21st CEO Survey

The talent challenge: Rebalancing skills for the digital age

Key findings on talent

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Contents

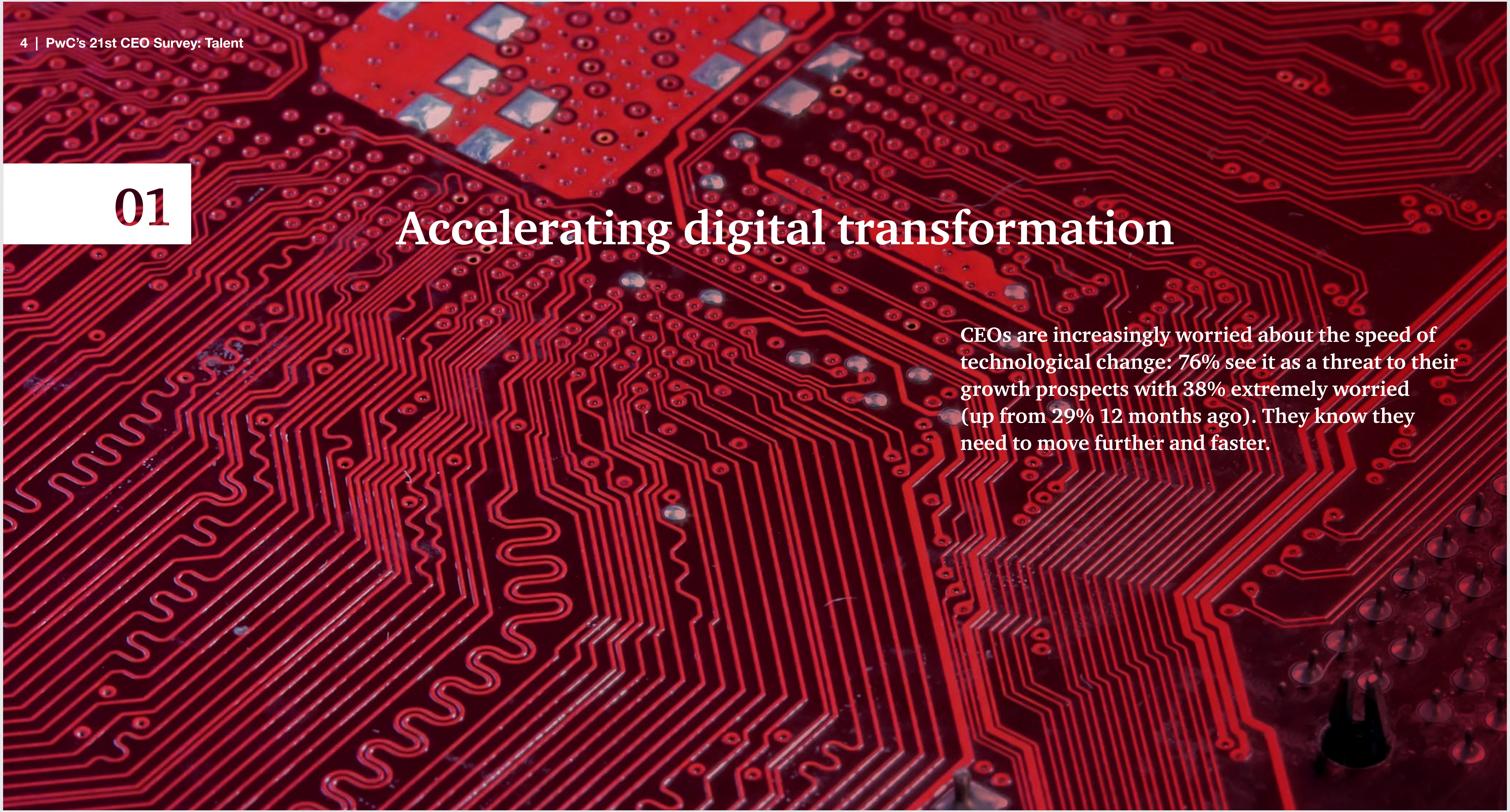
Introduction

This year CEOs are more optimistic than ever about the prospects for global growth over the next 12 months, according to PwC's 21st CEO Survey. Growth is there for the taking – but leaders need to navigate a maze of business threats to get there.

Capitalising on these prospects is as much about talent as technology, if not more so. People, not systems, drive innovation and realise its full commercial potential. Artificial intelligence (AI), automation, and new ways of working bring the potential for huge benefits, but they also bring anxiety for employees and threaten societal disruption.

People strategy weighs heavily on CEOs' minds. If businesses are to attract the workers they need – and concern about the availability of skills has never been higher – to deliver the best possible performance and productivity from their organisation, they need to have trust on their side.

Carol Stubbings
Global Leader, People and Organisation



01

Accelerating digital transformation

CEOs are increasingly worried about the speed of technological change: 76% see it as a threat to their growth prospects with 38% extremely worried (up from 29% 12 months ago). They know they need to move further and faster.

Automation and AI put the promise of increased efficiency, productivity, and profitability within reach, but only if CEOs can work out how to best access that potential through the right mix of humans and machines. For organisations it's a balancing act between business opportunities and the inevitable impact on jobs and trust.

Yet many CEOs are struggling to identify those business opportunities at the necessary speed: less than half (47%) say they know how automation will improve customer experience.

As more individual tasks become automatable, jobs are being redefined, re-categorised and revalued. Success in an automated world will mean people and machines working together, rather than one replacing the other. Exceptional skills and leadership will be needed through this transformation and beyond.

There are also questions about organisational culture, as a business becomes as much a technology company as a traditional business. Indeed, the road to automation is a complicated one.

47%

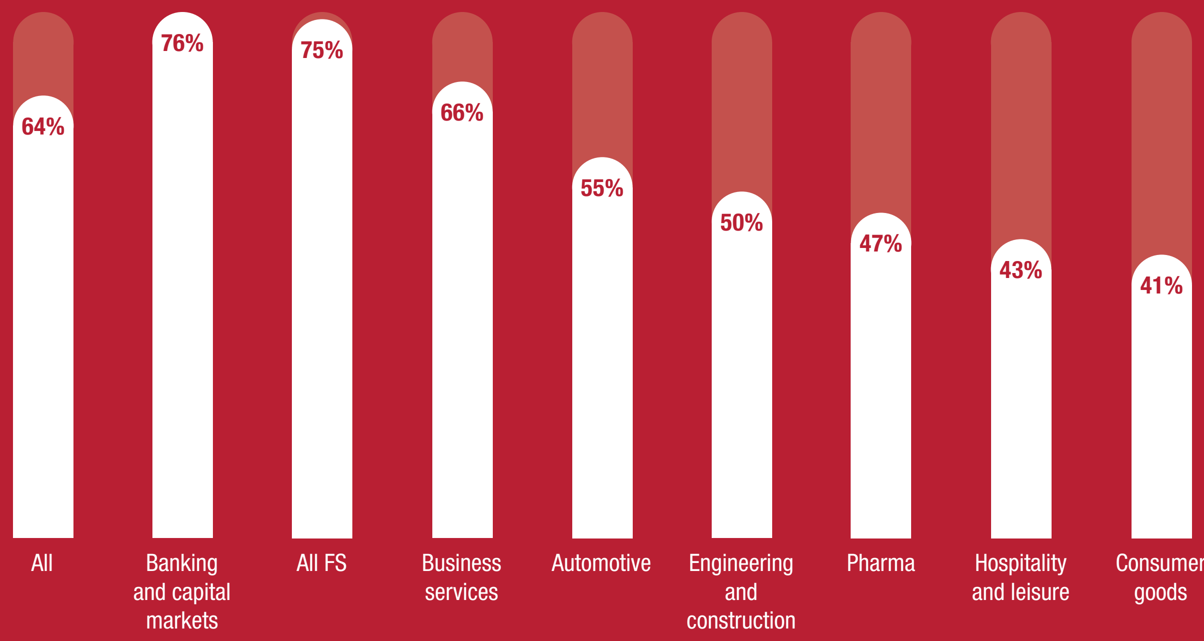
of CEOs are clear on how automation can improve customer experience

