fashioned idea that everyone has some measurable amount of “potential” is really silly. We all have potential to do more and new things, but we have to personalize the process.

So part of this new world is also building tools for many nine-box grids, evaluating people based on social recognition and feedback, and even comparing people’s compensation with external benchmarks (which can now easily be obtained online) as we discuss their annual raises.

I will not try to write a book about this topic in this report; but suffice to say that, in 2017, new vendors will break away from “the pack” and become the next “big HR platforms” out there. This will likely be a complex and somewhat brutal war between software companies, but the stakes are high and the market is enormous. We list many of the vendors in this new disruptive market in our HR Technology Disruptions report.²⁵

²⁵ HR Technology Disruptions for 2017: Nine Trends Reinventing the HR Software Market, Bersin by Deloitte / Josh Bersin, 2016.

By the way, the red herring discussion about “ratings” is finally dying down. While many articles have discussed how companies like Adobe, NY Life, Microsoft, and Goldman Sachs are “doing away with ratings,” this really is not the core issue. The core change is moving away from the annual, manager-driven process toward one that is continuous, developmental, open, and team-centric.

PREDICTION

A focus on employee wellbeing, productivity, and health will become an integral part of HR’s mission in 2017.

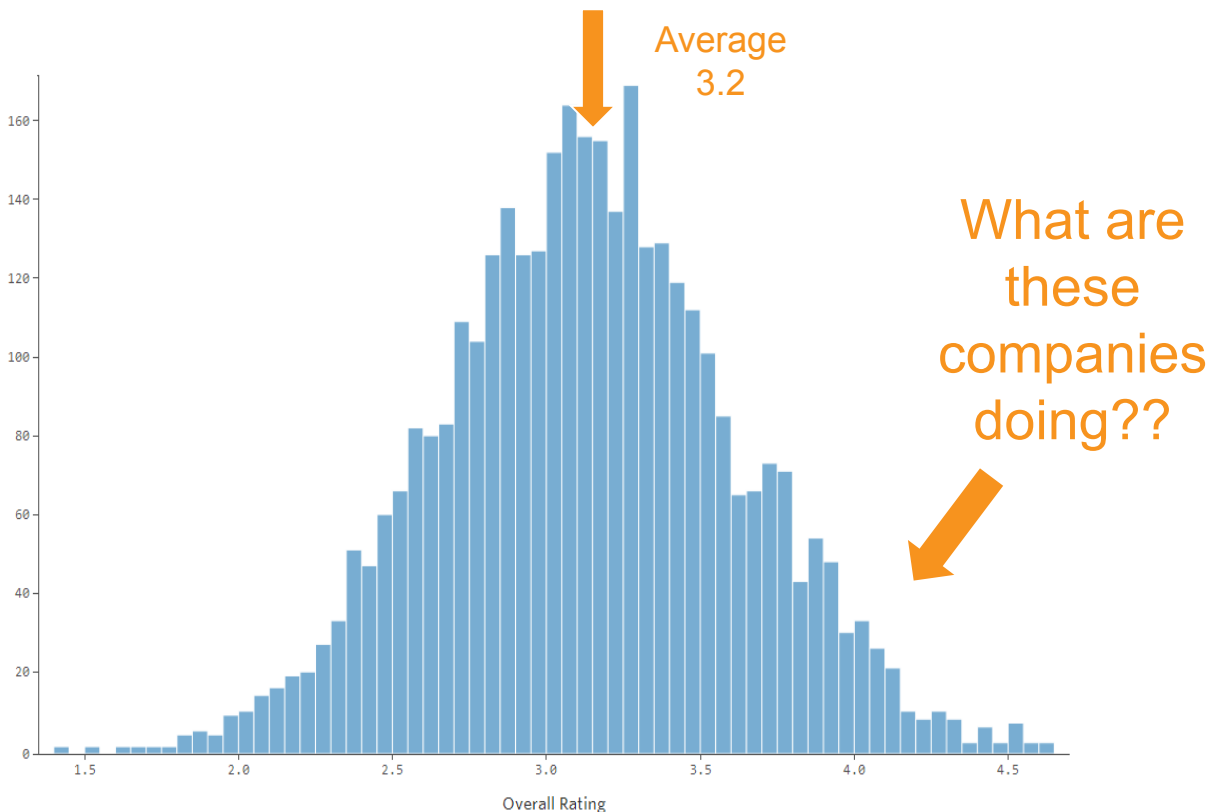
Prediction 5: A Focus on “Human Performance” and Wellbeing Will Become a Critical Part of HR, Talent, and Leadership

This leads me to my next big topic—redefining what HR is really all about.

Over the last few years, as I have written many times about how employees have become less productive, more over-worked, and less engaged with work. Some data may help you to see this.

- Overall engagement levels today are no higher than they were 10 years ago. Our analysis of Glassdoor data shows almost no improvement in overall employee ratings of their companies over the last seven years. (see Figure 4, repeated in this section). The distribution continues to be a bell curve—just as many companies have terrible engagement as those who have high engagement.

