

EXECUTIVE TALENT

AEESC

Volume Thirteen

ADAPT OR DIE

How legacy businesses can take
on the best of startup culture



The Rise of the Gig Economy

How this new economy will
impact the C-Suite

Tech on the C-suite Horizon

Business leaders are leveraging new tools
and disruptive technologies for competitive
advantage

PLUS
The Transformation
of Asian Businesses

The Innovation
Friendly
Organization



Welcome to Volume 13

from Karen Greenbaum, AESC President & CEO

To thrive today, organizations must be nimble, innovative, and disruptive. In this issue of *Executive Talent* magazine, we explore what it takes for legacy businesses to transform into competitive digital players, new tools and disruptive technologies impacting global business, how the rise of the gig economy will impact the C-suite, and much more.

- Author of *The Innovation-Friendly Organization*, Anna Simpson, shares with us the qualities that organizations must cultivate to foster creativity, and ultimately, innovation. Simpson guides us through the five elements of organizational culture that encourage the birth of new ideas and how they come together to deliver innovation.
- How can a legacy business take on the best of startup culture? What elements of startup culture can (and should) large, established organizations appropriate, in order to adapt and stay competitive? Speaking with AESC member search consultants and other business experts worldwide, we assess the role of collaboration, “fast failure”, and flexibility in roles, all as success facilitators in today’s digital environment.
- Digital tools and disruptive technologies from artificial intelligence and machine learning to 3D printing, 5G, IoT, Robotic Process Automation, virtual and augmented reality are transforming communication, banking, HR, manufacturing, finance, medicine, agriculture and more.

Speaking with AESC member technology practice heads and other leading experts, we explore some of today’s emerging technologies and take a look at how organizations will harness cutting-edge developments for competitive advantage.

- The gig economy describes the expanding labor market comprised of contract workers, freelancers, crowd-sourced workers, and others who are hired for limited engagements, as well as platform-based systems. Organizations are trending toward a greater reliance on this pool of talent for hire. We take a close look at the implications of the gig economy for the C-suite.
- Is Asia developing at hyper-speed? Asia is the world’s largest and most populous continent, and a leading driver of today’s global economy. We look at Asia’s developing economies, technologies and talent that are transforming business in Asia.
- When change is necessary, adopting new processes can be extremely challenging. AESC Partner, The Cluen Corporation, shares with us five ways to drive influence through change management.

Thank you to the many individuals and firms who participated in the interviews and contributed to the research for this issue of *Executive Talent*. As always, I welcome your feedback on all matters relating to global executive talent.

EXECUTIVE TALENT

The Global Magazine from AESC

Volume Thirteen

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The Innovation-Friendly Organization:

Cultivating new ideas and embracing change



“Even those organizations that recognize the need for transformation are up against severe barriers, if they have a culture and a way of working geared toward keeping things as they are.”

Speaking with AESC, author of *The Innovation-Friendly Organization* Anna Simpson observes that organizational systems that are fixed and predictable once served an important purpose, but now inhibit innovation.

“For the most part, the structures that we’ve had in the twentieth century have been geared toward efficiency.” These structures and systems reduce errors, raise productivity, and lower costs—positive attributes. Simpson says, “In an era of mass agriculture and mass manufacturing, these structures have been very good at producing consistent quality and standards.”

Does that rigid consistency come at a price? “Things from Six Sigma to language itself are interesting, because as people come into an organization they learn a particular way of doing things, of speaking, and what struck me is that these elements that work for efficiency *don’t* work for innovation.”

Organizations are being disrupted and they also need to be able to disrupt. Simpson argues that innovation demands a culture that enables new ideas to grow and thrive, and the foundation of such a culture is diversity.

However, says Simpson, most organizations bring people together not for their diverse qualities, but because they share a common belief system, or common culture, or common aspiration. “Often we

organize as people who are like-minded, but for innovation we need to be really open to people who are not like-minded.”

Simpson writes, “Organizations that want to disrupt their sector with new models need people who can see over the walls of current myths and mindsets; they may even go out looking for them. But will they recognize them when they find them? And truly listen to what those people have to say?”

Organizations determined to innovate need to cultivate qualities that foster creativity. In *The Innovation Friendly Organization* Simpson identifies five cultural elements that encourage the birth and growth of new ideas. These elements are:

- Diversity
- Integrity
- Curiosity
- Reflection, and
- Connection

How do these elements come together to foster innovation? The culture that supports innovation begins with a vision: “If we want to be innovative as a society, if we want a company to be innovative, we need people to see beyond what we *have*; we need people who will challenge what’s already working, even if it’s working seemingly well.” Simpson says, “You really need people who can see the gaps *and* see beyond them.”



Simpson explains that an organization needs to empower people and encourage new ideas, which is why her book starts with diversity. “What an organization needs is to bring in new people with new ideas, without asking them to conform.” She likens an innovative organization to a healthy ecosystem, capable of renewing itself thanks to its diverse lifeforms. She adds that innovation should not just drive “growth for the sake of growth.” She says, “What matters is that we are able to renew ourselves as a society when we need to, when we come up against changes that are really challenging.”

The pressure to conform is a central theme as Simpson addresses integrity. She writes, “Chinua Achebe said ‘One of the truest tests of integrity is its blunt refusal to be compromised.’” Integrity, Simpson says, is “not seeking only one set of beliefs in an organization but to really valuing multiplicity.” She adds, “By keeping that multiplicity alive, we move to curiosity.”

According to Simpson, curiosity is the mindset that allows us to address failure with the question, ‘why?’ and keep going. “We need to keep our minds open,” but we also need to give ideas time to settle and grow. “Through reflection, we take time to let new ideas sink in.”

The innovation-friendly organization, finally, depends on connection. Why? “Because new ideas that lead to significant disruption actually are scary,” she says. “And the thing that will enable us to confront that

fear is a strong enough connection to each other and to the wider goal.”

To illustrate the value of connection, Simpson shares an anecdote from her book. She was working on a farm in India learning traditional building styles and learning to build with mud alongside local people. “You build with mud in the Himalayas because it’s resistant to earthquakes, and that’s a great analogy, really, to shocks” the likes of which we see in global markets, with disruptive technologies, and impacting organizations worldwide. She explains, “I learned there that there’s something about the structure of mud, that the mud bricks bond with each other in a way that the dry, baked brick can’t—so their structures better withstand earthquakes. It’s a practical example of connection enabling you to weather a shock.” Likewise, the stronger the bonds between people in an organization, the better they’ll weather change.

Change in the modern universe is rapid and relentless. Is there a moment of recognition that we need to slow down? Simpson thinks about Ingmar Bergman, the influential film director considered a creative genius. “He used to sit and wait for ideas, for his creativity to emerge. He lived on a remote island—doing nothing but looking at the sea. For Bergman, this solitude was a fundamental part of his creative process, but within efficient organizations, we haven’t made time for that.”

That time for reflection is also well-spent considering what it is organizations want to achieve. “We’ve seen a subtle mainstream shift toward environmental and sustainable metrics—so not simply measuring everything in purely economic terms, but really looking at the wider social and environmental impacts of all sorts—from investments to outcomes, and I think that is a helpful movement,” Simpson says.

What is the relationship between an innovative culture as Simpson defines it, and retaining talent? “There are massive synergies,” she argues: “A culture that is open to ideas is really one that values people, and one in which people can bring their full selves to the organization. This means not just fitting someone into a role but supporting people to bring their full sets of values, their widest range of interests, and looking at synergies between their personal motivations and the wider goals of the organization.”

As an example of an organization looking for those synergies, Simpson recalls working with a venture capital firm in Hong Kong, asking individuals to think about their personal motivations and their personal values, and to reflect on what makes their jobs fulfilling. She says, “This can be a bit scary for an organization, but an organization doing that from the beginning will be encouraging the continual learning and experimentation that make an organization attractive *and* innovative.” ■

BOOK EXCERPT

SEEING LIFE AS A GAME

If we want to create cultures for innovation, then rethinking life as a game is not just a metaphor. The concepts of work and play have become separated in our education systems and working practices, and it’s time to bring them back together. Looking back over the evolution of organizations, it’s easy to see how this has happened. In aiming for efficiency and productivity in the workplace, we discouraged random explorations. Likewise, the emphasis on success and achievement in education meant play only had a place ‘in between’ classes, with less time allocated to it; its only value was thought to be refreshing the mind for recognizable, assessable work. At least children got to play, though. The younger you were, the more time you got to explore your world in practical, self-led experiments. Then you were meant to grow out of it! Disciplines (an apt term) associated with creativity—such as fine art, theatre and music—were liable to be seen as ‘doss’ subjects.

Now, playgrounds are creeping back into classrooms, as well as into workplaces



BOOK EXCERPT - The Innovation-Friendly Organization

and other grown-up realms. 'Play isn't a rehearsal for adulthood', says Dr Stuart Brown, a pioneer of play in public life. It's part of our natural social behaviour, he argues, and rather than set aside time for play, we should let life become infused with it. The National Institute for Play, which Brown founded, is working toward this goal: it aims to unlock 'human potential through play in all stages of life' and to discover, through scientific research, 'all that play has to teach us about transforming our world'.

It's a nascent field of research, but many practitioners are already convinced that play has a role in transformation. Since 2007, there's been a course at Stanford, open to graduates and undergraduates, called 'From Play to Innovation', which explores the role of play and playfulness in innovation and applies its principles to design thinking and practice.

Brendan Boyle, Head of IDEO's Toy Lab, is one of the tutors. He talks about play in a way that knocks down the idea of 'time out':

To me, play is what you're passionate about doing. You want to do it because it's enjoyable and you want to keep doing it because it brings you joy. But play is a ton of effort.

The difference between Boyle's approach, where play is crucial, and that of an efficient factory, where play is detrimental, is the emphasis on iteration and learning, rather than reproduction of a pre-defined model. He gives an example that shows how play can also be very much part of the design process, and even speed it along:

We were recently working on an iPhone app for Sesame Street and were trying to think of how Elmo should dance. So we cut out a giant iPhone from foam core and filmed different people dancing inside the window. It was a very playful way to prototype and, more importantly, we learned quickly which dance moves wouldn't work.

Is there really any difference between work and play, then, if there is an aim in mind—if the intention is to harness play for a purpose? There is a difference, says Boyle's colleague Joe Wilcox, a toy inventor. But it's not in the activity—it's all about the attitude.

It's not about goals: it's about pushing the boundaries and discovering something. We model behaviours, experiment, and arrive at limitations and possibilities, through direct contact with the world.

Open-ended explorations are how we learn about our physical and social worlds. Random adventures become lessons through reflection, and are applied through prototyping. Play and purpose-led innovation are not only compatible in this dynamic—you could in fact argue that play is a necessary

path to innovation. The lessons we learn through our own experiments are the ones that affect us most profoundly, and the ones that show us our mistakes are the most powerful.

This is true not only for children, as our first experiences of getting hurt tell us, but also for adults. Dr Brown learnt all this through studying animal behaviour: the playfulness of bears, goats, dogs and other mammals. He describes seeing a polar bear and a husky engage in a sort of 'play ballet', mimicking each other's movements rather than going in for a fight to the death. A playful signal—the husky 'in a play bow, wagging her tail'—gave a social signal that the bear picked up on.

This sheds light on another reason why play is such an important path to innovation: its social side. Good ideas are less likely to come from solitary exploration, more from

social iteration. Playing together builds solidarity; trying out behaviours and exploring how other people respond teaches us empathy. We learn to recognize each other's needs. We find out what each other values, what will enable us to get along together. We build shared cultures and develop the sense that we belong together. In play, which precedes this creation of cultures and roles, we are our fullest selves. Conversely, the absence of opportunities to play can lead to a deficit of empathy and an absence of common culture, argues Brown. He started studying play when he studied a group of young homicidal men, including the University of Texas Tower mass murderer Charles Whitman, and noticed the absence of play in their interactions. Boyle and Wilcox look expressly for people who can play with others when hiring for IDEO. Is it because play helps you overcome the fear of failing in front of others? That's one important element of the culture they're trying to create: 'It's about making a space that's safe for taking risks,' says Wilcox. 'We try to encourage flexing your creative muscles and interacting, rather than being the smartest designer in the room.' They associate this social playfulness and creativity with 'T-shaped people': those who have some specific interests, but are also interested in all disciplines of design thinking.

We noted earlier in the chapter that a wide range of interests can support 'global processing', the neural activity associated with creative thinking—as opposed to 'local processing', associated with analysis. Research implies a correlation between 'big picture' (global) thinking styles, creativity and social skills on the one hand, and deeper analysis and solitary reflection on the other. However, the same person could display both styles of thinking in different contexts, and so it's unhelpful to think people are either one or the other, global or local thinkers. I suspect IDEO loses out by avoiding hiring people it identifies as 'I-shaped'—having deep expertise. As Tom Robbins put it, 'There are two types of people in this world. Those who say there are two types of people in this world, and those who are smart enough to know better.'¹

¹ *Still Life with Woodpecker*



Anna Simpson
The Innovation-Friendly Organization

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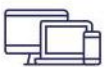
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ADAPT OR DIE

How legacy businesses can take on the best of
startup culture

"Joining (or founding) a startup is an act of faith—the conviction that an idea eventually can become a sustained commercial success. To translate that belief into reality, startup participants pitch in wherever it's needed, put in long hours, and forego financial security. In effect, they are rolling the dice in the hope of hitting the jackpot—but willing to take the slim odds because of their strong belief in the new venture, the adrenaline rush of living on the edge, or the potential size of the prize."