Disruption and the sectors

Not all sectors are equal when it comes to the expected disruptive impact of technology. The digital and automation transformation is particularly acute in financial services; 82% of insurance CEOs, for example, say that technology will disrupt their sector in the next five years, compared with 64% of all CEOs and just 43% of those in the hospitality and leisure industry.

Q How disruptive do you think changes in core technologies of production or service provision (e.g. artificial intelligence, robotics, blockchain) will be for your business over the next five years?

Chart shows percentage of respondents answering 'somewhat' or 'very' disruptive



Source: PwC's 21st CEO Survey, Talent

02

Hiring and rebalancing the workforce

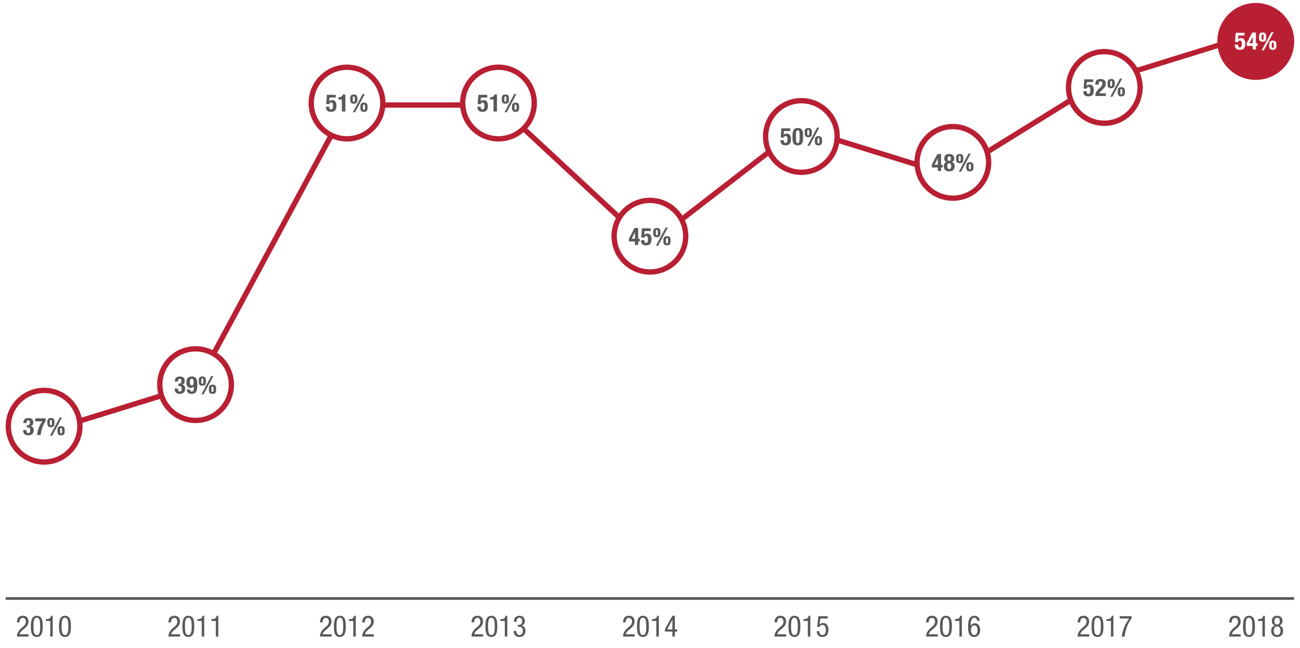
The message comes across loud and clear from CEOs: they're on a recruitment drive. More than half (54%) of CEOs say they plan to increase their headcount in the next 12 months, up from 52% in 2017 (see exhibit 1).

Exhibit 1

Hiring on the rise

Q Do you expect headcount at your company to increase, decrease, or stay the same over the next 12 months?

Chart shows percentage of respondents who stated 'increase'



Source: PwC's 21st CEO Survey, Talent

A willingness to recruit more workers should be a signal that CEOs are taking action to rebalance their workforce. Capturing growth in today's world is a very different challenge than before. Organisations need to strengthen their innovation, digital, and technology capabilities in order to capitalise on new opportunities, and they need the skills to support that investment.

Looking beyond the horizon, of the 18% of CEOs worldwide who are expecting to see their headcount fall in the coming year, 28% say that this is largely due to automation and other technologies, while over half say that automation is at least partly responsible (see exhibit 2). This means that one in seven of all CEOs believe that automation is causing headcount reduction to some extent, up from one in eight last year.

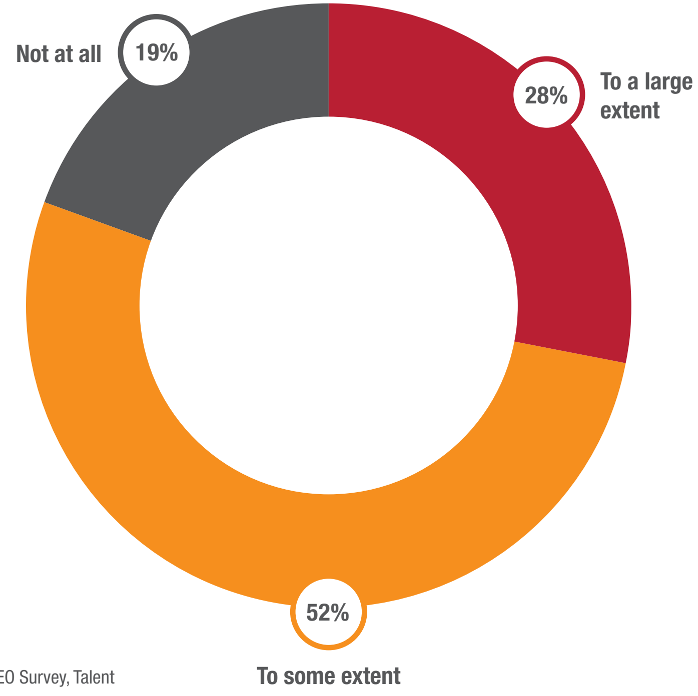
1 in 7

say they plan to cut headcount due to automation (up from 1 in 8 in 2017)

Exhibit 2

Technology replacing talent

Q To what extent will the decrease in headcount be the result of automation and other technologies?

