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CORPORATE RESEARCH FORUM

DISCUSSION PAPER:
"FACING DISRUPTION"

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MERCER

MAKE TOMORROW, TODAY

CONTENTS

FOREWORD

Welcome to CRF's HR Directors' briefing paper, the first in an occasional series. CRF has been researching the field of HR and turning this into actionable recommendations for over 20 years. We have never been afraid to express opinions and offer insights, based both on substantive research, and a deep understanding of business and HR's potential contribution to it.

In January 2017, we published our *HR Manifesto* (available here), which set out a succinct view of the challenging world we live in, effective organisational responses, the current state of play for HR, and how it needed to develop into a future-fit function.

One year on, we wanted again to encourage thoughtful HR Directors to take the time to consider the big issues shaping the context and environment, and challenge themselves to work out what they and their organisations need to do to thrive.

This briefing paper provides that impetus – it does not seek to be an exhaustive account of every scenario, but it does raise interesting issues of the day across the five main areas, and gives a deeper dive into one sub-topic in each of them.

We hope that you enjoy reading it – but more importantly, that it triggers your curiosity to explore further, and join with others in understanding what you need to do differently in this ever-changing and challenging world.

Mike Haffenden

Mercer is delighted to contribute a commentary to complement this discussion paper. These are just a few highlights, but more can be accessed at Global Talent Trends and Delivering the Workforce for the Future.

Talent scarcity and skills gaps are of major concern for both C-suite and HR. Organisations are embarking on profound transformations, adjusting their business models to navigate the disruption. At the same time, the notion of what it means to be an 'employee' is changing and people expect their employers to 'make work work' for them. What do organisations need to face up to and how?

Here are four things to think of as we enter 2018:

Organisational and leadership agility

93% of business executives plan to make a design change in their company within the next two years, seeking growth by organisational agility. To succeed in a rapidly changing and ambiguous environment, companies have to adapt by making conscious choices. To master agility, leaders need to balance the paradox of a strong identity with flexible practice.

A future-oriented data-driven mindset

As companies transform to realise the opportunities of the digital revolution, they are challenged by defining their workforce for the future. Today's skills, culture and work models will forcibly evolve to remain relevant. Although the future is hard to predict, analytics and scenario-based strategic workforce planning help demystify it by putting a tangible framework in place.

Clear line of sight between the business and people strategies

No longer left to HR to determine in isolation, people strategies are an integral part of strategic business planning. This process requires a co-ordinated review of how external trends are affecting existing structures, jobs and skills across the business. Companies need to look at complete talent ecosystems, combined with technologically supported individualised EVPs.

The importance of education, development and careers

Not all the skills will be available externally, and upskilling/reskilling plans for existing employees can mitigate risks. The 'skills churn' may require a new approach to life-long learning, and a move towards valuing traits, behaviours, experiences and innovation – all in a thriving work environment.

There is more to explore – but it is important that we face the challenges and plan our responses.

Chris Johnson

Global Business Solutions Services Leader, Mercer

01

INTRODUCTION

WHAT'S COVERED

THE ISSUE

In this paper we highlight some new or newish trends that may disrupt your business. Some of these disruptors offer opportunities; others may threaten existing business models. All senior leaders have a responsibility to be aware of possible disruptors and their potential implications. Awareness helps direct leaders' attention so that they nudge the organisation in the right direction and are not caught flat-footed by disruptive change.

COMMENT: BUPA

"I loved the paper's title – 'Facing Disruption' or perhaps 'Facing into Disruption' could be as apt. Because disruption is with us and isn't going away. I think we will look back on the next 20 years and will reflect on what will have been the greatest period of business, social, and technological change in human history. As HR people it will mean big shifts in not only the nature of employment but redefinition of what employment actually means for many people. And we can be at the front end of all of this – that's our choice. A really thought-provoking paper – I learned some new things myself!"

Nigel Sullivan

Chief People Officer, Bupa

CHALLENGES

Predictions of the future impact of disruptors are often wildly wrong – experts often predict rapid change that doesn't happen; and then underestimate the speed of development as understanding matures. Despite large investments, nuclear fusion remains *"a few decades away"*, exactly what was thought fifty years ago. Simple things like the invention of shipping containers can seem mundane, but have a huge impact on the global economy. Radically new things, like the smartphone, can reach across the world with stunning speed and remarkable ease. Social changes, such as women's liberation, can slowly change the face of the business world.