*"Can a Big Company Innovate
Like a Start-Up?"*

*Harvard Business Review,
January 25, 2011*

To thrive, organizations need to be nimble, innovative, and disruptive—not words often associated with large,

established corporations. How do such legacy companies adapt, and what features of startup culture can (and should) large, established organizations appropriate, in order to adapt and stay competitive?

AESC asked several experts how organizations need to adapt to survive, and thrive.

The best (and worst) of both worlds

To date, startups have largely been the disruptors and legacy companies and industries have been disrupted. There is a public fascination about startups, and venture capitalists search the globe for unicorns while digitally savvy consumers have an insatiable appetite for new apps, objects and ideas.

Light on excitement but substantive and secure, legacy companies and industries are, for now, foundational: deep market penetration, industry knowledge, and established brands. People (used to) retire here. For consumers, if some new fad is a disappointment, these are the companies and products we come back to.

Legacy companies are strong on stature. Puneet Kalra leads Russell Reynold's technology practice in Asia and co-leads IT/ITES globally. He says, "The good thing about legacy companies is really their footprint—they have a large client base, access to a diverse set of business situations, and they can provide the best canvas to apply new skills."

Kalra also says, "Many legacy companies are very risk averse, their processes are sacrosanct, everyone seems to have the same performance metrics, everyone is supposed to behave the same way, and the career path is linear." Organizationally, many legacy companies work in silos. Kalra explains, "In this linear world you have a very clear path around either selling or delivering the product, and nothing in between."

Established companies also deal with the consequences of traditional, long-established systems and structures. Stefan Spang is a Senior Partner with McKinsey & Company in Düsseldorf and serves on the AESC Global Board of Directors. From his perspective, in legacy companies "there is still too little tolerance for failure." He says, "It

is not only a matter of the operating environment of a specific company, it's about today's managerial class. Their role has not been to enable people, but to control people."

Large corporate environments can also stifle innovation. Melissa Swift is a senior client partner for digital solutions at Korn Ferry in New York. She describes how many organizations "have a culture of consensus that stifles the momentum of ideas: you need too many people to sign off for any given initiative to progress. What that means is you get reversion to the mean, where the spikiest, most interesting ideas don't make it out of that process."

Swift is quick to add another advantage of corporate versus startup culture. "When it comes to startup culture we have to be very, very thoughtful about taking on the good and not taking on the bad. You've got startups who are doing an incredible job of caring for their people, and you have others where things go on that are actually in defiance of laws and regulations." She asks, "Are they achieving those results because they are burning through people or treating employees in ways that are actually not okay? Because treating employees fairly is one of the things corporate culture focuses on to a greater degree. There is a lot more scrutiny around topics like bias, and you don't want to lose that," Swift says.

Startups are, in many ways, another world. Enife Atobiloye, Managing Partner of TRANSEARCH, Lagos says, "Today, beyond the entrepreneurial elements, successful startups are nimble, agile and easily adaptable, and aligned with the continuously changing business realities."

By definition, startups are innovators. According to the European Commission's 2016 European Startup Monitor, "most startups (89.5%) consider their products to be novel in the market. More than half say their products represent an international market innovation, and more than half of all startups generate revenue outside their domestic markets." The same research shows that "90% of all startups offer their employees opportunities for an informal exchange of ideas."

Where large corporations are often risk-averse and shareholders not likely to react well to unsuccessful product launches or botched business model changes, Swift

says, "There's such a flow of capital into the startup environment, that they can afford to be unprofitable." Startups, she says "can take all these risks in ways that we often hear a corporate client saying 'well I can't, my stock would get so beat up, the street won't let us do that.'"

Companies just starting today also have the benefit of a potential customer base as broad as the internet. "No more do new businesses need to show long track records to get noticed in the business world," Atobiloye says.

"Previously, upcoming organizations would wait for years to get noticed, but with the internet so many African startups are accessing opportunities that were once only available to companies with well-organized supply-chains and strong brands. What this simply means is that the multinationals now have a wide array of significant competition that may not be easily deflected," she says.

Established companies often face disruption from unexpected directions, and while those disruptors provide models and motivation to adapt, Swift offers a sobering reminder: "We look at just the handful of highly successful startups, and we forget that the field is littered with examples of startups that didn't work."

(Business) Climate Change

For many years the global business environment was more forgiving than it is today. "We had a constant surge in demand, lower interest rates, and very favorable economic conditions, so a number of competitive weaknesses were covered up," Spang observes. As a legacy company "you were embedded in a system of suppliers and customers, and as long as you didn't totally screw up there was a bit of a space where maybe you could persist at a lower level of profitability than the industry leaders, but you had a place. That has changed."

Atobiloye says, "The value of agility was previously trumped by products & services that had stood the test of time, but the need for continuously changing services is redefining the taste buds of customers."

She adds, "Adaptability is replacing the old model of depth and traction, as the new customer demand."



Digital transformation is the new status quo. Rather than a temporary upheaval, evolving technology precludes any organization or industry from hoping to survive by standing still. "Given the current market realities and the fact that they will keep changing, every organization will invariably have to face disruptions of one sort or the other. Several factors will catalyze these changes but one major driver has been and continues to be technology," Atobiloye says.

Technology has accelerated the pace of change and upended what clients and customers have come to expect. For example, Spang says, "Today, you can insert changes in a system that become globally available in the same day. That was completely unthinkable a few years back, and has influenced many of the ways classic companies have been reorganized."

Technology is also the source of many companies' vulnerability. "As a result of technology it is easier to spot those weaknesses, and much less expensive to go after additional revenues and marginal business."

According to Swift the urgent need

for business to adapt and compete with disruptors is "key to what's going on in the current environment."

"We're seeing a lot of large, complex, legacy businesses get disrupted by smaller, nimbler competitors. And I always analogize it to trying to turn a big cruise ship, with little speed boats navigating around you. That's the struggle."

Turning the boat

"The average large firm reorganizes every two to three years, and the average reorganization takes more than 18 months to implement. Wait and see is not an option; it's a death sentence."

from "Organizing for the Age of Urgency, *McKinsey Quarterly*, January 2018

Legacy organizations for the most part recognize that change is necessary. Digital tools are available, case studies and sample business models are a Google search away, and even the transformative power of artificial intelligence is available

in the cloud. Established companies can adapt (and are adapting) elements of startup culture and practices to make themselves more successful and less vulnerable to disruption.

"For multinationals to compete," Atobiloye says, "they have to adopt deliberate, self-disruptive strategies that will enable them to ride the change as it rolls—and this requires structures that will facilitate speed of anticipating and responding to market realities."

Adapt for agility

A corporation can model some of a startup's agility by adapting its structure. Spang explains that even large companies can introduce new, much more flexible ways of working. "So that smaller teams are able to develop a value proposition; they develop a product for a specific set of customers; they adapt it to meet the changing need of their customers. What that requires is to overcome the traditional, Tayloristic organization, where you have the sales team, the product people, the

engineering people, the IT folks, the logistic folks, etcetera. These teams get help from others and are embedded to work in an ecosystem, but each team is an autonomous unit."

He says, "If those teams can act independently with full accountability, that is a way of making even large organizations a lot more flexible."

Swift adds, "Instead of thinking about either individual employees, positions or functions, there's a huge amount of light and heat being trained on the team level, and what does it take to make teams effective? A few organizations are putting a lot of thought into what are the behaviors that drive teaming, and a lot of leadership development work right now is not getting people to be great individual leaders but getting them to team. And that I think is a really productive influence from the startup world."

Atobiloye agrees. "Multinationals need to review the way they are structured to ensure that they are able to respond to market realities on time. More importantly, multinationals could become conglomerations with several small, nimble and adaptable entities, just like startups."

She adds, "This is a good time to explore holocracy and how it could be adapted."

One powerful outcome of teaming is diffuse decision-making that is closer to the customer. "Devolving more authority to the regions will enable healthy speed in decision making, and real time responses to the market demands," Atobiloye says.

Teaming is not about atmospherics. Global banking company ING adapted what they observed at technology companies and completely changed their operations to agile, moving from silos to teams, minimizing bureaucracy and empowering people. "Agile companies have established multidisciplinary teams that work in a very independent manner," Spang explains. "They are achieving great success in the market because the improvements are not only on the margins, they are fundamental. We are talking about product innovations that can happen in a matter of weeks rather than months, and customer response

and satisfaction upticks by tens of percentage points."

Change how work gets done

"The way that work gets done at a startup is we often see a much higher element of what we call 'job crafting.' So people's jobs aren't perfectly crystalized down to 100% of every specific responsibility. It's much more fluid—I think this thing should get done, I'm just going to do it,' Swift says. "Job crafting is where your job is not heavily codified, and we observe that it generally gets done in a more efficient, more customer-centric way. Job crafting is something organizations absolutely can emulate: in the way that they shape and frame jobs, in the way that they shape and frame how work gets done. "

According to the EC's 2016 *European Startup Monitor*, "The majority of startups have clearly defined responsibilities and structures but do not write them down in job descriptions or organigrams."

Kalra describes a client that "created a different organizational model, with a range of 'subject matter experts,' and performance targets that are more subjective." He says, "The company still needs to grow, they still need to be competent, but they've created this new mechanism for measuring performance. They are measuring *overall* performance, not just direct but indirect contributions." The change had a profound impact on performance, company-wide.

"It was a huge change, because you can imagine people in the previous model now see others being recognized for teamwork, collaboration, and contributions that are not so obvious." Kalra adds, "Those people with the old mindset need to know it is no longer a world where you do it alone."

Encourage innovation

"...celebrating failure and encouraging innovation at companies can aid employee engagement, because it contributes to the feeling of psychological safety and availability. What is really going on is courage enhancement.

By creating an atmosphere of safety and reducing the pressure to succeed, employees feel confident to share their ideas. Employees who once felt inhibited suddenly feel free to express their thoughts, frequently contributing to the innovations that drive the company."

CB Bhattacharya, Joanna Radeke, and Ernesto Ciorra

"Tolerating Failure: A Key to Creating Sustainable Business"
The European Business Review,
January 17, 2018

Kalra speaks of an executive "who allows people to spend up to 20 percent of their time in a year, working on anything that they might be interested in, the only limitation being whatever they do has to, at some level, be meaningful to the business. Should these people end up creating an idea that has potential, they are venture funded and should the project be successful and scale up, they'll be rewarded. They've managed to create a hybrid model. It's a legacy company, but you feel like you're working at a startup. No one is telling you what to do, as long as you're doing the right thing."

Swift adds, "What large organizations need to do is figure out a way to structurally bake-in certain kinds of experimentation in a way that's going to be palatable to their investors. So we see people doing things like setting up venture arms and other vehicles for creative exploration. It's all about creating a space for innovation and experimentation, that you're not going to get killed for."

For Kalra, fear of failure stops innovation before it starts. "The alignment of culture and metrics to allow for failure is really the key starting point for these legacy companies," he says. "De-stigmatizing failure for both management and employees can help create a culture of creativity and innovation."

"Fast failure" is a prominent feature of startup culture. By many accounts, embracing failure encourages innovation and allows for multiple ideas to be tested in quick succession, in search of the idea that works.



Focus on talent.

Top talent looks very different, from the legacy and startup perspectives. Swift says “What’s interesting about the folks who gravitated into some of these startup environments is they have a very different psychological profile to the people who have historically been successful in corporate environments.” For example, Swift explains, “We talk a lot about this idea of ‘the right people look wrong.’ So to someone from a traditional corporate environment, one company might say ‘we don’t want this person, they seem unfocused, they have a jumpy resume,’ but a startup might look at that person and say ‘wow they’ve done a lot of different things and they’re curious and their adaptable and they’re exactly the kind of person we want.’”

Swift adds, “Changing the lens on talent is something large organizations can do. It’s really ridding yourself of your preconceived notions and your unconscious biases, and looking to hire, promote, and develop different kinds of people.”

Companies also need to consider where they hire their talent, especially if they

are trying to stay close to their customers. Atobiloye argues “such organizations need to get native with the geographies that they operate in. Gone are the days where proxy suffices. In Africa, the new competitor is not only the typical next multinational but the passionate, laser-focused entrepreneur who would take any risk to offer that service and take one-on-one interest in customer engagement. Some large organizations seem to have caught up with this understanding, and so the likes of Google and a host of others are strategically engaging Africa and partnering via interesting models.”

