

Predictions for 2016

*A Bold New World of Talent,
Learning, Leadership, and HR
Technology Ahead*

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A Note from the Analyst

KEY POINT

It feels as though *everything* in the world of talent is changing—from the way we recruit and attract people, as well as how we manage and reward them, to the way we learn, and how we curate and manage our entire work-life experience.

Each year since 2004, we have published our *Predictions* report for the year ahead. As I read through them, I see how we have been able to track many of the biggest changes in HR, leadership, and talent practices, technologies, and business trends.

This year, entering 2016, we see many disruptions taking place. The theme of our predictions report is “A Bold New World”—because now, more than ever before, it feels as though *everything* in the world of talent is changing—from the way we recruit and attract people, as well as how we manage and reward them, to the way we learn, and how we curate and manage our entire work-life experience.

Today we live in a hyperconnected world with mobile apps, emails, messages, and information bombarding us all day and night. We carry (and wear) technology that lets us communicate with anyone at any time (through text, sound, and video); most of our devices are “smart” enough to know where we are and recommend what we can do next.

The work environment we operate in is, well, everywhere. We work in the office, we work on the train, and we work at home. People operate in an “always-on” working culture, making many of us feel somewhat overpowered. In fact, our research¹ shows that two-thirds of us are “overwhelmed” and our companies are not really sure what to do about it. So driving productivity and improving the work experience have risen as top priorities for HR.

In addition to the sudden availability of technology everywhere, we now live and work in a world in which almost everything is transparent. Our employment brand, work practices, compensation strategies, and even performance management practices are publicly available for everyone to see. Everyone rates everything (five-star ratings have appeared on food services, taxis, hotels, and retailers); employees now want to rate their managers. In fact, one of the biggest new trends in business is creating an open world for feedback, something that further breaks down the barriers between employees and their managers. (See, “Feedback is the Killer App²” for more on this.)

Analytics and predictive models have appeared, often without us even knowing it. If you are a job seeker (and we are all job seekers now), jobs seem to “find us” with

¹ *Global Human Capital Trends 2014: Engaging the 21st-century workforce*, Deloitte Consulting LLP and Bersin by Deloitte, Deloitte University Press, 2014, <http://www2.deloitte.com/global/en/pages/human-capital/articles/human-capital-trends-2014.html>.

² “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/>.

KEY POINT

Diversity and inclusion have moved from a compliance program to a business strategy.

surprising accuracy. Just as we see all types of curated and highly refined advertising as we browse the web, companies are starting to wage an escalating war to build people analytics models. These models can accurately predict who is likely to leave, what we should do to attract great people, and what it will take to build great leaders.

Diversity and inclusion have moved from a compliance program to a business strategy. Our employees are both younger and older, culturally and globally diverse; many work part-time. Our newest research proves that inclusion, a program that most companies do not fully understand, is a hallmark of the highest-performing organizations.³

Our employees have changed their work ethos as well. Today people demand flexibility, meaning, and autonomy at work, stressing the traditional role of management. Employee engagement has become the top issue on the minds of business leaders,⁴ directing us to an entirely new model of management. The definition of good leadership, the way we manage performance, and even the concepts of succession planning are all undergoing radical change. We might say that companies are becoming more like Hollywood movies and less like institutions—we engage our people to take on great projects like talent scouts; when the project is over, they move on and look for the next assignment. Team leadership has replaced “middle management” and our companies are becoming “networks of teams.”

One of the predictions for the years ahead is what we call, “The New Organization: Different by Design.”⁵ Companies are more virtual (i.e., witness Uber, AirBnB, and delivery services like DoorDash, which rely almost entirely on contractor or shared assets to deliver value); we outsource where we can (i.e., Apple outsources almost all of its manufacturing); and, employees are becoming more contingent than ever before (the U.S. Bureau of Labor Statistics estimates that 32 percent of all U.S. workers are contingent). As the U.S. military learned during the Iraq war, as we work in “teams of teams,” we must work harder than ever to coordinate and communicate with each other, because the top-down management structure is just too slow. All of these changes have profound impacts on HR; I will be discussing this in more detail at our annual IMPACT conference in April 2016.

In the area of learning, the world has totally changed from that of “instructor-delivered” to “informal” to now “employee-owned.” We, as employees, now have total control of our own learning, so we expect our companies to offer us video content, massive open online courses⁶ (MOOCs), and lots of external access whenever we need it. The role of curation and content management is becoming central to L&D; people who used to be called “instructional designers” are now “learning experience designers” because they no longer “teach” as they “design learning experiences.”

KEY POINT

The definition of good leadership, the way we manage performance, and even the concepts of succession planning are all undergoing radical change.

³ “Bersin by Deloitte: Diversity and Inclusion Top the List of Talent Practices Linked to Stronger Financial Outcomes,” Bersin by Deloitte (press release), November 2015, <http://www.bersin.com/News/PressArticles.aspx?id=19377>.

⁴ *Global Human Capital Trends 2015: Leading in the new world of work*, Deloitte Consulting LLP and Bersin by Deloitte, Deloitte University Press, 2015, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.

⁵ The theme of Bersin by Deloitte IMPACT 2016 annual conference, <http://impact.bersin.com/>.

⁶ “Massively open online course” (or MOOC) refers to a new category of vendor that provides open, no-cost (or low-cost) online education and courseware. Initially, the MOOC market focused on providing academic-level courses to students around the world at little to no cost. Today, companies are building out large libraries of free or low-cost content; this market is rapidly evolving as these companies build industrial-strength learning platforms and expand their content.

KEY POINT

The disciplines of design thinking⁷ and behavioral economics⁸ will become a major new area for HR.

Speaking of experiences, this new world of work is becoming very focused on *design*. HR, which was once a function that told people what they had to do, now has to “nudge” us to obey; when HR rolls out old, clunky programs, we simply ignore them. By contrast, high-impact HR teams are now starting to practice *design thinking*⁷—they are creating personas to understand their employees, and measuring employee behavior and engagement just as we measure our customers. In fact, I believe the disciplines of design thinking and behavioral economics⁸ (the art of “choice architecture” and “nudges”) will become a major new area for HR.

In the middle of all of these changes, cloud computing and Big Data analytics just arrived. More than two-thirds of our clients are in the middle of some kind of core HR system replacement; many are doing it for two major reasons:

- To make their systems easier to use
- To create a more accurate database of their people for analysis and decision-making

Vendors (like Workday, Oracle, SAP, and many others) are now offering systems that are not only “systems of engagement,” but actually are becoming tools which “make work-life better.” I believe one of the biggest changes for HR in the next few years will be to focus on this topic—making work-life better. You are becoming the “king or queen of productivity” in your company, so you have to work even harder to get to know what drives results.

Analytics is finally becoming a new center of expertise in HR; this year we see the world of analytics expanding significantly. Today we measure retention, turnover, compensation, and quality of hire. Soon we will measure people’s social networks, their behaviors, their locations, and maybe even their heartbeats. As an example, one vendor now sells a smart badge that enables you to understand when and why your employees are stressed—this gives you even more information about how to make the workplace more engaging.

KEY POINT

No longer is engagement a once per year problem; it is a continuous and always-on issue.

The topic of engagement seems to have appeared on every website, every vendor tagline, and in every article I read. Our research identified the huge issue in retention and engagement three years ago, and the refrain has only become louder. The big change is how we define it—no longer is engagement a once per year problem; it is a continuous and always-on issue. A new class of tools and practices now lets us create what I call the “feedback culture” that gives us engagement data all the time. Pulse tools tell us when people are unhappy, conditions are unsafe, or when managers are misbehaving. Just as the external world is transparent, so is the internal world.

Finally, the new world is changing the nature of our profession itself—the HR team and our careers around the world. We are now younger, more ambitious, and more business-focused than ever. Let’s face it. We live in a fast-growing, global business

⁷ “Design thinking” is the focus on “user-centric” design, studying the behavior and working scenarios of our employees, and then designing solutions that fit into their work-lives, versus designing “processes” or “programs” that have to be “rolled out” to the workforce.

⁸ “Behavioral economics” (and the related subfield, behavioral finance) studies the effects of psychological, social, cognitive, and emotional factors on the economic decisions of individuals and institutions, as well as the consequences for market prices, returns, and resource allocation. Behavioral economics seeks to unite the basic principles of neoclassical economics with the realities posed by human psychology.

KEY POINT

This fast-growing, global business climate that demands strong talent strategies.

climate that demands strong talent strategies—if we do not deliver, we are in trouble. This new breed of HR professional is more like a valued consultant, and less of a “generalist” or “service provider.” Yes, we need to help managers to do their jobs; but more and more, we are becoming the “specialist gurus” who fly into a business situation, bring our bag of expert HR, and learning and development (L&D) tricks, diagnose the problem, and deliver some kind of innovative solution.

At our 2015 IMPACT conference, I spoke about the need for bold HR—taking risks, innovating, and inventing new solutions. For 2016, words like “bold,” “innovative,” and “experimental” should become part of your vocabulary. The world’s best talent and HR solutions are no longer available off the shelf—you need to invent them. Every company’s culture is slightly different, so it is now up to you to design, test, and iterate on your own industry-leading talent and HR programs.

I use the word “bold” because this is something we, in HR, have to learn. While all of these changes in business, economics, and technology directly impact HR and learning, we are sometimes too slow to act; in 2016, we need to pick up the pace. I hope these predictions and our research help you to do so.

This year is our fourth year as part of Deloitte—and our new home has given us global reach, scale, and amazing new insights into trends and leading practices around the world. Personally, I want to thank everyone who has reached out to me (and our entire team) over the last year, and I hope that this report gives you good insights, perspectives, and planning tools for the year ahead.



Josh Bersin
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Ten Key Predictions for 2016

The following are the top 10 predictions that we see impacting HR and talent for 2016.

PREDICTION

Digital HR will change the way we think about HR programs, service delivery, and how we curate and design the employee experience.

1. Digital HR Arrives—Changing the Way HR Organizations Design and Deliver Employee Solutions.

The first, broad topic to discuss is the digitization of everything. No matter where you live, digital and mobile life are everywhere. More than 1.8 billion people now have smartphones;⁹ more than three billion people are on the Internet;¹⁰ companies which dominate this age are growing so fast that nobody can touch them. (New Deloitte research believes that people check their mobile phones eight billion times a day!¹¹)

While we all know what our digital life is like (i.e., mobile phone, children texting all day, videos being streamed on every device, and a 24x7 flood of messages, files, and images), we have not quite figured out how to manage it. More than two-thirds of companies tell us their employees are “overwhelmed” and our research shows that overall U.S. business productivity has slowed.¹²

Enter the role of digital HR. In 2016, I predict a major trend toward a new, design-centric, digital focus within HR. Apps will become king, the cloud will sit behind the scenes, and traditional software will seem less and less relevant. We will learn online, onboard and communicate through our phones, and wear devices that feel like the Internet of things.

Our role in HR and L&D in this world is clear—make it work well for people. Of course IT will help us to build apps and adopt the right infrastructure, but it is our job to design HR apps (e.g., recruiting, onboarding, learning, performance, feedback, communication, time and attendance, expenses, payroll, etc.) that are as easy to use as Facebook or Instagram. This will not come easy, but we need to learn how to do it.

⁹ <http://www.statista.com/statistics/330695/number-of-smartphone-users-worldwide/>.

¹⁰ <http://www.statista.com/statistics/273018/number-of-internet-users-worldwide/>.

