

The Rise of the Social Enterprise: A New Paradigm for Business

by [joshbersin](#) · April 3, 2018

After a year of research and another enormous survey of business and HR leaders around the world, we just released the [Deloitte Human Capital Trends 2018](#), entitled “The Rise of the Social Enterprise.”

What we found, after detailed analysis of the data and many interviews with business leaders, is that business today is entering a whole *new paradigm for management*: one which considers a business less of a “company” and more of an “institution,” integrated into the social fabric of society.

I know that sounds a bit high-level, but the detailed trends make it clear and real. Consider just a few statistics we found.

- 65% of companies surveyed now rate “inclusive growth” as one of their top three goals, eclipsing strategies like “growing market share” or “being the category leader.”
- “Citizenship and social impact” were rated critical or important by 77% of our respondents, and this topic was rated the “least ready” issue among the executives we surveyed
- The need to create 21st century careers, improve the relevance of reward systems, focus on employee well-being, and address the issue longevity in the workforce all rated as top 10 issues in the human capital agenda.

The trends we found, which are listed below, are topics one would have considered “soft” or “nice to do” in a prior age. Today, because of the power of each individual in the world of work, they are urgent.

One of the trends we identified is that companies today must be “social” in a truly external sense. Customers, stakeholders, communities, business partners, and employees all have an enormous impact on a company’s brand, growth, and profitability. Being a “social enterprise” means going beyond a focus on revenue and profit and clearly understanding that we operate in an ecosystem, and all these relationships are equally important.

Interestingly, the biggest challenge we found in this research is that C-suite executives are not operating or organized effectively to deal with this new world. If you think about the trends we highlight in the study, each cannot be addressed without an enterprise-wide, cross-functional approach. So the idea of having a C-Suite executive who owns various functional areas alone simply does not work.

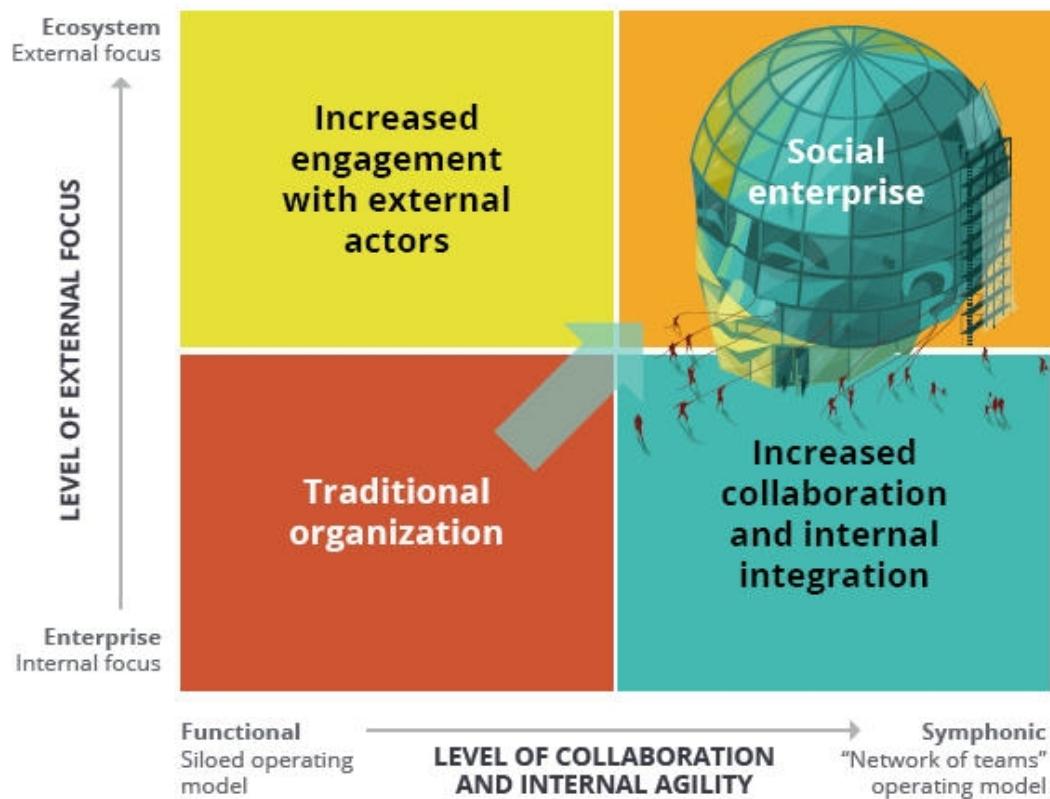
In fact what our research found was that a new model, which we call the “Symphonic C-Suite,” is key, and companies should take on these issues as a team, creating a model we call “teams leading teams,” instead of the siloed functional ownership we see in the C-Suite today.

