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Global Human Capital
Trends 2014
E&R Report

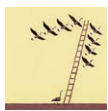


Engaging the 21st century workforce

Global Human Capital Trends 2014

CEOs and HR leaders see talent as a major challenge to growth. Where should you focus? Our survey of 2,500+ organizations in 90+ countries reveals 12 critical trends shaping the human capital agenda. www.deloitte.com/HCTrends2014, www.deloitte.com/HCDashboard

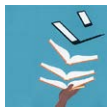
Lead and develop



Develop leaders at all levels: Close the gap between leadership hype and readiness

Leadership remains the top human capital concern — and the largest “readiness gap” in our survey. The need: develop new leaders faster, globalize leadership programs, and build deeper bench strength.

www.deloitte.com/leadersatalllevels



Corporate learning redefined: Prepare for a revolution

It’s a new age for Learning & Development. Online content, MOOCs, collaboration tools, and social media now fuel a training model where employees own their skills and experts share knowledge freely.

www.deloitte.com/learningredefined



Performance management is widely broken: Replace “rank and yank” with coaching and development

Companies worldwide are questioning their forced ranking, rigid rating systems, and once a year appraisal process. This is the year a new model of performance management will likely sweep through HR.

www.deloitte.com/PMisbroken



The quest for workforce capability: Create a global skills supply chain

Organizations now compete globally for scarce technical and professional skills. How can you locate and develop this talent when it takes years to develop expertise?

www.deloitte.com/Workforcecapability

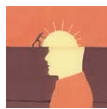
Attract and engage



Talent acquisition revisited: Deploy new approaches for the new battlefield

Talent acquisition and recruiting are undergoing rapid disruption, challenging companies to leverage social networks, aggressively market their employment brand, and re-recruit employees every day.

www.deloitte.com/talentacquisitionrevisited



Move beyond retention: Build passion and purpose in the workforce

Survey respondents say retention and engagement is the second biggest human capital challenge they face (after leadership gaps). What’s the secret to becoming a “talent magnet” in the coming years?

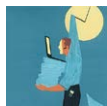
www.deloitte.com/beyondretention



Shift from diversity to inclusion: Move from compliance to diversity as a business strategy

The world has become highly diverse, but many companies have not — especially when it comes to combining diversity with the inclusive culture needed to truly drive value.

www.deloitte.com/diversitytoinclusion



Rescue the overwhelmed employee: Simplify the work environment to improve life and work

Technology and too much access have turned us into “overwhelmed” employees. Nearly every company sees this as a challenge to individual productivity and overall performance, but struggles to handle it.

www.deloitte.com/overwhelmedemployee

Transform and reinvent



Reskill the HR team: Accelerate the development of HR professionals into skilled business consultants

HR pros need an increasingly wide range of skills, not only in talent areas but also in understanding how the business works, makes money, and competes. How are HR teams staying current and viable?

www.deloitte.com/reskillinghr



Implement talent analytics: Go from talking to delivering on Big Data

Analytics is an exciting and fast-growing areas of human resources, but many companies are lagging. How can they address this game-changing area of HR to move quickly and methodically into the future?

www.deloitte.com/talentanalyticsinpractice



Race to the cloud: Integrate talent, HR, and business technologies

Cloud-based HR technology promises to integrate people systems, enable learning and talent management, and reengineer recruiting. But massive adoption of new software is harder than it seems.

www.deloitte.com/racetothecloud



Globalize and localize the HR function: Balance scale and agility

A new model of “high-impact” HR blends globalized talent practices for consistency and mobility with localized flexibility to attract, retain, and manage people appropriately.

www.deloitte.com/globalandlocalhr

Foreword

We are pleased to share with you a summary of the human capital trends and priorities that are driving HR business decisions for leaders in the global Energy and Resources (E&R) sector. This report compares the E&R results, based on 199 respondents from around the globe, to the global results as indicated by our comprehensive survey of more than 2,500 business leaders and HR executives in 94 countries. Based on responses, trends have been categorized as: Urgent, Important, Somewhat Important and Not Important.