In the fight for talent, there could be big rewards for transitioning to agile. Corporations are realizing that adapting to startup culture and incorporating new models provides a chance for them to better compete for top talent. Spang explains, “Many people who would have shied away from a career in a big corporation with its inflexibility and massive hierarchies start to understand there are alternatives to startups which may provide a bit more stability and robustness.”

“A startup may be a great place to work,

but you just can’t be sure it will still be around next week. If corporations now start offering work environments that do not feel all that different from a startup, it makes a huge difference,” he says.

Talent for the digital age remains scarce, and Swift urges organizations “to be really thoughtful about going to war with the army they have.” She says, “We believe that there is a neglected group of middle managers within these organizations who have terrific mindsets for change, adaptability, curiosity and all the things that our research proves these companies need. If they don’t have some of the technical skills or the digital experiences, they get ignored, and that’s just a massive waste of value.”

The human resource conversation must also evolve to include non-traditional workers. Atobiloye says, “The emphasis needs to be more on ‘access to’ talent rather than ‘ownership of’ talent. As much as possible organizations should look for creative ways to have access to talent via the strategic agreements, deciding whether to hire outright, partner, outsource or develop talent from within:

‘buy’, borrow or build.”

Profiles in Leadership

Kalra looks at how leaders approach transformation in traditional corporate and startup cultures. “We did some research with psychometric assessments of people who are in these roles. In the balance between being disruptive and being pragmatic, startup leaders are on the side of disruptive—what that means is that they don’t need proof before trying something. In legacy organizations, in many cases leaders need ten levels of approval before an idea is developed.”

He says, “We’ve seen that successful transformative leaders have dialed back on that burden of proof. They spend their energies trying to qualify the project rather than disqualify it.”

Some legacy organizations may require a complete reversal of leadership style in order to adapt. “Successful teams only work in a productive way if the leaders make the best out of the capabilities of every individual,” Spang says. “And that certainly does not happen by command and control. That happens by empowering teams and individuals to do what they feel is right, by providing coaching and guidance, by mobilizing the team and its capabilities, not telling them what to do.”

The recommendation is for the leaders of large, established businesses to adopt softer skills to encourage agility and innovation in their organizations. Swift explains, “We have this belief that great leaders of the startup ecosystem are iconoclastic, hard-charging and a little brash, and they break things. We actually did some research on what great digital transformation leaders look like and it’s not that at all.”

Swift says transformational leaders “are good at engaging people, they’re good at cultivating innovation in others, they have a lot of what we would call ‘conventional EQ.’ She advises “not falling prey to the stereotype that it’s okay if your leader is a little bit of a jerk because that’s what works in the startup world.”

Change the Point of View

Author and consultant Peter Hinssen writes in *Forbes*, “One of the most efficient manners to keep in touch with increasingly complex markets is to use co-creation with customers. This is a great way of looking ahead at a company’s “day after tomorrow” through the lens of their customers instead of through one’s own lens. Ideas coming from outside the organization tend to meet less resistance than when they are originated by employees with similar ideas. It’s a strange form of bias, but it’s the reason that valuable suggestions are too often ignored.”

One legacy company that has excelled in leveraging customer partnerships is global payments company MasterCard, which partners with digital payment upstarts Flipkart and PayPal, and collaborates with customers to provide secure digital alternatives to cash transactions. For example, in partnership with Whirlpool, MasterCard developed an app that allows customers to pay at Laundromats with their phones, and even alerts users when their laundry is done.

Why can’t more legacy organizations make the change? “Some corporations are currently stuck,” Spang explains. “On the one side they recognize need for change, but on the other side they are concerned about the amount of change required

and the amount of change that doesn’t fit in their conventional paradigms. Right now, they are in a difficult spot, but more and more of them realize that there is no alternative and they simply have to move forward.”

Not Optional, Essential

Is “adapt or die” a false choice? For Swift, the category of risk that isn’t addressed nearly enough is the risk of continuing the status quo. “This is the fundamental misperception by a number of organizations: I do exactly what I did yesterday, that’s the less risky option. And that’s actually today the more risky option in many ways. If you’re sort of not pressure-testing and trying to disrupt yourself, you’re just incredibly vulnerable—if you don’t appropriately assess your own vulnerabilities, you’re much more exposed than you think.

Spang explains, “You can see that there are tremendous threats coming, and to find the right point in time when you should start embarking on such a change journey is a critical question.”

Atobiloye is unequivocal. “Most businesses will find themselves irrelevant if they do not smell the coffee in time.”

So why does it seem few large organizations are making the transformation? Kalra says, “If it was easy, everyone would have done it already. Uncertainty gives some companies the opportunity to grow rapidly; other companies stagnate and die.”

He adds, “It might be uncertain times for everyone, but uncertainty actually creates a new set of opportunities.”

■





Technologies on the C-suite Horizon

How today's business leaders
are leveraging new tools and
disruptive technologies

Digital tools and disruptive technologies from artificial intelligence and machine learning to 3D printing, 5G, IoT, Robotic Process Automation, virtual and augmented reality are transforming communication, banking, HR, manufacturing, finance, medicine, agriculture and more. What are some of the latest tools and technologies? How will organizations harness cutting-edge developments for competitive advantage? And what are the qualities of the leader who cannot only guide organizations through this disruption, but also the disruptions no one has imagined, yet?

If it feels like we've had this conversation before, we have. But even in the midst of digital transformation we are moving beyond it, embarking on a reinvention that is not likely to settle into a next stage status quo. The new normal will likely be constant change.

Susan Steele is executive partner, global talent and engagement at IBM. "HR used to have to think about technology every 5-10 years. They'd have a look around, see what had changed since the last time, and work with their CIO to get a new system and that was all they had to do with technology for 5-10 years," she says. "Now, they have to do that pretty much every day."

According to Raffaele Jacovelli, managing director of Hightech Partners, ITP in Brussels, the only thing we know for certain is that "things are going to change at a faster pace than ever seen before. And that's why industries have to be able to anticipate change—to figure out beforehand the next move." He says, "Between one industrial revolution and another, there was time for businesses to adapt and adjust. Today, there is no time to adapt, to make a plan, and get the team thinking about the business model or technology they're using. Decision-making has to be better, faster, and more practical."

As organizations and leaders grapple with the constant change at an accelerating pace, Jan-Bart Smits, global technology practice leader with Stanton Chase, Amsterdam, glances back at the decades-long evolution of the foundation of today's tech: the microchip. "When I look at emerging technologies, the underlying basis, what makes it all happen, is the few companies who make the chips, without which this all would not be possible."

Smits reflects on Moore's Law, the observation by Intel co-founder Gordon Moore that "the number of transistors incorporated in a chip will approximately double every 24

months.” Smits says, “That exponential growth in our processing capability, which determined that we can do artificial intelligence—that we can have autonomous cars that can process images more quickly and accurately than the human brain, that determined that a computer can actually play chess—all of our big innovation is based on something which happened slowly.”

He adds, “And now that this capability is available; the processing power of your cell phone is better than the rocket they sent to the moon.”

From punched-card data processing to the microchip, machines have evolved to an astounding degree even to the point of mimicking human behavior. Deepali Vyas is senior client partner for Korn Ferry’s financial services practice in New York. She says, “The best example for machine learning is IBM’s Watson. Watson is emulating human behavior and coming up with automatic ways to perform tasks that humans would normally perform, in the way humans would perform them.” She adds, “There’s a machine that is recognizing your behavior, what you do on a day to day basis, learning to do the tasks that you were doing, automatically.”

For example, Steele explains, “A lot of the labor-intensive administrative work that is required in offices, for example HR or finance, very frequently can be done with RPA (Robotic Process Automation) to dramatically improve accuracy, output and productivity.”

“Today, everybody includes robots in their business plans,” she says.

A glimpse of what’s new:

Every year, *MIT Technology Review* publishes a list of ten breakthrough technologies for the year. Some of those new tools for 2018 include:

- cloud-based AI, making machine learning broadly accessible;
- 3D printing using metal, which has the potential to transform manufacturing;
- a Toronto smart city in development that will have robotic trash removal and automated cars;
- the capability of analyzing the DNA

of a newborn to measure her risk for developing cancer or Alzheimer’s, or her IQ; and

- ways to use technology to translate natural language, generate artificial images and sounds that humans can’t discern as fake, and expand the uses of quantum computing.

There are practical implications for some of these technologies, for example, *MIT Technology Review* author Will Knight suggests “ultimately, researchers might use quantum computers to design more efficient solar cells, more effective drugs, or catalysts that turn sunlight into clean fuels.” And quantum computing is in the cloud.

“There are a lot of disruptive technologies on the horizon, and they’re impacting every single industry,” says Ryan Bulkoski, a partner in the artificial intelligence and digital practice at Heidrick & Struggles’ San Francisco office.

For Jacovelli, “There is not a single technology, per se, that is going to make a difference. The ongoing accelerated disruption is due to the combinatorial effect of many technologies coming to a maturity stage at the same time.”

Consider the technology that came together to allow for a new level of communication between humans and machines. Bulkoski describes recently released research on a new wearable headset device called “Alter Ego.” He says that the device “essentially allows a human to communicate with a machine without speaking.”

Bulkoski explains that the technology “picks up these neuromuscular signals when words are said in your mind, so you’re communicating, but not speaking out loud.” He adds, “The technology already has a 92% rate of accuracy.”

For Bulkoski, “Alter Ego” is more than a cool device. He says, “Apply this to anyone who has a speaking disability, or who has never been able to speak before.” Also, “This is a natural language algorithm, so think about the conversation that you could have with someone who doesn’t speak your natural language. Allowing machines to translate in real-time would allow for even more rapid globalization than we’re already experiencing.”

AI is taking on an increasing role in

content creation. Kate Bullis, managing partner with SEBA International in San Francisco says, “This is an interesting area for AI.” She says, “Currently, about 20% of content developed by marketers today is being created by machines, not by humans.”

Bullis says that the content creation assumed by AI allows for humans to focus on the less routine kinds of content creation. “I’m not referring to a novel, I’m referring to more simple pieces such as everyday reports, financial reporting, business results, and automated email. Even content a company might want to send to their customers, machines can do that.”

Speaking of the job of content creation, Bulkoski invites us to think about “those jobs requiring dictation or writing or synthesizing.” He says “if you could just be speaking in your mind directly to your computer, you are simply adding a natural language translation algorithm which enables the creation of a massive amount of content. It could drastically shift the global nature of business and commerce.”

Vyas understands that not everyone is ready for this level of interaction between human and machine. “I would say most conservative organizations, whether it’s financial services, healthcare and especially industrial manufacturing, have embraced that this change is happening.” She says, “However, the idea behind having a hybrid model for humans and machines to optimize their business operation is a very novel concept to them, and they’re still wrapping their arms around it.”

The advance of technology is inescapable, and according to Bulkoski “we have clients in technology, industrial manufacturing, mining, healthcare, financial services, nonprofit—I mean every single industry wants to have a conversation about disruptive advancement in technology.”

Tech transforming roles and industries:

It’s hard to think of an industry or a role that isn’t somehow impacted by technology. From agriculture to administration, petrochemicals to parenting, digital disruption and advances in technology touch virtually everything. Some of these advances



are steps on a long path, and others are startlingly new.

BANKING AND FINANCE

"...for banks dogged by low margins, automation and technology represent a long-desired chance to boost profitability, even if in the longer term they pose a near-existential threat to the banks' old way of business."

"How Finance is being taken over by tech" by Martin Arnold
Financial Times, January 17, 2017



The banking and financial sector is leveraging technology for mobility, enhanced security, better investment and credit

decisions, and improved user experiences.

In China, cashless payment giants WeChat and Alipay dominate China's cashless payment market, and they collect massive amounts of data that enable them to make instant credit decisions. Both Alipay and WeChat are preferred over bank cards among China's wealthy consumers, according to the Hurun Chinese Luxury Consumer Survey, 2018. Technology is also changing the investment environment.

"Hedge funds have not really evolved or changed from thirty years ago since the introduction of expert networks," Vyas says. "It is only today with data science, quantitative techniques, and data analysis that the evolution of the hedge fund industry is happening."

Vyas invites us to imagine a scenario: "Let's say from Tuesday through Thursday, a trader is on their game; they make certain trades a certain way, and on Mondays and Fridays they're *not* on their game and they don't make the most optimal trades. If AI was following this trading behavior, the AI

would know how this person traded on Tuesday through Thursday, and emulate that behavior on Mondays and Fridays, when the person didn't make such great trades. AI can learn from human behavior, and optimize it." She adds, "That's actually in place right now at hedge funds."

Vinay Bagri, CEO and co-founder of fintech start-up NiYO recently wrote in the *India Times* "Imagine a situation where every customer has a dedicated wealth manager cum banker at his disposal 24x7. Digital banks are making this a reality by turning the technology. Supported by Natural Language Processing skills and Artificial Intelligence (AI), chatbots and virtual agents are able to give Level 1 support at costs impossible for traditional banks to meet."

Vyas says, "I think everybody is recognizing that they should be utilizing data science or even machine learning techniques to make the best investment decisions."