For me personally this work is always among the most exciting things I do here at Deloitte, and this year’s report speaks to the need to find mission, trust, and value in our lives. We are living in a world of tremendous economic growth, technology revolution, yet also one of income inequality, contentious

debate about nationalism, and lots of concerns about diversity, inclusion, fairness, and equity at work. I think our research shows that all these topics are now coming together, and business leaders must address them in an integrated and strategic way.

One more point of introduction. As you read these trends and think about how they impact your organization (whether you are in HR or line leadership), I think you'll find that there are two real dimensions of transformation taking place.

The evolution of the social enterprise



Source: Deloitte *Global Human Capital Trends* survey, 2018.

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Fig 1: The Two Dimensions of the Social Enterprise Paradigm

First is the horizontal axis – moving from an organization which operates as functional groups to one that operates as a “network of teams.” I’ve written about this extensively before (last year it was discussed in detail in the 2017 trends) and this trend has accelerated. This year I’ve met with banks, manufacturers, insurance companies, and healthcare providers who are all moving toward a “networked organization” model.

Second is the vertical axis – where every part of the company (sales, marketing, product strategy, engineering, HR, and finance) looks at the impact of external factors on the company and the company’s footprint in the external world. As one of our clients put it (a consumer goods company), customers now do business with companies who are local, companies who do good things in the

community, and companies that do good things for society. This goes far beyond “corporate responsibility” into really being a good citizen, and redefining value propositions in this way. And this means doing a much better job of managing data, by the way, an issue that has become “front page” around the world.

(One only has to read the news to see how today even the technology industry is impacted by this trend.)