As leaders, we can't possibly track every new development and even for the ones we track the implications are hard to fathom. Nonetheless, no one wants to be the next Kodak, a company which was driven to bankruptcy by a foreseeable change. We do need to glimpse downfield as far as we can and hope that these glimpses are sufficient to chart a savvy course.

OUR APPROACH

Our approach in this paper is to suggest four or five significant topics for each area of scrutiny (Business, Economics, People and Politics, Technology, Society). This paints the landscape and gives readers a sense of the range of disruptors.

Since we do not have space to explore all of these topics, we focus in more depth on one topic per area, delineating its characteristics and suggesting how it might impact business. We make no pretence that the topic we have chosen to focus on is the most significant, but we think that it serves as an example that is worth exploring. This gets us to first base, but the real benefit comes when we get the business engaged in thinking through possible implications and scenarios.

WHAT YOU NEED TO CONSIDER

What are the things that you, as an HR leader, can do to focus on these business issues, to track their emergence and put your company in the best possible position to react to developments? Do you have the capability to scan for opportunities and threats? Can you build scenarios of how these might take shape, what needs to change as a result, and how you can be best positioned for change?

People and skills are at the heart of what we do. Are our needs for these going to change quantitatively or qualitatively? How do we ensure that we will continue to have access to the skills we need? What do we do about skills that may soon be redundant? What does this mean in terms of how we recruit or buy in or outsource? What obligations do we have to our existing workforce and to society to help them develop? What publicity might we expect and what is the narrative that we will be working to achieve? If things are going to change, how do we ensure that we can influence them and shape them to our advantage?

As we ask ourselves these questions, can we reflect on how they illuminate the topic? Is there an emergent approach to how we can address new and obscure issues, to see whether they are important or not for our business? Can we force ourselves, through use of scenarios, to identify the things that might make a trend take off… or for that matter falter?

Some of this will require deep thinking about what business we are actually in. Tesla, the American car manufacturer, describes itself as a computer company. Are we ready for that type of shift?

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BUSINESS

WHAT'S COVERED

THE LANDSCAPE

Here is a taste of some of the significant trends in business.

- **Fintech is disrupting the financial sector.** Banks have huge, expensive and complex infrastructure; fintech may eat away at the most profitable parts of the industry. Where would a revolutionised financial sector touch your business?

- **We need to re-think organisation design in the face of AI, the Gig Economy, and the Internet.** When work was done by permanent employees in an office/factory a certain kind of organisation design made sense; but if workers work at home and some are not even employees and some are not even human, then we may need to re-think organisation design. Can your firm re-design itself in an easy and effective way?

- **Skills shortages.** Filling specialised roles seems to be a problem even when there is substantial unemployment. How do you find an experienced MATLAB programmer when almost nobody used the language until recently? Do we need some fundamentally new approach to skill shortages?

- **Asia no longer follows, it leads.**

  - China no longer imitates, it innovates. China is pushing into the last strongholds of Western companies, such as aerospace and automobiles. China is using its cash to buy brands and technology – from Volvo to robotics. India is waking up from its long socialist sleep, and will start to follow in China's footsteps. The production of your Jaguar is now owned by India and there will be many more such. Vietnam is the new place for low cost-efficient manufacturing. Are you ready for a world where some of the best ideas, customers, and fashions come from Asia?

- **The dominance of Amazon.** Amazon seems to be an unstoppable giant that is affecting more than just retail. Will it, or similar overwhelming players, undermine your business?

BUSINESS

FOCUS TOPIC: THE DOMINANCE OF AMAZON

Amazon is an extreme example of just how powerful a single disruptor can be. They've surpassed Walmart, may kill real estate values on High Streets, threaten parts of the advertising industry and undermine brands – all this from a company that provided mail-order books.

Observations: five intriguing observations about Amazon.

1. **Amazon is bigger than Walmart.** Amazon has come to dominate retail and shows no sign of stopping. It's bigger than Walmart, Target, Sears, Macy's, Best Buy, Norstrom's, and Kohl's combined. Are we in a world where there is only room for one winner per industry?

2. **Amazon is replacing a massive amount of in-store shopping.** As people come to make Amazon the default store for all their purchases, then the stores on high streets and in malls will shut down. Will this change in the cityscape affect your business?