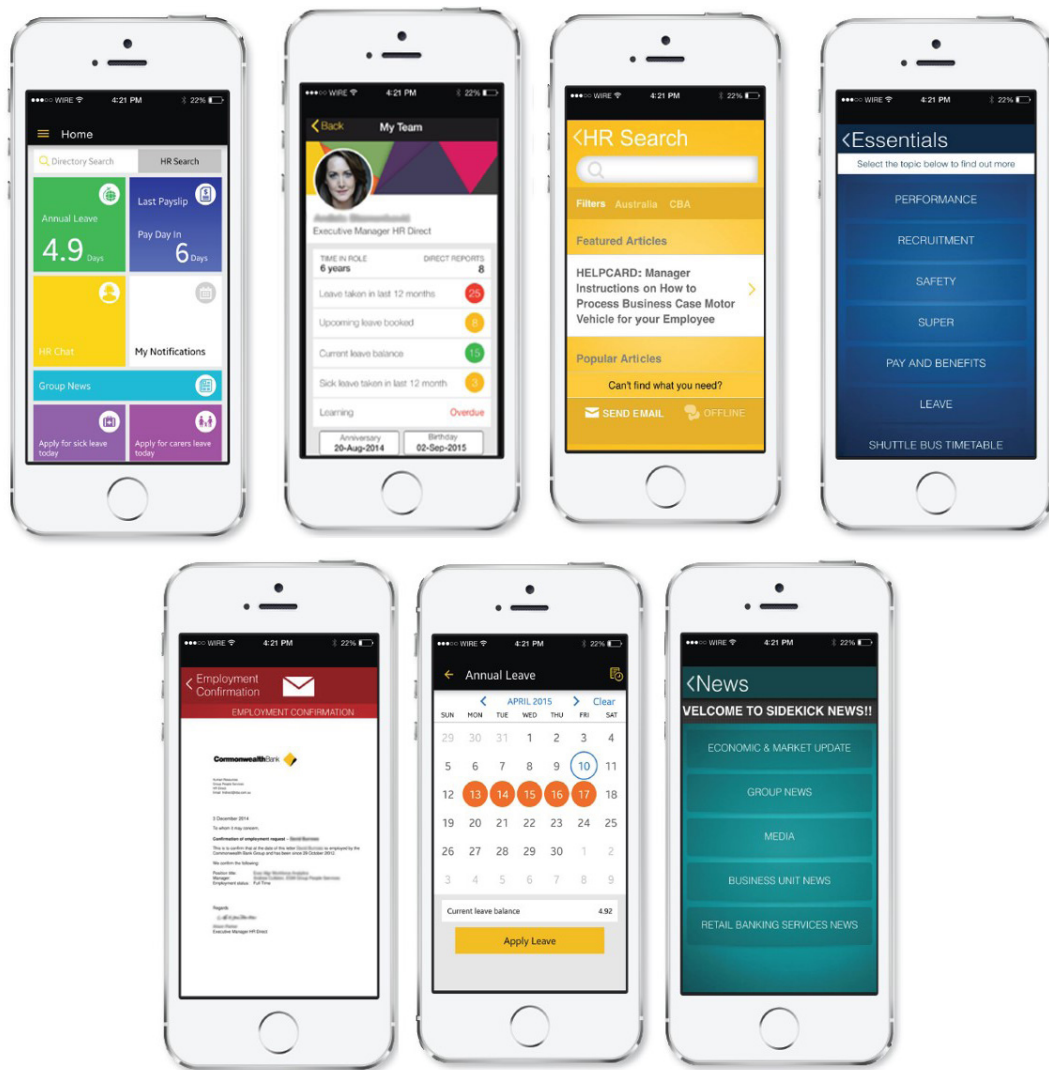
¹¹ 2015 Global Mobile Consumer Survey: The rise of the always-connected consumer—US Edition, Deloitte Development LLC, 2015, <http://www2.deloitte.com/content/dam/Deloitte/us/Documents/technology-media-telecommunications/us-tmt-global-mobile-executive-summary-2015.pdf>.

¹² *Meet the Modern Learner: Engaging the Overwhelmed, Distracted, and Impatient Employee*, Bersin by Deloitte / Todd Tauber and Wendy Wang-Audia, 2014.

As one large company in India recently put it, this new world is focused on building HR “platforms”—infrastructure and technology standards that allow us to rapidly build new solutions, collect data about people and business processes easily, and quickly iterate and improve our employee digital experiences to make them perfect. Think about what happens in the App Store—apps are updated almost weekly. We need to follow this model.

The best example I can give is the development of an exciting mobile application, Sidekick, by Commonwealth Bank of Australia. I learned about this app roughly 18 months ago and we recently wrote a case study on this platform.¹³ This app brings all employees’ HR, collaboration, administration, and support apps to their phones. Within two weeks of rolling out the app, 20,000 employees had actively adopted it. I do not know of a cloud or web-based app which has ever been that successful.

Figure 1: Example of a Company-Developed Mobile App for Employees—Commonwealth Bank of Australia¹⁴



Source: Commonwealth Bank Group, 2015.

¹³ *Fostering Change and Driving Productivity: How the Commonwealth Bank of Australia Leveraged Analytics and Mobile Technology to Spur Efficiency*, Bersin by Deloitte / Katherine Jones, Ph.D., 2015.

¹⁴ Ibid.

KEY POINT

This new digital focus for HR is not simply about technology; it changes the way we serve and support employees.

Look at how we recruit, for example. A large retailer in the U.S. rolled out a mobile recruitment solution that enables people to upload LinkedIn profiles, make a video interview, and even take a prehire assessment (which feels like a game) entirely on their mobile devices. As a result, the company's candidate pipeline tripled and the quality of hire increased by a factor of two. This is the new world of recruiting; it is hard to see where traditional web-based applications even play a role at all!

Look at how we learn. A large IT organization (part of a manufacturing company) implemented a mobile learning app that lets people take MOOC courses, share tools and websites, and author videos of their own about their programming experiences. The L&D team (a team of four people) told me that, within six months, it had become the most popular learning experience in the company—and is significantly contributing to employee engagement and excitement in their teams.

Look at how we share information. A hotel chain implemented a video-based, knowledge-sharing and learning app that lets employees capture videos and share them immediately with teammates. The company found problems in the bedding, issues with the way they were cleaning rooms, and areas that needed maintenance which managers had previously overlooked.

Deloitte Canada embarked on a project with Humanyze to outfit employees with smart badges. These badges, which monitor employee location and stress levels through voice, taught the company that bringing service lines together, creating larger and more open conference rooms, and eliminating cubes to bring in more light all made work-life better. After testing these changes, Deloitte Canada has started rolling out new office designs throughout the country, improving productivity and engagement everywhere. This type of innovation would not have been possible without digital HR tools and a focus on improving our work-life through digital technologies.

To be clear, this new digital focus for HR is not simply about technology; it changes the way we serve and support employees. Digital *is* the world our employees live in and, if we do not become part of it, then we cannot really do our jobs. We in HR and L&D need to learn how to build mobile apps; we can apply design thinking to our jobs; we should think about “experiences” and not “programs”; and, we need to learn how to leverage data in a more strategic way. People do not want to look at dashboards; they want their computers to “tell them” or “recommend” what to do—based on data.

Finally, we should accept that new media, like video, has now become mainstream. Rather than send newsletters, we can publish videos; rather than build e-learning, we can video interview experts; rather than interview people in person, we can interview them by video (and capture the process). By embracing digital tools in our solutions, we can scale, help employees to improve productivity, and dramatically increase employee engagement. Look at tools like Slack, which brings scalable messaging to business. These kinds of new approaches radically change the way we work, interact with others, and solve customer problems.

Can you rely entirely on your core HR vendor to provide you with all of the apps you need to build these solutions? Not really. Today most vendors have some mobile apps available, but these are typically tethered to their systems, and are not designed to be

agile, open, and customized for your company. You should be thinking “all of my HR programs are apps” in the next year; we will likely see many more amazing solutions enter the market in 2016.

PREDICTION

Organizations will continue to replace core HR systems with integrated cloud technology, but it will be expensive, time-consuming, and may not deliver on all of the talent management tools we need.

2. The Need to Improve the Employee Experience and Harness People Data Drives the Stampede to Replace Dated HR Systems.

The next prediction is the massive, transformational shift away from traditional, licensed HR software to the new generation of integrated HR and talent tools in the cloud. In 2015, we saw thousands of companies invest billions of dollars in brand-new, core HR software, representing one of the biggest shifts in HR technology investments since the arrival of client / server. (Our research indicates that almost 60 percent of all large companies are replacing, planning a replacement, or have recently replaced their core HR systems.¹⁵) The beneficiaries of this software transformation are companies like Workday, SAP, Oracle, ADP, Ultimate Software, Cornerstone OnDemand, Ceridian, and others.

These large ERP¹⁶-like providers have invested heavily to get into the “sweet spot” they are in today.

- Workday pioneered a whole new breed of integrated HR and financial applications, and acquired both Identified (analytics) and Mediaco (video learning).
- SAP acquired SuccessFactors, InfoHRM, Jambok, and Concur.
- Oracle acquired Taleo and SelectMinds.
- ADP acquired Workscape and others.
- Cornerstone OnDemand acquired Evolv.
- Skillsoft acquired SumTotal Systems.

Each of these providers offers solutions for recruitment, onboarding, learning, performance and talent management, compensation, succession, and talent analytics.

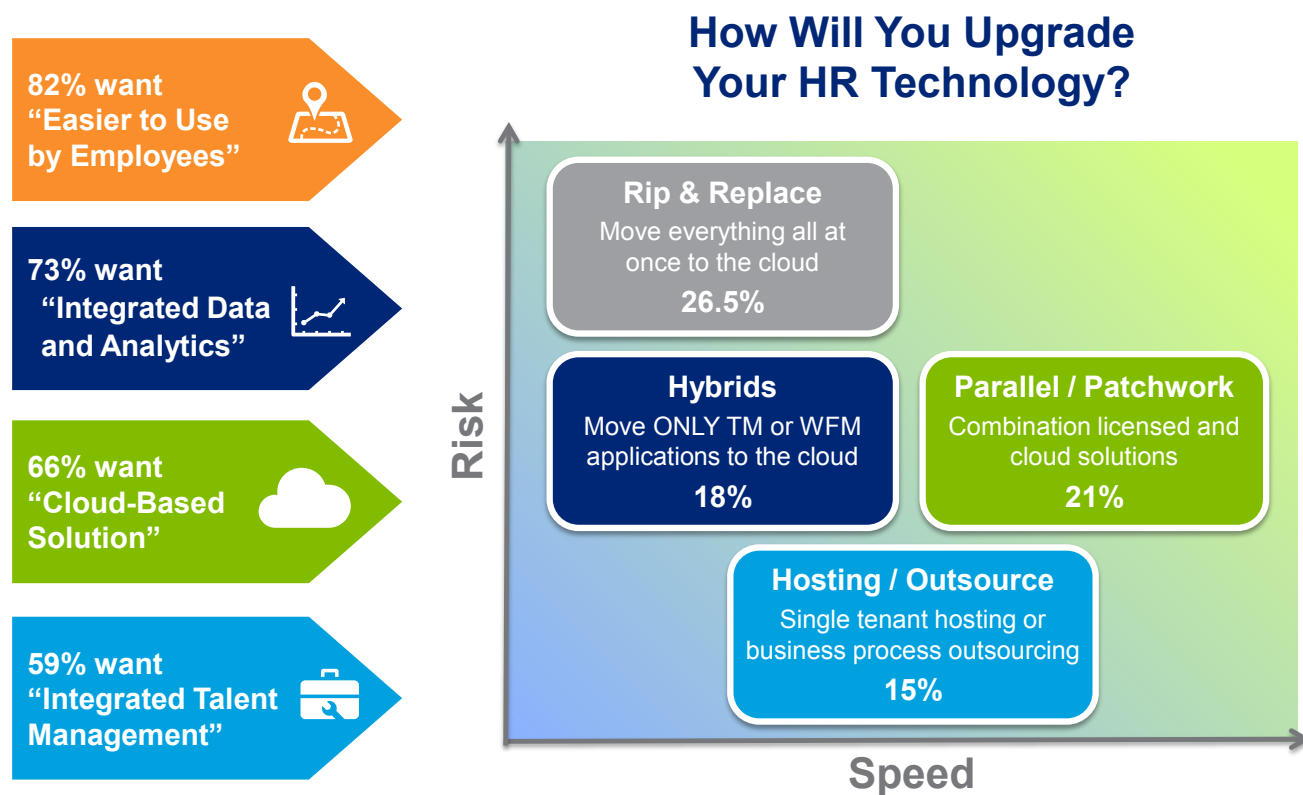
The resulting trend is clear and accelerating. Companies are reducing the number of HR systems they have today (the average number of core talent systems is seven¹⁷); they are modernizing those systems with cloud technology; and, more than one-quarter of companies are ripping out old systems (the remainder are bolting on new cloud systems to existing legacy applications).

¹⁵ *Top Trends in HCM Technology—or How to Stop Worrying and Love Your Mobile Phone (Video)*, Bersin by Deloitte / Katherine Jones, Ph.D., 2015.

¹⁶ “Enterprise resource planning” (ERP) is a category of enterprise software that typically integrates financials, HR, manufacturing, order processing and customer relationship management in an integrated solution.

¹⁷ *Talent Management Systems 2014: Market Analysis, Trends, and Provider Profiles*, Bersin by Deloitte / Katherine Jones, Ph.D., and Wendy Wang-Audia, 2014.

Figure 2: The Drivers of Technology Transformation



Source: Bersin by Deloitte, 2015.

As Figure 2 illustrates, the biggest drivers today are “ease of use” and “integrated data and analytics.” HR organizations are truly waking up to the mission of building true “systems of engagement,” and bringing analytics into the HR function as a core and critical area (see Prediction 9, later in this report).

On the vendor side, standalone talent management providers have started to struggle. While many remain solid, growing companies, the writing is on the wall—end-to-end ERP-based HR systems are becoming the standard for most large companies.

KEY POINT

Midmarket solutions are now exploding with growth.

Another part of this trend is the enormous growth in midmarket ERP and integrated talent management solutions. Midmarket solutions (like Zenefits, Namely, BambooHR, Ceridian, ADP, and NetSuite) are now exploding with growth. A variety of integrated talent management systems are now available on the Salesforce platform. Companies, like Cornerstone OnDemand, have now launched platform-as-a-service¹⁸ (PaaS) offerings of their own.

Despite all of this growth and the massive shift to the cloud, my discussions with companies show that these transitions are very difficult and filled with risk. HR system replacement projects are costly, risky, and require a seasoned team. Our

¹⁸ “Platform-as-a-Service” (or PaaS) is a cloud-delivered infrastructure that typically includes operating system, programming language execution environment, database, and web services through which a developer can create and update applications.

most recent research on enterprise HR change management¹⁹ supports what Sierra-Cedar²⁰ found this year—companies that understand global change management leading practices are spending one-half or less than those which do not; in addition to spending less, these companies are more than three times more likely to be successful. So, do not think that this will be easy; these new, cloud-based apps are easy to use, but it is an enormous, risk-filled project to move your data, harmonize your processes, integrate and build a global payroll system, and develop all the integrations you need.