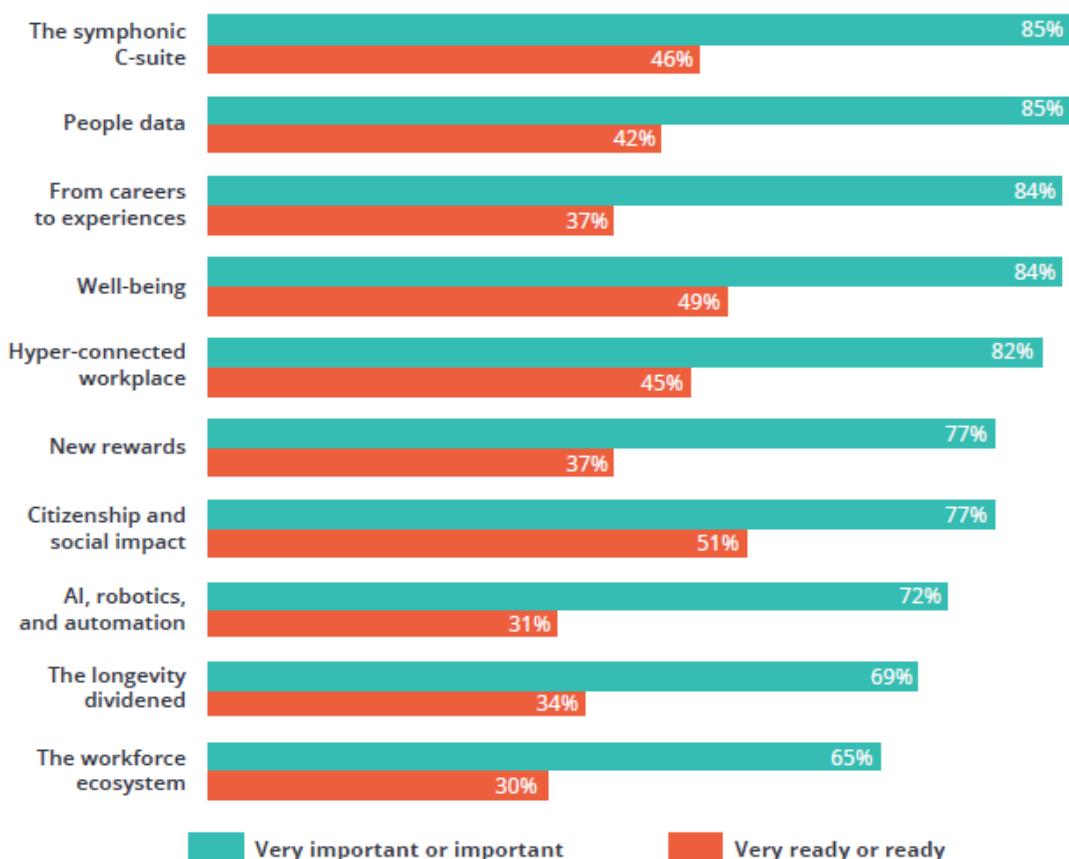
Highlight of the Ten Trends

Let me briefly highlight the trends here (in order of urgency from the research), and I encourage you to read the whole report, download the app, and attend one of our webinars highlighting the research.

2018'S 10 HUMAN CAPITAL TRENDS: IMPORTANCE AND RESPONDENT READINESS

Four trends exceeded 80 percent importance in 2018. In addition, two trends—“AI, robotics, and automation” and “New rewards”—showed more than a 40 percent gap between importance and readiness..

Trend importance and readiness



n=11,070

Source: Deloitte Global Human Capital Trends survey, 2018.

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#1 The Symphonic C-Suite

As I discussed above, the most urgent trend we identified was the need for C-Suite executives to operate in a more integrated way (we call that “Symphonic”). Today it’s as if each C-suite exec (CEO, COO, CFO, CMO, CHRO, CTO, etc.) is leading their own set of instruments, playing the music they think will contribute best to the overall orchestral performance. Of course in the symphony this would be a disaster, and the analogy plays out well in business as well.

Consider the issues of gender pay equity or data privacy, for example. No one C-Suite executive can “own” this problem, because it impacts every part of the company. Ditto for problems like “improving well-being” or “reducing attrition” or “improving our employment brand.” The [latest survey from The Conference Board](#) found that “attracting and developing talent” is now the #1 topic on the minds of CEO’s – that issue, along with the others I mentioned, cannot be owned by the CHRO alone.

#2. People Data: How Far Is Too Far?

We are all bombarded with news about AI, autonomous vehicles, and a never-ending discussion of the potential role of computer intelligence in our lives. What our research found is that this enormous issue – that of taking better responsibility for our data – is high on the minds of business leaders.

As I was writing this trend I had the opportunity to interview the head of research for one of the largest technology companies in the world. He told me that we still don’t really know how to make AI “safe,” because all this data we are collecting can predict and recommend actions that might be biased, single-minded, or ultimately just dangerous. Of course tools that predict attrition or recommend new learning programs are useful, but what happens when systems “recommend a salary” or “recommend a performance rating?” That kind of software can change our human behavior and clearly changes our perceptions of an individual.

With the GDPR (General Data Protection Regulation, a new EU regulation) [now becoming law](#), companies must do a much better job of managing, stewarding, and securing data about people. Too many stories have come out about data leaking into the wrong hands, and often the ramifications of this release are not initially known. While the HR profession is very excited about the opportunity to finally use analytics to make better decisions, this year our research shows a need to focus on privacy, security, governance, and “auditing” of these systems in a much bigger way.