3. **Amazon is a dominant player in several industries.** Amazon is not just a retailer. It is a dominant player in web-services/cloud computing, AI, and has a leading talent platform (Amazon Mechanical Turk). How is it possible that a mail-order bookseller has come to be such a big player in all these diverse industries? Is the concept of 'diverse industries' wrong? Is it just one industry: 'digital'? Is Amazon your biggest threat no matter what industry you are in?

4. **Amazon may undermine Consumer Packaged Goods brands and hurt advertising.** When people shop on Amazon they look at user reviews. This undermines brands and reduces the value of advertising to build brands. Some of the reviews are fake too. It's about to get much worse for brands as people shift to shopping by voice using Alexa. They'll say "Alexa I need batteries" and Alexa will pick the brand. Does your business depend on brands? Could something like Alexa threaten them? Is your marketing department on top of this issue?

5. **Amazon aims to take shopping off your hands.** Amazon hopes to know enough about your shopping habits that it can take all the routine shopping off your hands. It will know when you are about to run out of toothpaste and fulfil that need before you need to ask. What happens when consumers decide they can trust a company to make purchase decisions for them? If people spend less energy on shopping how will they spend their leisure time?

BUSINESS QUESTIONS AND IMPLICATIONS

- Does Amazon threaten your business in some direct or indirect way?
- Is there any existing (or possible) parallel to Amazon in your industry?
- Is there something to be learned from how Amazon works? Does it mean the world has changed in some fundamental way? Does it mean how we run a business has changed in some fundamental way?

CASE STUDY: THE BBC

Valerie Hughes-D'Aeth, Group Human Resources Director for the BBC, comments on how some of these issues have been impacting on the broadcaster:

"Business/The dominance of Amazon

The global media market has changed dramatically and as a Public Service Broadcaster, we have to respond to that to ensure we continue to be a bastion of British content and creativity. We should be the foundation stone of British production, strengthening the role our productions can play in the UK and in the global market. We recently announced that our production arm, BBC Studios will merge with BBC Worldwide to form one single commercial organisation, bringing the BBC into line with the rest of the industry and ensuring the BBC is best placed to succeed both creatively and commercially.

Business/Skills shortage

Training and skills is at the heart of the BBC. One of our public purposes states that we will provide innovative content across a range of services and platforms and set the standard globally in doing so – the BBC Academy plays a huge role in providing training and development for all staff to help us achieve that.

10 years ago, there was no iPhone and hardly anyone had heard of YouTube. Today our newsroom and broadcasts are run by systems that ingest video, scripts, graphics and mean a BBC journalist in Delhi can see the video and script for a story produced seconds ago in London.

It's almost impossible to know what the long-term skills needs might be, as in five years new platforms, technologies and audience needs will emerge. Our training Academy is continually looking over the horizon to spot future trends both in technology and editorially."

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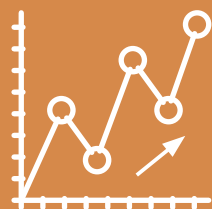
ECONOMICS

WHAT'S COVERED

ECONOMICS

THE LANDSCAPE

Here is a taste of some of the significant trends that the economy is facing.

- **Finance.** Much of the fundamental instability of the global financial system was not fixed after 2008. How big is the risk of another crash in the next five years?

- **Energy.** There is uncertainty about future energy sources and infrastructure. Will we rely on oil, solar, nuclear? A centralised or decentralised grid?

- **Wealth.** Over the last 50 years global GDP per person has tripled; it may well triple again in the next 50. But for many people their income remains stagnant. If the world gets much richer, yet more unequal, what will it mean to your organisation?

- **Trade.** International trade is in flux due to protectionism/nationalism, big global trade deals (TPP), and China's Belt and Road infrastructure, which will enable greatly increased trade across Asia. Is there any particular trade deal that is especially critical to your organisation's future?

- **Structural Unemployment.** There are very few jobs suitable for people in the bottom 15% of the IQ range, and that bar may be rising. If there were suitable subsidies, could you create useful jobs for the bottom 15-20%?

- **The Gig Economy.** It's ever easier to use an 'on-demand' workforce, hiring more freelancers and using them for more kinds of work. What organisational barriers get in the way of utilising this huge pool of talent?

- **Uncertainty.** Where is the UK economy heading? Do our politicians and their European discussants have the slightest idea what Brexit will look like? There seem to be as many opinions as players. What will be the impact on business, on individuals and on society at large?