Can the work pay off? Absolutely yes! Our research shows that cloud-based HR systems are somewhat less expensive to operate than licensed systems (slightly less), but they are far easier to use and much more valued by employees. Why? Cloud-based HR systems leverage modern user experiences, rich employee profiles, and are made to support employees, not just HR. As I wrote about in the *Ten Disruptions in HR Technology*,²¹ a shift from “HR-centric” to “employee-centric” technology is here with a vengeance.

The movement toward replacement of legacy systems will accelerate in 2016, coupled with the next trend—the innovation of a whole new kind of talent management tools that you cannot afford to ignore.

PREDICTION

A new generation of performance management, recruitment, learning, wellness, and employee feedback systems will arrive, supporting new models and tools for people management.

3. New Models of Talent Management Emerge—Creating a New Generation of Talent Management Platforms.

For many years, we made a living by analyzing the “talent management” market—vendors that sold systems for recruiting, learning, performance management, compensation, workforce planning, and talent analytics. These vendors, many of which have grown to \$100 million and more in revenues, sold a set of “best-in-class” solutions that we stitched together ourselves.

Today, as I previously mentioned, the end-to-end talent management market is fairly mature. Many ERP providers offer these tools integrated with a core HRMS, payroll, and a wide range of other incorporated technologies.

So, is the game over for of talent management platforms? Are we done with talent management as a market? *Absolutely not.* While there was a five-year hiatus in the growth of new solutions, today a whole new breed of innovative (and somewhat disruptive) vendors has arrived, encouraging us to relook at tools that offer a much more integrated set of solutions for our organizations.

First, let me talk about what we feel is the hottest and most disruptive area of HR—the redesign of performance management. More than 60 percent of all companies are redesigning (or have redesigned) their performance management process, typically

¹⁹ *Introduction to Change Management: A Primer for HR Professionals Addressing Organizational Change*, Bersin by Deloitte / Katherine Jones, Ph.D., and Camille Price, 2015.

²⁰ <http://www.sierra-cedar.com/news/merger-announcement/>.

²¹ *HR Technology for 2016: 10 Big Disruptions on the Horizon*, Bersin by Deloitte / Josh Bersin, 2015.

KEY POINT

More than 60 percent of all companies are redesigning (or have redesigned) their performance management process, typically moving from top-down rating and ranking to a feedback-centric, developmental, often rating-less model.

moving from top-down rating and ranking to a feedback-centric, developmental, often rating-less model.²² (Performance management is actually a section in this report.) The problem is the software; not many big vendors are selling solutions in this space yet.

Today we see more than 20 new vendors selling what I would call “next-generation” performance management tools (even some established solution providers are not quite keeping up with innovations in this area). These new vendors’ offerings are built around feedback systems;²³ they include vendors like TMBC, Small Improvements, Workboard, Reflektive, and many others.

In recruiting, the aging applicant tracking systems market is under attack. While companies like Oracle (Taleo) and IBM (Brassring) still have huge market share, the new vendors in this area are growing at a much faster rate. These new, integrated recruitment platforms (such as Greenhouse, SmartRecruiters, Lever, Jobvite, iCIMS, and others) have redefined the space by integrating smart sourcing, candidate relationship management, interview management, applicant tracking, and smart analytics into one integrated platform. We can likely expect them to add onboarding and employee communications next.

In the area of learning, companies are struggling to fix the user experience of their legacy learning management system (LMS) platforms. We see more than 200 LMS companies in the market today; while the top five (Oracle, SAP, Cornerstone OnDemand, Skillsoft-SumTotal, and Saba) remain as large players in this space, the second tier vendors are growing rapidly. These new vendors are building their design point around online video, MOOCs, external content, and expert-authored material—significantly enhancing the employee experience. New tools that are designed to curate and integrate content from companies like Degreed, Pathgather, and Xyleme are also picking up steam. I expect the existing LMS market to be totally transformed within two to three years.

Finally, a new group of solutions has emerged to measure feedback, engagement, and employee sentiment. As I discuss in Prediction 5, a whole new market segment has been created, including systems that help to develop feedback through pulse surveys, open text comments, and structured interviews and anonymous conversations. All of these tools are being designed to help us to engage, manage, and understand our workforce. These vendors (like TinyPulse, CultureAmp, Glint, Kanjoya, and CultureIQ) are growing rapidly.

In 2016, you will likely be forced to look at all of these new tools. I would expect many of them to grow rapidly, and to be acquired by 2017 and beyond.

²² *Global Human Capital Trends 2015: Leading in the new world of work*, Deloitte Consulting LLP and Bersin by Deloitte, Deloitte University Press, 2015, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.

²³ “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/>.

PREDICTION

Debate and discussion about performance management will continue; many companies will reengineer and experiment with development and feedback-rich performance management solutions; bigger vendors will be playing catch-up.

4. The Rush to Replace and Reengineer Performance Management Accelerates around the World.

In late 2015, I had the opportunity to visit China, Hong Kong, and several cities in India. During these visits, I talked with many companies—some established global organizations, some government- and state-owned enterprises, and many fast-growing industrial or technology companies. In every single case, the topic people wanted to talk about was performance management.

People wrote about performance management at a fevered pace during 2015—articles about the demise of ratings and the end of forced ranking, as well as the adoption of check-ins, feedback systems, and agile goal management systems. In 2016, I predict this enormous wave will likely crest and move even faster. Nearly every company may start to challenge this core part of HR.

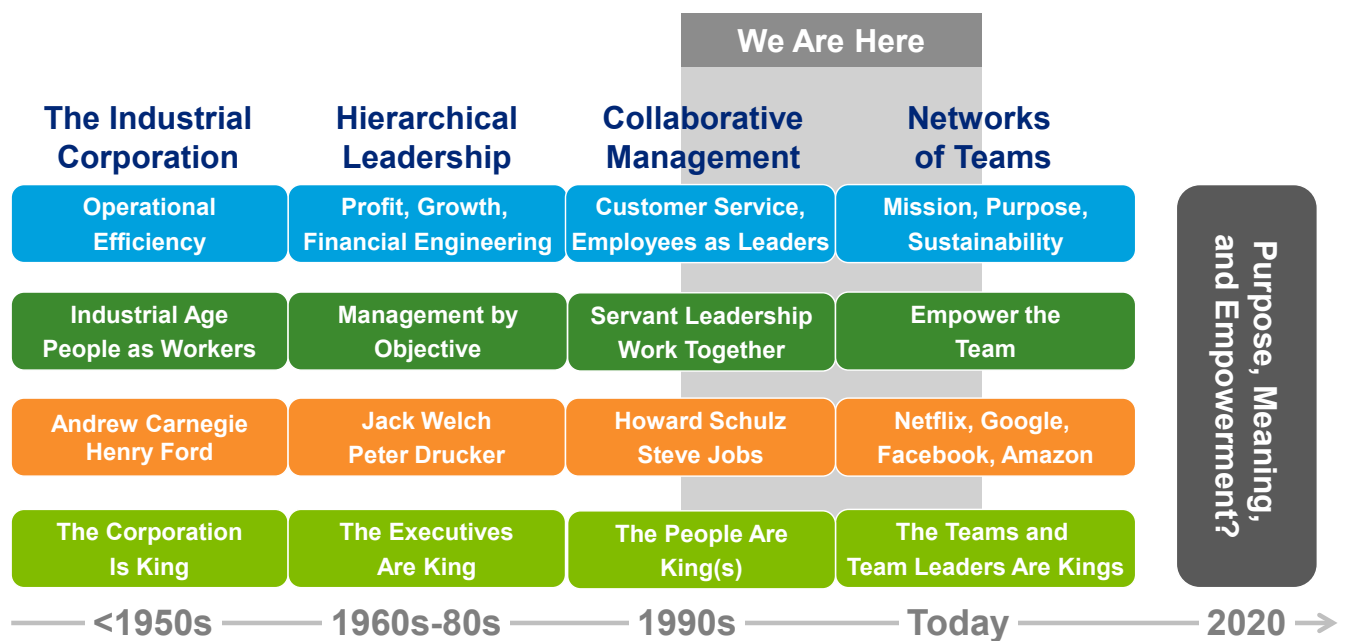
What is really happening is quite profound. We have entered a *new era of “management thinking”*—one which takes us to a new set of principles about how we lead and empower people, and how we set goals and evaluate performance. The core of these new models is development—how we can make the annual process more regular, more developmental, and more empowering.

Why is this occurring? There are many big drivers.

1. Of course the existing process is too complex. Many managers (88 percent, in fact) believe it is not worth the time we put into it.²⁴
2. The process is not developmental enough. Today we want to “build skills” in our workforce and engage our people; simply giving them goals and a rating do nothing to further this mission.
3. I believe a major shift is taking place in management thinking, something that we see take place every few decades (see Figure 3).

²⁴ Our High-Impact Performance Management research is a series of industry studies, published between 2011 and 2014, and are available to Bersin by Deloitte research members.

Figure 3: The Evolution of Management Thinking



Source: Bersin by Deloitte, 2015.

KEY POINT

We have entered a *new era of “management thinking”*—one which takes us to a new set of principles about how we lead and empower people, and how we set goals and evaluate performance.

Consider Figure 3. Those of you who are avid readers and senior business people remember that “leading-practice” companies change every 10 to 15 years.

- In the 1940s and 1950s, we considered the railroads and steel companies as the pillars of management thinking. These companies treated people as “workers,” and created a hierarchical view of management, one that focused primarily on automating work and telling people what to do.
- In the 1960s and 1970s, we had thinkers like Peter Drucker and Jack Welch who brought the ideas of “management by objective” and “hierarchical organizations” to the world; we patterned our companies after GE and other major conglomerates. Then, we focused on hierarchical, top-down, cascading goals (the technology implemented in most HR systems today) and leaders as “kings” of the corporation.
- In the 1980s and 1990s, a new generation of companies (like Google) emerged. These companies focused on highly empowering their employees, looking at “workers as kings,” and turning leaders into “servant leaders” who empower, align, and develop their people. Today, most companies are somewhere into this transition; they struggle to learn how to decompose their 1960s-1970s style of leadership and structure, and copy what companies like Google have done for years.
- Now, an even newer type of management thinking has emerged. Companies should be driven by mission and purpose, with flexible, dynamic teams and managers as “team leaders” not as “executives.” These companies do away with the idea that you are a leader because of your position—and focus on people developing “followership,” and building the systems and tools which let people cross communicate easily and organize around a “network of teams” as the new

model. (We will be writing much more about this topic in Deloitte's Human Capital Trends 2016 report, coming in the spring, and discussing it in more detail at our 2016 IMPACT conference.)

All of this indicates to me that the whole process of performance management simply *has to change*. Not only has the philosophy of management shifted—we have a much younger workforce; people do not have time for long, end-of-year paperwork exercises; and, neurological research shows that ratings simply do not drive performance. Yes, forced ranking does not always work either, as much research now shows.²⁵

KEY POINT

In this new area of performance management, the big software vendors are all trying to catch up—none of them (as yet) have really nailed the “next generation of performance management” needs.

Interestingly, this wave of change has created a situation in which business practices are ahead of technology. In most areas of HR, innovation comes from vendors—and these vendors pioneer new ideas, which are then adopted throughout HR and learning. (For instance, e-learning was pioneered by companies like WebCT and Click2Learn; traditional goal management was pioneered by SuccessFactors and others, etc.).

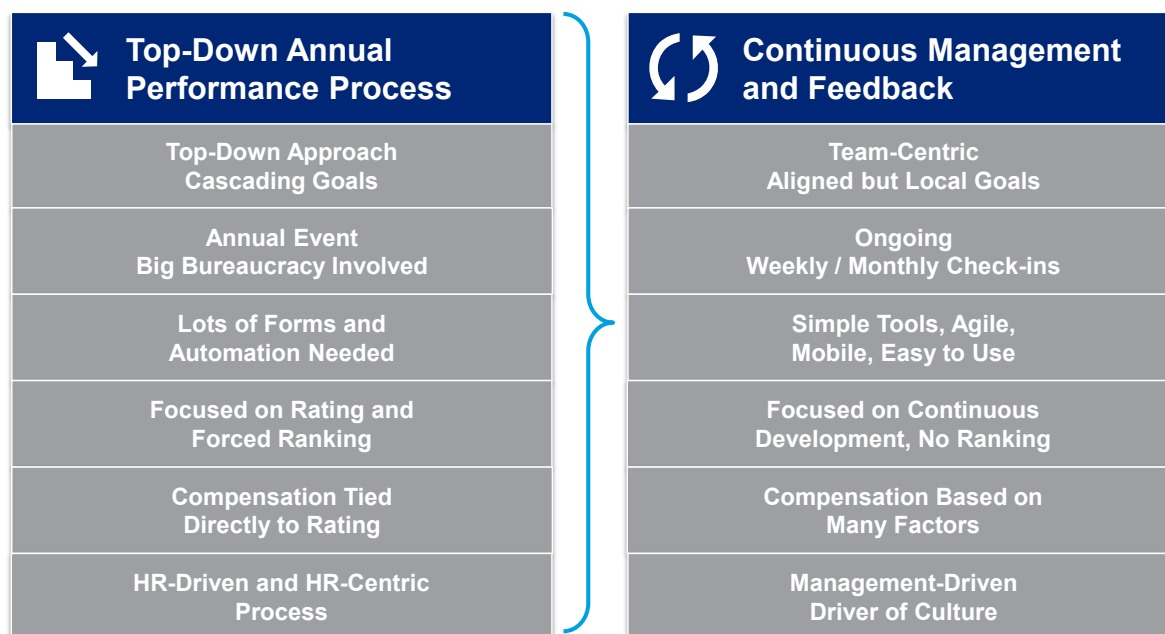
In this new area of performance management, the big software vendors are all trying to catch up. While companies like Workday, SuccessFactors, Oracle, and Cornerstone OnDemand have been wildly successful building end-to-end HR and talent applications, none of them (as yet) have really nailed the “next generation of performance management” needs.