Figure 4: Engagement Is Critical to Success

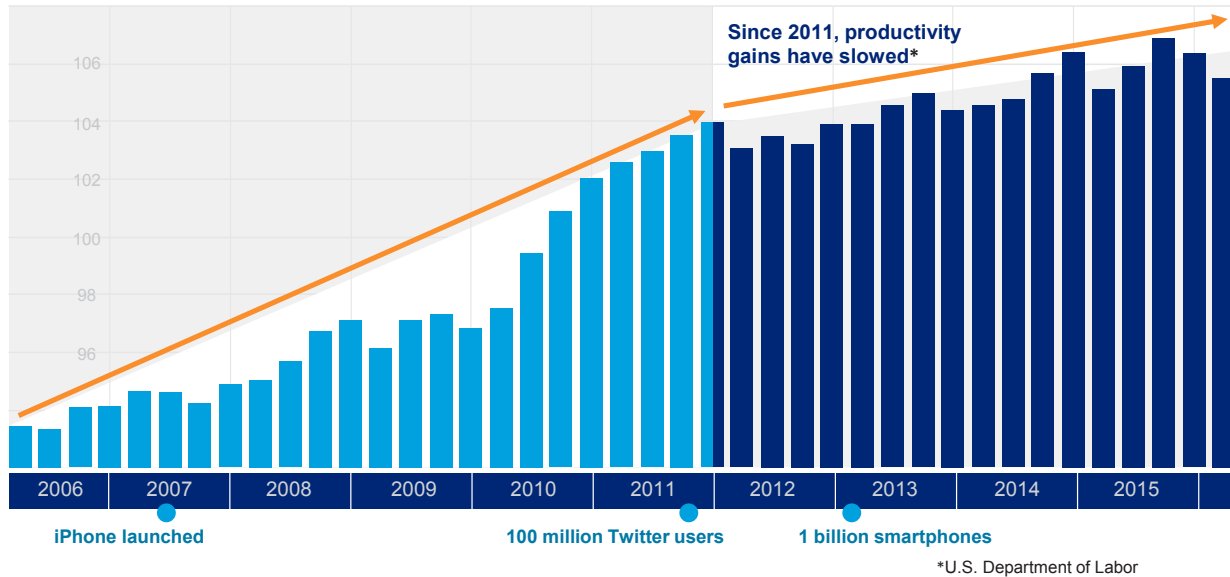


Glassdoor Ratings of Employer (Recommended to friends), 20,000+ Respondents

Source: Bersin by Deloitte, 2016.

- U.S. productivity after the launch of the iPhone (see Figure 12) has slowed, so the new tools and technologies we have at work (and there are far too many ways to message people now) are not making us more productive.

Figure 12: U.S. Productivity 2006 through 2016

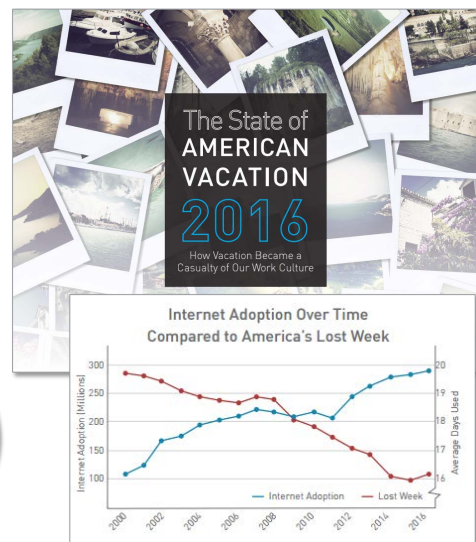


Source: Bersin by Deloitte, 2016.

- U.S. workers take four to five days less vacation now than they did in 1998; research on PTO found that we left 658 million unused days in 2015 (220 million of which were lost).²⁶

Figure 13: Working More Hours—The Vacation Crisis²⁷

- Since 2000, American workers have **lost an entire week** of vacation, dropping average vacation days from 20.3 to 16.2
- Americans left **658 million unused vacation days** and lost 220 million of them in 2015
- **39% of Americans “want to be seen as a work martyr,”** yet 86% say it’s bad for their family life



Source: Bersin by Deloitte, 2016.

²⁶ *Global Human Capital Trends 2015: Leading in the new world of work*, Deloitte Development LLC and Deloitte University Press, 2015, <http://www2.deloitte.com/content/dam/Deloitte/at/Documents/human-capital/hc-trends-2015.pdf>.

²⁷ *The Deloitte Millennial Survey 2016: Winning over the next generation of leaders*, Deloitte Consulting LLP, 2016, www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html; and *Global Human Capital Trends 2016: The new organization—Different by design*, Deloitte Development LLC and Deloitte University Press, 2016, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/gx-dup-global-human-capital-trends-2016.pdf>.

- Almost 40 percent of employees believe “it is impossible to maintain a fast-growing career and a sound family life,” thanks to the “work-martyr” effect in companies.²⁸

I will not go on scaring you about the heart attacks, lack of sleep, divorces, and other problems at work; the data clearly shows that, despite the fact many jobs are being replaced by computers and we have more technology than ever, we are not getting more work done.

KEY POINT

The strategy for 2017 is to move HR from the “personnel department” to a new role as the “consultant in human performance.”

The strategy for 2017 is to rethink this problem—and move HR from the “personnel department” to a new role as the “consultant in human performance.” A myriad of issues prevent us from getting work done productively—from our desks, office arrangements, tools, and management practices. One of HR’s biggest opportunities in 2017 is to get away from designing more programs to focusing on “making work-life better.”