ECONOMICS

FOCUS TOPIC: THE GIG ECONOMY

The Gig Economy gets work done by free agents doing tasks/projects rather than by employees doing jobs.

Observations: several intriguing observations about the gig economy.

1. **Talent Platforms are competing with real businesses.** Tongal, a talent platform where companies can find advertising freelancers, made *Ad Age* magazine's top 10 "A-List" of advertising agencies. Can a talent platform with a radically lower cost structure take customers away from you?

2. **Companies such as IBM and Yahoo have reversed course.** IBM had been pushing employees to be more free agent like by asking them to work from home, but is now requiring many of them to return to an office – with uncertain consequences. IBM and Yahoo say having people in the office creates a more agile, collaborative workforce; but will it create problems with employees who prefer to work from home?

3. **WeWork is only 7 years old and has a $20 billion valuation.** WeWork's rise illustrates how the infrastructure for a gig economy is rapidly developing. It also shows how there is much in common between freelancers, very small companies and parts of big companies whose employees ought to act as if they are in a small company. Will the available infrastructure accelerate a change in how much work is done by freelancers or micro-businesses?

4. **When GoDaddy directly used a Talent Platform (UpWork) to hire freelancers, this led to 86% less turnover than using local temp agencies.** Are we squandering the opportunity to get better talent by not making more use of talent platforms and freelancers?

BUSINESS QUESTIONS AND IMPLICATIONS

- Work is changing with more of the workforce being freelancers, and also some employees being treated a bit more like freelancers. Is HR creating the capability so that the organisation can evolve or is HR a barrier to getting work done in new ways?

- Is the organisation concerned about who gets the full protection of the legal designation of employee and who doesn't? Will labour laws enable your organisation to benefit from the on-demand labour free agents can provide?

- Will your reputation as a good employer lead you to get the best freelancers as well as the best employees?

- What impact on your brand might the change to freelancers bring?

04

PEOPLE AND POLITICS

WHAT'S COVERED

PEOPLE AND POLITICS

THE LANDSCAPE

Here is a taste of some of the significant trends in people and politics.

- **A dramatic rise in narcissism.** In the last 10 years we've seen an explosion of celebrity culture, selfies, people obsessed with their social media profile and Donald Trump. Will this become a derailer for young managers?

- **The fall of traditional media.** A majority of US adults (62%) get their news from social media (Pew Research Centre). 'Facebook poses a threat to democracy' says Jon Snow. Is our understanding of our employees and customers hampered because our news sources are different from theirs?

- **Millennials have grown up digital.** The Millennial experience of growing up in a digital world is so different from previous generations that the impact on politics is hard to imagine. Does the older generation suffer from significant blind spots about the nature of today's world?

- **People in the West have turned against politicians.** Will they do the same with business leaders?

- **Asians see value in autocratic government.** Many Asians look favourably at the success autocratic governments have brought to Singapore, China and South Korea. Does their form of government provide lessons for Western democracies?

- **Western elections are unpredictable.** Consider the cases of Trump, Brexit, May, Corbyn and Macron. How do we plan in the face of that unpredictability?

- **Increasing threats.** There are existential threats from geopolitical tensions (US, Russia, North Korea, China) and from terrorism. How can companies respond?

FOCUS TOPIC: WESTERN ELECTIONS ARE UNPREDICTABLE

"Expert" predictions have been going badly wrong.

Observations: five points to ponder about politics in the West.

1. **The Unpredictable President.** The polls did not predict Trump's victory and the Democrats are so outraged that they now style themselves as "The Resistance". Is the fervour of Trump's supporters and the opposition to Trump a sign of instability that will make it difficult to operate a business? Will it lead to irrational legislation?

2. **The Ungovernable France.** Emmanuel Macron's ratings collapsed from 66 per cent to 36 per cent in two months and he has described France as 'ungovernable'. Does this make it impossible for the government to create a healthy economy?

3. **The Undeniably Appealing PM.** In Canada, Justin Trudeau's party went from 36 seats to 184 seats on a platform of inclusiveness and positive energy. Will this approach yield success elsewhere?

4. **The Unmanageable Exit.** Brexit was stumbled into, rather than being a carefully crafted policy. Similarly, Trump appears to be stumbling into a massive rewrite of the crucial NAFTA trade agreement. Are governments making rash decisions?

5. **The Undermining of Representatives.** Legislators used to be elected to represent voters. Social media now imposes instant, often uninformed, voter views that cannot be ignored.