As the world comes out of the recession, CEO and HR leaders across industries report that talent is a key challenge to growth; highlighting leadership and employee engagement concerns. Comparatively, while E&R companies share in these challenges, they must also contend with a number of industry specific trends. The continued rise in global energy demands has spurred growth across the sector and compounded continuing talent difficulties; noticeably endemic skilled labor shortages and employee retention struggles.

Furthermore, expectations for HR services are continuing to change. The talent challenges facing the E&R industry are no longer served by a strictly administrative HR function. Companies are now looking to develop HR as a strategic business partner that they can collaborate with to ensure success in this new and competitive environment.

This E&R report was designed to complement Deloitte's 2014 Global Human Capital Trends report, "Engaging the 21st-century workforce". We believe both reports will inform your organization's leaders on the human capital issues impacting companies in the E&R sector.



Hugo Medina



Ron Harman



Van Zorbas

Top Human Capital Trends in Energy and Resources

Today's workforce demands a whole new set of leadership, talent, recruiting, and engagement strategies. HR organizations are struggling to keep up. There are a few key themes in this year's Human Capital Trends Report.

Top Three Global Human Capital Trends

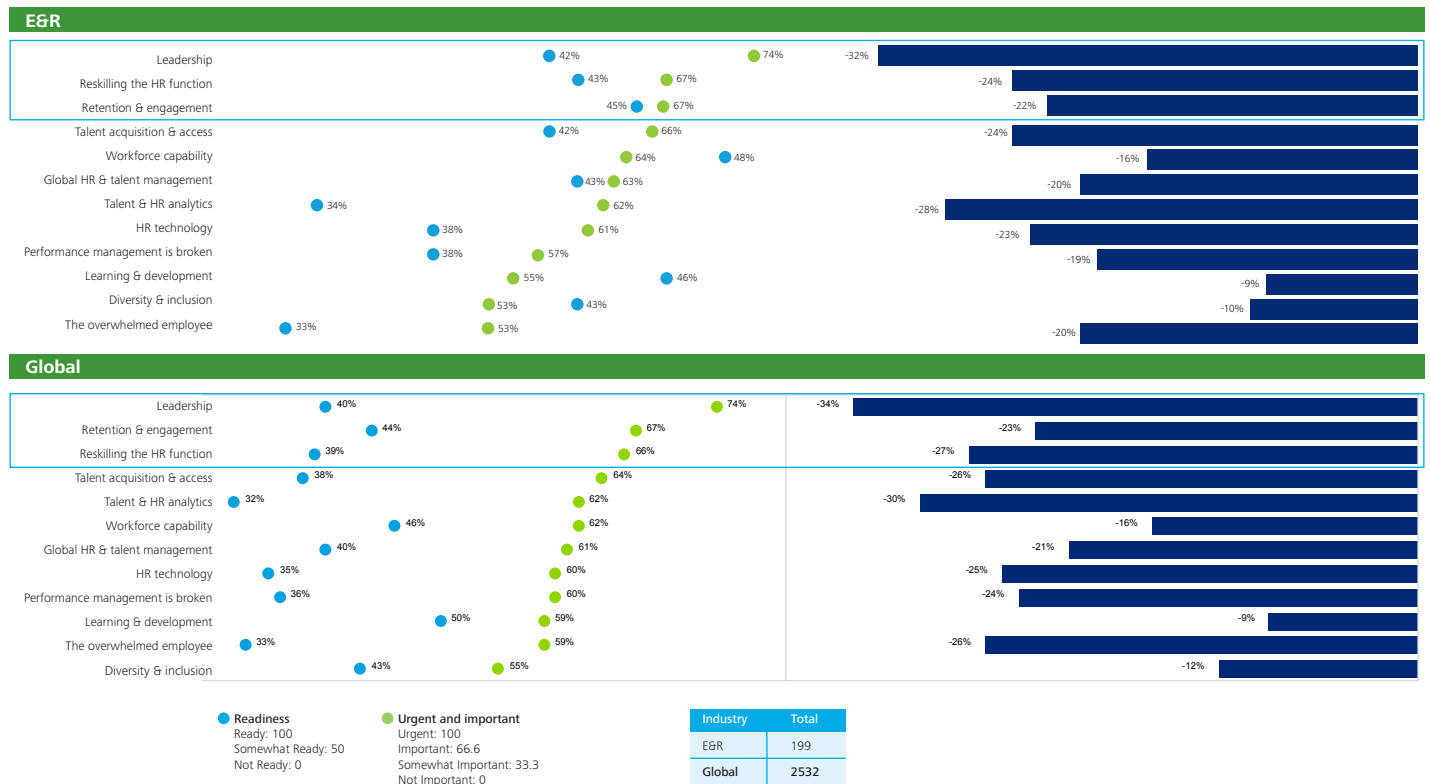
- **Leadership** continues to be the biggest challenge companies face around the world
- **HR is falling** behind in structure, skills, analytics, technology, and the development of world-class recruiting and L&D
- **"The 21st Century Workforce"** is different – and engagement and retention are now top issues on the minds of CEOs and CHROs