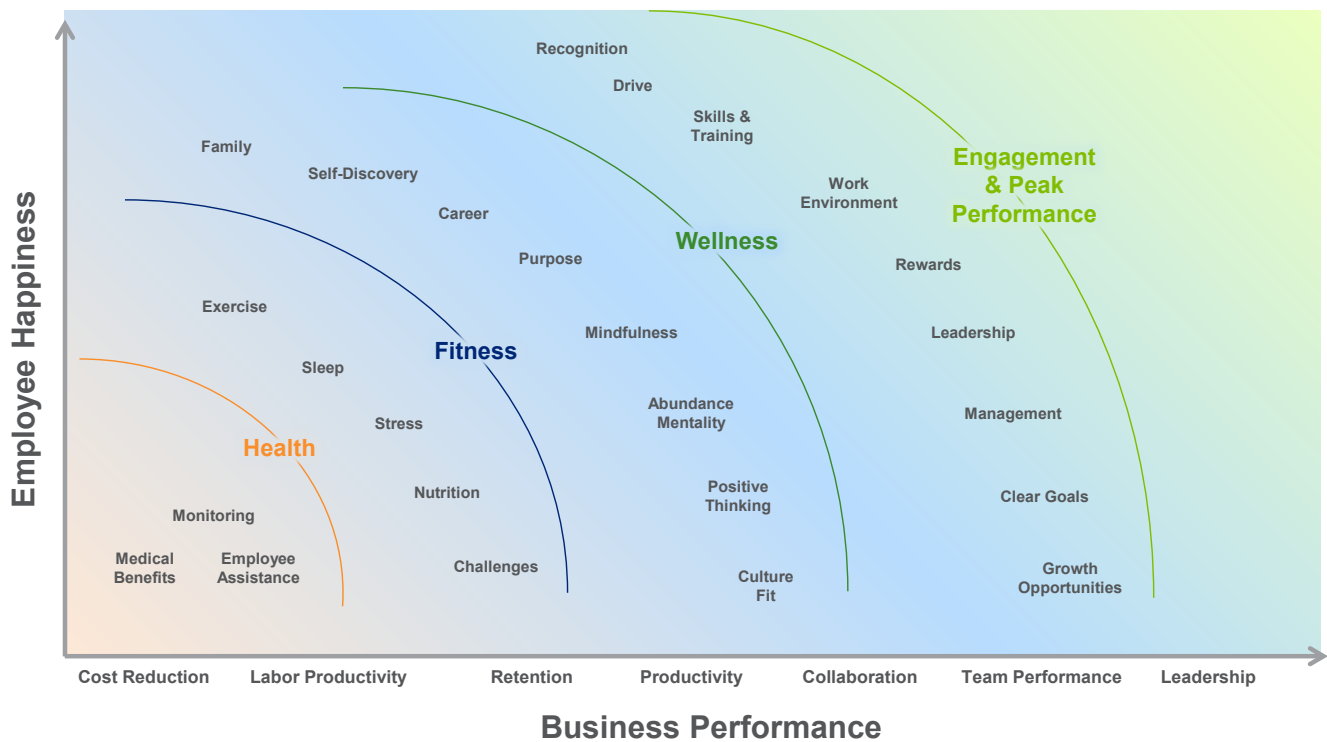
If you think through what this means, it essentially says that, instead of managing the performance appraisal process, the onboarding program, the health and wellness programs, and the leadership development systems, we in HR now own all of this stuff with a focus on “how can we help individuals and teams perform.”

Initiatives like employee wellness, employee engagement, culture, and work-life balance are all contributors to this topic. At a meeting in late 2016, a senior HR manager asked me, “*What should I do to help people stop burning out at work?*” I said that much of this problem comes from senior leadership—if they send emails all weekend, people will feel obligated to respond and do the same. Is that a culture issue? A leadership competency? A productivity issue? It is all of the above. We in HR should look at this entire tapestry of issues in a holistic way and focus on integrating all of these various HR “programs” into a cohesive whole.

Consider Figure 14. In many ways, the entire topic of human performance comes down to this simple picture of the work environment. Are people healthy? Do they have habits and information to stay energetic and well-rested? Do they feel focused and do managers help them to focus? And, of course, do they have the skills, support, training, and coaching to do their jobs? All of these fit together as I have shown in Figure 14.

²⁸ *Global Human Capital Trends 2015: Leading in the new world of work*, Deloitte Development LLC and Deloitte University Press, 2015, www2.deloitte.com/content/dam/Deloitte/at/Documents/human-capital/hc-trends-2015.pdf.

Figure 14: From Wellness to Wellbeing to Performance



Source: Bersin by Deloitte, 2016.

From the HR standpoint, of course, most of these areas are likely owned by different people in different groups. The compensation and benefits team owns the health insurance offering. The employee communications team owns the competitions and employee affinity groups. The wellness team owns mindfulness training. The talent management team owns all of the talent programs. I believe in 2017 we will start to see companies bring all of this into a cohesive whole in which all of these programs will come together.

I already have evidence of this. Vendors like Limeaid and VirginPulse now offer employee “wellness platforms” that cover most of the green, blue, and yellow areas in Figure 14. Obviously, the big HR platforms cover most of the orange side—and I see these all coming together. SAP is now partnering with Limeaid,²⁹ and I would not be surprised to see similar partnerships and acquisitions by other HR technology providers.

But the prediction here is not that the technology vendors will come together—the real prediction is that you, as an HR leader or practitioner, now have no choice. You should consider things like email policies, nap rooms, exercise programs, and hundreds of other environmental programs as part of your “human performance” strategy. Even the L&D organization, which is going through a disruption of its own, should redefine its role as one of “helping people to perform,” not just “delivering great training.”

²⁹ <http://news.sap.com/sap-will-provide-one-stop-shop-for-partner-apps-with-sap-successfactors-app-center/>.

PREDICTION

The concept of “total employee experience,” focused on design thinking and the simplification of work, will become a major focus in HR.

Prediction 6: Focus on Employee Experience Will Overcome Process Design in HR

Many HR departments have started renaming themselves. Some call themselves “people operations” and others call themselves things like “people and culture.” The message here is not to simply find a way to seem more strategic, but actually change the identity of what HR organizations do.

Throughout our research over the years, we have ultimately found that the role of HR in business is to do one of three things.

1. **Make sure the operational people processes work efficiently.** People are paid; they obtain good benefits; the company is not sued; people do not steal and cheat; and all administration of compliance, training, recruiting, compensation, reporting, analytics, and record-keeping is done well.
2. **Build the talent system.** Make sure that management, leadership, performance processes, career mobility, inclusion, development, and all the talent processes are handled well. Here, the criteria is to “be strategic”—in other words, not just “hiring,” but “hiring the highest-quality candidates for our particular needs.”
3. **Understand, manage, and improve the employee experience.** The third role of HR is a bunch of things that fall into the category of “making your company a productive, great place to work.” This includes focusing on culture, engagement, and an end-to-end set of experiences that make sure all employees (from new people to the most senior executives) truly operate in a productive, customer-centric, and collaborative way.