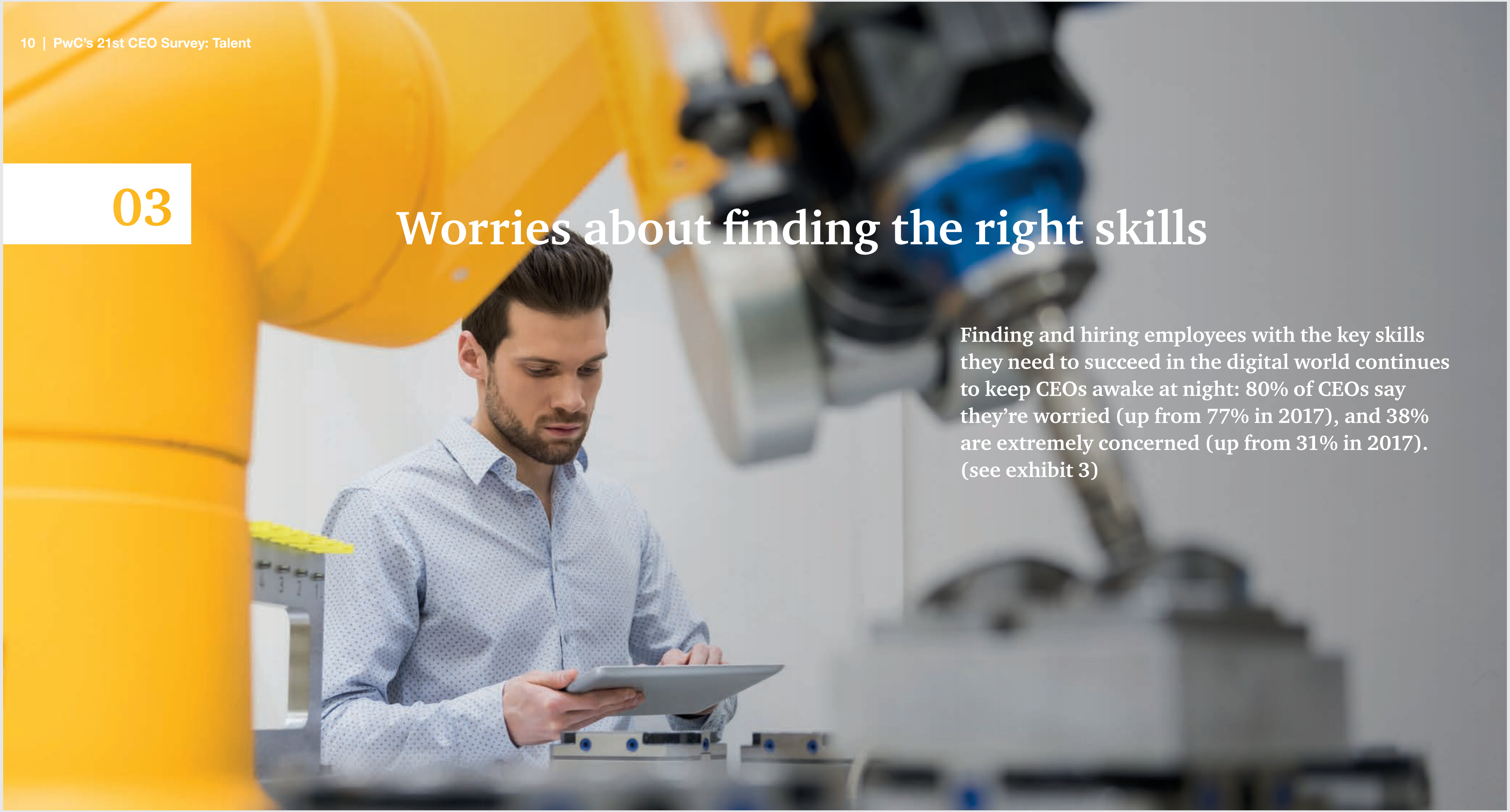


Source: PwC's 21st CEO Survey, Talent

Regional and Sector Snapshot

Organisations are reacting to a variety of geographic and industry conditions: 72% of CEOs in China and 61% in North America expect to increase their headcount, compared with just 31% in Africa, where 28% of CEOs believe headcount will fall. Healthcare, technology, and business services CEOs are the most bullish about headcount, with 71%, 70%, and 67%, respectively, expecting it to rise. Conversely, 24% of CEOs in the banking sector and 29% in forestry, paper, and packaging believe headcount will fall.

About a quarter (24%) of insurance CEOs plan workforce reductions and 96% say this is at least to some extent due to automation. It's a similar story among CEOs in the banking and capital markets sector – a quarter are planning workforce cuts and 91% say automation is at least partly responsible.



03

Worries about finding the right skills

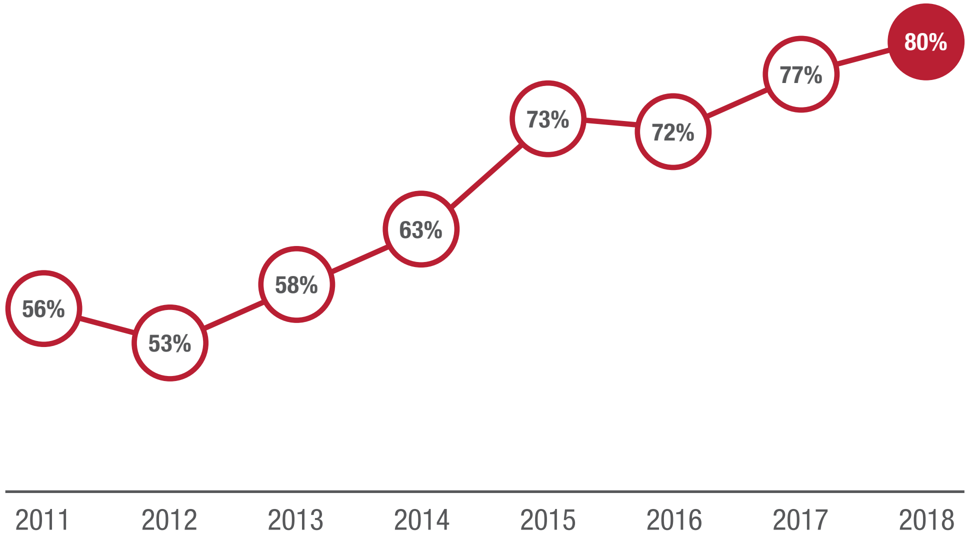
Finding and hiring employees with the key skills they need to succeed in the digital world continues to keep CEOs awake at night: 80% of CEOs say they're worried (up from 77% in 2017), and 38% are extremely concerned (up from 31% in 2017). (see exhibit 3)

Exhibit 3

80% of CEOs worried about the availability of key skills

Q How concerned are you about the following business threats to your business? Availability of key Skills.