MARKETING



Smart contracts. Predictive advertising. Cross-device identification. Multitouch attribution. Advances in the collection and analysis of consumer data and machine learning have transformed how organizations find and relate to customers.

"Marketing technology as a domain, the world of what's called mar-tech, is overwhelming. The amount of technology that is available to a CMO today is completely mind-blowing." Bullis says, "CMOs have had to personally mold different kinds of marketing technology to help them address all the various things that they

need to do in a day—purchase media, predict customer behavior, create personalized content, make sure that sales and marketing are talking to each other, and retain customers. What AI will do going forward is help to stitch those technologies together."

Research published in January 2018 by global marketing company Epsilon explored how consumers respond to personalized marketing experiences. "According to the 2017 online survey of 1,000 consumers ages 18-64, the appeal for personalization is high, with 80% of respondents indicating they are more likely to do business with a company if it offers personalized experiences and 90% indicating that they find personalization appealing."

How far does personalization go? "The personalization of a customer's experience on a website is something that is relatively new, Bullis says. "It used to be your website was your website, but now these sites are personalized. They know who you are, what your browsing history has been and what you've purchased before."

With this level of personal information, Bullis explains, "they know that you never buy shoes online, so they don't put shoes on the homepage." She says that as the user engages on the website, "they're making the next piece of content much more relevant to you. That personalized experience is based on your location, your demographics, the device you're on, and prior interactions you've had on the site. All of these things make for a highly personalized experience and an intense experience with that brand."

HEALTHCARE



Technology in the health sector has come a long way from remote monitoring and online patient portals.

Now, researchers are working on engineering immune cells to fight cancer and autoimmune diseases. Surgical robots are dramatically improving a physician's precision, and AI, 3D printing and other technology will transform medical care.

A study published in the *Journal of Medical Internet Research* in March of 2017 found that "physicians are more likely to be wrong in cases where they have encountered too few instances of a pattern to recognize it."

Jacovelli considers the potential of using big data in medicine. "Imagine you have a doctor who is not able to recognize a symptom simply because they have never seen it before. Having access to the broad encyclopedia of knowledge would make it much easier to identify a condition and choose the right therapy." The democratization of medical knowledge could also improve healthcare in limited-resource settings.

"In addition," Jacovelli says, with the broad sharing of deep medical knowledge "you don't need to go to Boston or MIT or wherever to have the best surgeon in the world, because through a machine you can leverage the expertise of that surgeon."

Even 3D printing is revolutionizing medicine. According to the article "Medical 3D Printing Breakthroughs in 2017" published on 3Dprint.com, "In developing countries, access to vaccines is unreliable, and trying to put a child on the same kind of vaccine schedule that a child in the United States is on can be unrealistic. It would be ideal, thought

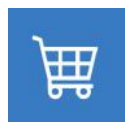
engineers at MIT, if children could be given all of their vaccines in one shot that would release the vaccines at spaced-out, pre-determined times. Using 3D printing, those engineers created a microparticle that resembled a cup and could be filled with specific doses of medicine or vaccine. The cups would then biodegrade at predetermined rates, releasing their contents into the bloodstream at different times according to a schedule."

3D printing is being used to create low-cost implants, prosthetics, and medical equipment. And it is also being used to potentially develop bio-printed organs and printed pharmaceuticals.

RETAIL

"Technology alone cannot consistently provide good customer service, but technology designed to enhance human experiences can exceed expectations every time. Even the focus of AI innovation in the business world is as much about collaborating with humans as it is technology."

Warwick Heathwood
Adweek, April 18, 2018



Retailers are often viewed as dinosaurs, but many are working to automate the supply chain, develop self-service models, and deploy personalization strategies, innovative pricing and promotion models.

"Nordstrom was never an online company, but they went online" explains Bullis.

"They serve online. And it doesn't matter if you buy online or you buy in

the store, it's all the same. They make it absolutely seamless to the customer. It's not necessarily what you push, it's how you present and how you make your customer number one."

Adam Lashinsky recently wrote in *Fortune* "Nordstrom allows self-service return bins with near-instant credit, including for merchandise bought online. Customers can see how not-yet-made clothes look on a life-sized avatar. They even can reserve products online and have a fitting room ready when they arrive. The room will even have their name on the door."

Retail personalization hits a new high with ZOZOSUIT, a body suit that uses sensor technology to capture 15,000 measurements on customers, who then can purchase the company's clothing knowing it will fit perfectly.

"The technology syncs with a dedicated app through a Bluetooth connection so that the measurements can be automatically uploaded to the service, allowing it to prepare effectively bespoke clothing. Customers can then shop from the online collection of men and women's clothing. It is, the makers say, 'the world's first size-free e-commerce experience.'"

Japan Trends
November 27, 2017

Grocery stores are also embracing technology, with self-check out lines, a checkout-free scan & go service, and Amazon Go that uses sensors and cameras to track customers and the items they carry out with them. According to Kantar Worldpanel, the e-commerce grocery market has grown



30% from 2016 to 2017.

What's next for customers? "I think that in society we'll probably become more and more comfortable with injectable technology for the purpose of payment and identification," Bulkoski says. "The time will come soon enough when we won't have to carry our payment and identification documents around with us. I think the integration is coming a lot faster than most people assume. It's inevitable."

MANUFACTURING

"86% of the top 100 companies in R&D spending worldwide are from the manufacturing industry."

Louis Columbus, The Future of Manufacturing Technologies
Forbes, April 15, 2018



"Ten years ago the automotive industry was creating cars in a 3-5 year cycle," Jacovelli says. "Then it was a year and a half, and soon the time to market will be further reduced." He explains this increased speed-to-market is the result of digital design, robotics, and even virtual reality used to create digital twins. "Not only can you have faster prototypes, you have the ability to increase production, reduce costs, and even use virtual reality for simulation purposes."

Industrial robotics, 3D printing, automation and sensing technology are transforming manufacturing.

"Sensing tech has been around many years, its only getting better because of the ability to make better chips—measuring really small currents of electricity, take the data and translate it," Smits says. This comes to play in sensors that track automated production lines, ensuring accuracy and efficiency, and constantly providing data to improve processes.

Sensors also have an emerging role in urban planning. Google's sister company Sidewalk Labs is working with a developer in Toronto to build a "sensor city" with robotic trash removal and autonomous cars on a stretch of abandoned industrial waterfront. According to CBC News, "The premise of Google's smart city is appealing. A city built from the ground up promises not just the convenience that comes with new technologies, but also the potential

of environmental sustainability, health benefits, and even affordability of housing. The vision entails high-speed internet access and free wifi across the hub, self-driving cars, ride-sharing, and sensors throughout that automate the way people engage with their surroundings, making everything from street lights to air conditioning smarter and more efficient."

Cutting edge communities are also benefitting from 3D printing technology. In The Netherlands, the city of Eindhoven will be the first in the world to have a neighborhood of 3D printed homes.

"Of the first five new houses to be put on the rental market next year, the smallest, with two bedrooms, has already attracted applications from 20 interested families just a week after images were made available. 'We like the look of the houses at the moment as this is an innovation and it is a very futuristic design,' said Van Gorp. 'But we are already looking to take a step further and people will be able to design their own homes and then print them out. People will be able to make their homes suit them, personalise them, and make them more aesthetically pleasing.'"

"Netherlands to build world's first habitable 3D printed houses"

Daniel Boffey
The Guardian, 6 June 2018

For the technology in all of these sectors and more, Steele reminds us, "these advances only succeed in a human context."

"The pace of change and the new and enhanced capabilities that are available through these technologies is changing very rapidly, and all of this is with the backdrop of the employees and customers having far greater expectations about a really fantastic consumer-grade experience at every touchpoint across the organization," she says.

Tech in the human capital universe:

"The entire CHRO function is now trending toward having individuals with a very strong data and analytic bent," Vyas says. "Data science and predictive

analytics will help HR choose talent better, assess talent better, and deploy organizational design better. Emerging technologies are essentially helping all of the different functions around an organization, especially in HR.”

Technology including data analytics and artificial intelligence are changing HR. Mobile connectivity and cloud technologies are increasingly part of the HR toolkit, and more and more HR professionals and advisors are creating integrated strategies to make the most of the employee experience. According to Deloitte (Digital HR: Revolution, not evolution, February 29, 2016) “Telstra, one of Australia’s largest telecommunications companies, is using an app to transform its first-year employee experience. By using design thinking, studying the behavior and frustrations of first-year employees, and creating personas, Telstra developed an integrated onboarding program that dramatically improved employee engagement and retention.”

Steele describes how a company might use AI to assist prospective employees. “Before you even join an organization you may be looking at a company’s website. A company that uses AI to engage with a prospective candidate can answer questions, explain roles. You can upload your resume or point to your LinkedIn profile and use AI to scan your resume and then compare it to all of the roles currently available in the organization, to advise you what could be the best fit given your skills and experience.”

Steele adds, “This isn’t just word search—this is just as a human would do it, at a much broader scale and faster.” She adds, “That’s just the very first step on this AI-enhanced employee life-cycle, which every step of the way is impacted by these new technologies.”

Another important consideration in a competitive market for talent is retention. Bulkoski considers the motivation of employees. “Is the company that you are going to or coming from mission oriented? Is there a bigger cause or something more meaningful than how we target the next user through efficient machine learning algorithms in our advertising platform? Ideally, there is a more purpose-driven

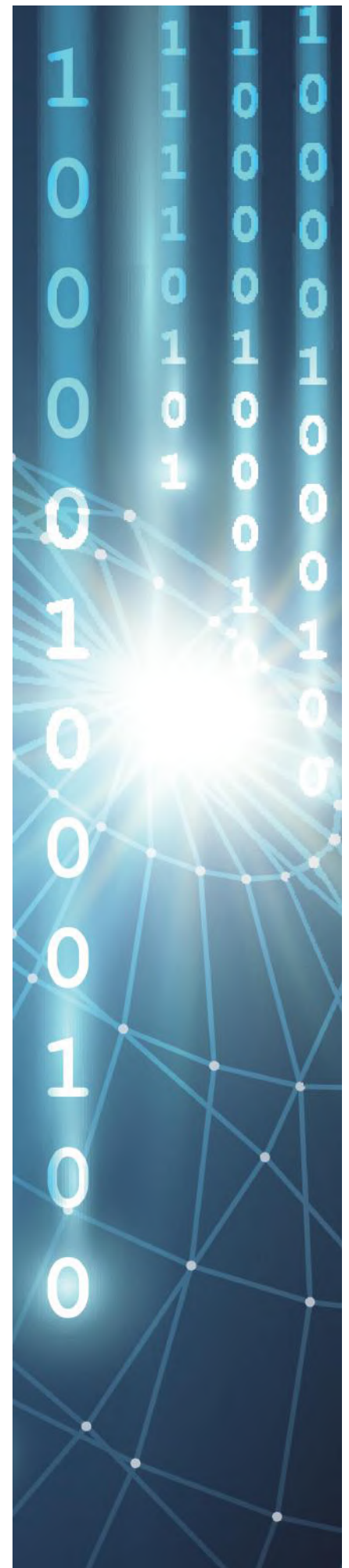
reason for making a career change.”

He adds, “If you want to retain individuals, ensure that they are continuously mentally stimulated. That means surrounding them with other great talent and providing a diversity of thought and experience.”

New technologies are also impacting search. “Technology has changed our business,” Smits says. “We went from ‘we know people you don’t know,’ to ‘we can be a filter for your organization and can create a neutrality in speaking to people who you can find yourselves,’ because anyone can find anyone these days. Now, our work is much more about how people behave and whether they’re the right individuals given the circumstances.”

Technology can also help mitigate unconscious bias. “It is extremely difficult not to be biased, because everybody comes from a background,” Smits says. “It’s really hard to step away from bias and that is where computers are better at selecting a resume: they will see a name—full stop. They will not see a name from a certain ethnic background that people may have certain ideas about. The computer won’t react to a male name or female name. That is very much part of the diversity and inclusion discussion, where computers can be much more objective.”

When Jacovelli was starting his journey in the search business, he says, “I wanted to change the old way of doing business—the old boys’ network. So we started disrupting that model.” Jacovelli uses technology as part of the assessment process. “Contrary to what is common conception, being digital is not a set of hard skills: most of all, it is a mindset. So we have developed a digital mapping tool with a partner, that enables an organization to check how digitally oriented a candidate or employee is, what their strengths and limitations are, and which are the areas where they need to develop.” He adds, “We are working in this framework because the ability to understand your people skills, your soft skills, and what can be done to fill the gaps is going to be essential. There is and will likely continue to be a shortage of people with the right level of soft skills in the market, hence reskilling becomes the first option





to look at and then fill the emerging gaps with selected hires.”

In addition to soft skills, tech skills are increasingly necessary at the board level. “You see more and more CMOs in the boardroom,” Bullis says. Boards of directors are traditionally made up of current and former CEOs and CFOs, she says, “but we’re seeing a skill set shift in the boardroom and that’s because the digitization of marketing is reflective of the digitization of industry itself.”