I have talked with most of the pioneers in this space (including Adobe, New York Life, Cisco, GE, and many others); almost all of these companies are building their own tools to make their new processes work. Dozens of new vendors are starting to address this market (such as Reflektive, TMBC, Simple Improvements, BetterWorks, TinyPulse, and many others); most of these are small companies and none have global scale. In 2016, these companies will likely gain a lot of traction; some of them could be acquired.

As far as the practices of performance management go, they are shifting as shown in Figure 4.

²⁵ “The Myth Of The Bell Curve: Look For The Hyper-Performers,” Forbes.com / Josh Bersin, February 19, 2014, <http://www.forbes.com/sites/joshbersin/2014/02/19/the-myth-of-the-bell-curve-look-for-the-hyper-performers/>.

Figure 4: How Performance Management Is Changing



Source: Bersin by Deloitte, 2014.

We continue to study this market closely, and produce webinars and case studies to help you with your own journey. As you evaluate and update your process, keep the following 10 items in mind (see Figure 5).

Figure 5: Ten Factors in a Modern, Healthy Performance Management Process



Source: Bersin by Deloitte, 2015.

My advice to you is this—take the time to look at what is going on out there, and make sure you are embarking on your company’s journey in a highly strategic way. Performance management is not really an HR process; it is a “management process”—and your senior leaders should be intimately involved in the discussions, development, and rollout of a change. Finally, I recommend that you do some testing. Initiate a few pilot programs to make sure that you have the details right. Every company’s culture is different; it will likely take a few years for your new process to “stick.”

PREDICTION

Real-time feedback, culture assessment tools, and other ways to capture and measure employee feedback will become a major new discipline within HR and business.

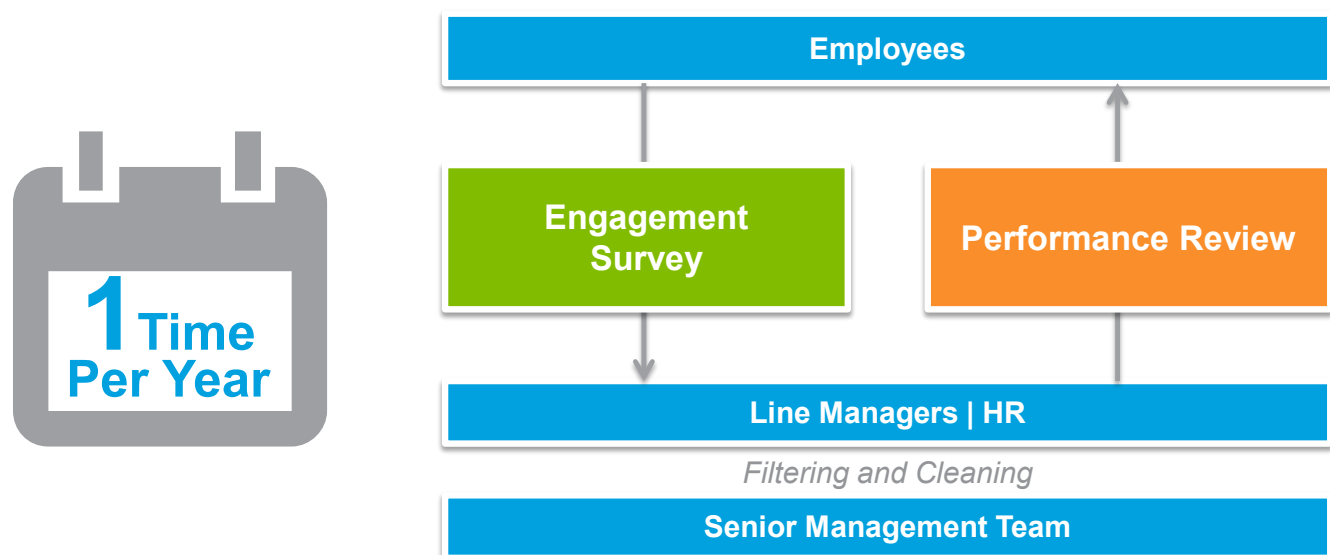
5. Engagement, Retention, and Culture Persist as Top Priorities—With New Feedback and Analytics Systems Coming to Market.

The number one topic on the minds of CEOs and senior HR leaders is culture and engagement.²⁶ Why? As we have discussed throughout 2015, the job market is hot, many skills are in scarce supply, the economy is growing, and your employment experience is highly transparent. The competition for top people is fierce; we have new tools to help us find, attract, and “poach” the people we want.

In addition to this, we have entered a world in which transparency and open feedback are expected. More than 80 percent of Millennials, for example, expect to be able to give their bosses a performance appraisal.²⁷ Our employment brand is available on websites, like Glassdoor, for everyone to see (as is a rating of the CEO and various other measures). HR professionals are still relying on the old-fashioned, once-a-year engagement survey to keep in touch with employees.

Fueled by a variety of exciting new tools, I believe it is time for this to change. This old-fashioned, “once-per-year” feedback process has to be discarded—to be replaced by a process of continuous feedback going to managers, HR, and business leaders.

Figure 6: How Feedback Works Today



Source: Bersin by Deloitte, 2015.

²⁶ *Global Human Capital Trends 2015: Leading in the new world of work*, Deloitte Consulting LLP and Bersin by Deloitte, Deloitte University Press, 2015, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.

²⁷ *Mind the Gaps: The 2015 Deloitte Millennial Survey*, Deloitte Consulting LLP, 2015, <http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>.

As I wrote about in “Feedback Is the Killer App,”²⁸ we are entering a world in which employees can now give us feedback on a near real-time basis. Pulse survey tools, anonymous social networking tools, sentiment analysis tools, and a variety of culture assessment models (including Deloitte’s new CulturePath system) are now available to help. These tools are rapidly replacing the annual engagement survey (or supplementing it). In 2016, I believe we will see a rapid growth in this marketplace with most companies experimenting and implementing these new feedback systems.

In my research, I have identified five types of feedback systems now emerging; you may find yourself using one or all of them.

- **Pulse Survey Tools**—Managers and HR leaders can rapidly take the pulse of people’s feelings, opinions, and feedback, supplemented by the annual engagement survey.
- **Feedback Apps**—Employees can randomly provide an open suggestion box of comments that can be analyzed, filtered, up-voted, down-voted, and evaluated for sentiment at any time.
- **Performance Feedback Systems** (like the new Deloitte performance management process)—These systems give employees an opportunity to provide team- or manager-level feedback on a regular basis as part of the performance management cycle.
- **New Work Environments**—People can work in teams through collaboration software (tools like Slack, Workboard, Trello, Impraise) and give feedback immediately on anything (one, Reflektive, lets you provide feedback in any email).
- **Social Recognition Tools**—Employees can give thanks, points, and other forms of positive feedback to others in an open and social way.

The trend is toward letting employees “Like” and “Yelp” things at work—and this process gives us valuable data about work practices, safety situations, customer service issues, and, of course, management.

²⁸ “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/>.

Case in Point: How the Immediacy of a Feedback System Can Help

Here is an example to inspire you. A large institution in the southwest had to go through a large layoff recently (the company let go close to 10,000 people). The HR leaders and CEO carefully scripted a series of communications, a detailed person-by-person program, and packages for everyone in the company. As you probably know, layoffs can have a devastating effect on the “survivors” in companies—and much research shows that companies take years to recover from events like this.

In this company’s case, the organizational design leader decided to use an agile feedback tool to immediately survey all employees in the company the day of the layoff. She asked them to give leadership candid feedback on the process, what went well, what went poorly, and what the company could do to make it easier on people. Within four hours of the layoff, she told me that she received more than 5,000 suggestions, comments, and highly pointed recommendations on what to do. She used a system that allows employees to view the feedback of others, and vote up and down on what others have said.

Within a single day, she saw a series of four to five significant issues that the team had missed. A high percentage of employees agreed that these issues were problems, so she immediately went back to the CEO. Twenty-four hours later, the company launched changes to the program, communicated the feedback it had received, and showed employees that the company was working very hard to listen, empathize, and try to make things as easy as possible on everyone.

This type of rapid iteration and improvement would have been impossible without a feedback tool; I have heard stories like this from many companies.

Case in Point: Using Feedback Systems to Ascertain a Company’s Culture

In the area of culture, similar things are happening. One of the biggest technology companies in Silicon Valley, for example, has decided that the biggest business issue it has is culture. While the company originally started as an innovative and disruptive organization, today it faces its own disruptive competition.

As a result, the CEO has embarked on a carefully crafted program to diagnose, align, and change the culture. The company is collecting data from feedback surveys, engagement programs, and employee sentiment to understand what the culture is today and all the areas that can be improved (and aligned with the new values). I spoke with the talent analytics leader who is working on this process; she is busy collecting feedback from all over the company to help.

KEY POINT

While feedback and engagement are critical “wellness measures” in an organization, culture is like the skeleton or framework which helps people to understand how to work.

Culture has become and will continue to be a strategic business priority. But, what does the word “culture” really mean? In our definition, culture:

- Is the values, implicit beliefs, and ideas that give meaning to an organization
- Translates values into behaviors, which are embedded into every day work-life
- Shapes the way people make decisions, how they work, and how they interact with others inside and outside the organization
- Is created and can be changed by the behavior exhibited and communications from leaders, as well as the company’s reward systems

While feedback and engagement are critical “wellness measures” in an organization, culture is like the skeleton or framework which helps people to understand how to work. It is also very difficult to change—culture builds as the company grows, and is deeply embedded into the practices, behaviors, reward systems, and even language used in your company. When you merge with another company, change CEOs, or go through a business transition (e.g., enter a new market, change product categories), culture can make or break your success. In many cases, senior leaders do not really know where in the company the culture is strong and where it is weak.

Case in Point: How a Shift in Business Philosophy Can Impact a Company’s Culture

Leaders from a large food service company I talked with recently told me that they are working very hard to improve the retention and sense of community in their local stores. This company, like many retailers, is trying to shift its stores away from “places to buy food” to “places in the community to hang out.”

In order to do this, it needs to teach store managers and employees how to engage with the local community. The company may need to hire different types of people, spend time on local community events, and change the ways in which employees talk with customers and how the company markets its services. This kind of transformation requires training, changes in hiring, and constant communications with team members.

In 2016, we will see the topics of culture and engagement continue to be high on the list (86 percent of companies rated it a top priority in 2015²⁹) of things to worry about. The big change will likely be:

- The explosion of new tools, techniques, and analytics methods to encourage and collect feedback
- The need for companies to listen to employees at all levels within the company
- Companies understanding where their culture and management need to change

²⁹ *Global Human Capital Trends 2015: Leading in the new world of work*, Deloitte Consulting LLP and Bersin by Deloitte, Deloitte University Press, 2015, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.

PREDICTION

Companies will continue to struggle with leadership development; leaders will advance young leaders faster, push new leadership models, and spend more money on end-to-end leadership programs. Mentoring and multigenerational support programs will grow and proliferate.

6. Global Leadership Development, Coupled with Career and Talent Mobility, Takes on a Fresh New Focus. Mentoring and Coaching Grow Rapidly.

The leadership challenge in organizations has grown to a crisis level. In 2015, 86 percent of companies globally cite “gaps in their leadership pipeline” as one of their top three issues and these gaps are occurring at all levels of the organization.³⁰

In both our 2014 *Leadership Development Factbook*³¹ and the *Deloitte Human Capital Trends*³² reports, we point out a few important facts to consider.

- Investment in leadership is inconsistent. Companies which excel at leadership development (and see outsized returns from this investment) spend four times more than those which do not take it seriously. Yet, even at that higher level, spending is only around \$4,000 per leader per year (a very modest price to pay for great leadership).
- The role of leaders has changed. Spans of control have increased by more than 11 percent on average for lower-level leaders, showing how leaders’ jobs have changed.³³ Today’s leaders are “team leaders” more than “top-down executives,” and they must learn how to lead cross-functional, global teams.
- Approximately 50 percent of all leaders in every company are first- or second-line leaders, and this population is getting younger every year. So, the leadership pipeline now looks like an inverted pyramid—with the most critical supervision and management challenges taking place among front-line leaders. Focus on front-line and Millennial leadership development is growing rapidly.
- A new model of leadership is emerging—leaders who are empowered not by position, but more so by their “followership”—their ability to set an example, and empower and encourage others, as well as their ability to drive change, alignment, and inspiration.
- Companies are far too attached to old models of leadership, long development times, slow progression, and traditional high-potential (HiPo programs). Today’s high-performing companies promote young leaders at a highly accelerated rate and enable them to learn on the job.