BUSINESS QUESTIONS AND IMPLICATIONS:

- Businesses rely both on a certain stability of legislation and an updating of legislation to deal intelligently with change. Unpredictable elections may be indicative of unstable or inappropriate legislation. What radical legislative changes could impact your business?

05

TECHNOLOGY

WHAT'S COVERED

THE LANDSCAPE

Here are just seven of the most significant trends in technology that business is facing.

- **The Internet of Things (IoT).** The IoT is comprised of tens of billions of devices that have limited 'smarts' changing the nature of the world in unpredictable ways. Do you have a good grasp of this technology?

- **Blockchain technology.** Blockchain is simply a kind of decentralised database. However, it makes things possible (like the BitCoin currency with no central bank) that were unimaginable before. Could anyone in your organisation recognise if a blockchain application was important to your future?

- **Biotechnology.** Biotech has been around for decades with limited impact. However, it could take off exponentially at any time. Could your business benefit from biotechnology?

- **Nanotechnology.** Nanotechnology is no longer a hot buzzword, but the potential of the technology to drive disruptive change is greater than ever. Could your business benefit from nanotechnology?

- **Big Data.** The explosion of data makes it potentially possible to have vastly deeper real-time knowledge about many things (cities, consumers, employees). How fast is your organisation learning about the uses of Big Data?

- **AI, Robots and Automation.** This trio is transforming or replacing many jobs and this trend may accelerate. If things start changing very quickly, will your organisation be able to keep up?

- **Cyber security.** The IOD describes this as the biggest threat to modern business. 65% of organisations have been breached or hacked and it takes 120 days on average to discover this. As we become ever more reliant on technology, do you understand the implications of the risk and are you managing it appropriately? Really?

FOCUS TOPIC: AI, ROBOTS AND AUTOMATION

Exponential improvements in computing power, algorithms, access to data, and sensors have created AI, Robots and Automation so powerful that it becomes hard to say with any confidence which tasks or combination of tasks will safely remain beyond their ability in the next 20 years.

Observations: five intriguing observations about technology.

1. **AI and Robots can now do many things better than people.** In some applications AI is better than humans at skills such as image recognition, games (chess, go), trivia (Jeopardy!), fine motor skills, and navigation. It can learn tasks (such as how to play a video game) on its own. Can a competitor, starting fresh, dramatically improve the quality of the products or services in your industry by using AI and robots?

2. **Record labels fear Spotify may one day replace musicians with AI.** Spotify has hired an AI expert from Sony Music Paris presumably to see if AI can write popular music. If this pans out, will Spotify try to push out royalty-earning musicians and replace them with unpaid AI? How will intermediaries in your industry (suppliers, distributors) use AI to disrupt the ecosystem?

3. **Cashiers, a high population job, are being replaced.** Cineplex has eliminated the role of box office cashiers in some theatres, Amazon has pilot stores with automated checkout. Are there high population jobs in your organisation that could be replaced en masse by AI, robots or automation?

4. **Intuit's motto is "recruiting is done".** We are approaching a point where good data about all possible candidates is available on the Internet. Algorithms, assessment tests and automated reference checking will be able to shortlist candidates just as effectively as a human recruiter. We may be reaching a point where we have little need for recruiters (or staffing firms). The evidence hints that automated systems will soon be as good, or almost as good, as recruiters for certain categories of work. Are you willing to pull the plug on using humans in recruitment?

5. **When they'd sequenced 1% of the human genome, they were almost done.** After seven years, halfway through their budget, the human genome project had only sequenced 1% of the human genome. Futurist Ray Kurzweil looked at that result and commented "Well, you're almost done." This is based on the exponential improvement of technology. If the technology doubles every 12 months, then 1% becomes 2, 2 becomes 4, then 8,16,32,64,100%. So having reached 1%, it would only take seven or eight years to be done, right on target. Is there any element of technology which seems unimportant because it's taken years to get to 1% market penetration, but could in fact be just a few years from totally dominating the market?

BUSINESS QUESTIONS AND IMPLICATIONS

- If large numbers of jobs can be eliminated or redesigned, is your organisation capable of doing so?

- If large numbers of employees need to be re-trained or let go, is your organisation prepared to do so?

- Will actions by other organisations in the industry ecosystem upset how you compete even if AI, Robots and Automation do not disrupt you directly?