Chart shows percentage of respondents who stated 'Extremely concerned' or 'Somewhat concerned'



Source: PwC's 21st CEO Survey, Talent

The level of concern varies geographically – 98% of CEOs based in South Africa, 94% of those in China, 93% in Japan, 83% in the UK, and 78% in the US said they worry about availability of key skills, compared, with 51% in Canada and 57% in Brazil – and from sector to sector. CEOs in technology (86%), engineering and construction (86%), business services (85%), communications (85%) and healthcare (83%) were more likely to be concerned than those in the consumer goods sector (63%).

The challenge of finding the people with needed skills will become even greater as business models evolve; 91% of CEOs agree that they need to strengthen their organisation's soft skills to sit alongside digital skills.

91%

say they need to strengthen soft skills alongside digital skills

More than three quarters (76%) of CEOs are concerned about the lack of digital skills (22% are extremely concerned) within their own workforce – and 23% are extremely concerned about the digital skills of their leadership team. This is a significant business threat. How can leaders truly make the right choices if they don't fully understand the digital possibilities and dangers for their business?

69%

are concerned about the digital skills of their leadership team

Over a quarter of CEOs (28%) are extremely concerned about the availability of digital skills within the country where they're based – this rises to 49% who are extremely concerned in South Africa, 51% in China and 59% in Brazil (see exhibit 4).

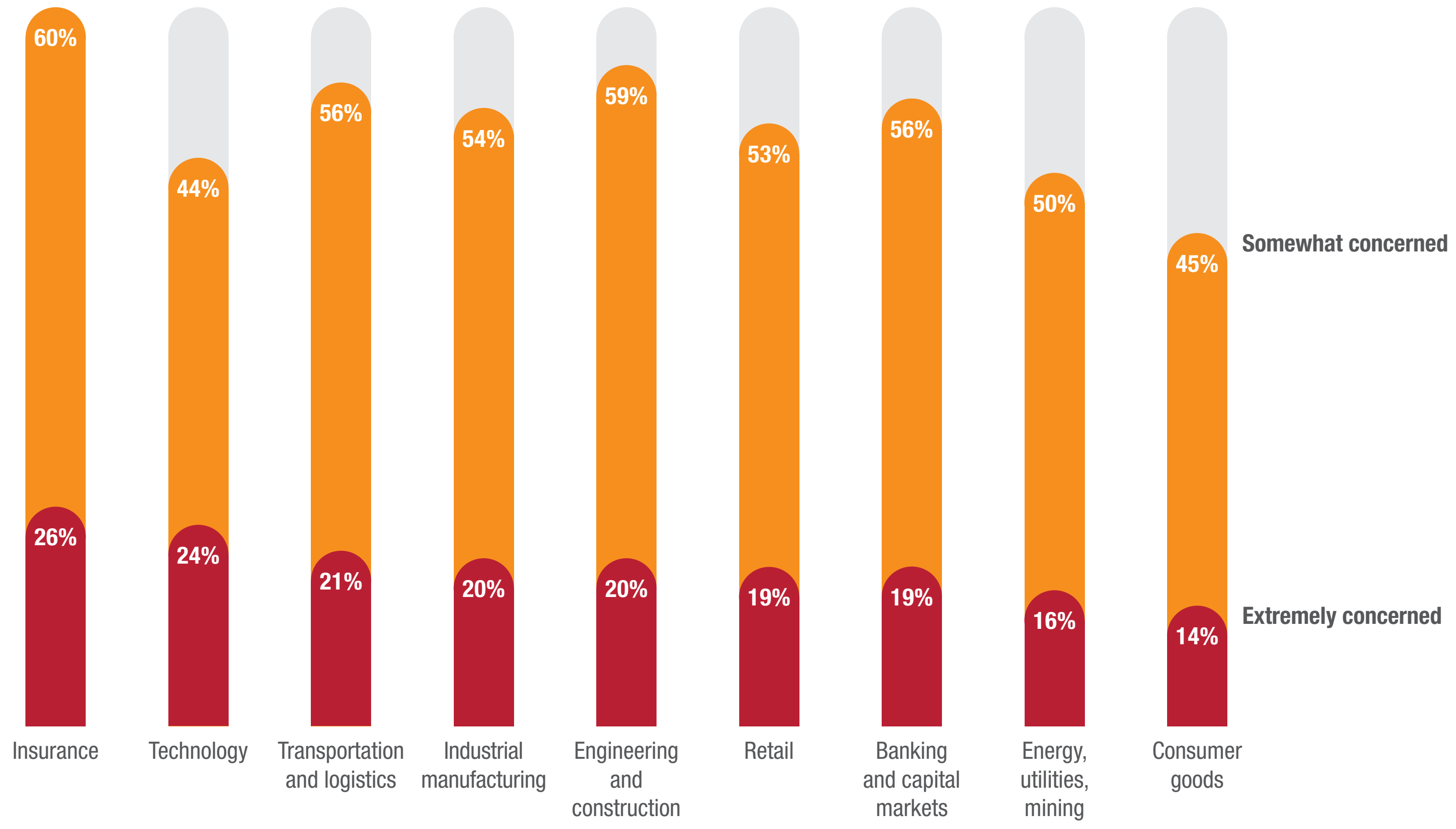
In spite of this concern, there seems to be a chasm between what business leaders fear is happening and what they've experienced so far. Only 11%, for example, say that they find it 'extremely difficult' to attract talent with digital skills – although 39% say that it's 'somewhat difficult.' Similarly, only 4% of CEOs in China say it's extremely difficult to attract digital talent, but half (51%) say they are extremely concerned about the availability of digital skills there (see exhibit 5).

It's clear that CEOs are looking ahead and starting to anticipate problems on the horizon of finding – and keeping – the right digital talent.

Exhibit 4

CEOs are concerned about digital skills in their workforce

Q Thinking specifically about digital skills, how concerned are you about the availability of these skills in your workforce?