If we look at the 45 or so “practices” of HR that we have studied over the years, about one-third fall into the first category, another one-third fall into the second, and the last one-third fall into the third.

In 2017, I believe the disciplines of design thinking, experience design, and digital app design will start to go mainstream within HR. While companies have been redesigning their buildings, benefit plans, vacation policies, and other various programs, they have not necessarily been focused on what each individual employee experiences. In 2017, using the new idea of design thinking, I believe most HR teams will stop designing “programs” and start designing “experiences.” Let me give you a concrete example.

Case in Point: Design Employee Experiences

The Deloitte University Center for Leadership (DU) is a beautiful building in Texas where Deloitte consultants and leaders go for education, training, networking, and a variety of client events. When it was designed, it took years to discuss the investment, and the team decided to build “not a corporate university,” but a real “learning and collaboration experience.”

While I was not at Deloitte at the time, a huge amount of storytelling exists about how the invitations were designed, how the drivers pick up attendees at the airport, how attendees are greeted upon arrival, and how every room, meal, and facility contributes to the experience. All the rooms are the same size, for example, to give everyone the “experience” of peer to peer and openness. Free coffee and snacks are located everywhere you go inside this building, to encourage people to slow down and talk with each other. The learning rooms are highly configurable, so you can sit, stand, or move around at ease. Throughout the attendee’s experience at DU, the “hospitality” crew takes time to treat you like you a senior leader, even if you might be a first-year consultant.

This was done deliberately by studying the entire “experience” of learning and collaboration at Deloitte. While many of the ultimate elements may seem simple when I explain them, they all fit together into an integrated, high-value experience designed to excite, engage, and inspire people at Deloitte. This is an example of “experience design,” not “process design.”

In HR, we have to deal with hundreds of problems and issues. We have to brand, source, recruit, interview, hire, onboard, train, and lead people of all shapes and sizes. We have to deal with people in the wrong positions, people who need coaching, people who do not get along, and dozens of other challenging situations. We need to help business leaders to run the company well—giving them tools and support to manage people in the best possible way.

Today, in the “overwhelming” always-on technology environment of work, there is no way to do this by designing another “training program” or “onboarding program.” You have to study and design the “learning experience” and “onboarding journey.” We have many examples of this in our research library; in 2017, I think it will become central to your role, your mission, and your function.

PREDICTION

Digital HR is here to stay. We, in HR, have to “do digital,” as well as “be digital,” in everything we do.

Prediction 7: Digital HR and Learning Will Help Us to Reinvent L&D and HR Systems

Over the last five years, companies have invested billions of dollars into integrated, cloud-based, core HR systems. Yet new research from Cedar Crestone³⁰ shows that, despite this investment, employees are still far from satisfied with their HR systems and solutions.

We know employee engagement remains flat and productivity has yet to improve. What can HR do to be more proactive and innovative in our solutions?

A solution is right before us. HR organizations now have to learn how to “be digital,” not just “buy digital products.” Just as many digital disruptors have toppled businesses in travel, retail, and other industries, we should essentially “topple” our HR thinking with the adoption of digital solutions.

Digital solutions in HR (and learning) mean several things.

- **Hackathons and MVP (minimal viable products) work to get new apps and programs out the door quickly, with iterative improvement over time.** Rather than do a two- to three-year implementation of a major new HR system, we have to add new apps and solutions much more quickly.
- **Adoption of digital tools and design.** We need to become very good at building digital apps, creating well-designed user experiences, and using the tips and techniques of gamification, behavioral economics (nudges), and analytics in HR. Rather than telling people to “travel less,” we might want to give them a nudge application that compares their travel to others and incents them to slow down.
- **Increasing transparency.** Whether we like it or not, everything in HR has become transparent. People now know who is being promoted; they probably know their salary versus external benchmarks; and they know your company’s brand attributes on the outside market. Rather than fight or hide things from employees, we have to think “what if we share this and let people comment and rate things” instead.
- **Standardizing platforms.** In many ways, HR itself is a “platform”—we provide services, tools, information, and data to managers and employees all day. We have to think about ourselves as a team of centers of excellence (or a network of excellence) built on one standard HR Platform, with real-time data for all. One of our large clients in India, for example, implemented SAP in a unique way to build real-time dashboards for hiring speed, time to proficiency, turnover metrics, and engagement metrics in all 1,000-plus of its regional business offices. Everyone can see everything, so management decisions happen fast.
- **Bringing heterogeneous platform experiences together.** No matter how hard you try, it is nearly impossible to standardize on one technology vendor for all of your HR services. Our latest research actually found that the average company has seven different “systems of record,” and that problem is never likely to go away. The idea of an HR portal has been around for decades, but today with

³⁰ Cedar Crestone Systems Survey 2016.

mobile needs and dynamic workers, we need a better solution. An effective option is to build an integrated employee experience platform, one built on apps and an integrated backend. Our case study on Commonwealth Bank of Australia³¹ describes how they did this; new products like Deloitte ConnectMe³² integrate employee transaction needs, services, and personalization in one integrated system.

- **Moving HR teams around.** Just as a business would provide job rotation, experiential learning, and exposure to new leaders, we should do the same in HR. Digital business means always being able to “pivot”—move people into new jobs—and that often means into and out of HR. HR business partners should have business rotations and business leaders should rotate into HR as well.
- **Data-driven everything.** Analytics is no longer a “good idea” for HR—it is now mandatory. Effective digital HR means you have good data; you have an analytics team; your systems are integrated and cleaned up; and you can find accurate information quickly. Without this data “platform,” you will likely fall behind the rest of the business and decisions may be made too slowly.

I mention L&D in this prediction because the part of HR that seems to be most under stress is the way we train and coach our teams. You have to seriously think about what “digital learning” experiences mean—and apply the disciplines of design thinking to the way people learn. We are going to be reintroducing our brand-new High-Impact Learning Organization research in 2017, so stay tuned for more on that topic.