#3. From Careers to Experience: New Pathways

This trend, which has accelerated in importance each year over the last four years, is the one I personally think is most important. Everyone in the working world is now concerned about the future of their career in a world of AI, robotics, and ever-changing technologies and jobs.

I’ve done many presentations on the Future of Work in the last 18 months, and in every case I find people astounded about the way new jobs are being created at a faster rate than we have seen in decades. Today the jobs of “machine learning engineer” (which didn’t exist three years ago), “social media curator,” or “robotic system trainer” are growing at astounding rates, while all our traditional roles in sales, marketing, finance, and HR are changing as well.

What we found in this research is that companies now understand that their “upward path” career models are often very limiting, so they want to create models for “facilitated talent mobility” – models that give people hope, new skills, and continuous development in areas the company needs. But this is turning out to be harder than they thought, and the tools and systems to make this an institutional process are not quite ready.

The L&D market is going through a [revolution and new tools for continuous learning are arriving this year](#), so this trend will be one you want to read. I would put it on the top of your list of issues to address this year.

#4. Well-being: A Strategy and a Responsibility

I was at a recent meeting of HR executives and one of the vendors cited a statistic that blew my mind: [one in six Americans now take a psychiatric drug](#) to help with depression, anxiety, or sleep[1]. In today’s digital world of work, there’s a new level of stress in the workplace, which in turn creates a variety of issues with sleep and well-being, which in turn creates medical conditions (heart disease, diabetes, overweight, etc.) that reduce our health.

The trend is not that healthcare is an important benefit for employers: rather the trend is that this is now a strategic issue that impacts workforce productivity, profitability, and employment brand. As I’ve surveyed this market and talked with many companies about this issue, I think we’ve reached a point where “employee engagement” is almost a meaningless phrase if it does not embrace the need to “make work healthy” and help people bring their “best selves” to work every day.

I won’t cite all the statistics here, but as you read this trend you’ll see that well-being is now a key corporate strategy and one that must be measured through performance and productivity metrics, not simply those that reduce the cost of insurance.

I think this topic also crosses the boundary into citizenship and responsibility – if you are not building an organization that helps people stay healthy and happy you are not fulfilling your responsibility as an employer, and that impacts your customer brand.

The leading practices for well-being at work are all being invented now, as our organizations become more “real-time” and demanding by the day. I think you should read this trend as a wakeup call and think hard about whether you are putting the right level of focus and energy into this topic.

#5. The Hyperconnected Workplace: Will Productivity Reign?

As a professional in my early 60s, who grew up in companies that had no voicemail, no email, and no electronic communications at all (except fax machines), I am particularly sensitive to this trend. Today, whether we like it or not, we are all “over-instrumented” and “overloaded” by messages, communication tools, and more intelligent systems telling us what to do.

At this point in time, based on the research we’ve done (and many of my own studies), I believe we work in an environment where technology is ahead of our ability to adapt. As we talked about in last year’s trends, economic productivity has not kept up with economic growth (or salary increases for that

matter), and this is a funny paradox when you consider how many successful technology providers there are.

As we discovered in this trend, almost every company now has multiple systems for messaging and communication, we are all implementing internal social networks at work, yet we have very few rules, models, or practices to help people figure out how to use all this “stuff” without wasting their time.

I met with a vendor last week who has developed algorithms to monitor your email traffic and office calendar, and immediately give you recommendations on when to “push out a meeting” or “not respond to a message” in order to give you more thinking time to be productive. Our latest [L&D research found that employees have only 24 minutes a week](#) to “learn” on the job, so a new breed of micro-learning tools are emerging to help us time-slice our development.

As we discuss in this trend, this is a problem yet to be solved. I certainly hope that AI and analytics tools will give us smarter suggestions about what to ignore and what to do, but unfortunately we are all human and we often respond to things in ways we cannot fully understand. (Look at how easy it is to create “clickbait” on social networks). Let’s not let our companies turn into “clickbait” factories for our people, and in this trend we tried to give you some examples of how to deal with this issue.