Similar to Global Human Capital Trends, the top three Global Energy and Resources Human Capital Trends by importance and relevance are:

1. Leadership
2. Reskilling the HR Function
3. Retention and Engagement

As highlighted in the graph below, for almost every trend identified, readiness scores lagged behind the trend's perceived urgency. Indicating that E&R organizations recognize the need to address these issues, but are not yet ready to address them. E&R's Human Capital challenges closely parallel to those of other industries, emphasizing that the E&R sector is not alone in their challenges, as these patterns are prevalent both globally and across industries.

Figure Title



NOTE: The difference between the weighted average for importance and readiness equals the capability gap. Capability Gap Index is a research-based index that shows HR's relative capability gap in addressing a given talent or HR-related problem. It is computed by taking an organization's self-rated readiness and subtracting its urgency, normalized to a 0-100 scale.

Top Human Capital Trends in Energy and Resources



Across geographies and the global marketplace *Leadership* continues to be the biggest challenge companies face.

The *Leadership* category includes the development of new strategies to attract and retain leaders, as well as, innovative approaches towards the development of skilled and global leadership at all levels. Respondents from all industries, including E&R, have identified a growing leadership gap. Skilled leaders are retiring, and E&R organizations have not built a strong pipeline to fill the opening.

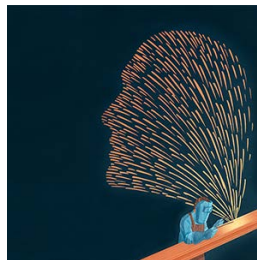
Moreover, the industry requires different kinds of leaders. Leaders who are not just successful from an operational perspective, but also able to balance the competing priorities of creating a compelling place to work and creating a sustainable organization that addresses environmental challenges and external stakeholder pressures. This takes a different kind of leader than we have traditionally seen.



Consistent with findings in recent years, *Retention and Engagement* remains an area of top priority

The E&R industry has been faced with talent scarcity for a number of years. Companies are well aware that “unwanted attrition” is costly and a key barrier to growth. In light of this, many organizations have begun laying the groundwork for improved retention programs.

This may contribute to E&R respondents’ greater perceived readiness to address retention and engagement. It is important that E&R organizations continue to focus on developing and refining existing talent programs; as doing so will help to drive profits and growth by reducing the costs associated with attrition and talent shortages.



Continuing previous years’ trends E&R has placed a strong focus on *Reskilling the HR function*.

Companies are struggling to equip their people with the critical capabilities and skills they need to succeed. Leadership today requires speed, flexibility and the ability to lead in rapidly changing markets. The ongoing requirement to develop leaders is driven by the talent crunch and the changing needs and expectations of the workforce.

To drive profit and growth, commodity-and operations-based sectors such as mining and oil and gas, require a strong connection between business operations, revenue generation, and their HR programs. Today’s HR function needs to be able to produce results through innovative programs; understand what drives long-term competitive advantage; quickly identify what skills are needed to maintain and drive improved profits and utilize analytics to predict and mitigate talent gaps.

Despite a shared recognition that utilizing HR as a strategic business partner will benefit the bottom line, both HR and business leaders indicate that HR is falling behind in skills, analytics and technology to do so.