PREDICTION

Leadership development continues to be a challenge year after year. In 2017, a focus on “digital leadership” and rethinking the leadership pipeline will be critical to addressing this perennial problem.

Prediction 8: The Leadership Market Will Start a Steady Process of Reinvention

One of the most important things HR organizations should do is to make sure that the organization has a ready supply of strong, well-aligned leaders. Leadership development (which is more than a \$14 billion industry³³) remains a high priority for HR and continues to be a challenge every year.

In our 2016 Human Capital Trends study, we found an increasing priority in this area (90 percent of companies rate it “critical” or “important,” and the percent rating it “urgent” increased by 15 percent).³⁴ I believe there are many reasons for this change—and most come down to the radical change in management styles and philosophies we have to deal with today. Let me highlight a few of the issues that are expected to change the market in 2017.

³¹ *Fostering Change and Driving Productivity: How the Commonwealth Bank of Australia Leveraged Analytics and Mobile Technology to Spur Efficiency*, Bersin by Deloitte / Katherine Jones, PhD, 2015.

³² <https://www2.deloitte.com/us/en/pages/consulting/solutions/improve-employee-experience-management-connectme.html>.

³³ *High-Impact Leadership: The New Leadership Maturity Model*, Bersin by Deloitte / Andrea Derler, PhD, 2016.

³⁴ *Global Human Capital Trends 2016: The new organization—Different by design*, Deloitte Development LLC and Deloitte University Press, 2016, pages 27-34, <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/gx-dup-global-human-capital-trends-2016.pdf>.

- Millennials are now leaders (more than 50 percent of them have four or more direct reports) and our new research³⁵ shows that they do not aspire to “mimic” the styles of older senior leaders. So they are essentially reinventing the role.
- Many large companies continue to lag in their investments in new leaders. Most Millennials believe that they are not getting the development they need and only 15 percent of companies believe they have a strong Millennial-focused leadership program.³⁶
- Our newest research on high-impact leadership³⁷ shows that formal training tends to be the least valuable way to build leaders—a focus on culture, exposure³⁸, organizational context³⁹, and continuous feedback and coaching is needed. Fewer than 10 percent of companies have reached Level 4 in our new Leadership Maturity Model (see Figure 15), so we have a lot of work to do. (This really makes a difference—companies that adopt a “systemic leadership” approach—Level 4 Maturity—are generating 37 percent higher revenue per employee and are 9 percent more profitable.⁴⁰)

³⁵ *The Deloitte Millennial Survey 2016: Winning over the next generation of leaders*, Deloitte Consulting LLP, 2016, <http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>. Bersin by Deloitte High-Impact Leadership research, 2016.

³⁶ Ibid.

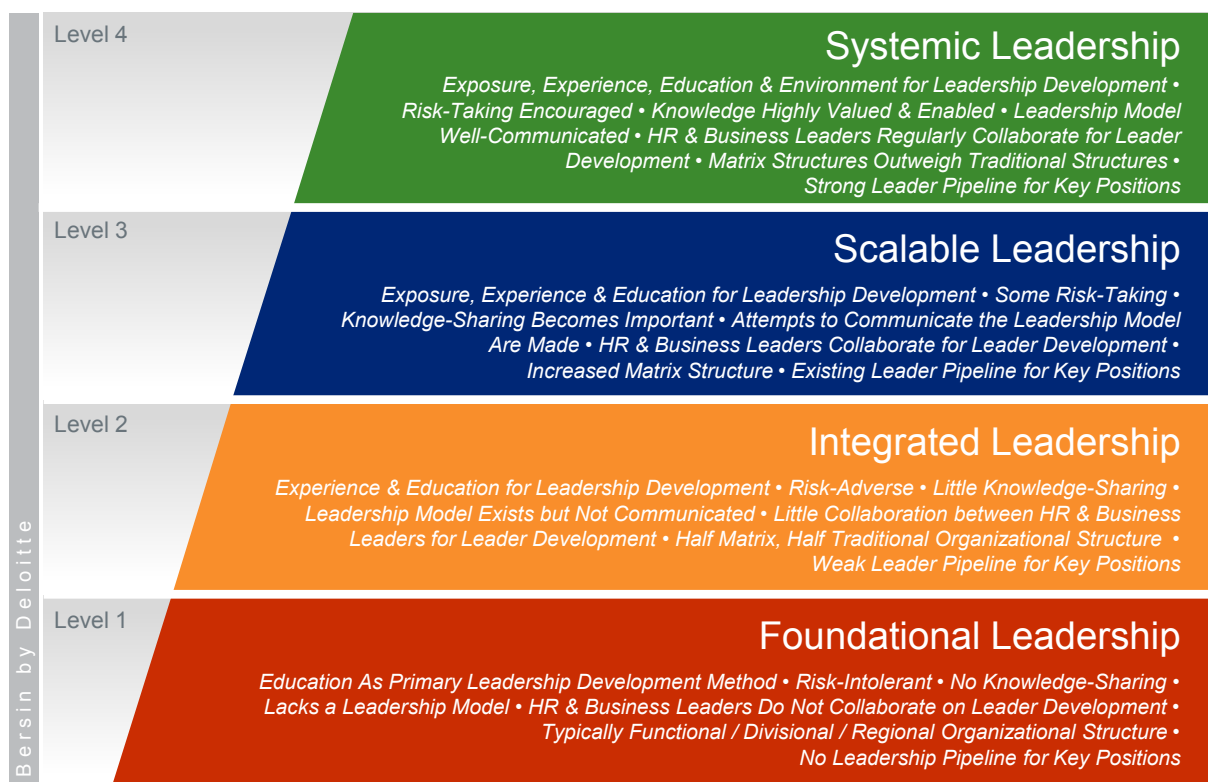
³⁷ *High-Impact Leadership: The New Leadership Maturity Model*, Bersin by Deloitte / Andrea Derler, PhD, 2016.