While all of these issues are clear and most companies face them, the market for leadership solutions has been stagnant (other than a lot of consolidation); vendors have not introduced nearly enough innovation. Our High-Impact Leadership research³⁴ points out how high-performing companies think about leadership as a

³⁰ *Global Human Capital Trends 2015: Leading in the new world of work*, Deloitte Consulting LLP and Bersin by Deloitte, Deloitte University Press, 2015, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.

³¹ *Leadership Development Factbook 2014: Benchmarks and Trends in U.S. Leadership Development (PPT)*, Bersin by Deloitte / Karen O’Leonard and Jennifer Krider, 2014.

³² *Global Human Capital Trends 2015: Leading in the new world of work*, Deloitte Consulting LLP and Bersin by Deloitte, Deloitte University Press, 2015, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.

³³ *HR Factbook 2015: Benchmarks and Trends for U.S. HR Organizations*, Bersin by Deloitte / Karen O’Leonard and Jennifer Krider, 2015.

³⁴ This information is based on current research by Bersin by Deloitte.

“system,” not as a series of programs. Success requires a continuous set of strategies, development programs, rewards, coaching programs, assessments, competency models, and behaviors that build leaders at all levels.

Case in Point: A Company Crisis in Leadership Development

A large technology company recently asked for advice in hiring a new head of leadership development. The company told me that the problem it faces is a lot of “old-style-thinking leadership,” which today is not driving performance, engaging people, or improving the bottom line. This company admitted that it needs a fresh, new perspective—someone who can look at behavioral economics, neuroscience, organizational network analysis, analytics, and the power of teams. The company is looking for someone young, innovative, and aggressive to recharge its whole program.

I believe this is a message for all of us. We need to throw away the old approach to leadership training and move forward with a more agile, integrated, culture-driven model.

Case in Point: One Company's New Standard for Leadership

A fast-growing Internet company has put in place a program to incent the “right people” to move into leadership; the company's new standard is that leaders will *NOT* be promoted when they move into management. If you want to be a leader, you really have to want it—the company does not want high performers moving toward leadership positions just to make more money.

This seems like a pretty good idea to me.

Another company told me that its biggest problem now is teaching senior leaders how to work for more junior executives. While tenure, experience, and wisdom are always important in a senior role, companies now need to rapidly promote Millennials and Gen-Y leaders to help in building their skills—and that means more senior people may have to work for them. This is a new dynamic and issue to address, one that most large companies are not ready to handle.

KEY POINT

While HR practices tell us to promote leaders who are “ready,” in today's rapidly changing companies we need to actively build leaders “through leadership experiences”—and let people lead sooner.

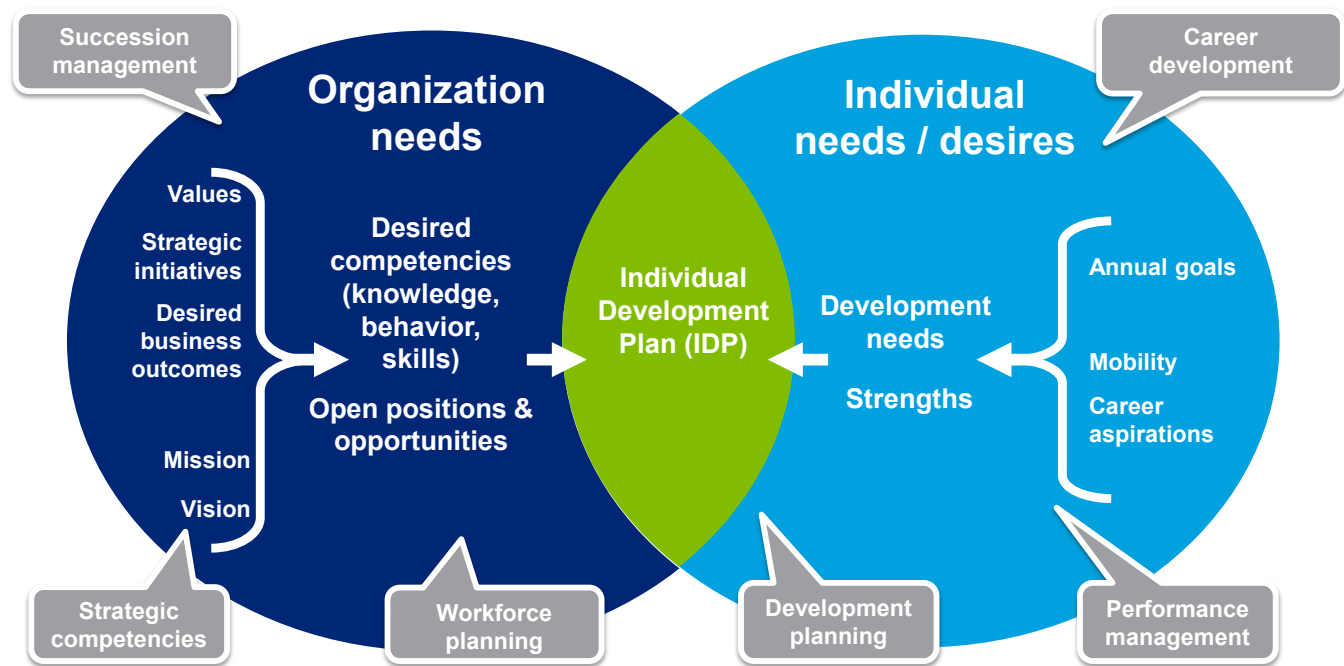
Given the rapid changes in technology and the youth entering the business world, 2016 will also be a year for us to rethink the concept of “potential.” People in their 20s and 30s are often ready for far more responsibility than we give them. While HR practices tell us to promote leaders who are “ready,” in today's rapidly changing companies we need to actively build leaders “through leadership experiences”—and let people lead sooner. For example, new tools developed by Kaisen (recently acquired by Deloitte) point out that intelligence, agility, self-management, and self-discipline are the characteristics of HiPos, not work experience. These HiPos will learn leadership by doing it, so we need to promote them faster.

KEY POINT

More than 80 percent of companies tell us that they want better talent mobility in their companies.

Finally, this is the year that talent mobility and career mobility will become a real marketplace. New and existing vendors (new like Fuel50 and Patheer, and existing such as Workday, Cornerstone OnDemand, Oracle, PageUp People, and others) now offer well-designed career management solutions that bring together the concepts of self-assessment with data about new career paths to facilitate mobility. More than 80 percent of companies tell us that they want better talent mobility in their companies;³⁵ now that we have a new breed of HR systems in place, we can offer everyone the ability to “shop for the next job” intelligently within the company.

Figure 7: The Talent Mobility Formula

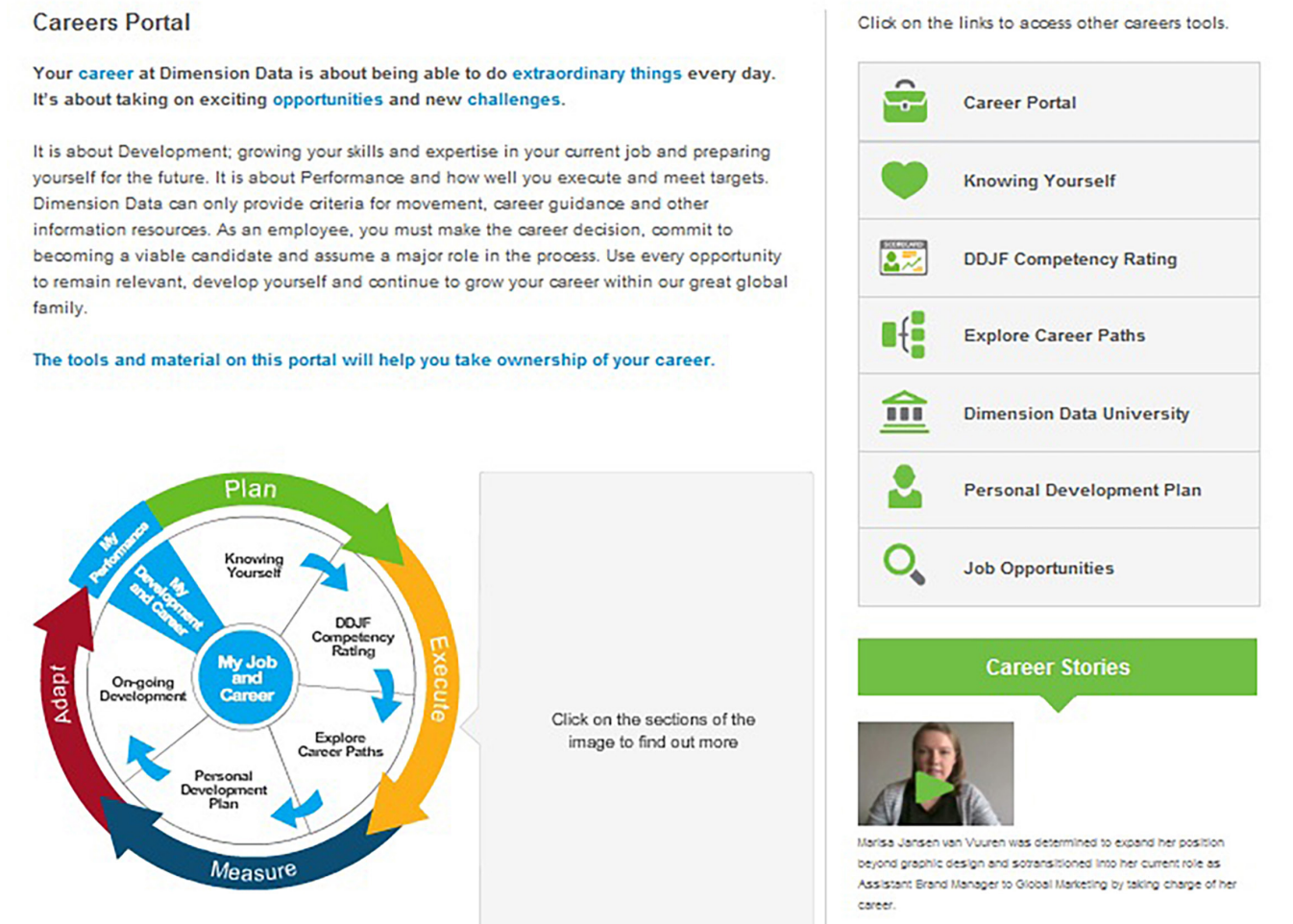


Source: Bersin by Deloitte, 2015.

I just interviewed a group of line leaders and HR executives at a global pharmaceutical company that has recently implemented a new cloud-based talent management system. The members of this group told me that, two years into the project, employees had all started enthusiastically building their employee profiles and are now actively searching for new positions. This particular vendor offers predictive analytics on career moves that provides the greatest likelihood of success, which is already having a major impact on people’s development plans and career objectives.

³⁵ This information is based on the Bersin by Deloitte survey, High-Impact Talent Management, conducted between 2014 and 2015.

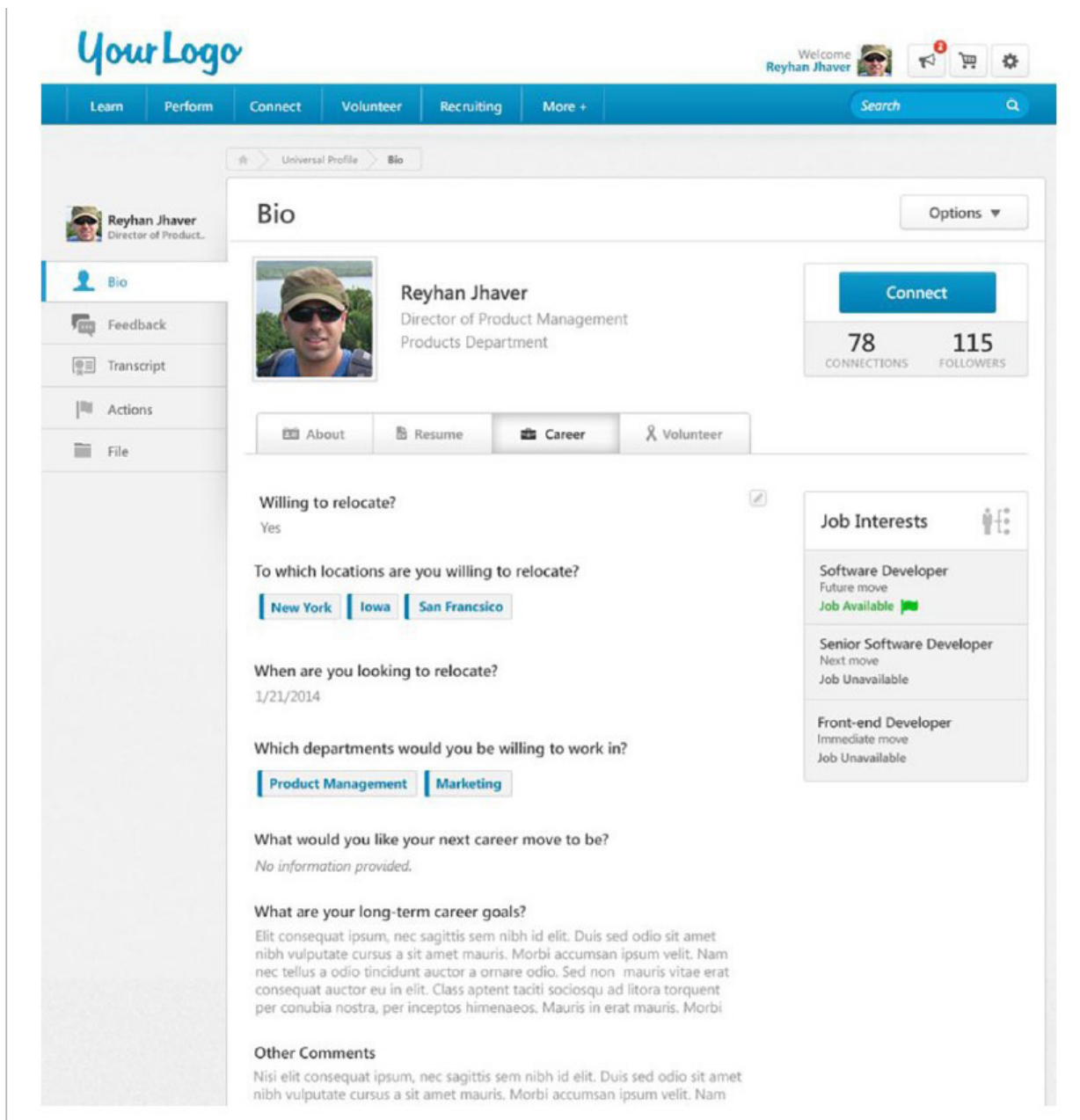
Figure 8: Example of a Company's Careers Portal Homepage³⁶



Source: Dimension Data, 2013.

