

**Organization Research on Challenges, Trends, and Talent Development**

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*The following report is intended to provide an overview of the leading surveys indicating trends in organizations. We have selected papers, surveys, and reports that are the most comprehensive and representative of CEO surveys and trends.*. . .

The PwC 21st Century CEO 2018 Survey revealed high levels of optimism among CEO’s in relation to global growth prospects over the next year.[[1]](#footnote-1) However, when considering growth past 2018, these same CEOs become a bit more cautious. The perceived threats to organizations vary based upon region, but one global trend is that CEOs have become increasingly concerned about broader societal threats and geopolitical shifts (i.e. terrorism, climate change), as opposed to the dynamics within their own markets. The only exception to this observation is the threat of technology – more and more CEOs are becoming increasingly anxious about technology-related developments including cyber threats, speed of technological change, and availability of key skills.

Digitalization, and the disruption that comes along with it, will completely transform the workforce. While digitalization has the potential to bring big benefits to companies, such as increased efficiency, productivity, and profitability, we are finding that many CEOs are challenged with finding the right balance between technology and talent. Moving forward in a digital world brings about new challenges for organizations. Our research into organizational challenges and trends reveals four common challenges associated with digitalization and disruption:

1. Competition for the best talent and availability of skills
2. Developing new work cultures
3. Retraining and continuous learning
4. Leadership development

**Digitalization: Transformation of the Workforce**

The speed of change in the digital world is accelerating, and the advancement of automation and artificial intelligence is not slowing down. These disruptions are happening at such a rapid pace, which on one hand is creating amazing opportunities for those organizations who can keep up with the change, but also posing serious challenges for those organizations who fall behind. It becomes a fine line between those who will succeed and those who will fail, and this realization is quite anxiety-provoking for any organization moving into the digital world.

Research from the 2018 PwC 21st Century CEO Survey shows that more than a quarter of CEOs surveyed are worried about the lack of digital skills within their workforce; 80% of CEOs are worried about finding employees with the necessary skills to thrive in a digital world, and more than one-third of CEOs worry about the availability of digital skills in their country.[[2]](#footnote-2) Anxiety emerges when CEOs consider the fierce competition for talent, the work culture required for success, the need for digital skills to be continuously built, and the lack of digital skills within their own leadership teams. The following sections of this report will dive into these challenges more deeply.

**Competition for the Best Talent and Availability of Skills**

The inevitable workforce transformation due to digitalization requires people and machines to work together. More and more work tasks are becoming automated, but it is not about machines and people replacing one another – it’s about finding the right collaborative balance. This requires organizations to find people with the right skills and capabilities to succeed in an automated world. So what exactly are those skills? Further PwC research suggests that organizations are looking for people skilled in problem-solving, adaptability, collaboration, leadership, creativity, and innovation.[[3]](#footnote-3)

Unfortunately, finding people with these skills is proving to be the biggest threat to organizations. In fact, more than half of CIOs surveyed by Gartner believe that there is a talent crisis in the world.[[4]](#footnote-4) The needed talent certainly exists, but it’s becoming more difficult to find as well as keep. This calls for the importance of employee value proposition and the employee experience – organizations need the right employee value proposition to attract and keep the right talent. While nearly 80% of CEOs surveyed by PwC report making improvements to compensation packages, they cannot ignore the importance of having the right work environment. More and more CEOs are working to transform and modernize their working environment, providing more flexible ways to work as this is what today’s top talent is looking for. However, creating this new work experience and work culture is a challenge of its own.

**Developing New Work Cultures**

Culture has become another major growth challenge for organizations. The need to make organizations more digital, sets off the need for cultural change. Cultural change has been ranked by companies across the board as the most needed change for the workforce of the future, according to the survey results by McKinsey & Company.[[5]](#footnote-5) Despite awareness of the importance of work culture change, 2018 survey analysis by Gartner show that less than one third of CHROs think they have the organizational culture to excel in a digital world.[[6]](#footnote-6)

Other Gartner research suggests that organizations need to forge a work culture that is more proactive, collaborative, innovative, empowered, and customer-centric.[[7]](#footnote-7) We are seeing more and more that organizations need to include the *customer* in their work culture. Results from the KPMG U.S. CEO Outlook 2017 reflect increased acknowledgement that the customer is key and meeting customer expectations is more important than ever. 57% of the surveyed CEOs report that building greater trust among customers as well as external stakeholders is a top priority in their organizations, while 81% of CEOs believe their organizations are putting greater emphasis on the importance of trust, values, and culture in order to be successful in the long term.[[8]](#footnote-8)

**Retraining and Continuous Learning**

The rapid change of skills and abilities needed in the labor market does not just pose a challenge for hiring new talent, but also with the existing organizational talent. Right now, companies need to providing reskilling and upskilling strategies for their employees. Employees will need retraining, but it doesn’t just end there. Employees require continuous learning opportunities to remain employable and maximize their opportunities.

If organizations want to succeed in the digital world, they need to create a tailored learning environment for their existing talent and use this to transition their employees into the digital world. If organizations want to survive, they need to develop digital dexterity in their existing talent pool. That being said, six out of 10 companies surveyed in 2017 by KPMG report plans to invest in training programs over the next number of years, and even more companies (85%) report the implementation of continuous learning and development programs to help keep worker skills relevant.[[9]](#footnote-9) When moving forward with learning programs, we can look at companies like Capital One who has developed an upskilling program called “Tech College” to develop next generation digital talent.

**Leadership Development**

Organizations with effective leadership talent consistently outperform their competitors. Perhaps this is why the *Global Leadership Forecast 2018* foundleadership to be a top agenda item for today’s CEOs.[[10]](#footnote-10) Although leadership talent is a high priority for organizations, this is where research continues to show significant readiness gaps. Research from the UNC Kenan-Flagler Business School and the Human Capital Institute (HCI) found that 85% of survey respondents reported a significant need for leadership development to improve.[[11]](#footnote-11)

Even more so, we are seeing greater concern with the future leaders of organizations in particular. We are fast approaching a generational shift where Baby Boomers are retiring and Millennials are moving up into leadership positions – and Generation X is not all that far behind either.[[12]](#footnote-12) This generational shift is making the skill gap more transparent than ever. Only one-fourth of senior leaders surveyed by UNC Kenan-Flagler Business School and HCI believe their high-potential employees are ready to meet their future business needs, and even less than that feel satisfied with their organization’s current bench strength.[[13]](#footnote-13) This is going to require coaching/mentoring programs, formal learning and e-learning programs, and other skill building opportunities; yet 15% of respondents still reported that their organizations were doing nothing to prepare their future leaders.

**Final Thoughts**

The 2017 KPMG CEO U.S. Outlook suggests that one-third of CEOs believe their organizations will see digital disruption in the next few years, but the majority of these CEOs see digital disruption as an opportunity to thrive.[[14]](#footnote-14) However, in order to thrive in the face of disruption, organizations need to focus on: 1.) attracting the best talent, 2.) creating a new work culture, 3.) providing retraining and continuous learning, and 4.) developing leadership.

There is a definite consensus among the data researched for this report, and we have evidence of these same trends and challenges first-hand from the PMI Global Executive Council interview data. For more information on the PMI Global Executive Council interview data, please refer to the *PMI Global Executive Council Interviews: Comprehensive Analysis of Themes* report.

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