Leaders at all levels

Close the gap between hype and readiness

A deeper understanding of the importance of each of these trends within E&R is provided by drilling down into the urgency component of the Human Capital Capability Gap Index.

By far, the magnitude of urgency in relation to Leadership challenges is the largest among all trends. A total of 38% of respondents rated *Leadership* as “Urgent” and 48% as “Important”. Leadership appears to be the largest source of anxiety for those in the E&R sector and across industries.

As the talent shortage becomes more pronounced it is going to be important for companies to rely on their internal pipelines when looking for new leaders.

Focus on three aspects of leadership development.

- **Develop leaders at all levels.** Companies are not just run by the executives. First-line supervisors and middle management are essential to the business. Invest in these positions as well as in top leadership roles.
- **Develop global leaders locally.** The days of expatriate leaders are over. Instead, high-performing companies focus on local talent and build local leaders from the ground up.
- **Develop a succession mindset.** Strong leaders are not built overnight, it takes considerable time and investment. The leadership pipeline should be growing continuously, and succession plans should be developed for key positions.

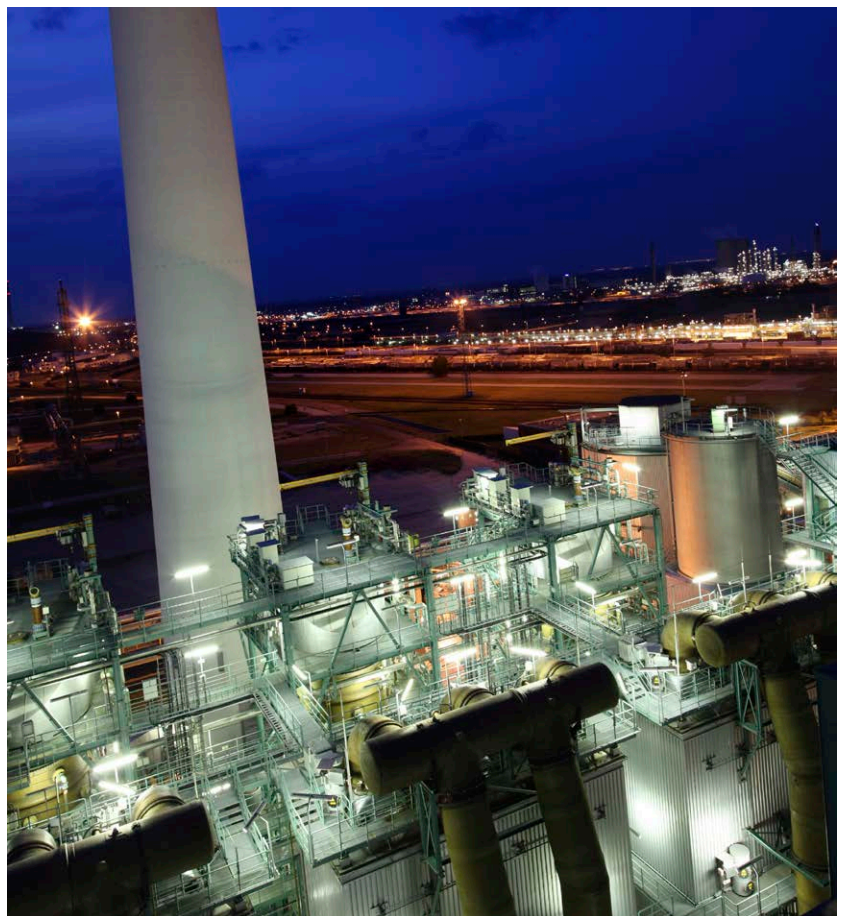
Implement an effective leadership program.

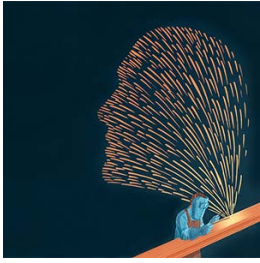
Each company needs a leadership program tailored to its business goals. Different business goals: growth, innovation, quality, acquisitions; require different leadership capabilities. A key element of successful leadership development programs involves current leaders teaching future leaders.