#6. New Rewards: Personalized, Agile, and Holistic

This trend is one I’ve been wanting to write about for some time, and I think the time has come. As a global business and HR community, there has been a lot done to make jobs more flexible, make careers more agile, and help managers become better coaches and mentors to our people. But what we have not yet done is figure out how to pay, reward, and recognize people in a way that is similarly modern and “digital,” in this new world of work.

I’m not saying people aren’t paid enough – the trend in compensation is upward and companies are now working very hard to improve fairness, transparency, and completeness in the compensation world. What is missing is a new design for agile, personalized, and holistic rewards, one that is relevant to each individual and gives organizations the flexibility to offer just what is needed at the right point in time.

The compensation and rewards industry is massive, and in most companies salary and benefits are the single biggest expense. But when we asked companies if their compensation strategies aligned to the company’s business priorities, we were shocked to see that only 20% of companies answered yes. This has to change.

Today, as we discuss in the trend, organizations need to do a much better job of paying people in ways that matter to them, creating more transparency in the process, and giving people more information about why compensation decisions are made the way they are. Everyone feels personally invested in their pay, bonus, and benefits, so in many ways this is the most powerful lever we have as leaders.

Just to give you a sense of the disruption ahead in this area. One of the larger payroll providers told me in the last few months that they see a trend toward “instant pay” – people getting paid every day for the work they did that day. Bersin recently started providing services for “conjoint analysis” of various pay

and benefits programs (letting employees value how much they truly mean to them, rather than evaluate them based on the cost), and found that different segments of employees have vastly different desires for how they want to be rewarded.

These are important issues, along with the topic of fairness, gender pay equity, and generational pay equity, that have to be addressed now –and they fall into the category of “being a good citizen” and “focusing on the employee experience,” not just “being competitive in the market.”

#7. Citizenship and Social Impact: Society Holds the Mirror

This topic, which was rated important by 77% of companies around the world, is the one where companies feel the most behind (51% feel unready to deal with this issue). Why? Because it’s quite confusing and often unclear what to do.

The issue we write about here is the need for CEOs and business leaders in general to take a stronger position on their responsible role in society. While business leaders are not “elected” like politicians, in many ways they are “elected” by their boards and employees, so they must think about everyone in the ecosystem in the interest of the company.

Companies themselves, as Larry Fink from BlackRock and Marc Benioff from Salesforce have stated often, are valued based on their responsibility to society, so even CEOs who don’t want to deal with this issue are being asked to be more active in public issues. A [recent article](#) describes the conundrum “activist CEOs” face in their jobs and points out that while any position you take on social issues is likely to alienate someone, your employees and shareholders now want you to say something. So it’s not a topic that can be ignored any more.

I won’t go much further here but let me cite one more interesting fact. A [recent study](#) of product buyers was asked to qualify their buying preferences for vendors that had CEOs that took strong positions on social issues vs. those that did not. They found that random customers were 40% more likely to buy from companies whose CEOs took positions they felt good about than those who did not, so the power of dealing with this issue is high.

#8. AI Robotics and Automation: Humans in the Loop

This is a trend we all see every day: companies are now waking up to the fact that nearly every job (including HR) is being impacted by AI and automation, and there are a wide variety of new jobs being created. As I like to describe it, AI does not “eliminate jobs” it “eliminates routine work” which in turn creates new jobs. And as [economists have found](#), only about 6% of the jobs in the world are focused on “building machines” (ie. Software engineers) so 94% of us have to learn to “use the machines,” again changing how we do what we do.

In this trend we highlight how quickly companies have awakened to this trend and how well they understand the topic. What they do not yet know is how to redesign jobs, how to redesign work, and how to build the new skills that are needed. And in the realm of HR, AI and cognitive tools are radically changing the landscape.

One of the issues we raise in this trend is the need for business and HR leaders to understand that AI is a technology, not a solution. It may create smarter decisions and higher quality outputs, but it has to be monitored and trained. And AI is dependent on data, so in order for companies to have great cognitive solutions for customers or internal operations there has to be a strong focus on quality data.