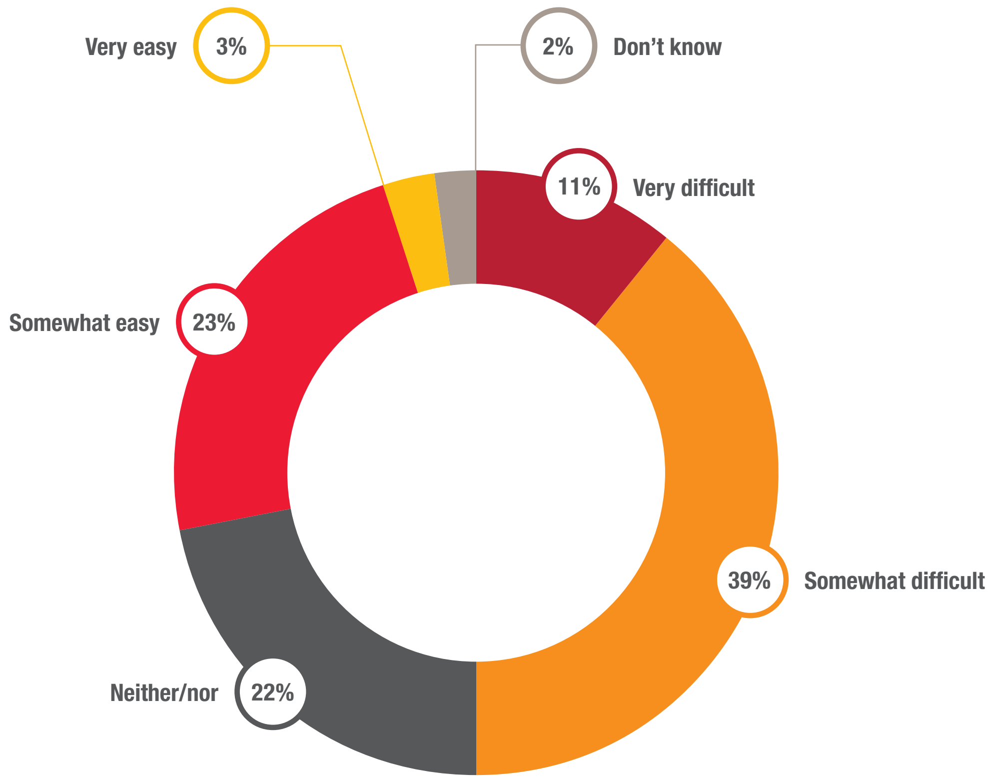


Source: PwC's 21st CEO Survey, Talent

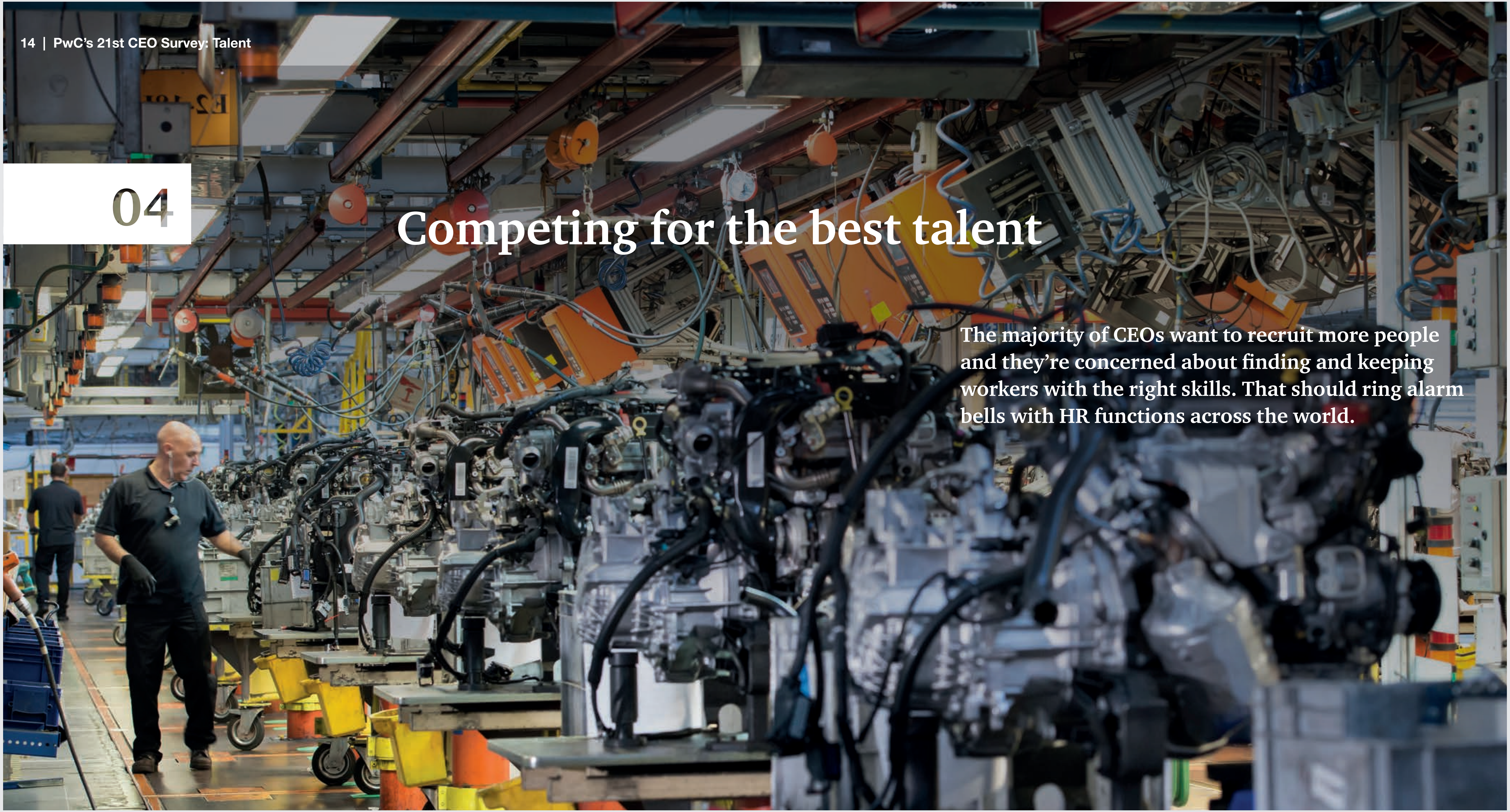
Exhibit 5

Half of CEOs struggle to find digital talent

Q Overall, how easy or difficult is it for you to attract digital talent?



Source: PwC's 21st CEO Survey, Talent



04

Competing for the best talent

The majority of CEOs want to recruit more people and they're concerned about finding and keeping workers with the right skills. That should ring alarm bells with HR functions across the world.

CEOs worry about where they'll draw tomorrow's talent: 65% are concerned about changing workforce demographics, and a quarter are extremely concerned. This rises to 88% in Japan and 83% in China.

Organisations have long found creative ways of drawing in talent when and where it's needed; international mobility and, more recently, harnessing the growing army of gig workers have been important elements of talent strategy. But these are fraught with risks and unintended consequences, as some organisations that have led the charge in the gig economy have discovered. CEOs are also concerned (59%) about rising employee benefits and pension costs – with 86% concerned in China, 71% across ASEAN and 68% in the US.

65%

concerned about changing workforce demographics

59%

concerned about rising employee benefits costs

67%

expect to grow through internships and apprentices

The ultimate prize are those workers with the critical skills that organisations need to work alongside automation. These pivotal people contribute outsized value to their organisation. Finding and keeping these important people will be a big challenge. They're hard to find and difficult to keep. That's why organisations will need to pay careful attention to the employee value proposition (the reasons why these extraordinary people were attracted to work with them in the first place) and the employee experience.

CEOs know that attracting, keeping, and nurturing the right digital talent for their business means the right employee value proposition. But they're not just improving compensation packages, although 79% of them are doing this: they know it's crucial to create the right employee experience too (see exhibit 6).