³⁸ “Exposure” refers to learning that occurs through interaction and relationships with colleagues, professionals, and thought leaders, as well as with peers, customers, and contexts outside of a learner’s immediate job realm.

³⁹ In general terms, “organizational context” refers to the various attributes in the work environment that may influence a group (such as a company, division, department, work group, work role, etc.), and which have the potential to affect performance, attitudes, and behavior. These attributes include management processes, and organizational culture and systems, among others.

⁴⁰ *High-Impact Leadership: The New Leadership Maturity Model*, Bersin by Deloitte / Andrea Derler, PhD, 2016.

Figure 15: The Leadership Maturity Model



Source: Bersin by Deloitte, 2016.

- “Digital leadership,” which represents the way we manage companies in the new digital era, is different. Our research shows that highly effective companies today focus on agility, team-centric performance, rapid talent mobility, continuous learning, and pushing to deliver products faster in a more iterative way. The older models of leadership in which leaders were expected to set strategy and lock down goals are simply not keeping up. So many of the traditional leadership models are being reinvented.⁴¹

In 2017, I do not believe this large and complex market will be reinvented—but I do believe we will see a large push for new leadership models, new development strategies, and a much more significant focus on building leadership skills among younger employees.

KEY POINT

We should push young people into leadership roles, give them the support they need, and coach them so they can grow and improve.

Remember that leadership is learned by doing. We should push young people into leadership roles, give them the support they need, and coach them so they can grow and improve. The traditional model of identifying leaders through a nine-box grid and then waiting until they are “ready to lead” is simply too slow. Today’s teams need leaders who can lead projects, customer situations, and service teams. These are often individuals who have natural leadership skills or inclinations. If we can redesign our leadership strategies to empower and support these people earlier, and focus on the “digital skills” of leadership, this market can reinvent itself.

⁴¹ The Deloitte Millennial Survey 2016: Winning over the next generation of leaders, Deloitte Consulting LLP, 2016, <http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>. Bersin by Deloitte High-Impact Leadership research, 2016.

PREDICTION

Diversity, inclusion, and the removal of unconscious bias will become CEO-level issues in 2017. New tools are making this problem easier to diagnose and address.

Prediction 9: Diversity, Inclusion, and Unconscious Bias Will Become a Top Priority

The topic of diversity has been on the HR agenda for decades. Once considered a compliance program, it has now become a business strategy. In fact, CEOs and company brands are now impacted by an organization's gender and racial diversity; the topic of unconscious bias has become front of mind; and companies like Google⁴² and Facebook⁴³ are now sharing their internal tools to help others to deal with the issue. Airbnb posted a manifesto⁴⁴ on the topic, focusing on hosts as well as their internal operations.

This topic has risen in importance because of the political climate in which we live. Our employees and leaders are bombarded by these issues, and frankly many of them are worried.

Several of our clients have asked us for help in developing new communication tools to aid managers and employees in explaining these issues. Companies now put their hiring metrics and diversity measures on their websites; some countries (Australia, for example) now require public companies to disclose various diversity numbers.

In the U.S., more than 55 percent of college graduates are now women, so the issues of gender pay parity, and women in engineering and leadership are top of mind. All of our research has now proven that diverse teams, an inclusive environment, and gender equality in pay and leadership actually lead to higher-performing companies.⁴⁵ A new book illustrates further why gender, racial, and age diversity results in higher levels of innovation, trust, and collaboration.⁴⁶

Not only is the topic timely and relevant today, but also the tools to measure and expose issues of inclusion are starting to become mainstream. New software from SuccessFactors⁴⁷ now detects bias in job descriptions, interview forms, and other employment-related programs. AI software from HireVue can now detect the age and race of all job candidates from video interviews, and then point out hiring and staffing bias among different managers or teams.⁴⁸ Deloitte Australia is now piloting a tool to detect unconscious bias in behavior and other programs, and has now published ways to “nudge” people to be less biased in their people decisions.⁴⁹

⁴² “Watch Unconscious Bias @ Work,” Google / Brian Welle, PhD, <https://rework.withgoogle.com/guides/unbiasing-raise-awareness/steps/watch-unconscious-bias-at-work/>.

⁴³ “Managing Unconscious Bias,” Facebook, <https://managingbias.fb.com/>.

⁴⁴ *Airbnb's Work to Fight Discrimination and Build Inclusion: A Report Submitted to Airbnb*, Laura Murphy & Associates / Laura W. Murphy, September 8, 2016, http://blog.airbnb.com/wp-content/uploads/2016/09/REPORT_Airbnbs-Work-to-Fight-Discrimination-and-Build-Inclusion.pdf.

⁴⁵ “Companies With More Women Board Directors Experience Higher Financial Performance, According to Latest Catalyst Bottom Line Report,” Catalyst.org, <http://www.catalyst.org/media/companies-more-women-board-directors-experience-higher-financial-performance-according-latest>.

⁴⁶ *Which two heads are better than one?*, Juliet Bourke / Australian Institute of Company Directors, <http://www.companydirectors.com.au/director-resource-centre/publications/book-store/which-two-heads-are-better-than-one>.

⁴⁷ “SAP Is Building Bias Filters Into Its HR Software,” Fortune.com / Heather Clancy, August 31, 2016, <http://fortune.com/2016/08/31/sap-successfactors-bias-filter/>.

⁴⁸ <https://www.hirevue.com/solutions/insights>.

⁴⁹ “Inclusion nudges guidebook: Global case studies, Deloitte Australia / Juliet Bourke, May 2015, <http://www2.deloitte.com/au/en/pages/human-capital/articles/inclusion-nudges-guidebook.html>.

In 2017, HR organizations need to put this topic high on the agenda—and make sure that your organization is capturing the right information, sharing it formally, and developing a holistic inclusion and diversity program which touches all of your talent practices.