“I’m not saying that boards will no longer be interested in CEOs and CFOs,” she says. “I just mean to say that we’re seeing many more boards take on people who have only ever done marketing. The digital transformations and customer insights that CMOs really understand, they are all necessary, they’re increasingly needed in every single company. Boards need that knowledge.”

The purpose of a tool is to make work better. For Steele, “Ultimately, and this is very much an IBM view, all of this technology is not about completely taking away roles and jobs, it is much more about helping recruiters simply be more efficient, and helping a job searcher have a more productive experience.”

Leading through transformation:

“The first crucial fact about AI is that you don’t know ahead of time what the data will reveal. By its very nature, AI is a leap of faith, just as embracing your ignorance and radical reframing are. And like learning to let go, listening to AI can help you find genuinely novel, disruptive insights in surprising and unexpected places.”

from

McKinsey Quarterly, April 2018

“Will artificial intelligence make you a better leader?”

“We believe that every CEO is a startup CEO.” Vyas explains, “what we mean by that is every CEO has to first, be a visionary; second, embrace technology; and third, have followership, where their employees believe that they can learn something from this person, or this person is going to help them grow and innovate.”

Jacovelli reflects on the new generation of talent. “They are very fast in adapting to new technologies, but it is a different story when it comes to building something new and different, and going beyond what they have, being

imaginative. There are people like this, but they’re not the majority.” He adds, “There are few people with the DNA of a leader: determination, passion, and the ability to think out of the box, to innovate. In healthy companies that embrace transformation, what is key is to find people who have this kind of mindset.”

Jacovelli is not alone. Smits describes working with someone “who did not read email. He had his assistant print it out, he wrote his response on a piece of paper, and had his assistant type it into the computer.”

Smits adds, “Those kinds of people are never going to be able to be effective leaders in this day and age.”

What does it take to lead past digital transformation through constant reinvention?

“Leaders today have to be able to work in a VUCA (volatile, uncertain, complex and ambiguous) environment. Every leader needs to understand that at times they have to be a “roll up your sleeves” hands-on team player, highly innovative, a strong visionary, and certainly be willing to embrace of all the change that is going on around them.”

Jacovelli considers that change. “Before, leaders relied on best practices

to ensure you are predictable in what you deliver. Now you must have a completely different mindset: leapfrogging, boundary-pushing, bending the rules and writing new ones. Normally you didn't want people breaking rules, you wanted them to be compliant." Now, he says, "If you are compliant in all the existing ways of doing business, you're going to miss the boat. Being open-minded, disruptive, adaptive, and flexible—those are qualities you need."

For Bulkoski, a key leadership quality is "a willingness to learn on the part of the executive, regardless of their function." For example, "how does an individual manifest a natural curiosity for consistently challenging their existing belief system and embracing new ways of thinking? Also, do the executives have the wisdom to surround themselves with people who may know more than they do, or who just bring a completely different point of view? That diversity of thought, which can originate from life experiences, background, age, and other exogenous factors, is incredibly important."

Another quality may be a willingness to take a risk. Steele says, "An aspect of leadership in this new era is embracing agile methods. You may know 'agile' from software development, but when it applies to broader organizational design, it means being willing to launch things that are not fully formed, or what we call a minimum viable product, that continues to iterate and improve."

She explains, "If you're having to develop and innovate rapidly, you don't have time to create everything perfectly. But you can get things out, get feedback, and continue to improve as you go."

Bullis adds, "The CEO really needs to think about customers first—be a customer-driven CEO versus a product-driven CEO, or even a sales-driven CEO. If you lead with what the customer need is, you will remain ahead. It's hard to get behind if you let the customer lead you. That doesn't mean that you do whatever the data predicts the customer wants. The Apples of the world demonstrated that: sometimes you build things that customers don't even know they want. But if you follow your customer and the way your customer is thinking and acting and behaving, if you follow the way your

customer is buying, you're much more likely to stay relevant to that customer."

Steele agrees. "Leaders increasingly need to have that empathy, that curiosity about what it is like being in my customers shoes, and what unarticulated needs do they have and how can we address them? Increasingly a very core approach is the ability to deploy design thinking principles in leadership. Design thinking is all about having empathy for the customer, for the end user of your services or products, and being very curious about how we can improve that experience. That is essential for leaders looking to embrace or leverage these new technologies."

Smits reflects on the forward-thinking leader. "It's important that a leader is always open to the possibility of what can happen, and always be open to what could be a game-changer, whether that is how you run an organization, how you run logistics, how you do sales, how you deal with people, how you select candidates." What else? "A leader should always be open to what technology can bring and not see it as an enemy, but more as an opportunity. That is an entirely important trait in leadership."

Looking forward

"It's annoyingly hard to compare quantum and classical computers, but roughly speaking, a quantum computer with just a few hundred qubits would be able to perform more calculations simultaneously than there are atoms in the known universe."

Will Knight

"Serious quantum computers are finally here. What are we going to do with them?"

MIT Technology Review,
February 21, 2018

Jacovelli says, "The people who went to the moon—they were heroes, because what they did with the technology available at the time was unbelievable."

Today, advanced technology is everywhere, even embedded in the employee experience: starting in recruiting, woven into how people do their jobs, and even through chatbots

that field a new employee's myriad questions. "This is already happening in many organizations," Steele says. "We work with it constantly. Increasingly, this will just be the way things are."

New technology and the talent who can harness its potential do not provide instant rewards. "You need to understand you are investing in talent, you are investing in tenacity and most of all, you are investing in time," Bulkoski says. "You need enough patience to allow that process of innovation and change through technology to actually play itself out."

To those who feel threatened by how technology might play itself out, Vyas says "what we're trying to do is effectively use machines in order to do our jobs better. People are afraid of these new technologies replacing humans, but that's a big misperception. We are going to see a very strong, hybrid model of humans and machines working together."

Bullis admits that the state of technology today, especially big data, "is a little bit big brother." She adds, "At some point you just have to shrug and say, if you're on Facebook, if you're on LinkedIn, if you've ever purchased anything online, and you get an email and you're being marketed to, it's because you're being tracked—your browsing history, all of that. And either you're comfortable with it, or you're not."

"The technology is there. How it's being used is the important thing," Smits says, "especially when AI and machines start making semi-autonomous decisions. Then, we need to have a moral guideline about what we do and what we do not do." He adds, "The way things are going, the big discussion is not can we make it, but should we make it."

"What's going to happen ten years from now," Jacovelli asks? "This, I cannot imagine—it will be difficult to find a new equilibrium. The transition is not going to be easy, but the times ahead of us will be the most interesting ever," he says.

"The possibilities are enormous."



The RISE of the Gig Economy

"The historical notion of an employee is no longer viable, and it is imperative to learn the new rules that govern the overwhelming number of workers joining the gig economy. We knew what drove employees when they were within our four walls, but now we have to learn how to manage them spread across cities, countries, and even the globe."

Stowe Boyd,
"Swift Trust in the Gig Economy"
WorkFutures.com, February 2018

What is the gig economy?

"Where giggers were once responding to market conditions, they are now creating the conditions, disrupting the traditional workforce as we know it."

Korn Ferry Institute

With a name appropriated from performance culture where musicians play a limited engagement, or a "gig," the gig economy describes the expanding labor market comprised of contract workers, freelancers, crowd-sourced workers, and others who are hired for limited engagements, as well as platform-based systems—think ride sharing, delivery, and property rentals. Independent work is growing with the internet, and expanding from developed to developing economies as more of the world becomes digitally connected.

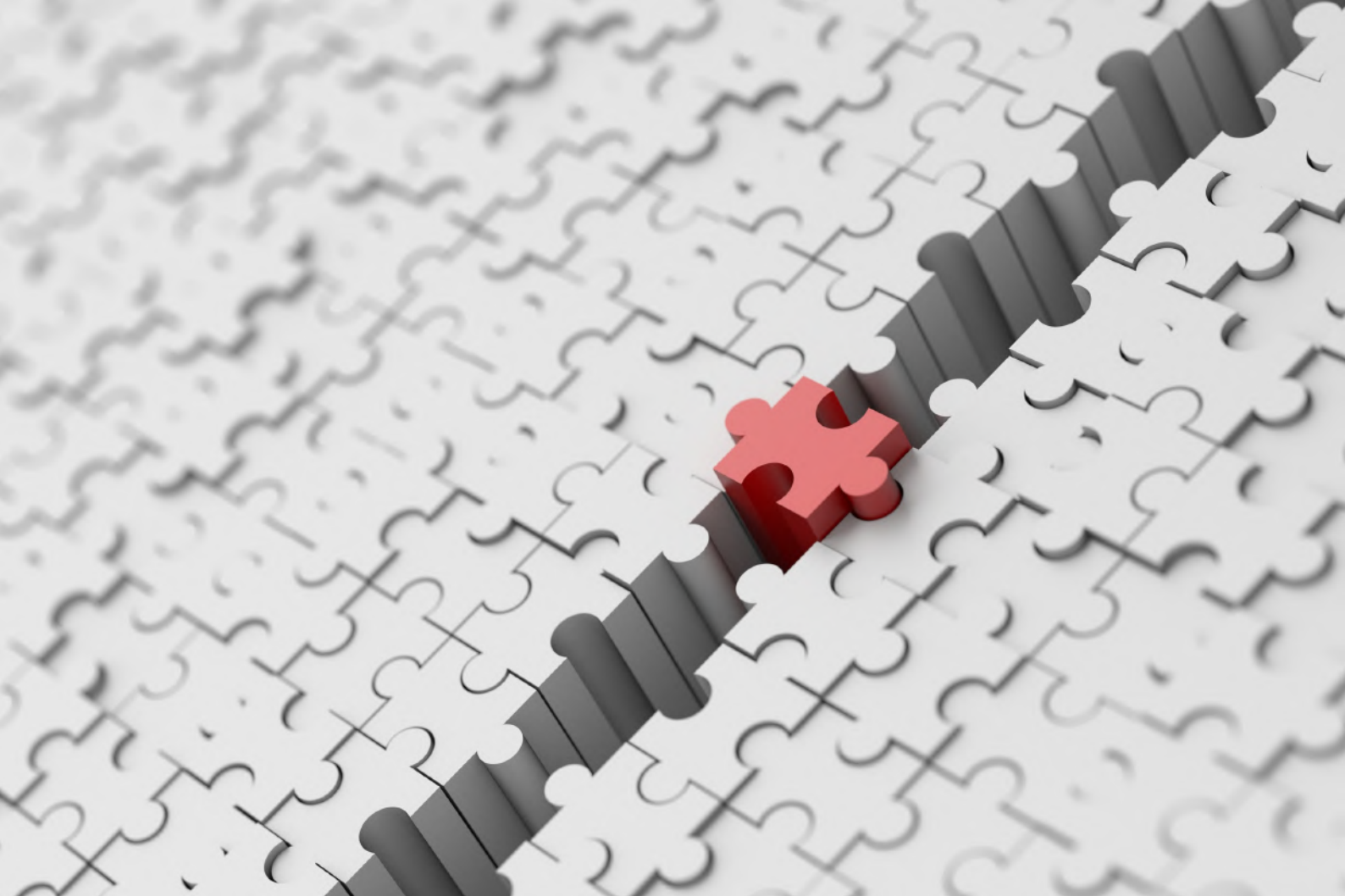
Many workers who engage in the gig economy choose independent work, and others do so out of necessity. Organizations that employ independent workers are finding the gig economy a

valuable resource for addressing short-term needs and filling temporary skills gaps in their organizations.

"Open-talent economy, alternative workforce, gig economy, internet organized workforce, sharing economy and liquid workforce are all terms that define the market of workers who supply organizations with on-demand talent," Eileen Finn, president and founder of Eileen Finn & Associates in New York, explains.

Paul Surridge leads Signium's UK Leadership Consulting Practice. He says "Organizations need to acquire specific skill sets for a specific period of time. Often, it's too hard to figure out what roles organizations will need in the future, but what they can do is acquire those skills and capabilities on demand, on the open talent market. A lot more industries are looking to that model."

Hansjörg Meine, managing partner for AltoPartners in Darmstadt, worked for over two decades at IBM with responsibilities that included outsourcing. "We had a mixture of people both inside IBM and people



outside the company, helping to extend our workbench. This is the first step to this contingent work style which we now see coming more down the road," he says.

"Approximately 150 million workers in North America and Western Europe have left the relatively stable confines of organizational life—sometimes by choice, sometimes not—to work as independent contractors. Some of this growth reflects the emergence of ride-hailing and task-oriented service platforms, but a recent report by McKinsey found that knowledge-intensive industries and creative occupations are the largest and fastest-growing segments of the freelance economy."

from "Thriving in the Gig Economy"

Gianpiero Petriglieri, Susan J. Ashford, and Amy Wrzesniewski
Harvard Business Review,
March-April 2018

Workers in the gig economy can be one-of-a-kind experts, or one-in-a-thousand; at the top of their professions, or just starting out. Finn describes "a person developing strategy for my Fortune 50 client, a very senior HR professional."