While this is not a revolutionary idea, it is not practiced enough. Assign a top business and HR executive to take responsibility for program development and implementation. However, be prepared to invest significant time and money. In developed markets this can be in the range of \$2,000 to \$10,000 per leader every year.

Use analytics to identify and develop leadership candidates.

Focus on how to develop leaders rapidly by simplifying competency models, using action learning, and identifying and assessing leaders with analytics.





The reskilled HR team Transform HR professionals into skilled business consultants

Reskilling the HR function, was rated as “Urgent” by 26% and as “Important” by 53% of respondents. To facilitate the process of HR transformation to a strategic business partner focused on driving the people side of business, HR can focus on the following:

- **Develop workforce analytics skills.** Analytics may be one of the largest gaps for HR teams as they seek to reskill. As big data becomes a pervasive resource and tool, HR professionals should develop skills and comfort with data, statistics, and analytics.
- **Develop technical HR skills.** Focus on developing strong capabilities and specialists in training, recruiting, sourcing, organizational design, employee relations, labor relations, compensation strategies, benefits, and other areas.
- **Develop business and industry acumen.** HR professionals should develop a keen understand of: how the company makes money, what drives long-term competitive advantage, what skills are needed to maintain and drive improved profits, and how to drive innovation.

Understanding these areas will help HR create value through their understanding of key business drivers, and how talent can support them.

E&R companies rate talent related concerns as particularly urgent, reflecting the need to find and retain key people with unique technical skills.

Leaders are recognizing that companies which fail to improve their approach to talent management will likely be on the losing end when it comes to attracting and accessing the people and skills to succeed.



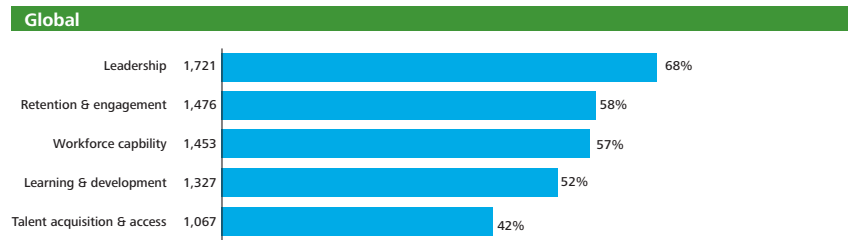
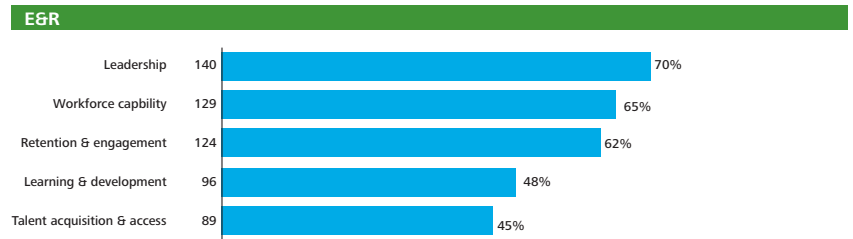
Top trends by Human Capital challenges

Moving to the top three trends by challenges, we continue to see similar themes with Leadership at the top of the list.

Leadership is a high priority that organizations are not fully equipped to resolve. It is also the top challenge they expect to face in the next 12-18 months. The overall picture is that Leadership is a critical area of focus that organizations know needs to be addressed. However, they do not feel ready to tackle the challenge and are concerned about the immediate implications of a growing leadership gap.

Retention and Engagement, one of the urgent trends, also appears in the list of top challenges. While many organizations in the E&R sector have begun to implement talent programs in order to address ongoing talent crunches and high turnover rates, this area still remains a key challenge.

Workforce capability is also in the list of top challenges. Companies need to challenge themselves to develop programs and professional expectations to transform HR employees into skilled business consultants.