Our High-Impact Talent Management research, which included more than 1,000 companies around the world, found that “building a culture of inclusion” is one of the very top practices that drive financial business outcomes among all of the HR practices we studied.⁵⁰ Unfortunately, when we assessed the level of sophistication of most companies this area, 70 percent were rated at maturity Levels 1 or 2, implying that we all have a lot of work to do.

Figure 16: The Talent Management Maturity Model



Source: Bersin by Deloitte, 2015.

Interestingly, if you look at the financial performance of these “highly inclusive” companies, it stands out clearly. Our research shows that most “highly inclusive organizations”:⁵¹

- Generate 2.3 times more cashflow per employee
- Generate 1.4 times more revenue
- Rate themselves 170 percent better at innovation

⁵⁰ “Bersin by Deloitte: Diversity and Inclusion Top the List of Talent Practices Linked to Stronger Financial Outcomes,” Bersin by Deloitte, 2015, <http://www.bersin.com/News/Content.aspx?id=19377>.

⁵¹ *High-Impact Talent Management: The New Talent Management Maturity Model*, Bersin by Deloitte / Stacia Sherman Garr and Candace Atamanik, 2015.

- Are 180 percent better in their ability to adapt to change
- Are 120 percent more capable of meeting financial targets

So the bottom line is pretty simple—building an end-to-end inclusion focus (including sourcing, hiring, assessment, development, leadership selection, compensation, and career progression) is just good business.

PREDICTION

The corporate L&D market is undergoing one of its most disruptive times in the last 15 years.

Prediction 10: The L&D Function Will Continue to Struggle

We started our research in the early 2000s by studying e-learning and the rapid adoption of learning management technology. Since then, the rate of change in L&D has been relentless and, frankly, I believe the entire profession has had a hard time of keeping up.

Figure 17: Rapid Evolution of Corporate Learning

	e-Learning & Blended	Talent Management	Continuous Learning	Mobile Experience-Focused	Real-Time Always On
Formats	Course Catalog Online University	Learning Path Career Track	Video, Self-Authored Mobile, YouTube	Micro-Learning Real-Time Video	Employee Choice Always On Learning Channels
Philosophy	Instructional Design Kirkpatrick	Blended Learning Social Learning	70-20-10 Taxonomies	Design Thinking Learning Experience	
Users	Self-Study Online Learning	Career-Focused Lots of Topics	Learning On-Demand Embedded Learning	Consumer-Like Always On	
Systems	LMS as e-Learning Platform	LMS as Talent Platform	LMS as Experience Platform	LMS Is Invisible Data-Driven, Mobile	
	2001	2005	2010	2016	2020

Source: Bersin by Deloitte, 2016.

Consider Figure 17. Only 15 years ago, the concepts of “e-learning” were just beginning; we spent billions of dollars figuring out how to take instructor-led training (ILT) and put it online. In those days, bandwidth was slow; we had to build Flash movies (an old technology that allowed video to run in a browser); we had no real mobile devices; and courses were carefully designed with animations and slow navigation. People loved it because it replaced ILT but, in retrospect, it now seems primitive.

In the mid 2000s, we moved to blended learning, virtual classrooms, and a myriad of technologies for simulation, gamification, and eventually social learning. All of these technologies added value, steadily increasing the instructional fidelity of content—but, of course, they were expensive to build and often long to consume.

Around 2006, YouTube entered the market and the combination of YouTube, the iPhone (2008), and Google and other search engines unleashed the market for self-authored video. Initially, videos were used to promote very simple things (how to replace the SIM card in your Blackberry, for example) but over time they became more popular. The launch of Khan Academy (around 2006) represented a breakthrough, because Sal Khan proved that any individual could take their own expertise and produce it in a useful instructional form without expensive e-learning production. Since then, the world has not gone back.

Today, we see learning produced by thousands of sources (e.g., MOOCs, universities, experts, professional associations); most of them are expert-authored video with increasing levels of entertainment, interactivity, and assessment. Today, between Coursera, EdX, NovoEd, Udacity, Udemy, lynda.com, Skillsoft, Grovo, and dozens of other content creators, literally millions of video-based courses are available on the Internet. you, as a consumer, can buy or take almost all of them.

This consumerized learning market (which actually was attempted in the early 2000s but never really took off) has been catalyzed by our mobile phones, the fact that video plays everywhere, and the enormous amount of bandwidth we have in homes, hotels, offices, and coffee shops. (I just spent an afternoon in a coffee shop in Berkeley and the entire place was filled with students quietly watching videos of their courses.)

While all of this progress and wonderfully integrated technology has evolved, the poor corporate learning market has been left behind. Until recently, corporate LMS systems have been designed for the old model of e-learning—they typically have difficult-to-use interfaces and they view video as an afterthought. So most big companies (small companies often have the benefit of starting afresh) are burdened with very complex learning management systems that house all of the company's compliance training, critical tracking of completions, and arcane business rules which have been built up over decades. This new world of "YouTube-style" learning is just not available.

While all of this has been going on, L&D has been trying to reinvent itself and is now adopting design thinking, starting to build apps (see Prediction 7), and realizing that it has to become video producers, not just instructional designers. In many ways, I believe the L&D profession is more exciting and fun now than it has been for a decade, but the technologies that help us to manage this stuff have not quite arrived yet.

In 2017, we will see a real revolution start to happen. Workday Learning, Oracle's video learning platform, SAP Jam, SumTotal's new platform, Saba, Cornerstone OnDemand, and fast-growing companies like Grovo and now LinkedIn Learning (a whole new platform which integrates LinkedIn with all the lynda.com content) are coming to market. These new platforms are video-optimized from the start—they bring together the consumer-like experience of YouTube with corporate features for learning management, and they are starting to find ways to integrate and incorporate MOOCs and other forms of external content. Innovative companies like Degreed, Pathgather, and Edcast are now building "learning experience" systems that sit in front of the LMS, making the entire experience far more integrated and compelling.