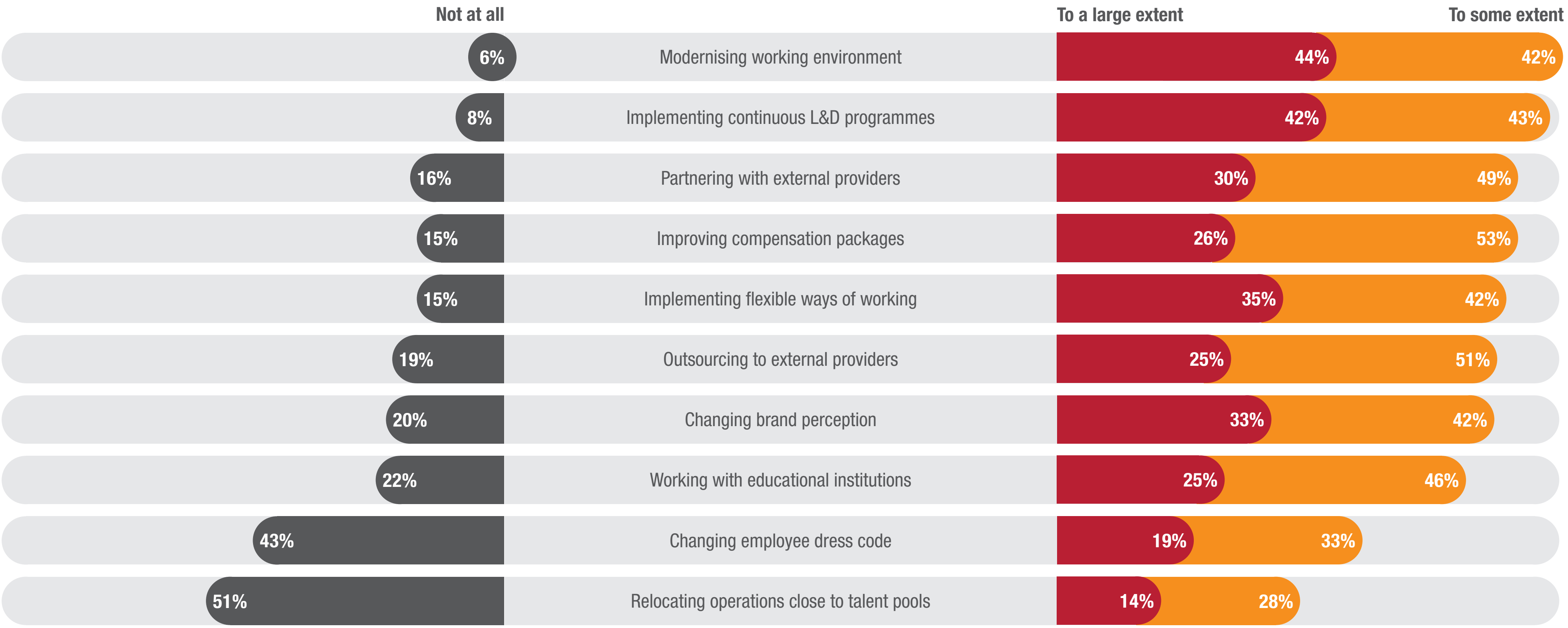
The right working environment is top of their list of things to get right: 86% say that they're modernising their working environment, with 77% implementing flexible ways of working to recognise how today's top digitally skilled talent wants to work.

Organisations also know that digital skills need to be continuously built. Therefore, 85% are deploying continuous learning and development programmes to help workers keep their skills relevant.

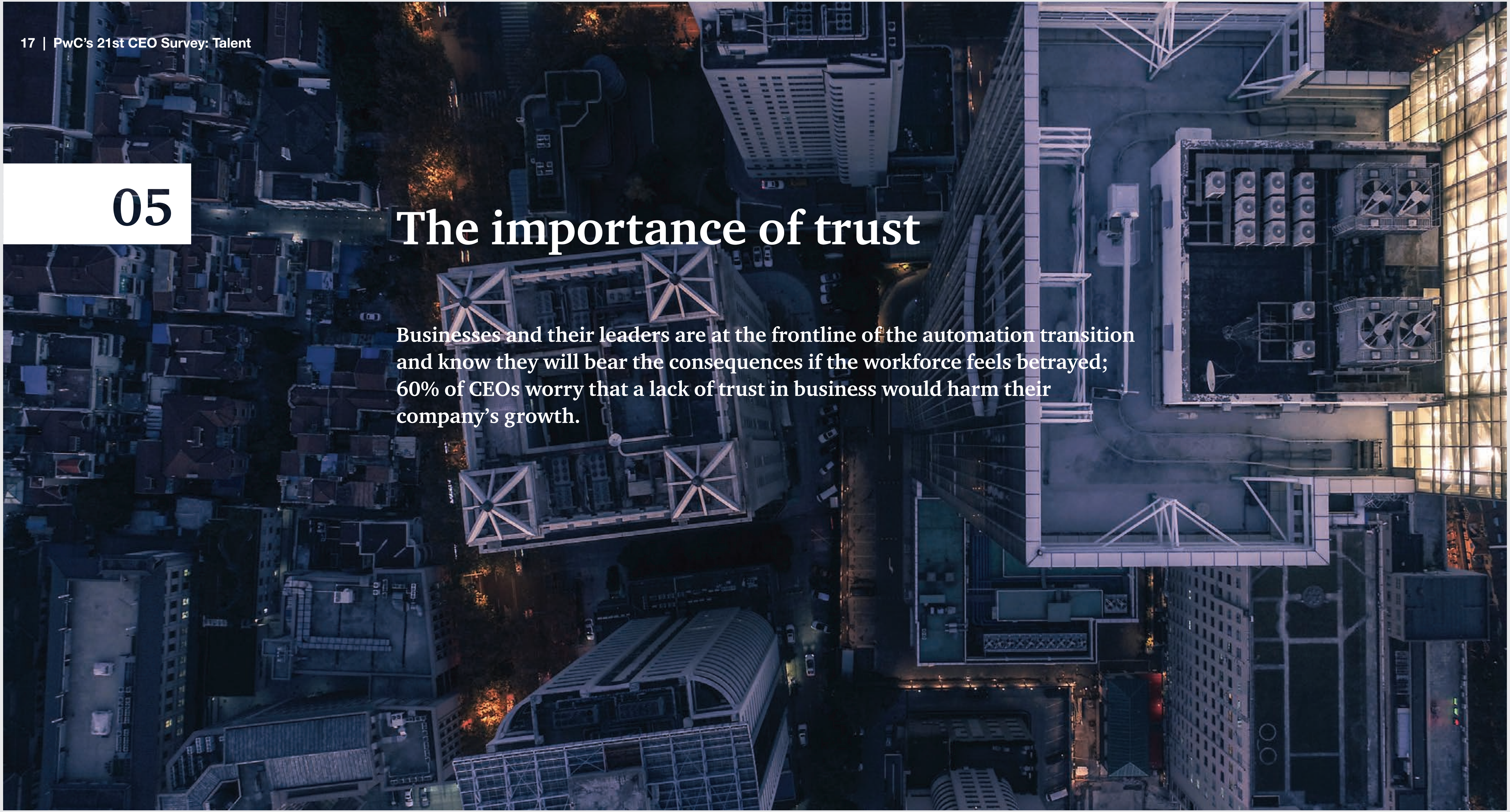
Exhibit 6

The right working environment tops the list of ways to attract talent

Q To what extent is your organisation using the below startegies and tactics to attract or develop digital talent?



Source: PwC's 21st CEO Survey, Talent



05

The importance of trust

Businesses and their leaders are at the frontline of the automation transition and know they will bear the consequences if the workforce feels betrayed; 60% of CEOs worry that a lack of trust in business would harm their company’s growth.