Meine shares the example of a company developing new software that needs testing. He says, "For this kind of project, companies build a fully-crowded testing environment so you have a handful of employees and a couple thousand people crowd testing the software. You discover what is good, what is bad, what is not working—and it only takes a few hours because you are distributing it through thousands of people."

Technology has enabled global freelancing for individuals, and online platforms allow for the buyers and sellers of contract work to find each other.

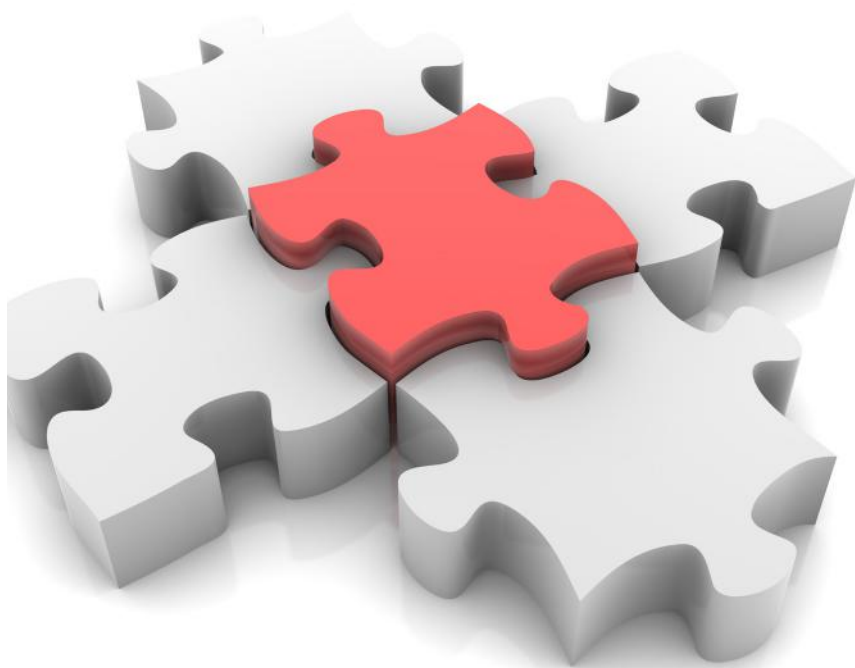
Finn says, "The majority of people in this gig economy are people who execute, who are subject matter experts, and perhaps are a bit more tactical in

the work that they do."

Organizations are trending toward a greater reliance on the gig economy. According to The Conference Board's "C-Suite Challenge™ 2018," of CHROs surveyed worldwide, only 41% agreed that their workforce would be "predominantly comprised of traditional, full-time employees" and more than 79% agreed that the "percentage of directly hired contingent workers and freelancers will increase."

The economics of the gig economy are fairly straight-forward. Contingent workers generally are paid per piece, per project, or per hour. "For an expense perspective—these individuals are not paid an hourly rate, they are usually paid a bit higher, but they don't receive benefits that a permanent full-time hire would receive such as cash bonus, equity, long-term incentive plan, paid vacation or personal time off, or health benefits. So the cost to the employer is much less," Finn says.

And while hiring contingent workers is generally more cost-efficient than FTE salary and benefits, cost cutting is



not the main driver of the gig economy. “Hiring contingent workers is not necessarily driven by reducing costs, and it’s not necessarily driven by the changing demands of young people entering the workforce. I think it stems from the fact that there is a lack of talent and skills in the marketplace that organizations need today, and because change is happening quickly, they’re not able to define their long-term needs. The gig economy helps organizations meet their *immediate* needs.”

Chandrika Pasricha, founder and chief executive officer of Flexing It, a platform for independent consultants in India and South-East Asia says, “Our Future Of Work survey tells us that Indian knowledge professionals are increasingly opting for independent gigs as a matter of choice and are seeking flexibility and purpose in their career.” (from “Is India ready to embrace the gig economy?” *livemint.com*, February 11, 2018).

Gig work allows for a measure of independence that many people enjoy. According to PwC’s “Workforce Of The Future Report,” the “desire for autonomy is strongest in China, especially among young people, indicating a generational shift in attitude towards greater freedom,

entrepreneurship and specialist skills in this rapidly evolving economy.”

Managing in the gig economy

“When companies started to think about outsourcing or out tasking their work to offshore software development companies, everyone thought this was a fantastic opportunity: there are thousands of well-educated software developers in India,” Meine says.

However, managing complex, off-site projects can be complicated. Meine explains, “You have to think, how do you package this? A lot of companies learned this the hard way—you must have the local contact, local knowledge, and an understanding of the local culture to make sure client and contractor understand each other.”

For example, Meine says, “In my own experience, we outsourced a project and wrote everything down, but using the same words doesn’t necessarily convey the same meaning. There was a complete disconnect between what we needed to have, and what they understood and delivered. The lesson here is you need to have very tight links

between your external workforce and internal workforce. If you don’t, things can develop in different directions.”

The contingent workforce is also an important consideration within workforce planning. Surridge sees “an opportunity for CHROs to get ahead of the curve and redesign their organizations for the future. One thing everyone is fairly confident of is that roles in the future will be different. We are going to have a blended workforce.”

Agile businesses increasingly turn to external talent when they can’t find the competencies they need in the traditional marketplace, and managing relationships with talent not bound to the organization is high-stakes. “The war for talent is a war for skills that are in real shortage,” Surridge says. “Those organizations that struggle to connect and engage with the contingent workforce will find them more scarce.”

For example, Finn describes “someone working in a company for someone who they may not like, may decide to put up with it because the benefits are great, they’ve been there for a number of years, they are invested. A contractor who works for a person they don’t care for can choose to make a change. And especially because if they are building a consulting resume it doesn’t matter how long you are in that role. They can say ‘I was brought in for three months’ and that’s it—no questions asked. A permanent person is going to wonder what quitting is going to do to their resume—that’s the difference.”

People working in the gig economy have the freedom to choose when and how they are going to work, and with whom. And those with highly regarded skills have more choices.

“People are going to become much more selective,” Surridge says. “How you engage employees, how you motivate employees, how you create a sense of purpose, those things are as important if not more so with contingent workers. Organizations neglect that at their peril.”

He adds, “The resources and skills organizations need in the future may not be available to them, because

they failed to effectively lead that workforce.”

What are the possible effects on organizational culture, and how should those be addressed?

An organization’s culture drives engagement, and workers who feel engaged put in discretionary effort—even contract workers. But how can organizational leaders connect the non-traditional worker to a company’s culture?

“I see a problem if you have a certain DNA or culture in your company, it is very difficult for contingent workers to be aligned when they are not really part of the organization. I think the culture that companies have could be diminished, the more organizations turn to crowd-working, because it is difficult to transport the culture to the outside,” Meine says.

Surridge highlights the dilemma of whether and how to culturally integrate outside workers. “In most cases, unfortunately, what we see is the contingent workforce treated as something external, i.e. not an employee of the organization. Therefore they don’t get communicated to, they don’t meet face to face and therefore it’s much harder to build relationships with their work colleagues, so obviously they’re not part of the organizational culture and they have a transactional relationship.” He adds, “That will cause the organization a real issue in the future.”

According to *Deloitte Review*, “Particularly in contexts where teaming and collaboration are important, screening contingent workers for fit during the recruiting process is the first line of defense against diluting an organization’s culture.” (Beyond Office Walls and Balance Sheets: Culture and the alternative workforce. *Deloitte Review*, July 31 2017)

Are remote and independent workers invested in the hiring company’s mission? Does it matter if they share an organization’s values and purpose? For Surridge, it is essential that companies understand

INTERIM MANAGEMENT: THE GIG ECONOMY AT THE HIGHEST LEVEL

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Interim management is a highly regarded business resource and an increasingly attractive career move. Elizabeth Roberts is a managing director for Sheffield Haworth in London, and leads their consulting solutions practice. “The term ‘interim management’ is a traditional and longstanding term for individuals whom are placed in a traditional, permanent role for a temporary period – we call it critical cover, or professional guardianship in the UK.”

But in the last decade, the concept of interim management has evolved. “A lot of individuals who have been with traditional businesses have seen an opportunity to jump house and become much more entrepreneurial, and deploy their skills in a different way,” Roberts says. And from the client side, “Businesses that are agile and nimble want to engage with this community because it gives them the opportunity to bring in high-level expertise without having to deal with complicated pension schemes, investment plans and all of that.”

Why do clients seek out interim management? The reasons are both reactive and proactive. Roberts explains that bringing on an interim professional “is quite often event-based and unexpected, such as someone exiting quickly or an event such as a new regulation or an integration. It’s often quite urgent.”

The opportunistic trigger, Roberts says “is actually where we are seeing more and more demand.” Roberts describes lean businesses that “can

actually get someone with decades of experience who can help build and shape what a company needs to do, such as help them explore new markets when they don’t have the expertise in-house.”

Roberts describes some typical interim management roles: “guardianship, when we need someone in a key role for a short period; consultancy—they deliver projects; advisory, in which experienced people can take a company into new markets or launch a new product; then coaches and mentors, people who have been in top roles and can help a new CEO, for example.”

Roberts considers the evolution of interim management after the 2008 recession in which organizations worldwide downsized their leadership ranks. “High-quality people were suddenly available in the market and clients were giving them high-quality work, and it started to go from there.”

Now, she says “rather than people entering this market because of a change in circumstance without choice, people are consciously opting out. These are people who’ve had significant jobs and are thinking about doing something a little bit different. In the past that didn’t exist—you worked until you were 65. Now, there’s an alternative late career. We are living longer, we are working longer, and this gives people an opportunity to continue to work but in a different way,” she says. “It’s the biggest development I’ve seen in the last 5, 10 years.”





“how you engage an *entire* workforce and get them to step up, to go above and beyond.”

He says, “Leaders who are able to bring their vision alive are significantly outperforming their peers. That’s always been the case—the problem is that skill, that capability, is in relatively low supply in the market.”

Risks and benefits of the gig economy

The benefits of the gig economy apply to both the hiring company and the hired. People who choose independent work often enjoy the flexibility and independence their work provides, but they risk unpredictable income, and miss out on the health and retirement benefits afforded full-time, permanent employees. For employers of contingent workers, they benefit from skills-on-demand and cost controls, but may struggle with selecting and managing outside workers, may not understand the impact contingent workers have on their teams and operations, and may unwittingly expose their companies to risk.

“In a three-year investigation, researchers at the University of Oxford and the University of Pretoria spoke with scores of online gig workers from Kenya, Nigeria, South Africa, Vietnam, Malaysia, and the Philippines. These workers use digital platforms to bid on and perform tasks such as transcription, photo editing, and data entry. Much like their counterparts in the United States, the workers reported liking the freedom and flexibility that the work offered. Some described it as lucrative, as well.”

“But like their counterparts in the United States, they also described their work as unstable, uncertain, light on benefits, isolating, and taxing. Nearly half believed themselves to be easily replaceable. They complained about racism and discrimination.”

Annie Lowrey, “What the Gig Economy Looks Like Around the World”

The Atlantic, April 13, 2017

For Surridge, a contingent worker can have as much of an impact on an organization as a traditional employee. “Just because you’re bringing someone in on a six month contract, the negative impact that individual could have if you get the hiring decision wrong is no different than if you get it wrong for a permanent employee,” Surridge says. “We seem to believe that when we bring in people on a contingent basis we don’t need to apply the same level of rigor in that decision,” he says.

For example, when Uber was denied a new license to operate in London, Uber CEO Dara Khosrowshahi acknowledged “the truth is that there is a high cost to a bad reputation.”

“Let’s look at a technology company. Even if they only have 1-5% of the workforce as contractors, there is this question around intellectual property and retention. What do you do when you bring these individuals into the organization where you need to let them over the wall? That is something a head of HR would be focused on to make sure that—I think there’s a risk and compliance issue there as well.”

Meine is particularly concerned about the quality of life for workers in the gig economy. “Gig work is a new option, but these people are hunting from one project to the next, they don’t know what the next project is, how long it will last, or if it will pay the bills. Typically these roles are not well-paid, so that means those workers reduce their planning for pensions.”

Some critics of the expanding non-traditional workforce highlight that workers take on many of the risks of entrepreneurship, but receive few of the rewards. Oxford University Professor Mark Graham, addressing the UNI Africa Conference in Dakar, Senegal warned of what he called ‘parasitic capitalism’ that takes advantage of workers from the developing world engaged in the gig economy. He said, “There are many who thrive in that environment. But the role of labor regulation should be to help the most vulnerable. One solution may be that employment status should be established in the place that a service is actually

provided. Why should an employer based in Germany or the US be able to avoid adhering to labor laws and minimum standards just because they used a digital platform to connect with a worker?"

Does lower-cost, unregulated labor pose a threat to traditional workers? "When the company learns it is easy to send work to the outside, it might create a problem for workers inside. People can work from anywhere, they take work home and extend their working time, so these behaviors are already in place, and now the availability of inexpensive, external workers could put additional pressure on people within a company."