³⁶ Career Management Systems 2015: Enabling Employee Growth through Career Management, Bersin by Deloitte / Sally-Ann Cooke, 2015.

Figure 9: Example of an Employee Profile



Source: Cornerstone OnDemand, 2014.

KEY POINT

All of our research shows that *coaching and mentoring* are the most valuable talent practices which you can develop in your company.

Another important point in this area, all of our research (High-Impact Talent Management³⁷) shows that *coaching and mentoring* are the most valuable talent practices which you can develop in your company. This kind of activity should be built into your culture; you should reward people for mentoring others; and, you should look at tools, like Everwise, Mentorcloud, etc., to bring in external coaches. The new approaches to performance management focus on coaching—you should focus on this area in the design of your reward systems, performance management process, and leadership development programs.

³⁷ This information is based on current research by Bersin by Deloitte.

PREDICTION

Learning teams will focus more on “experience” and less on “program design,” and end-to-end design thinking will spread throughout L&D; curation and knowledge-sharing will grow.

7. The Revolution in Corporate Learning Continues as a New Model Evolves.

We started our research back in 2001 in the area of corporate learning. At that point in time, companies were just beginning to figure out how to put content online, and the big debate was whether or not formal training was going to “go away.” (We wrote an article called “The Death of the Corporate University.”³⁸)

Since then, of course, the learning marketplace has radically expanded; we live in a world of high-fidelity MOOCs³⁹, courses authored by experts in every domain, marketplaces of low-cost (often free) online courses, high-quality video-based educational content, and of course millions of blogs, articles, simulations, and other materials that help us to learn.

Added to this new world of learning is an increased passion and desire for self-directed learning. Our 2015 Deloitte Human Capital Trends research⁴⁰ shows that corporate learning is now the number three priority around the world (only after culture and leadership). Many individuals in just about every domain are looking for ways to improve their professional skills. If you are not an active learner pushing yourself to improve your skills, you are probably falling behind everyone else.

Case in Point: Giving Employees Tools for Learning

I just had a talk with one of the world’s largest retailers, which has introduced a new portal tool to help its employees to curate, recommend, and arrange content that they find helpful. Within six months of adopting this technology, the company had more than 4,000 employees actively sharing content on technical topics (such as agile software development, the use of mobile app development tools, management skills, time management topics, etc.) among each other. The members of the L&D team, which is relatively small, told me they believe, over the next few months, people will have learned how to share content so well that the L&D team can pull back from the curation of training content.

This is not to say that highly crafted learning experiences are going away—not at all. People need structured education and training as much as possible.

But as our research clearly shows, today’s modern learner is short on time, rushes to learn, and wants to learn his or her own way.⁴¹ So our job in the L&D function is not only to create great formal education, but also to deliver a tapestry of ever-changing learning experiences that can be curated by the crowd.

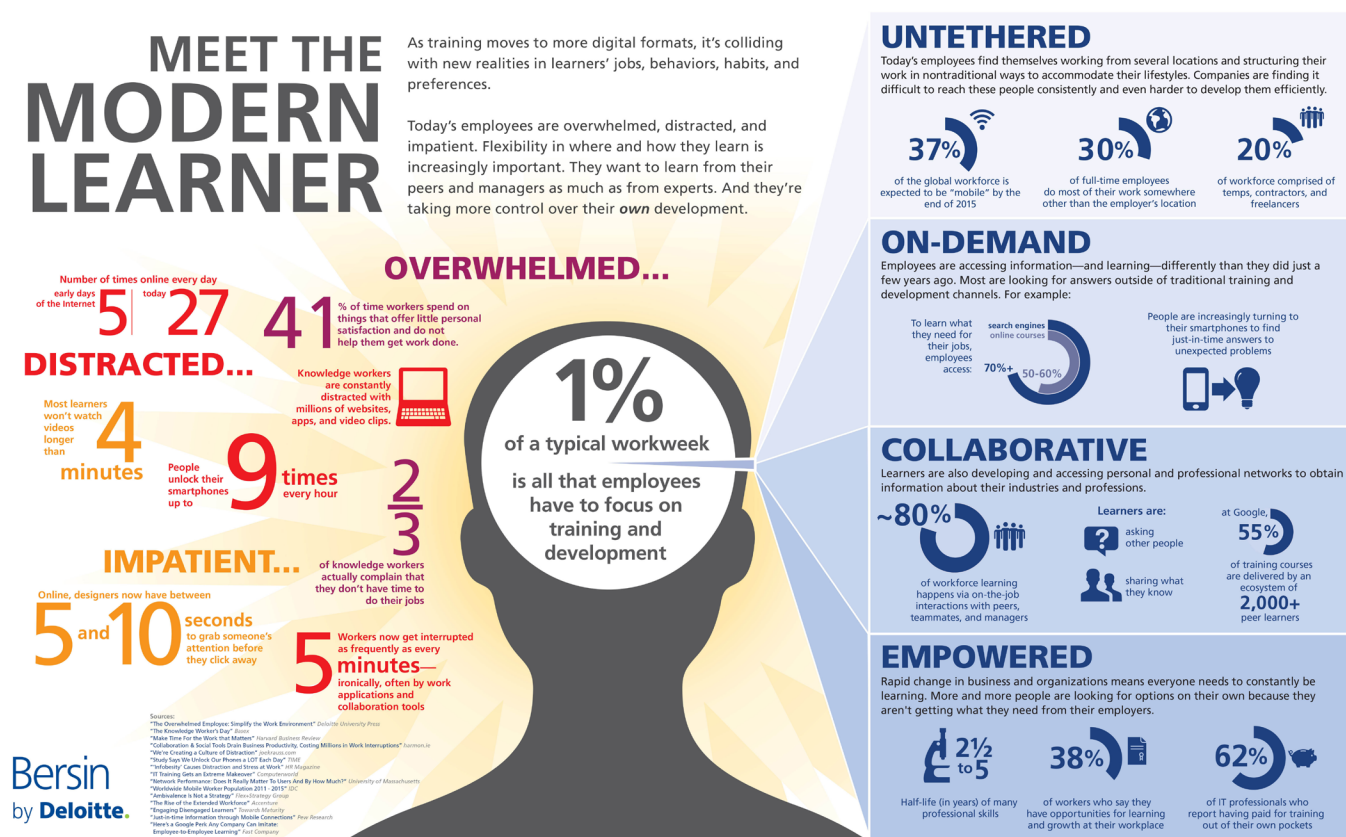
³⁸ “Death of the Corporate University,” Bersin & Associates / Josh Bersin, August 1, 2007 (blog).

³⁹ “Massively open online course” (or MOOC) refers to a new category of vendor that provides open, no-cost (or low-cost) online education and courseware.

⁴⁰ *Global Human Capital Trends 2015: Leading in the new world of work*, Deloitte Consulting LLP and Bersin by Deloitte, Deloitte University Press, 2015, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.

⁴¹ *Meet the Modern Learner: Engaging the Overwhelmed, Distracted, and Impatient Employee*, Bersin by Deloitte / Todd Tauber and Wendy Wang-Audia, November 2014.

Figure 10: Meet the Modern Learner



Source: Bersin by Deloitte, 2014.

As I continue to study and meet with L&D organizations around the world, I am pulled back to our "Four Es" model of learning. As shown in Figure 11, great learning involves:

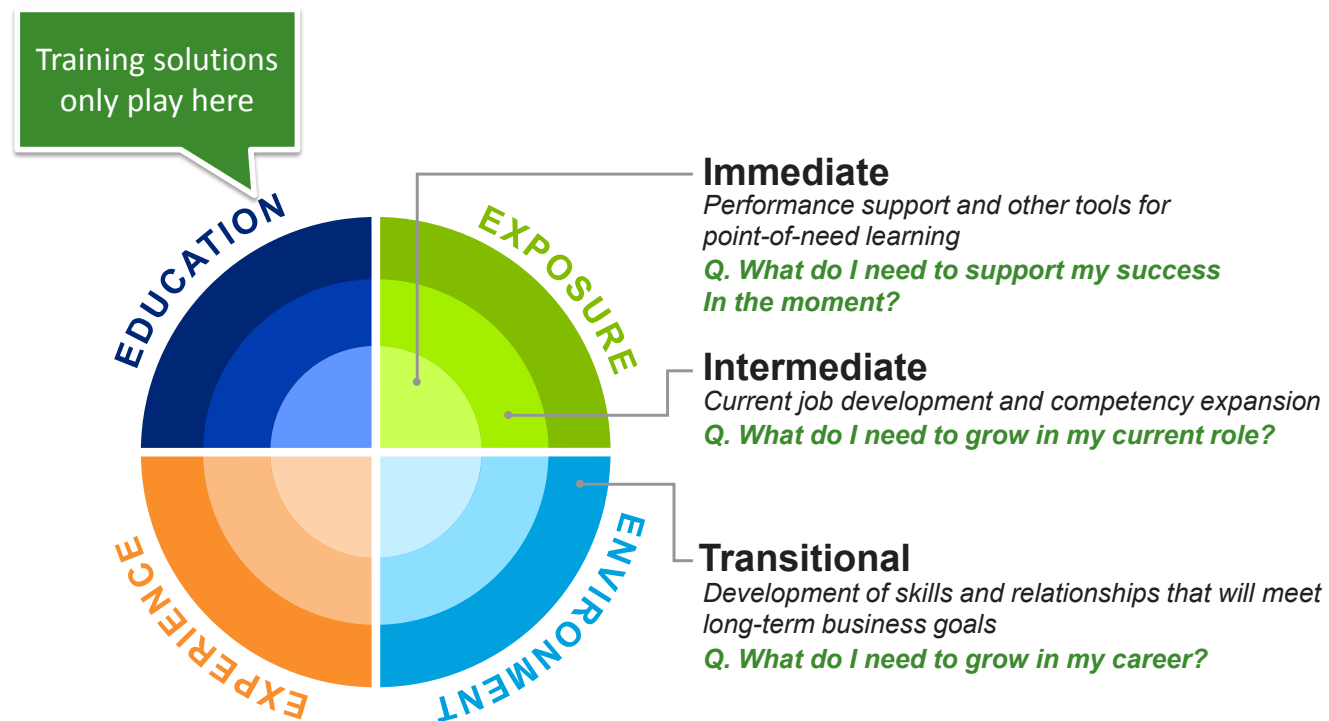
- **Education** (formal training)
- **Experiences** (developmental assignments and projects)
- **Environment** (a culture and work environment that facilitate learning)
- **Exposure** (connections and relationships with great people)

If you think about these four things, you will likely be ahead of the curve in learning for 2016.

Does the 70/20/10 model⁴² really make sense? While the model is a bit simplistic, it highlights a clear and important point—formal learning programs only comprise a small part of your role in L&D. In 2016, you need to think about building a continuous learning experience at work. If you can make that happen (through the four Es), you will likely be a huge success.

⁴² In the "70-20-10 Model of Development," 70 percent of learning is through practice and on-the-job experiences; 20 percent is through other people by exposure to coaching, feedback, and networking; and, 10 percent is through formal education-based learning interventions.