Protecting and building a relationship of trust, with workers and the wider world, must be a priority. That fact was echoed by 37% of respondents to our recent 'Workforce of the Future: The Competing Forces Shaping 2030' study who said they were worried that automation is putting their job at risk, a proportion that increased from 33% in 2014. And worry crushes worker performance.

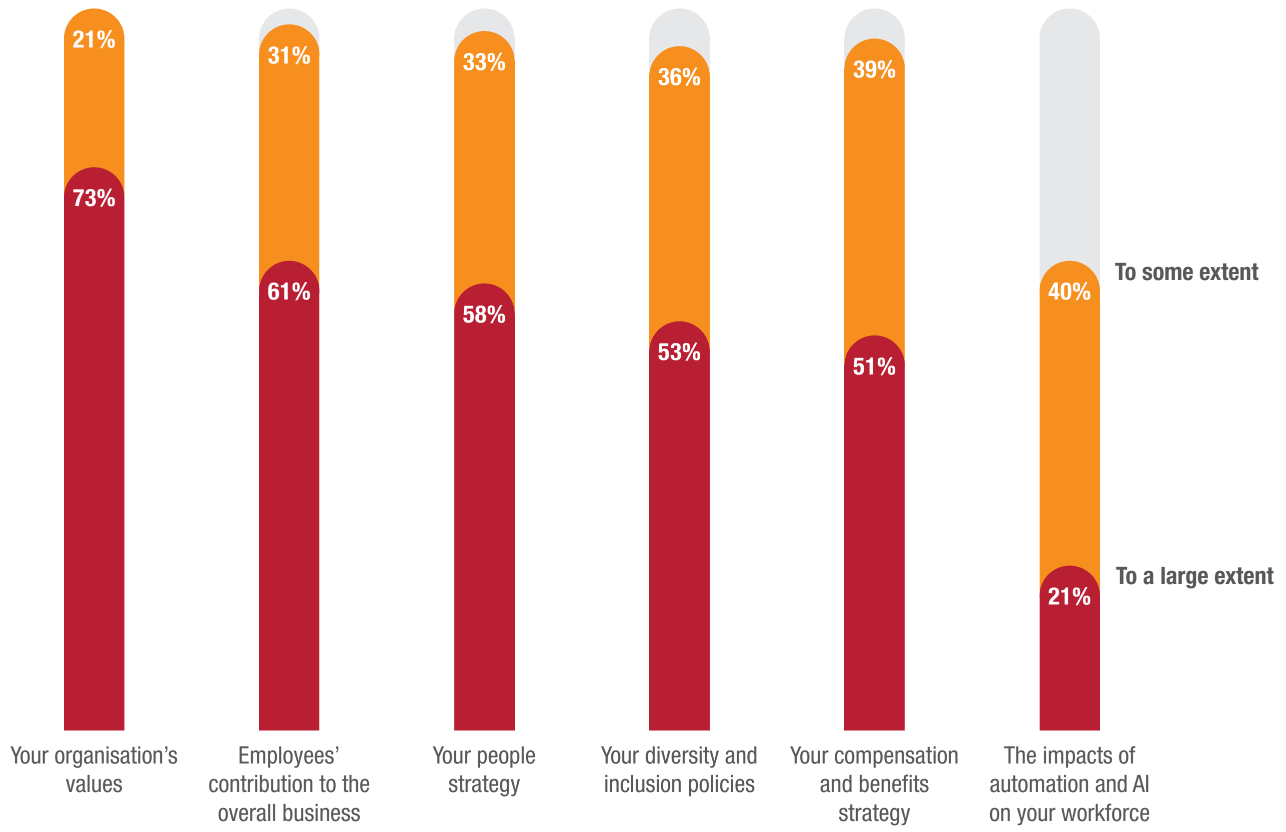
Further, according to the closely followed Edelman Trust Barometer, 69% of those responding to this year's trust survey believe that building trust in their company should be the CEO's most important role.

Despite these facts, just 21% of CEOs say they're communicating about the potential impact on jobs of automation and AI 'to a large extent.' CEOs are more focussed on communicating the organisation's values (94% are doing this to some extent), and on emphasising employees' contributions to the business (92%) (see exhibit 7).

Exhibit 7

Expectations for transparency demand new ways of communicating

Q To what extent is your organisation using the following strategies to build trust between your workforce and senior leadership?



Source: PwC's 21st CEO Survey, Talent

67%

say they have a responsibility to retrain employees whose jobs have been replaced by technology

82%

make decisions on automation of work primarily on delivering their purpose

With technological disruption looming, 67% of CEOs agree that they have a responsibility to retrain employees whose tasks and jobs are automated out of existence and 73% say that their organisation is collaborating with educators and policymakers to improve the employability of future workers. When we also consider that individual workers are taking responsibility for their own future – 74% of workers said they were ready to learn new skills or retrain in order to remain employable, according to 'Workforce of the Future' – this paints an encouraging picture for the future.

Overall, CEOs are confident that they are maintaining trust with their workers, with only one in five saying they've seen a decline in trust between their workforce and senior management. And they are taking the trouble to find out: 71% of CEOs already measure trust between the workforce and senior leadership; 27% do not (2% said they don't know). The exceptions are Japan and the UK, where only around half (44% and 51% respectively) of organisations actively measure trust.

Business trust and society

High-profile debates on the automation of work, diversity, immigration, social inclusion, and pay equity have put the role of businesses in society in the spotlight and raised employees' expectations of leadership to engage in political and social issues.

CEOs themselves say they're feeling the heat: 38% agree that organisations are under pressure from employees and customers to take a stance on social and political issues (33% disagree). This pressure is most keenly felt in the US (51% agreeing), China (41%), and the UK (38%).

06

As businesses change, so must HR

The skilled workers that organisations need for tomorrow are challenging to find and keep. They need to be nurtured and developed. Companies require the full range of HR expertise and tools to identify skills gaps, anticipate needs, spot potential, and build the workforce of the future.

Skills can be encouraged through the right training and development, environment and culture, and performance-management approach. The transition to a new way of working calls for intelligent use of analytics and strong communications. And, above all, requires the right leadership, culture, and employee experience. But this requires action, not just discussion and HR can lead the way.

An HR function that's fit for this new world will look and feel radically different from today. Fully 60% of CEOs said they're rethinking the HR function in light of their people strategy for the digital age, with CEOs in the Asia-Pacific region keenest to change (see exhibit 8) .