A debate has emerged regarding whether the gig economy represents a welcome opportunity, or creates heightened precariousness for gig workers that also disrupts traditional employment. In many countries, regulators and the courts are addressing this question. Consider the Taylor Review into Employment Practices in the UK, a Fair Work Ombudsman investigation in Australia, and after significant back and forth Japan passed new regulations that will allow minpaku, Air BNB-style short-term home rentals.

Workers, employers, and municipalities are coming to grips with the rise of the gig economy.

Conclusion

Seasoned executives in temporary roles don't need a lot of runway. "Interim management professionals don't have time to adapt to their new environment—they have to be on the corporate agenda from day one," Roberts says. "The reason they can do it is they've done it many times before; they know exactly what they need to do."

In "The Risks and Rewards of Online Gig Work at the Global Margins," researchers from Oxford University report "online gig work is becoming increasingly important to workers living in low- and middle-income countries. Our multi-year and multi-method research project shows that online

gig work brings about rewards such as potential higher incomes and increased worker autonomy, but also risks such as social isolation, lack of work-life balance, discrimination, and predatory intermediaries."

According to the 2016 research report "Independent Work: Choice, Necessity, and the Gig Economy" by McKinsey & Company, "Independent work could have benefits for the economy, cushioning unemployment, improving labor force participation, stimulating demand, and raising productivity. Consumers and organizations could benefit from the greater availability of services and improved matching that better fulfills their needs. Workers who choose to be independent value the autonomy and flexibility."

There are risks and benefits for both workers and employers who engage in the gig economy. No one can predict how the non-traditional workforce will evolve, but corporate leaders, policy makers, and workers themselves need to consider the long-term implications of the changing nature of work.

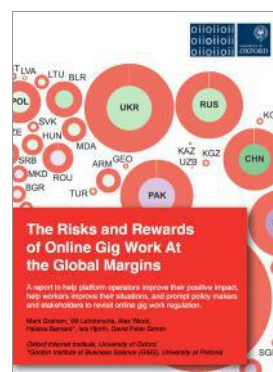


"There is still talk, supported by research, that a high percentage of business leaders believe the emergence of the gig economy is unlikely to have any real effect on our industry or our organization in the next two or three years." Surridge says. "It's horrifying to think that there are still people in organizations who don't see the change in the marketplace. I'm sure a lot of taxi firms that no longer exist because of Uber were probably all saying the same things."

Finn is confident that the changing nature of the workforce is top of mind within the human capital universe. "A CHRO is thinking about this; the HR business partners who report to the CEOs think about it; talent acquisition thinks about it, talent management thinks about it," she says.

"They know what they need to get the job done."

For better or worse, Meine cautions, the gig economy "will have an impact on companies, it will have an impact on people, and it will have an impact—a very strong one—on society."





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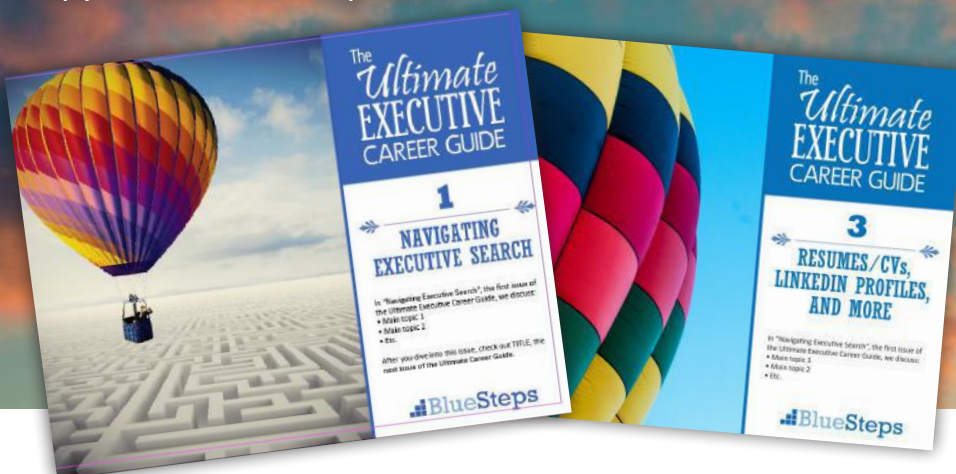
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Regan Leggett,
Executive Director, Thought
Leadership and Foresight,
Southeast Asia, North Asia and
Pacific at Nielsen
September 3, 2016

A Wide Lens

Asia is the world's largest and most populous continent, and a leading driver of the global economy. Nick Sutcliffe, executive director of The Conference Board for Asia explains "what you have to remember is that the region consists of China, the ten markets in ASEAN, Korea and Japan and Taiwan, then Australia, New Zealand and India and more. So 'Asia' consists of about 48 different countries, all at a different level of economic development."

While it is impossible to generalize about so diverse a collection of economies, some truths apply to all. "Look at the world: technology and the digital marketplace is disrupting everyone's business." Atul Vohra is

managing partner of TRANSEARCH, India. "For any manager in any country, embracing those technologies is an imperative. Companies are rapidly transforming themselves, putting different demands for talent in the market, and affecting all companies in all sectors," he says.

Automated stores, facial recognition, virtual payment platforms and AI are disrupting industries, and creative ecosystems and reshaping how business works. Sherry Ding leads Spencer Stuart's consumer, private equity, and financial officer practices in Shanghai. She says, "We've seen this with Alibaba and Tencent, they really leverage tech to drive those changes, but more is coming from consumer needs—consumer needs are shaping industry sectors."

Businesses in Asia are innovators and disruptors, with massive internal markets, abundant resources, and broad reach. Disruptors like Alibaba, Flipkart, Quikr, Tencent, WeChat, Go-Jek and Grab are transforming the way people live and work.

"Asia is expected to grow by around 5.5 percent this year, accounting for nearly two-thirds of global growth, and the region remains the world's most dynamic by a considerable margin. ... China's growth is projected to ease to 6.6 percent, partly reflecting the authorities' financial, housing, and fiscal tightening measures. Growth in Japan has been above potential for eight consecutive quarters and is expected to remain strong this year at 1.2 percent. And in India,

growth is expected to rebound to 7.4 percent."

"Regional Economic Outlook:
Asia Pacific"
International Monetary Fund,
May 2018

The transformation of businesses in Asia is not accidental. Fabrice Desmarescaux is managing partner for Southeast Asia, with Eric Salmon & Partners. "Asia is aided by the fact that most of the governments in the region have pro-business policies and helped tech develop very fast." He adds, "In general, the level of education in Asia has increased tremendously."

Greasing the Rails

The "Doing Business 2018" research report by The World Bank Group compares the regulatory environment for domestic business in 190 economies, measuring multiple factors by country, including startup processes and costs, taxes, credit and equity regulations,





building, logistics and a range of areas where regulatory policy influences the ability to start and conduct a business. A lot is happening in Asia, with the region's economies adopting 371 reforms since the research began 15 years ago.

According to the World Bank Group report, "among top improvers, Brunei Darussalam, India and Thailand implemented the highest number of business regulation reforms in 2016/17, with eight reforms each."

Perhaps most notably, Singapore ranks as the second highest country for the ease of doing business, with New Zealand, Republic of Korea, Hong Kong SAR-China, Taiwan-China, the United Arab Emirates and Malaysia ranking in the top 25.

"Starting a business in Thailand used to take 27.5 days. Today, thanks to a series of business regulation reforms, the process takes only 4.5 days."

"Doing Business 2018"
The World Bank Group

"There are many areas where Asia will need to continue improving, if they are going to realize their full potential—areas like corporate governance which is still fairly dark," Desmarescaux says. "Even in advanced economies like Singapore, the standards of corporate governance are relatively behind western standards, in terms of diversity of the board, in terms of independence of directors."

The Regional Comprehensive Economic Partnership (RCEP) that is currently being negotiated between ASEAN and India, China, Australia, South Korea, Japan, and New Zealand may further energize the business climate in Asia.

According to Deloitte, "A central element of the RCEP is the creation of a safe and efficient transaction environment, avoiding cumbersome regulatory barriers that will affect SMEs playing a part in the digital economy. Online payments via platforms like AliPay, Apple Pay, and PayPal ensure that trade can occur across borders." (from

"Economic growth and development in Asia: What is the role of digital?" *Voice of Asia*, May 2017)

The Pace of Change

The speed of digital disruption and transformation is a global phenomenon, with a particular impact in Asia. "We are seeing a rapid transformation," Vohra says. "We have seen companies come from nowhere to become big behemoths, in the digital space and in the traditional sectors. There is a lot of private equity funding consumption-led industries in India, which has transformed companies in terms of size, scale, and complexity into massive companies. India is seeing enormous, disruptive growth across the entire spectrum of industries and sectors."

Is Asia developing at hyper-speed? "The pace of change is much faster than what we see in the western world because the economies in Asia are in catch-up mode," Desmarescaux says. "We're looking at economies that are



growing in the aggregate 3-6% per year. Our low end in Asia is 3% which is similar to the US economy but much faster than the European economy. And if you look at specific sectors, for example healthcare, or education, you will have a growth rate that could be in the 10-20% rate per year in aggregate. You don't necessarily find that in developed economies because the levels of GDP per capita are already very high."

To put the impact of Asian businesses in perspective, according to *The Economist* the retail sales market in 2018 will be \$3 trillion in Europe, \$5 trillion in North America, and \$10 trillion in Asia.

"The challenges are not just the speed of change but the political and cultural nuances—there's not a singular challenge," Sutcliffe says. Optimistically he adds "and there's plenty of opportunity. There is a lot of young talent here, however the problem is that people continue to recruit talent from clearly defined sectors or clearly defined demographics," that may not meet future needs.

Legacies and Leap-Frogs

"Rapid technological advances open windows of opportunity for trailing or nascent economies to quickly take leading positions in prosperity-sustaining value chains without having to replicate the paths taken by more established competitors. The Fourth Industrial Revolution will definitely create fresh opportunities to leapfrog."

"How business can win at leapfrog"

Mauricio Zuarua and Otto Schulz, World Economic Forum, January 11, 2018

Countries with developed economies have traditional infrastructure and old-line businesses with long-established systems, cultures and markets. Because many legacy structures like traditional retail, telecom and banking never made it to parts of Asia, digital alternatives are providing opportunities for these countries to leapfrog the established systems in developed economies.

For example, consider digital payments. Casey Hynes wrote in *Forbes*, "In 2017, there were 53.86 million internet users in Vietnam, and predictions show that number reaching nearly 60 million in the next four years. The proliferation of mobile phones have accelerated e-commerce growth there and throughout the region. But mobile wallets play an integral role as well, particularly in developing markets where a high percentage of the population is unbanked. As of 2014, just 31% of Vietnamese held formal bank accounts, which can be a barrier to accessing goods and services."

A "Voice of Asia" report published by Deloitte in May 2017 showed that "Asian economies are ahead in digital engagement terms, with almost all Asian countries above the world average."

Consumers in Asia are also likely to be early adopters and more accepting of new technology. This acceptance is reflected in the 2017 Freeman Global Brand Experience Study. According to Marketing-Interactive.com "31% of

Asian companies use virtual reality, compared to only 7% to 9% percent elsewhere. Gamification is another growing digital integration, with 22% of companies in Asia utilizing this form of integration. This is compared to only 9% in North America and 13% in Western Europe.”

Desmarescaux explains, “In the last 10-20 years, many countries in Asia reached a level of development precisely at a time when new technologies were becoming available, so for example, some economies didn’t need to equip their countries with land lines because they could start directly with 2G and 3G.” He adds, “That allowed countries to develop digitally very quickly.”

“In Korea, e-commerce is now the largest retail channel and in Indonesia online retail sales are growing at a pace of around 50% per annum. While still in its infancy in Southeast Asia, one thing is certain, e-commerce is set to grow exponentially and will change the retail and consumer landscape as we know it.”

Regan Leggett, Executive
Director, Thought Leadership and
Foresight,
Southeast Asia, North Asia and
Pacific
Nielsen, September 3, 2016

Leapfrogging accounts in part for the speed with which Asia has been able to embrace digital transformation. Desmarescaux says, “Much of Asia is unencumbered with all the legacy infrastructure of the West, such as retail structure. If the West wants to modernize, it has to deal with the legacy first, which Asia hasn’t had to do because there was no legacy to speak of.”

For example, in an October 2016 McKinsey Podcast “Digital innovation in Asia: What the world can learn” McKinsey Senior Partner Alan Lau explained Sesame Credit. “In China, most people don’t have a credit history. What Alibaba has done with Sesame Credit is to say, “Based on your previous transaction history or borrowing history, I can automatically generate a score for you.” If you had a

high enough score, that allows you to do things in a more convenient way. So, for example, if you have a score that is above 700, you can book a hotel without making a deposit. If you have a score over 800, you can get a visa to go to Europe without producing income proof. I think if you have a score also around 800, you can get a priority listing on the most popular dating sites in China. They’re creating all kinds of new cases, and other new ecosystems.”