Industry	Total
E&R	199
Global	2532



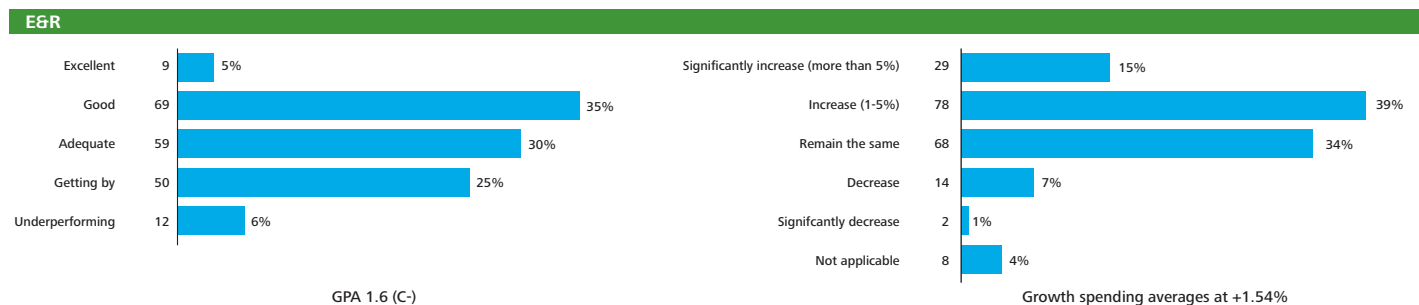
HR Report card and investments

The E&R results are consistent with the global perspective. Less than half of respondents see HR and Talent programs as “Excellent” or “Good”. Many rated HR programs as “Adequate”, “Getting by” or even “Underperforming”.

In comparison to global statistics, the evaluation of HR and Talent programs by E&R leaders is slightly better, with a smaller percentage (6%) rating programs as “Underperforming” (versus 10% globally across industries).

Respondents indicate a small growth in HR investment over the next 12-18 months, this is expected given the HR skills and talent gaps identified in the aforementioned trends. The E&R industry is keeping pace with a similar average increase in spending and a recognized need to invest in building capability.

However, it is interesting that while E&R rates Reskilling the HR function with a higher level of urgency, it is not investing more than the Global average. This may prove problematic as HR may not be adequately funded to meet the changing and acute needs of the industry.

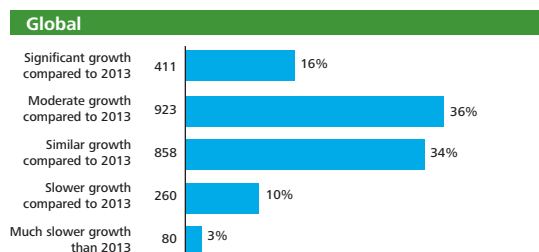
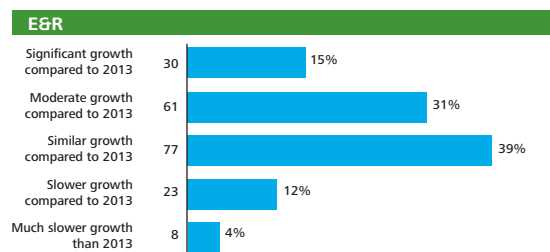


Business outlook

2013 was a year of growth for E&R. The industry expects another year in the same vein, as a result, the trends and challenges mentioned above will likely be felt more keenly as the market grows and demand for talent, retention and leadership increases in step.

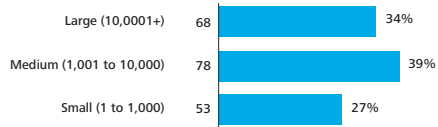
These increasing demands on talent further support the importance of developing leadership and retention strategies, and the urgency of shifting HR from an administrative function to one that works to strategically meet the changing needs and structure of today's workforce.

39% of E&R respondents expect similar growth to last year, as a result the trends and challenges mentioned above will likely be felt more keenly as the market grows and demand for talent, retention and leadership increases in step.

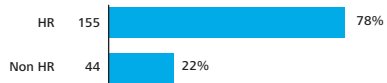


Demographics – E&R

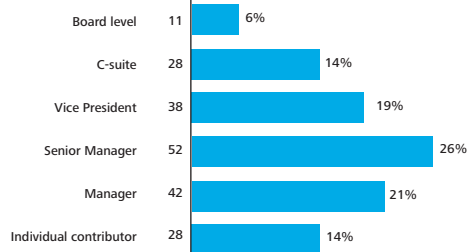
Organization size



Job function



Level in organization



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