I believe we are in the first inning of a lot of job and organizational redesign driven by automation and AI, and this trend highlights some of the issues to consider.

#9. The Longevity Dividend: Work in an era of 100 year lives

This trend is a fascinating one, and opens up a topic that most of us understand and will live through in our lives. We are living longer, we are working longer, yet all our talent models, pay practices, and cultural values have not yet adapted to the change.

Let me highlight this issue with a few facts. In most developed economies the [birth rate is below replacement](#). This means that in order for the economy to grow, we are going to need more people – so the economic incentive for people to work longer is here.

At the same time, we still live in a world that highly values youth. We are just coming out of a decade of research on Millennials and now the Gen-Z workers are here. This cohort is similarly skilled and ambitious and there is a tendency for business and HR leaders to leverage these groups. I was at a meeting with 200 of the top execs from a large client and the CEO looked around the room and said “there are almost no Millennials in here, we need to fix this.”

I absolutely agree. It’s important to build companies that promote, develop, and challenge young people and companies that do this find themselves filled with new ideas, new work practices, and lots of excitement and growth.

At the same time, the baby boomer population is almost as big as the Millennial cohort and as baby boomers work into their 70s, 80s, and beyond, they make up a similarly important segment of the workforce. Today I believe we are “negatively biased” against age (the Deloitte Human Capital Trends 2018 study found that 41% of companies believe “age is a competitive disadvantage” in their organization). Yes, older people might make more money and older people may have older skills, but believe me (spoken as a 62 year old “young person”), we are just as anxious to learn, contribute, and grow as anyone else.

As we discuss in the report, there are some innovative programs and ideas out there, but generally speaking most corporate talent models do not understand or incorporate this “seasoned workforce” well. I won’t try to solve the problem in this article, but let me simply leave you with the thought that this will become an increasingly urgent problem and the sooner you think about it the better.

#10. The Workforce Ecosystem: Managing Beyond the Enterprise

The last trend, but by no means an unimportant one, is the recognition that the “workforce” of today is not a set of full-time, salaried people. We live in a world where contingent, gig, and crowd-based

workers make up a significant percentage of the workforce and these “alternative work arrangements” are now the fastest growing segment.

Our research found, as we have seen in prior years, that companies are not yet ready to deal with this new world and while some embrace these alternative work arrangements well, most are nervous about how to manage this ecosystem well. Companies are concerned about legal issues, intellectual property, proprietary work practices, and a variety of cultural challenges.

As we have all seen in the ride-sharing and home-sharing industry, these are problems that can be solved. Once you come to the conclusion that your workforce won’t all be full time salaried people, it’s simply time to sit down and decide how you want to manage this new part of the ecosystem. There aren’t quite enough HR tools and systems to do this easily yet, but as you’ll see from the research the market is moving fast.

My research shows that most of us still do like to be part of a “team” or organization in our careers, but there are periods of time and many individuals who prefer to work as contractors, agents, or specialists. Thanks to technology this is easier than ever, and our research shows that companies that learn how to manage this ecosystem can create a new, more flexible balance sheet and often move faster, gain deeper skills, and grow at a much faster rate.

Bottom Line: A New Paradigm for Business is Here

As I look back on all we’ve studied for this report and the ten trends we highlight, I am left with the conclusion that “being a social enterprise” is a paradigm shift in management. Not only must we deal with the ten trends above, but we have to recognize that business today cannot operate by only considering employees and customers. We now need a set of strategies, investments, and values that reflect the broader role businesses play in our society.

We are not trying to say that every company has to become an activist organization in their industry. But our research does show that over time, companies do have to “do good” in order to “do well.”

In the short run, you can make lots of decisions that optimize revenue, profits, and growth. But over time, as your business grows and the influence of society impacts you more, you will run into the pressures of “being social” and we believe it’s better to understand this issue earlier rather than later.

I hope our study gives you the insights and perspectives needed to help you understand the “rise of the social enterprise” as well as some new ideas, strategies, and solutions to make your organization thrive.

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