Figure 11: Moving toward Employee-Driven Continuous Learning



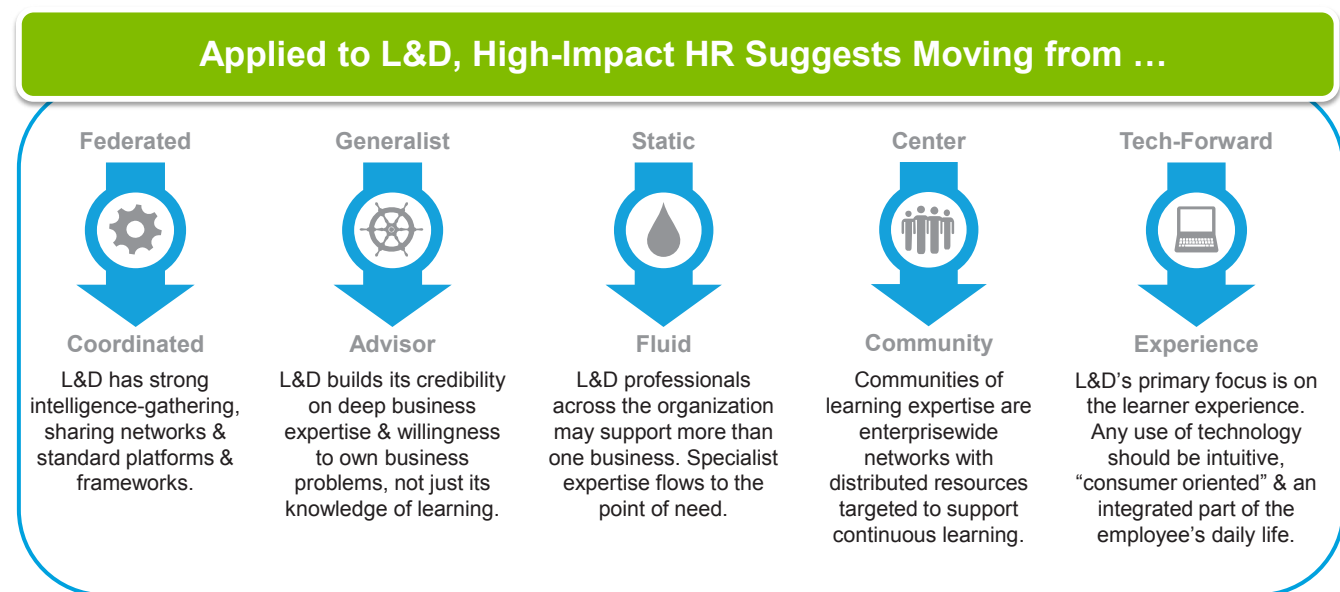
Source: Bersin by Deloitte, 2014.

This shift toward “employee-owned” learning has caused two disruptions to take place.

- *First, the LMS market is changing and many of the legacy LMSs are not providing the user experiences that people want.* Newer products (like Pathgather, Degreed, SAP Jam, Oracle’s Video Learning, Skillsoft’s new learning platform, and Workday Learning) are radically different from traditional LMS solutions. Those traditional LMSs, which are filled with critical functionality, are becoming back-office “mainframe-like” systems that you hide from users. Today, more than ever, companies want a mobile and highly interactive, curated, and recommendation-based approach to learning. New tools focused in this direction are likely to disrupt incumbent vendors.
- *Second, we are now experiencing a major shift in the role of L&D.* Today, L&D leaders and professionals must focus on their job as “learning experience designers” as opposed to “instructional designers.” Just as “design thinking⁴³” is impacting every other part of HR (including performance management, onboarding, and employee lifecycle programs), it should become paramount to learning. If you are not studying your employees’ learning experiences and creating an end-to-end experience that is highly engaging, you will likely find your company “left behind.” When employees do not find the learning they need, they often look elsewhere (or even change jobs). Some of our new research shows that “availability of learning” is one of the biggest factors in employee retention and engagement—two very important topics in today’s tight labor market.

⁴³ In general terms, “design thinking” is a human-centered, nonlinear approach to innovation that accelerates the cultivation and development of ideas into tangible business strategies and offerings, thereby creating better solutions.

Figure 12: New Roles in L&D—How They Are Changing



Source: Bersin by Deloitte, 2015.

A final point. The days of focusing heavily on standalone “learning analytics” are likely coming to an end. Of course we need to measure utilization and adoption of content; but, more importantly, we need to take learning data and match it with other employee data to see where and how learning contributes to sales performance, retention, career growth, and leadership development. The data you collect on learning should be part of your overall “people analytics” strategy. Do not spend too much time focused on the “ROI of learning” anymore; it belongs with the people analytics team.

PREDICTION

Inclusion and diversity will become an integral part of talent, HR, and business strategies at all levels. Companies not focused on this area will rush to catch up and learn.

8. Diversity and Inclusion Merge with Key HR and Business Strategies—To Move Well Beyond Compliance and Become a Strategic Part of Business.

Diversity and inclusion⁴⁴ have been a part of HR for more than 30 years. Many companies have had directors of diversity,⁴⁵ diversity programs, and affirmative action programs that are decades old. In 2016, driven by high-profile press and the increasingly diverse nature of the global workforce, this topic will rise to become

⁴⁴ “Diversity and inclusion” is the variety of people and ideas within a company, and the creation of an environment in which people feel involved, respected, valued, connected, and able to bring their “authentic” selves (e.g., their ideas, backgrounds, and perspectives) to the team and to the business.

⁴⁵ “Diversity” is the variety of people and ideas within a company. Organizations often define the diversity of their people according to legally protected differences, such as race, gender, age, disability, sexual orientation, maternity status, and other “nonvisible” qualities and backgrounds. While organizations may use legally protected differences to define diversity, it is important to remember that people are multidimensional in their diversity. The elements and factors that contribute to diversity can be both visible (traditional) and invisible.

KEY POINT

After nearly two years of research, our findings point out conclusively that the highest-performing companies embed “inclusion⁴⁸” into talent practices everywhere in their organizations.

a CEO-level strategic issue. It is no longer a “program” to be managed; it is now a business strategy that needs to be embedded in everything we do.

One of the reasons for this shift is the enormous amount of press on the topic. In both 2014 and 2015, we have seen high-profile stories everywhere on the lack of diversity in Silicon Valley, the continued lack of progress among women in leadership, and the role of “unconscious bias⁴⁶” in hiring, promotion, and pay. In the U.S., we have seen relentless press about income inequality, discussion about the plight of the long-term unemployed, the need to hire veterans, the lack of African-American income growth, and the issue of inclusion among Muslims and other immigrant groups.

Our newest research on talent management, *High-Impact Talent Management 2015*⁴⁷, studied the talent practices of 1,400-plus companies around the world, with a focus on Asia. After nearly two years of research, our findings point out conclusively that the highest-performing companies embed “inclusion⁴⁸” into talent practices everywhere in their organizations.

⁴⁶ “Unconscious bias” (also known as “hidden” or “implicit bias”) is simply our natural “people preferences.” We are biologically hardwired to prefer people who look like us, sound like us, and share our interests. Social psychologists call this phenomenon, “social categorization,” whereby we routinely and rapidly sort people into groups. This preference bypasses our normal, rational, and logical thinking. We use these processes very effectively (we call it intuition), but the categories we use to sort people are not logical, modern, or perhaps even legal. Put simply, our neurology takes us to the very brink of bias and poor decision-making.

⁴⁷ This information is based on current research by Bersin by Deloitte.

⁴⁸ “Inclusion” is creating an environment in which people feel involved, respected, valued, and connected—and to which individuals bring their “authentic” selves (their ideas, backgrounds, and perspectives) to the team and to the business. The concept of inclusion has become increasingly popular in recent years. Inclusion focuses less on what makes people different, and more on creating an environment that encourages people to bring, to contribute, and be appreciated for all aspects of their diversity. Practically speaking, an effective approach is not just to identify employees’ differences, but to focus on creating an environment that is inclusive and encouraging of all people.

Figure 13: New Talent Management Maturity Model



Source: Bersin by Deloitte, 2015.

KEY POINT

Simply put, these Level 4 companies are enduring high performers that drive long-term value for their shareholders.

How are these companies outperforming? Those operating at Level 4 Maturity in our model (see Figure 13) have far superior cashflow over a five-year period of time. These companies are:

- More able to respond to business change—1.8 times
- More able to innovate—1.7 times
- Better at developing their people—3.8 times
- Better at developing leaders—2.9 times

Simply put, these Level 4 companies are enduring high performers that drive long-term value for their shareholders.

How did they reach Level 4? After examining 31 different factors in their talent strategies, we identified a set of highly correlated practices that resulted in our maturity model (see Figure 13). As you can see, it is the development of an “inclusive talent system” that differentiates these leaders.

What do we mean by an “inclusive talent system?” It is a series of strategies that embed concepts and education about inclusion in everything we do. It specifically includes the following (listed in order of priority):

1. Integration of diversity topics and inclusion programs in learning and development
2. Coaching and specific practices that create inclusion and reduce bias in performance management
3. A focus on inclusion and diversity in succession management
4. A diversity and inclusion strategy that is well-communicated throughout the company
5. A senior diversity and inclusion leader who is empowered to set standards and communicate results
6. A focus on tools and training to include diversity in career management and development
7. The development of tools, training, and metrics for diversity and inclusion in talent acquisition

KEY POINT

These seven practices together create what we call an “inclusive talent system”—they are hallmarks of global companies that outperform their peers today.

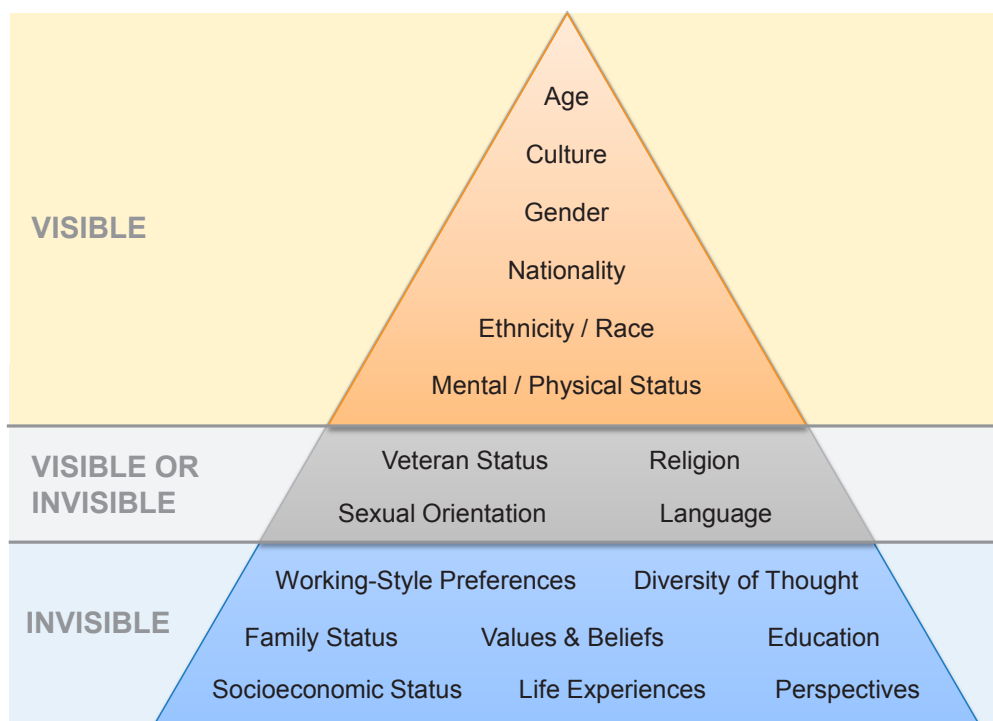
These seven practices together create what we call an “inclusive talent system”—they are hallmarks of global companies that outperform their peers today.

The interesting thing about this research is that it highlights dramatically different results than the similar research we did in 2007 and 2010. In our prior talent management studies (which were developed with the same methodology), we found that coaching, mentoring, and career planning were hallmarks of the most advanced companies. While these are still critically important programs, today in 2016 diversity and inclusion have risen to the top.

Remember also that diversity and inclusion go far beyond race and gender. Our definition is expansive;⁴⁹ our research defines inclusion in a far-reaching way. Simply pushing on issues like gender and race alone will not address the overall issues with inclusion, which impact daily decision-making in all areas of the business.

⁴⁹ *The Diversity and Inclusion Framework: A Guide to Transforming Organizations for Greater Business Value*, Bersin by Deloitte / Stacia Sherman Garr, 2014.

Figure 14: Visible and Invisible Diversity Traits



Source: Bersin by Deloitte, 2014.

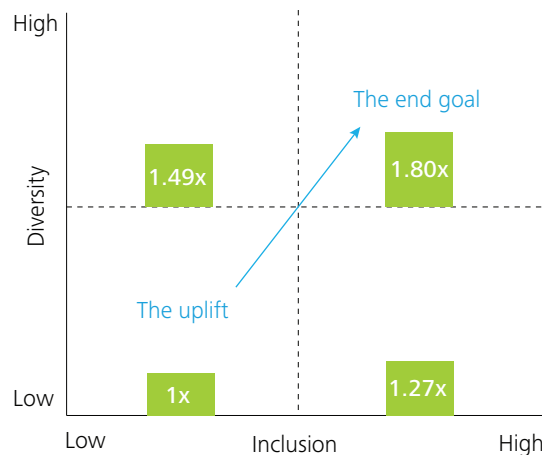
Inclusion

Bersin by Deloitte defines “inclusion” as creating an environment in which people feel involved, respected, valued, and connected—and to which individuals bring their “authentic” selves (their ideas, backgrounds, and perspectives) to the team and to the business.