- Could your organisation make changes really fast if it needed to?
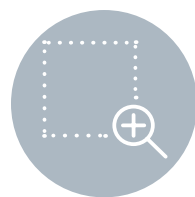
CASE STUDY: THOMSON REUTERS

Mark Sandham, SVP and Chief Operating Officer, Human Resources at Thomson Reuters, comments:

"Many of these issues resonate with our experience. We began exploring blockchain technology, focusing on its ability to facilitate secure online payments. Quickly, we realized that it has potential in all of the industries we serve – as a way to facilitate and verify contracts, establish digital identities, manage supply chains, and ensure government compliance. I expect the use cases will continue to multiply as awareness increases and technology advances.

As an information company, Thomson Reuters is increasingly using automation and artificial intelligence to make sense of the exponential amounts of data being created every day. These technologies are not necessarily replacing human employees, but rather requiring us to employ people with different expertise and skills further up the technology 'stack'.

The gig economy represents just the latest input into how we build modern workforces in the global economy. It gives companies a bigger pool from which to find talent globally – complementing existing traditional workers and contractors and outsourcing arrangements.

As the world rapidly evolves, HR must be at the forefront, helping to guide the business through these changing times. We must be the architects in designing workforces for the 21st Century – understanding the trends, rapid changes and opportunities and incorporating them into our organisations in a way that makes most sense."

06

SOCIETY

WHAT'S COVERED

SOCIETY

THE LANDSCAPE

Here are some of the trends society is facing.

- **Ageing everywhere and declining populations in Japan.** Is this fact reflected in your strategic planning?

- **Youth's addiction to smartphones.** Is this almost like a mass case of drug addiction? Is it affecting the way that people interact?

- **Global warming and environment degradation.** Will the costs begin to be felt? Are we yet doing enough to protect air quality? Does it matter that wildlife is disappearing? How is the world going to cope with water shortages?

- **Internet domination by Google and Facebook.** Will the power of these organisations work against the best interests of everyone else? Are they seen as making a fair contribution to society? Have they taken sufficient steps to monitor and control the advertising that they publish from extremists and terrorists?

- **Education.** Are males systematically underachieving in the UK and USA? Are our schools and universities still providing yesterday's education? Are we building an uneducated underclass to become a pressure on society?

- **The rise of identity politics.** Are we ready for the more divisive mood already affecting society?

FOCUS TOPIC: THE RISE OF IDENTITY POLITICS

Identity politics focuses on group identity (ethnic origin, sexual orientation) rather than individual identity. It highlights the current and historic conflict between groups.

Observations: five challenging characteristics about identity politics

1. **Universities are shifting towards training social activists.** Traditionally universities saw their mission as training people how to think, now many programs are aimed at guiding students on what to think and to become social activists. Some new hires are bringing this activism into the corporation, for example demanding their CEOs take certain social policy positions. Are you ready for this?

2. **Freedom of speech is no longer a core value.** Social justice advocates believe 'hateful' views should not be tolerated. Toronto's Ryerson University cancelled a panel discussion on whether freedom of speech was at risk because they felt that opposition from social justice activists created a security risk. Similar concerns exist in the UK and the US. Will organisations find employees arguing for the suppression of views they feel are potentially offensive?

3. **Identity groups are fractionating.** The Elementary Teachers Federation of Ontario offers LGGBDTTTIQQAAPP inclusive training (each of the 15 letters refers to a sexual orientation). Facebook has over 50 options for gender. This fractionation is becoming unmanageable, but it's almost impossible to roll back without offending people. How do organisations manage diversity when there are so many identity groups?

4. **Legislation adds teeth to the culture war.** Arizona lawmakers are pushing a bill to prohibit school courses that promote social justice. At the other end of the spectrum Ontario has implemented potentially powerful Social Justice Tribunals which "may use procedures other than traditional adjudicative/adversarial procedures." Will legislation inspired by the culture wars be passed in any of the jurisdictions you operate in?

5. **UK society has been thrown into turmoil by Brexit.** There is an increasing tendency to explain every divide in terms of identity politics, rather than addressing the underlying detail. Do you have mechanisms for relieving the tensions as they bleed from society into your organisation?

BUSINESS QUESTIONS AND IMPLICATIONS

- Employees who are caught up in some aspect of identity politics may bring conflict into the organisation. Are you prepared for more passionate and extremist views?

- Some of your managers may come under attack by activists who consider their views, actions, or lack of action, offensive. How will you protect them?