60%

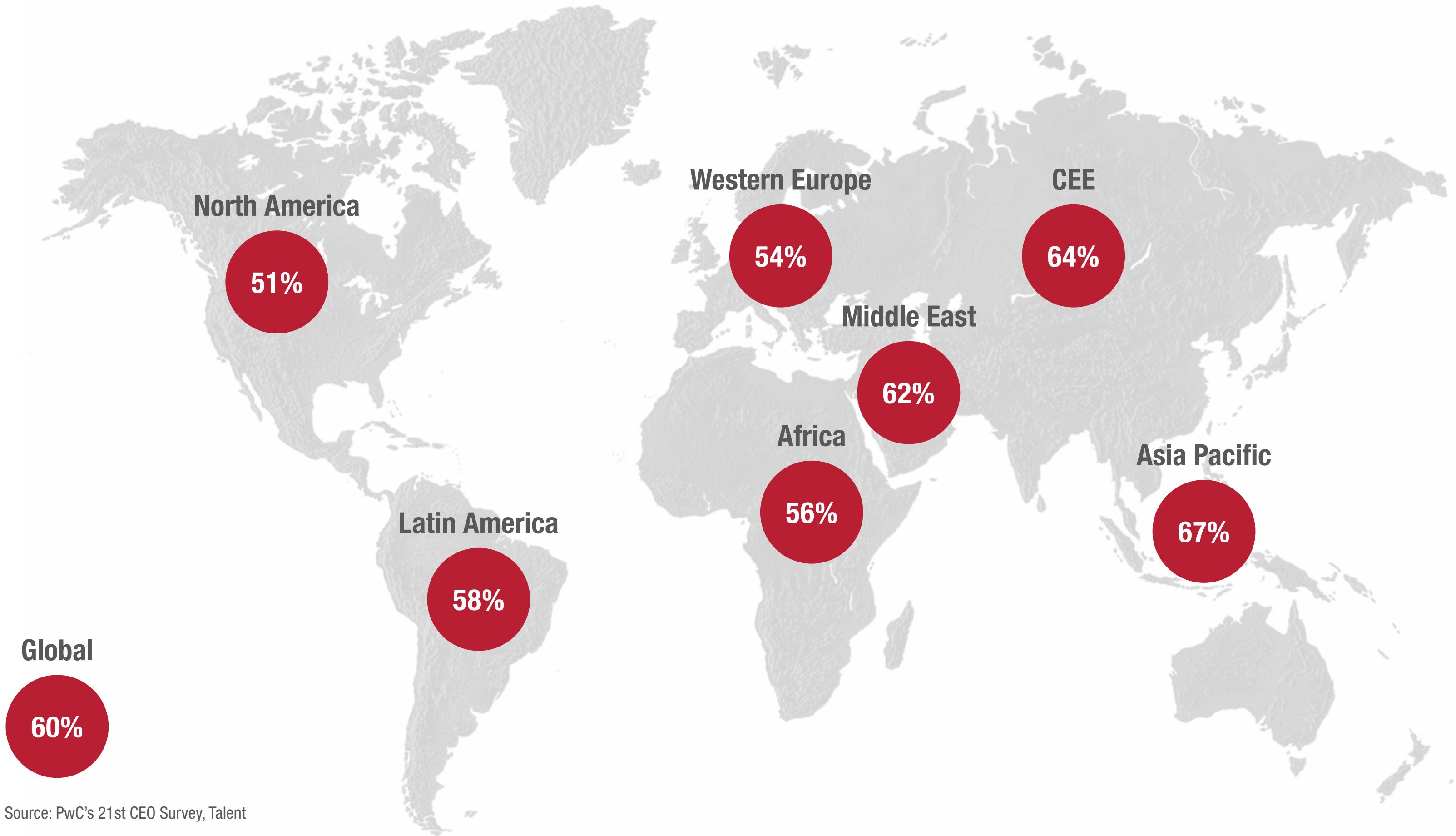
are rethinking their HR function

Exhibit 8

CEOs are restructuring their HR function as they look to transform

Q How strongly do you agree…? We are rethinking our Human Resources function

Chart shows percentage of respondents who stated 'agree' or 'strongly agree'



Source: PwC's 21st CEO Survey, Talent

07 Five recommendations to move ahead

Give workers clarity on what automation and AI means for them.

It's clear that CEOs need to recognise their responsibility to their employees as automation and AI continues to seep into the workplace, and this starts with clear communication.

Start a mature conversation about the future, which talks frankly about how your organisation is going to operate and what roles might be affected. It is important to communicate how automation/AI will augment work in many cases rather than just replace roles, and clearly lay out the organisation's responsibility to employees whose roles are displaced.

Focus on the skills people have, not just the jobs they do.

Workforce planning should focus on the skills that people have and which organisation needs, rather than on jobs.

Good workforce planning begins with tracking and mapping the 'skills footprint' you have against the model for where you want to be. This data informs recruitment and internal job mobility but also learning and development.

Take control of reskilling.

Organisations can't sit back and wait for society to produce the talent they need – and that means taking the lead on reskilling. Innovative technology and communication channels are changing the landscape for learning and development.

A clear strategy for matching skills gaps with training is a must. So is closer involvement with educational institutions: as the end user, business has an important role to play in encouraging a shift in the educational syllabus.

Get the people experience right.

The employee experience is a critical weapon in attracting hard-to-find skills, from the workplace environment to innovative and helpful use of technology to work-life balance. And from applying online for a job through to interactions around pay and benefits. Everything matters.

Your workers expect those touchpoints to rival the other service experiences in their lives and to be on demand, user-friendly and engaging. Today's employees, like customers, want to feel their opinions are valued.

Organisations need to understand how well they're delivering on this expectation.

Transparency builds trust.

Workers want to identify with their employer's values and purpose – as business's role in society is emphasised, this will become even more critical. Transparency underpins the relationship between employer, employees, and the wider world of stakeholders in the digital age.

Transparency begins with communication of the organisation's vision and culture, it also means openness around people strategies, diversity and inclusion, compensation and benefits strategies, and more.

Conclusion

The workforce transformation demanded in the digital economy is about much more than simply automating routine processes; it's about the collaboration between technology and talent to unleash an organisation's full potential. Business leaders need to be clear about that, and where the real opportunities lie.

This means finding people with the right skills and capabilities, or instilling the workforce with needed skills, while protecting the employee experience and building a trusting relationship with employees, and the larger society.

CEOs are looking for support and guidance from HR; in turn HR needs to take a leap into the future. To do that HR professionals will need an in-depth understanding of advancing technology and its possibilities to transform the human workforce.

21st CEO Survey Methodology

PwC conducted 1,293 interviews with CEOs in 85 countries. Our sample is weighted by national GDP to ensure that CEOs' views are fairly represented across all major countries. The interviews were also spread across a range of industries. Further details by region and industry are available by request. Eleven percent of the interviews were conducted by telephone, 77% online, and 12% by post or face-to-face. All quantitative interviews were conducted on a confidential basis.

The lower threshold for all companies included in the top 10 countries (by GDP) was 500 employees or revenues of more than US$50 million. The threshold for companies included in the next 20 countries was more than 100 employees or revenues of more than $10 million.

- 40% of companies had revenues of $1 billion or more.
- 35% of companies had revenues between $100 million and $1 billion.
- 20% of companies had revenues of up to $100 million.
- 56% of companies were privately owned.

Notes

- Not all figures add up to 100%, as a result of rounding percentages and exclusion of 'neither/nor' and 'don't know' responses.
- The base for figures is 1,293 (all respondents) unless otherwise stated.

We also conducted face-to-face, in-depth interviews with CEOs and thought leaders from five continents over the fourth quarter of 2017. Their interviews are quoted in this report, and more extensive extracts can be found on our website at ceosurvey.pwc.com, where you can also explore responses by sector and location.

The research was undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services

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