Finally, let me point out the overall business impact of this strategy. Deloitte Australia studied this issue⁵⁰ in 2010 and 2011, and found that work teams which feel “included” in decision-making and project work are 80 percent more likely to rate themselves as “high performers” in the workplace. This finding should help to remind you that diversity and inclusion are clearly business strategies which are more important now than ever.

⁵⁰ Waiter, is that inclusion in my soup? A new recipe to improve business performance, Deloitte Australia and Victorian Equal Opportunity & Human Rights Commission, 2012, <http://www2.deloitte.com/content/dam/Deloitte/au/Documents/human-capital/deloitte-au-hc-diversity-inclusion-soup-0513.pdf>.

Figure 15: How Employees Respond to the Question—I Work in a High-Performing Organization⁵¹



Source: Deloitte Australia and Victorian Equal Opportunity & Human Rights Commission, 2012.

We will be focusing more heavily on this topic throughout the year ahead. My recommendation to you is to take your existing diversity and inclusion program, and benchmark it against these seven areas, as preparation for the talent market of 2016. The press on this issue will not slow down; now more than ever, we see this as a critical strategy to attract, retain, and empower your people for maximum business performance.

PREDICTION

People analytics will start to enter the mainstream of HR; many jobs will open up and amazing new stories of success will help us all to learn; new sources of data will start to feed the analytics team.

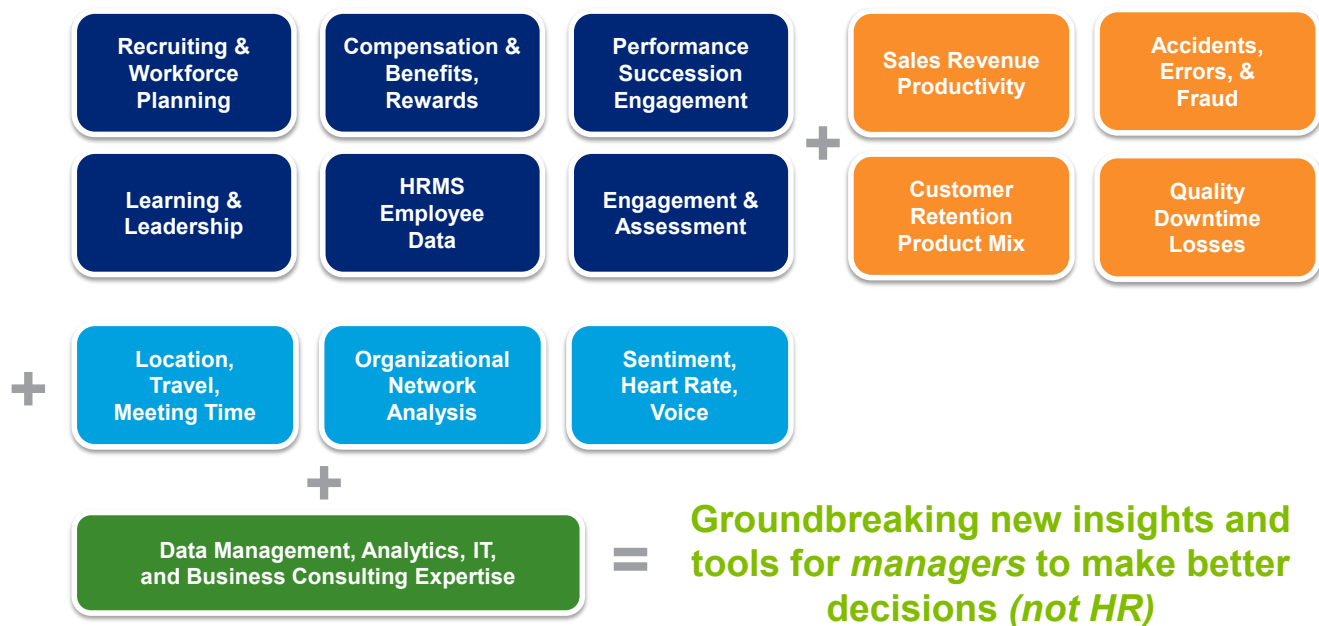
9. People Analytics Accelerates Its Growth—Evolving to a Mainstream Program in the HR Function.

People analytics (the new and more final name for the function that we called “talent analytics”) is now becoming mainstream in the HR landscape. I attended a series of analytics events in 2015; the last one, hosted in the fall of 2015, had almost 300 Ph.D.s, statisticians, analysts, and leaders focused entirely on this topic. This, coupled with new research data which we will be launching in the spring, tells me that people analytics has truly arrived.

When I talk with HR leaders and CHROs, and ask them what their top priorities are for the year, nearly every one now says “analytics” among the top three. Companies are hiring heads of people analytics, building teams, and replacing HR platforms with the singular goal of creating a meaningful and useful database of information about their people.

⁵¹ Waiter, *is that inclusion in my soup? A new recipe to improve business performance*, Deloitte Australia and Victorian Equal Opportunity & Human Rights Commission, 2012, <http://www2.deloitte.com/content/dam/Deloitte/au/Documents/human-capital/deloitte-au-hc-diversity-inclusion-soup-0513.pdf>.

Figure 16: The New World of People Analytics (equation)



Source: Bersin by Deloitte, 2015.

What is people analytics? As Figure 16 shows, it is a new discipline within HR in which we bring together traditional talent and HR information with the new data streams coming from mobile apps, engagement apps, feedback apps, and network analysis to build a highly valuable (almost priceless) database about what people are doing, their history and experiences at work, and how they progress in their careers. This data (shown in green in Figure 16) is then used for specific business problems (e.g., how to improve sales productivity, improve the leadership pipeline, reduce fraud or accidents, improve retention, etc.) to identify specific solutions that drive business results.

This new function is critically important and of very high value—just as marketing departments analyze the results of campaigns, create personas and segments of the customer population, and understand the drivers of market share success, we can now do the same thing for our employees.

These few examples may inspire you.

- An automobile manufacturer can now predict unplanned absences in its plants, based on activities at work and business cycles, enabling plant managers to prehire additional staff and prevent days with low turnout in the operation.
- A bank identified the reasons behind patterns of fraud, and reorganized the location and time spent by managers to specifically reduce fraud in selected branches, based on proven linkages between managerial behavior and theft.

- A financial services company studied “organizational network analysis⁵²” (who people work with and how people communicate with each other) and proved through data that branch staff should be spending more time communicating with internal functions and less time focused solely on their local teams to drive revenue.
- A food-service company proved that, by doubling its investment in compliance training and moving the focus on compliance measurement from operations to sales, it could measurably improve revenue and customer renewals.
- A high-technology company proved that, by focusing on engineering candidates with certain characteristics in their LinkedIn profiles, the company could much more accurately poach top people from its competitors.
- A software company proved that top leaders followed a certain path of career trajectory while other paths were creating derail experiences; it then modified its career planning programs.
- A financial services company is analyzing sentiment data and narratives in its feedback surveys to coach managers on specific techniques to drive higher levels of performance.

The potential for people analytics is enormous. Think about the number of people you have working in plants, stores, or regional offices—and the potential business improvement—if you could optimize their output by giving them very specific information that has been proven to create results.

Today, as “appification⁵³” takes off and we start to collect sentiment information, location information, and direct engagement and feedback information, this treasure trove of data will likely become even more useful.

KEY POINT

Several cloud-based analytics vendors are now offering outsourced “retention prediction” tools and sentiment analysis tools that can tell you who is a flight risk, what parts of the organization are being poorly managed, and which leaders are underperforming.

As we have written about for almost five years now, this effort requires a new team (the people analytics center of excellence), a strong leader, and a multidisciplinary effort. Just finding relationships is not nearly enough; you need to figure out what to do with the results you find—and this may be the hardest part of all.

The vendor market is helping tremendously in this respect. All of the major ERP vendors have mature analytics tools; many of the standalone analytics vendors are now offering modeling and analysis tools that come with proven, out-of-the-box, easy-to-use models. Several cloud-based analytics vendors are now offering outsourced “retention prediction” tools and sentiment analysis tools that can tell you who is a flight risk, what parts of the organization are being poorly managed, and which leaders are underperforming. All of this has come to market in the last three years; my experience shows that most of these systems are now working well and many are well-proven.

Part of the new world of people analytics is the emergence of behavioral economics in HR. (I just finished co-authoring an article on this for Deloitte University Press).

⁵² Briefly stated, “organizational network analysis” (or ONA) is the mapping and measuring of relationships and flows between individual people, groups, and organizations in which the networking “nodes” are the people and groups, while the links indicate the relationships or flows between the nodes. In diagrams, the size of a node (small to large) generally signifies the influence or importance of that group. The information extracted from organizational network analyses can greatly impact employee collaborative performance.

⁵³ Generally speaking, “appification” is the evolution of websites in becoming more app-like in their rich functionality, due to the expectations of users to have more rich and interactive experiences.

We can now apply the principles of “choice architecture”—to take the information we learn in analytics and give employees “new choices” of what to do, choices that specifically lead to better outcomes that we can predict. Rather than letting people jump from job to job, for example, we can give people two or three “next job” options for each position, proven to be effective through data. We can teach people how to better spend their time by giving them the option to “skip meetings” and other techniques, all based on analytics models.

Finally, this new function will likely become part of the reemergence of HR as a strategic business function—a topic that is constantly discussed in the press and media. All the discussions of “blowing up HR” and other entertaining articles are being pushed aside as HR teams are now becoming very data-driven and the world of analytics is sweeping forward.

PREDICTION

For the first time in almost a decade, HR teams will be celebrated publicly and we will stop reading articles about “the end of HR.”

10. The HR Profession Leaps Forward as a New Breed of HR Leaders Enter the Stage.

The final prediction I would like to offer is a positive, inspiring view of where the HR profession is heading in 2016. After many years of “HR bashing” by various articles, I believe the HR profession is going through a true reinvention. Companies are investing heavily in innovation and analytics, younger HR leaders are starting to take over, organizations are sharing their creative solutions more openly, and the alignment of HR with business is improving dramatically.

Since I wrote last year’s predictions, I have had the opportunity to travel around the world, and meet with hundreds of HR leaders and their teams. I have attended many of the world’s major HR and HR technology conferences, met with dozens of CHROs, and other HR and L&D leaders, and had the opportunity to meet one on one with dozens and dozens of passionate HR and training professionals.

One thing has clearly come through—everywhere I go, people are openly reinventing and listening to new ideas about what HR is. The following is a listing of some of these.

- A major restaurant chain used its people strategy to completely turn around its business in Canada.
- A large financial services company is now using its employee engagement and culture strategy to radically disrupt its larger competitors with amazing results.
- A manufacturer in New England is using its new cloud-HR system to bring engineers and technical people together in global teams.
- Dozens of high-technology companies are using analytics to source top people, poach engineers, and better redefine their performance processes.
- A global bank has totally reengineered its learning experience, radically changing how people learn and creating an amazing new level of engagement.
- A global pharmaceuticals company is inverting its leadership pyramid to build leadership from the bottom up and redefine its capability model based on “followership.”

KEY POINT

Companies are investing heavily in innovation and analytics, younger HR leaders are starting to take over, organizations are sharing their creative solutions more openly, and the alignment of HR with business is improving dramatically.

- A cosmetics and beauty company built a “center of expertise in sales productivity” within HR with transformational results.
- An oil company has built a whole new HR university, with job models and talent management, resulting in dramatic improvement in business and HR performance.

I could tell you dozens of stories about innovation, breakthrough thinking, reorganization of HR teams, and bold new CHROs. Analytics is picking up steam, and the role of HR business partners⁵⁴ is truly becoming more strategic and embedded in the business.

I am not here to say that HR as a profession has suddenly “been” changed. Many of you still tell me that you have old-fashioned systems, teams that are undertrained, organizational structures that feel bloated and misaligned, and you have not figured out how to do analytics.

But, for the first time in nearly five years (well out of the 2008 recession), I see significant movement and understanding of these changes in almost every company with which I talk. So I believe 2016 will be a year of transformation and very positive changes in all areas of HR and L&D.

Even more important than this is the emergence of more young, innovative, creative people into our profession. The function of HR has become “sexy” and “important” to business; it appears in the press almost every week; I am now talking with business school leaders who want to add strategic HR and talent topics to their curricula. I think 2016 will bring a new breed of innovative young HR and L&D leaders to the forefront—and you likely have many of them right in your own midst.

⁵⁴ *Put the Business Back in HR: The Need for a True HR Business Partner*, Bersin by Deloitte / Karen Shellenback and Stacia Sherman Garr, 2015.

Closing Remarks

In my personal case, I turn 60 this year, and I feel younger and more excited than I have in years. The world of HR, talent, and learning is facing more change and disruption than I have seen in quite a while—but I feel confident that our profession is ready to face it. It will be challenging, sometimes frustrating, and it will force us to experiment a bit. But, in 2016, I believe positive change is coming. By the end of the year, I hope to write predictions for 2017 that show you how all of these 10 topics have significantly evolved during this year.

Thank you all for your support, sharing, and focus over the last year. 2015 has been a tremendously important year for our profession and I expect 2016 to be amazing as well.

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