- Have you already run into any hints of these issues in your organisation? Is it something that happens, but no one talks about?

07

CONNECTING THE DOTS

WHAT'S COVERED

CONNECTING THE DOTS

The common theme in all the points we've covered is that disruption may suddenly land upon us. While some potential disruptors are entirely visible, no one really knows what will happen; and no one is quite sure what to do about it.

We do not wish to be prescriptive – but here are some possible ways to think ourselves into coping with disruption.

1: SYSTEMIC

Organisations need to have mechanisms for:

- **Resilience.** Could any of the disruptors discussed flatten your organisation if it came to pass?
- **Detection.** Would your organisation know if any of these potential disruptors started gaining magnitude?
- **Adaptation.** Is your organisation good at adapting? Can it dodge damage? Can it leap forward to seize opportunity?

What can you do to ensure your organisation is not overlooking building resilience, detection and adaptation capabilities?

2: PERSONAL LEADERSHIP

An HR leader could:

- Focus on education across the organisation on disruption, just like they might give training on team building. Does anything stand in the way of providing this education?
- Give insights to leadership on barriers to adaptability in their organisation. Champion addressing them; what would it take to identify and then make a presentation to the executive committee on barriers to adaptability?
- As a senior leader, identify a list of three issues they personally will keep an eye on, think about, champion. Which three do you think are most relevant?
- Build some kind of future sensing/adapting team within HR as a way to role model this capability to the organisation; this could be a project team of bright sparks, it need not be a new department. Why not create a team to imagine what recruiting could be five years from now in light of all the new technologies available?

3: TIME-BOXED

What could you do tomorrow to move things forward?

- I'd set up a meeting with a specific person.
- I'd make a list of people I might need to meet, and pick one.
- I'd call a consultant to discuss an issue.
- I'd ask my assistant to come up with a list of relevant consultants.
- I'd order a specific book to gather expert opinion.
- I'd go online to see what books are available.
- I would develop a planning document.

What's the specific task you will do when you get back to your desk?

4: ANALYTIC

A framework for identifying what's holding you back...

- Ask 'what don't we know?': This futures paper highlight many issues, but you still need to know how they will play out in your own business.
- Ask 'what don't we say?': Knowing is not enough, sometimes there are things you know about changes that need to be made, but for a variety of reasons don't say anything.
- Ask 'what don't we do?' Often even when we know and have spoken about what we need to do, it still doesn't happen.

5: MENU DRIVEN

Five things for HR to look at:

- **Compliance:** Does the business erect barriers in the name of compliance or policy when managers try to experiment?
- **Compensation:** Does the reward system encourage people just to do more of the same within the current model? Is there any reward for trying new things?
- **Culture:** Is the culture risk averse? Would you bet money that given this culture the organisation will come out on top in a VUCA world?
- **Cadence:** If some part of the business is changing rapidly, is the cadence of goal setting and performance management too slow?
- **Mavericks:** Does the recruiting system bring in a few mavericks and oddballs who see the world differently? People who might know, say, and do things others wouldn't?

Do any of these five frameworks resonate for you? Can you suggest others? The important thing is to pick an approach that you can work through.

CASE STUDY: SIEMENS

Toby Peyton-Jones, HR Director for Siemens UK and Northern Europe, offers a cogent perspective.

"We have based our strategy at Siemens on so called Megatrends for some years, but even early on we recognised that while some things were going to unfold in a linear way many others were exponential, unpredictable, with tipping points or discontinuities.

I therefore am particularly drawn to that phrase "join the dots". The issues raised in this paper are disruptive precisely because they are already interconnected in ways we never imagined. Spending time with interdisciplinary and diverse teams of thinkers to listen and experiment our way into this emerging world is going to be the key challenge.

People's reaction to an uncertain future is fear and anxiety. With my background in zoology, I know that reaction means people will hang on to old certainties and old behaviour patterns, and will group with people like themselves. One of the most critical leadership tasks will be creating trust (psychological safety) for diverse teams facing uncertainty, to help them get underneath the real opportunity or risk, and not to dance along the surface.

At Siemens we are at the epicentre of many of these disruptions in Industry, Energy and Health care and Infrastructure 4.0. The Internet of things, Blockchain, additive manufacturing, digital twin, AI, Big Data, Robotics etc. are all part of this new industrial age. However while we are looking at the technology, the economy and politics, we also know that Culture and Society and Emotion hold the key to success."