As this shift takes place, however, I believe the L&D profession itself has some reinvention to do. While many forward-thinking learning professionals are well along on this journey, I am afraid that almost two-thirds of the companies we survey are still stuck in an older model of corporate training. In 2017, we are going to republish our most well-known study, *The High-Impact Learning Organization* and, in the process, try to help you to see where the new “high-impact” digital learning organization is going.

One thing we know, which is well-described in our research, is that highly effective L&D teams embed themselves in the business. Level 4 maturity companies have relatively small corporate L&D organizations (while many do have a corporate university); they focus heavily on embedding L&D people, skills, content, and technology into the business. Without this “federated model,” learning is never quite aligned or relevant to every day needs.

Figure 18: The Learning Organization Maturity Model



Source: Bersin by Deloitte, 2014.

But what has really changed for 2017 is the fact that today L&D should embrace “self-directed learning” and truly build a “learning experience” that helps individuals at all levels to learn all of the time. This means adopting microlearning and an open video learning platform:

- Highlighting the issues of learning culture for leaders
- Prompting people to look at job rotation and continuous onboarding programs
- Helping leaders to understand that coaching, developmental assignments, and career conversations are the foundation of building a learning organization

If we go back to my first theme in this report, “digital organizations” are learning all the time. This means people are trying things, discussing mistakes, and learning on the job. L&D needs to take the lead in building and encouraging all of these cultural values—and in embedding themselves into the business to do so.

Case in Point: The New World of Learning Experiences

One of the leading examples of this is a company we have been working with for years, AT&T. It operates in one of the most competitive and disruptive markets in the world—and its employees and engineers must constantly be learning.

The company has built an “always-on” learning model that encourages (and forces) everyone to develop themselves on a continuous basis. Leaders are coached and rewarded for the learning of their teams, and the learning environment is digital and consumer-like.⁵²

GE, Mastercard, Nestle, and many others of our clients have done the same.

I believe 2017 will be a tipping point for L&D and we will see dozens of world-class “digital learning” solutions all over the world.

PREDICTION

AI, robotics, and cognitive systems are augmenting and changing jobs, professions, and careers. HR needs to learn about the future of work and help to redesign the organization faster than ever.

Prediction 11: The Future of Work Is Here and HR Is in the Hot Seat

For the final prediction, I would like to address the issue of the “future of work.” Last I checked, more than 68,000 articles have been written on this topic; a new book on global income inequality, the rise of robots and AI, and the need to reinvent our social policies seems to come out every few days.

I was recently asked to research this topic, and develop a point of view and speech which you can read about here.⁵³ The essential issue we face in 2017 is the rapid commoditization of AI technology (speech recognition, natural language processing, sensors, and robotics) and the impact that could have on almost every job.

- Healthcare workers and X-ray technicians are now aided by smart software that can help to diagnose disease, read X-rays, and recommend drugs with high degrees of accuracy.⁵⁴
- Manufacturing plants are rapidly installing robots (China is purchasing more than 260,000 robots this year, and is likely to become the number one market for robotics⁵⁵) and these robots can see better than the human eye.

⁵² “AT&T’s Talent Overhaul,” *Harvard Business Review* / John Donovan and Cathy Benko, October 2016, <https://hbr.org/2016/10/atts-talent-overhaul>.

⁵³ “The Future of Work: It’s Already Here... And Not As Scary As You Think,” JoshBersin.com, September 21, 2016, <http://joshbersin.com/2016/09/the-future-of-work-its-already-here/>.

⁵⁴ www.ncbi.nlm.nih.gov/pmc/articles/PMC4029126/.

⁵⁵ www.ifr.org/news/ifr-press-release/world-robotics-report-2016-832/.

- Most mobile phones have more than six smart sensors (e.g., audio, GPS, accelerometer, temperature, camera, humidity), and are now able to listen to our voice and identify stress. In fact, new research by Stanford⁵⁶ shows that voice recognition is three times more accurate at typing than our hands.
- New software which integrates mobility, drone sensors, and weather patterns is revolutionizing farming and farm machines,⁵⁷ the way we decide which road to take, and how insurance is priced. Insurance companies now have tools that can scan photos of your accident and almost immediately size your claim.⁵⁸

These new tools are becoming commonplace; they are entering the workforce at a time when jobs themselves are becoming more dynamic, more than 40 percent of workers are contingent,⁵⁹ and the gap between the “haves” and “have-nots” has increased. So we, as HR leaders, are in the hot seat to figure out what all of this means.

If you read the article I mentioned above, you will see that the future of work is not simply about using technology to replace people. The real “future of work” issue is all about making jobs “more human”—redesigning jobs, redesigning work, and redesigning organizations so that the “people side” of work has even more importance and focus than ever.

⁵⁶ “The Future of Work: It’s Already Here... And Not As Scary As You Think,” JoshBersin.com, September 21, 2016, <http://joshbersin.com/2016/09/the-future-of-work-its-already-here/>.

⁵⁷ “Six Ways Drones Are Revolutionizing Agriculture,” MIT Technology Review / Michal Mazur, July 20, 2016, www.technologyreview.com/s/601935/six-ways-drones-are-revolutionizing-agriculture/.

⁵⁸ “16 of the coolest P&C insurer mobile apps,” PropertyCasualty360.com / Jayleen R. Heft, January 19, 2016, www.propertycasualty360.com/2016/01/19/16-of-the-coolest-pc-insurer-mobile-apps.

⁵⁹ This information is based on our ongoing research on the topics of HR and workforce management.

Closing Remarks

2017 will be a challenging, exciting, and transformational year for HR and business leaders around the world. Topics like the future of work, organizational design, culture and feedback, and design thinking in HR will prompt us to stretch our thinking, expand our roles, and drive us closer to the business.

We look forward to helping you to understand these issues, and continuously giving you insightful, practical, and comprehensive research to help you to understand trends, develop high-impact solutions, and stay ahead.

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