Ding provides an example of one such ecosystem. “Xiaomi created an environment for consumers in which products are linked. This ecosystem connects products to the mobile phone, and has expanded to other industries.” Xiaomi started as a low-cost smartphone maker, and grew to become a massive online retailer that builds its ecosystem by investing in smartphone accessories, IoT companies, and other goods that benefit from Xiaomi’s distribution network. Ding says “Xiaomi created an ecosystem capitalizing on how cross-sector industries are related.”

Desmarescaux describes ride-hailing giant Uber selling out to competitors Grab in Southeast Asia and DiDi in China as “the proof that a Silicon Valley company can come in, fail, and be taken over by an Asian company.” He says “that gives local startups the confidence that in digital technology, they have caught up to the West.”

Funding future growth

The region also appears to be inspiring confidence in venture capital and private equity. According to EY’s March, 2018 Private Equity Briefing: Southeast Asia, “The surge in fundraising for the Asian markets have been a major headline in 2017. The rise in fundraising activity reflects investor’s confidence in the region, which will drive activity in the upcoming quarters. We are already witnessing a strong start to 2018...”

“Performance, of course, is what drives investor interest, and for the past several years the Asia-Pacific market has delivered. Funds focused on the region have posted median internal rates of return in the

12% range for two years running, and top-quartile funds have been producing returns of closer to 20%.”

Asia-Pacific Private Equity Report
2017
March 16, 2017
Bain & Company

Private Equity firms in Asia are flush with unspent capital. Vohra says, “In India there is a huge inflow of private equity, both with traditional legacy sectors and also in the digital and e-commerce world. That has, in turn, produced massive companies. We have a company in India which was started five or six years ago that is now valued at \$21 billion dollars and has just been bought by Walmart.

Private equity is also flowing into newer economies—Philippines, Vietnam, places where private equity sees enormous opportunities for growth because they are relatively less developed markets,” Vohra says.

The EY Private Equity report also highlights the increasingly crowded and competitive environment and notes that competition has “driven the need for PE firms to articulate a differentiated source of value-add above and beyond their ability to invest capital.”

“The Chinese people have increased income, and appreciate a better quality of life,” Ding explains. “So anything that enhances the consumer experience has room to grow. In addition to tech, those startups get funding from private equity and venture capital because generally, there is more money than there are good projects.”

Desmarescaux describes the frenzy. “In Asia there is a very strong startup culture in the region, with thousands and thousands of companies being created. It has taken a while to get there, but clearly in the last five years there’s been a shift.”

There is also an apparent shift in companies’ willingness to accept capital investors.

“Resistance to corporate raiders in markets like Japan and South Korea is falling. In Vietnam, the government is practically opening the door to private equity. Warburg Pincus earlier this month agreed to invest more than \$370 million in Techcombank as the



lender prepares to list on the local exchange."

Nisha Gopalan
"Private Equity's Money Problem"
Bloomberg, March 14, 2018

"We're starting to see a community of venture capitalists emerging in Asia; local firms as well as international firms coming to the region," he says. And these firms are luring established, old school businesses as well as startups.

All in the Family

Family run businesses are prominent across Asia. According to Sutcliffe, "the family business model has a lot of advantages over the corporate model—they focus on the sustainability of their business, they can think 20 years ahead and don't have to worry about quarterly results."

Desmarescaux agrees. "Most companies in Asia are owned by families for two or three generations, and those companies by and large are run by the families. They haven't had to bring in outside

investors, and they don't have to deal with shareholders like in the West. Even when families bring in professional managers to run the business they have limited say over the big decisions—family still runs the business.

Sutcliffe believes there are pros and cons on both sides. "Family business is an integral part of business in Asia," he says. "You come across organizations like Ayala Group in the Philippines—they are forward-thinking with a broad base of leadership and a highly engaged workforce. Then you come across other organizations who are still in that hierarchical mindset."

"The challenge is very often the leadership within the family business. It is what I would define as old school and very hierarchical. Will they have the agility to adapt to new competition and new ways of doing business?"

Many family-run businesses in Asia are recognizing the need to adapt in order to remain competitive. "A lot of family businesses have embarked on a journey of professionalization," Vohra says. "The demand for talent in family-run businesses is going up, and there is an intense demand from family-run businesses to transform

their businesses and make them more global, putting increased pressure on demand for talent."

According to Bloomberg's Gopalan, "While founding families are still running many firms—85 percent of Asia Pacific deals over the past five years have involved minority stakes—the value of buyouts surged 94 percent to \$72 billion in 2017, making up 45 percent of the total transaction value in the region. That compares to an average of 38 percent from 2012 to 2016. Many Asian tycoons in their 80s and 90s, or as can be the case in China, even younger, are facing the fact their children are less than keen to take over."

The China Story

Sutcliffe explains how business is evolving in China. "China is economically going through what can be described as a transition, moving away from being the manufacturing center of the world in an era of constant high growth, to one driven specifically by the internal consumer and service-driven market. China is seeing a slow-down in the rapid growth they've experienced for many years,

and as a result the business perspective is transitioning from a fight for market growth to fight for market share."

After the 2nd industrial revolution, Ding explains, "The key drivers for the emergence of different industries were mainly from the supply side: how to produce products at a lower cost, with standardized, precision processes." Now, she says, "The trend is coming from the consumer, or the demand side. Industry has moved from a focus on *how* you make it to providing consumers with a complete solution: how you combine different industries to produce a finished good or a better consumer experience to meet my need."

Contending with this change demands a completely different approach to leadership and human capital.

Leading for the Future

"If you are a leader today be warned: what got you where you are is not going to keep you there in the future."

from *The Future ASEAN Leader: Leading Growth and Change in a Borderless World*

The Conference Board, 2014

"When we consider the China market and the transition from a fight for market growth to a fight for market share, it means much of the historic talent pool had grown up in an environment continually focused on market growth rather than market share," Sutcliffe explains. "That means they have a different set of skills—their focus is very much on topline growth rather than bottom line factors such as bottom line and productivity."

"Now, business leaders have to focus on very different things, such as productivity, the values of the organizations, their brand and their culture. The technical skills of Asia talent are very good. Whether the softer skills are there, I think that will be the future challenge, particularly as we begin to move into that future of work environment."

Ding says, "When we assess CEOs and business leaders nowadays, we pay more attention to whether a person has high learning agility, and the courage to correct the decisions they made previously. The environment can change, and if the decision that was correct two years ago may be no longer the right decision, you

may need to correct yourself.

The competencies of leaders are changing for businesses in China and across the region. Sutcliffe says, "One of the best expressions that I've heard around the talent conversation recently was 'most organizations follow the Three B strategy of buy, build, or borrow. We've now moved to a Four B strategy: buy, build, borrow or bot.' The implications are that with AI technology, people are going to have to be more creative. The creativity of leaders and the creativity of talent and the agility of talent is going to become more important. And this applies to the whole region."

Desmarescaux observes that talent will also have to develop skills that work across cultures. "With the exception of China and maybe Indonesia, none of Asian economies are large enough to represent a domestic market sufficient for a company to really go big. Asian companies have to become international very quickly. You need managers who are comfortable managing across cultures, managing across different regulatory systems, who don't mind being on a plane all the time."

There is also the issue of competition for talent. Vohra says, "When we look at Asia, we need to be cognizant that ASEAN almost operates as a single block, so within the ASEAN countries there is intense competition for talent, and typically for roles that have always been in short supply, such as chief digital officers, where demand outstrips supply."

To add to the competition, candidates may come to the process with elevated expectations. The 2013 CEB/Gartner research report "Three Key HR Risks in Asia" indicates employees in Asia are "3x more expensive to recruit than employees in Europe; and expect to get promoted 30% faster than global peers."

"As technologies continue to evolve, basic numeracy and literacy and familiarity with digital technology will be essential. In this regard, improving the effectiveness of schools and education systems is a priority in many countries in the region where most students are in school but many are not learning."

"East Asia Pacific Economic Update, April 2018: Enhancing Potential"

The World Bank, April 2018

Conclusion

As business in Asia continues to transform, so must its leadership. Vohra says, "If you look at the great companies, it's their ability to hire, train and mentor the best leaders that differentiates them. It's the human capital element."

Ding speaks of the value of courage. "Leaders are aware of the urgency to change, but sometimes the change means the leader at the top as well as the senior leadership team need to admit they are no longer that valuable to the company. So for transformation, leaders may have to dismiss themselves—and that is painful. It is uncommon to find a leader who has the courage to make decisions against their own self-interest—it requires huge confidence to act against their human nature."

Sutcliffe recognizes some bias as the rest of the world looks at the rapid rise of business in Asia. "When one picks up the *Harvard Business Review* or the *McKinsey Quarterly* and one considers business and how business operates, it's a Western model—Asia has that diversity of culture and thousands of years of history to be able to create ideas and ways of doing business that are Asia-centric. I think the rest of the world needs to consider what Asia is doing, instead of simply following the Western model."

What's the difference? "In Asia, in a high growth environment, you spend more time managing your opportunities than managing your business. In the West you spend all your time managing your business and hardly any time managing your opportunities."

Desmarescaux notices the pace in Asia is different. "We see that anecdotally, the pace at which business is conducted in Asia. There's not a sense of urgency from businesses in Europe that we deal with, where in Asia, people want to work very fast to catch up. The attitude by and large in Asia is that tomorrow is going to be better than today, so people are eager to progress, work hard, and capture opportunity."

Vohra shares that optimism. "There's more than enough capital chasing business ideas today, and there is so much disruption! There are enormous business opportunities. And whether it's in the digital world or in the old world, in the industrial economy, the family run business, or a multinational conglomerate, the ability to harness human capital will make all the difference." ■

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When change is necessary, adopting new processes can be extremely challenging. Whether it be a new IT project such as a system upgrade, growth initiatives to unlock new markets or other performance-based strategic goals, getting every team member on board is essential to your company's success.

Why is team buy-in so important?

Your team's productivity is tied to efficiency. If you have a bottleneck in your processes, everything suffers—company-wide. Change management is tied to the ability to move corporate culture forward. Essentially, it's your ability as a business to evolve. Within a small team, the culture can be impacted by just one or two dissenters. These people are not always trying to be difficult; in fact, they probably feel that they have the best interests of the company at heart.

Transform your company culture with change management.

Here are some effective strategies your team can use to get employees engaged when it comes to utilizing new technology, streamlining your organizational processes and expanding your company's revenue streams.



CREATE A LEADERSHIP MANDATE.

Develop a clear vision for how your initiative ties to success. It should be easy to justify the change as hardship presents itself. Simply measure the hardship against the benefits. Check out Simon Sinek's TED Talk on "How Great Leaders Inspire Action." Begin with why you are doing what you are doing instead of how or what. If you don't know why you are doing something, how can you get anyone else excited about being involved?



DEVELOP A CULTURE OF CO-CREATION.

Diane Gherson, head of HR at IBM, points to co-creation as a key to success. This associates the leadership mandate with a challenge and lifts the team up to meet that challenge. For example, you could say that you want to use a new data system to reduce the time it takes to prepare client reports by 50% while achieving better, more consistent branding company-wide. How you get there is not a management concern—it's a challenge to the team and any outside advisors.

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5 Ways to Drive Influence Through CHANGE MANAGEMENT



By Kandace Miller
Global Marketing Director, The Cluen Corporation



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BE OPEN TO OBJECTIONS.

Objections need to be addressed before you can expect buy-in from your team members. If you want to transform your business and ultimately become more effective, make sure you take all ideas into consideration. Opposingly, do not become too obsessed with one idea. Be open to hearing others' feedback and concerns. That way, you can promote an open dialogue between team members that, in turn, generates opportunities for continuous improvement.



BRAINSTORM FOR QUESTIONS.

In the process of co-creation, it is important to ask relevant questions first. MIT's Hal Gregersen shows evidence of how vital it is to drive questions before trying to ask for an answer—or, worse, telling a group what the answer is ahead of time. Basically, we don't know what we don't know. When you ask questions, you uncover what you could be completely wrong about.



TRACK KEY PERFORMANCE METRICS.

Having a way to measure results will be critical to sustainable success. Some companies succeed by using incentives (or at least performance reviews) that are tied back to measured results. Define your vision of success and compare it to the original mandate. Distinguish a mutually agreed-upon way to measure if and how you've gotten there. Break out what each player's role is—this is not only the key to implementation, it's also an incentive toward a mutual goal.

If you want to transform your company culture, you have to figure out why the change matters and what you don't know, collectively brainstorm how to fix it, and ultimately figure out how you will measure success. Most importantly, the key to getting buy-in from your team is to include everyone in the change management process in some way.

About Cluen

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A wide-angle photograph of the Singapore skyline at night, featuring numerous illuminated skyscrapers and modern buildings along the waterfront. The lights from the buildings are reflected in the water in the foreground.

SINGAPORE
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DISRUPTIVE INNOVATION

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An aerial night photograph of London, showing the city's lights and the River Thames. The Tower Bridge is prominently featured in the lower center, with its lights reflecting on the water. The surrounding city buildings are densely packed and illuminated.

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NOVEMBER 8