Reflect

Insightful business ideas from Equatex

Tools for your trade

Be prepared for new markets,
workforces and opportunities

EQUATEX

"All things are ready, if our minds be so"

– William Shakespeare, *Henry V*

We have brought together another fantastic line-up of thought leaders in this issue of *Reflect*. From the gig economy to corporate culture, a common theme unites the authors' varied topics – preparedness. Global business is continually changing, whether this is shifting workforces or the emergence of new markets. We hope that the authors' knowledge and expertise in these areas will equip you for what may lie ahead.

Dan Ariely, Professor at Duke University, tackles the irrationality of humans using behavioural economics. Erin Meyer, Professor at INSEAD and author of *The Culture Map*, then discusses what organisations can do as they internationalise and find their corporate culture is different from the local culture they are moving into. Also tackling global markets is Barbara Seta, Senior Partner at hkp/// group in Zurich, who offers advice for organisations planning to launch global share plans.

The 'gig economy' has now arrived and Foo Chek Wee, Regional HR Director of fashion giant ZALORA, tells us why HR will need to establish a new work paradigm for this emerging workforce. And, HR departments will not only have to contend with the gig economy; five generations of employees will soon be working side by side in the workplace. Career Coach Alice Stapleton considers best practice for managing multi-generational workforces.

Reflect will be switching from print to an exclusively digital publication in 2017. The new digital magazine will be fully responsive, which means you will be able to read it on your desktop, tablet and smartphone. The format may be changing but the magazine will continue to share insightful, inspiring and engaging business ideas with you. If you haven't done so already, sign up at *www.equatex.com/reflect-subscription/* and you will receive the magazine as well as the latest Equatex news straight to your inbox. In the meantime, we do hope you enjoy this issue.

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Issue 4

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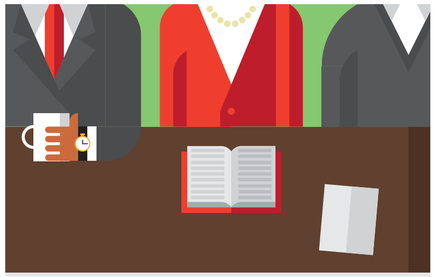


Words: Dan Ariely, Duke University
Illustration: Danilo Agutoli

Won't you just behave?

The science of economics was built on the assumption that as human beings we are rational beings. There was just one problem: the assumption was wrong. Professor of Psychology and Behavioral Economics at Duke University, Dan Ariely, discusses what came next

Economics is a bit like a religion. Believe in it in a strong way and there's very little that can be done to shake that. But what if economics can be shaken?

It can. In 2008, an earthquake reduced the financial world to rubble. The perceived self-interests of organisations – especially financial institutions – was the epicentre: it was a myth. The American stock market looked out of hand for a long time before the crash, in all manner of ways. And yet economists would explain that the behaviour of the markets was actually perfectly rational, even if difficult to understand. They assumed rationality from the beginning.

Later, and somewhat reluctantly, economists admitted that even if people themselves are irrational by nature, it's enough that there are some big players in the market who are rational. In other words, the rational players and organisations were responsible for taking money out of the hands of the irrational, and eventually the markets would reflect the perfect pricing.

But they didn't. The failings of the deregulated market; the fact that companies had no idea what they were entering into; the fact that the employees of those companies kept all of their pensions in doomed bank funds – all of this was crucial in unearthing the reality that ultimate rationality doesn't exist. As humans, we are inherently fallible – and nowhere is this more evident than when it comes to making economic decisions. Have all economists been convinced? Of course not. Will they ever be? Of course not. But the public discussion around the matter has changed considerably.

Defining 'behavioural economics'

'Behaviour' is not just an outcome of people's preferences, but of the environment in which people are placed. One hundred years ago, roughly 10% of human mortality was caused by bad decision-making. That figure is now about 45%. Why the rise? Because as we've developed as a society, we've effectively created more ways to kill ourselves. Think about texting and driving. As we develop more technology, we are creating more situations to test our frailty, our character.

Of course, this is an extreme example. But what about the kind of food we expose ourselves to? The lifestyles? The payment systems? Regulators wield an enormous amount of power in their ability to design an environment compatible with human frailties – or not, as is so often the case. If we put people in a compatible environment, there's a good chance they'll make better decisions; if we put them in an incompatible environment, there's a good chance they'll make worse decisions. This covers 'behaviour', but what of 'economics'? Since its inception as a science, →

economics has become more mathematically inclined; economists became increasingly interested in things like game theory and complex mathematics – constructs far removed from Adam Smith's *Theory of Moral Sentiments*, which is in essence a book of psychology, written by the founding father of economics.

But in order for such mathematical constructs to be solved, some simplifying assumptions were needed. The most comfortable was the assumption of rationality – so comfortable that economists eventually forgot it was an assumption. As a result, economics became more interesting in many ways, but also more wrong. And given the fact that economics is a prescriptive study (i.e. not just concerned with describing the world but with stating how it should be), it also became more dangerous.

Every perspective has its value. Society can be explained through the eyes of the philosopher, the sociologist, the anthropologist, the psychologist. But when it comes to dictating how society works – how tax systems are created, how the education system should be run, how people should be punished and so forth – then we require a more realistic approach. The economist who informs public policy while assuming human rationality would be akin to the engineer with an incomplete knowledge of building bridges.

> "When people spend money and feel the act (e.g. when handing over cash or signing a cheque), they commonly experience what's known as the 'pain of paying'"

The irrationality of humanity

So what exactly do we mean when we say that as humans we are essentially 'irrational'? Consider the act of texting while driving. Nobody says that their goal for next year is to text and drive. In fact, I've never met a single person who said that texting while driving is not an incredibly irresponsible thing to do. But what happens when your phone vibrates while you're driving? You become curious and interested. Your sense of long-term safety and the safety of others goes down, and you check your phone.

Helping others – isn't that an irrational form of behaviour? Sometimes people equate rationality with good and irrationality with bad, but if a stranger asked you to help them move a sofa, what would your incentive to help them be? Rationally speaking you would be wasting your time. If you were a good, rational economist, you would state your price and offer the stranger a take-it-or-leave-it deal.

Procrastination is another example. It's a terrible thing we do. Ask someone whether they spend too little or too much time on social media and they will probably admit to the latter – but they don't necessarily make a change. Likewise, many people say they are at their most productive in the first two hours of the day – but they admit that while they recognise that those hours are productive, they don't actually use that time to do work that demands a high level of cognitive function.

There are lots of things that we do that are not in line with rationality. In fact, if you think about most of our actions, they are probably not in line with perfect rationality. Some of them are, but most of them fall short of the ideal.

Bad (economic) behaviour

Irrational habits are written into the human condition, and I don't believe that will ever change. We'll never be able to turn off our emotions or always think in the long term.

Take something commonplace that we do every day: spending money. When people spend money and feel the act (e.g. when handing over cash or signing a cheque), they commonly experience what's known as the 'pain of paying'. However, when we're not aware of money leaving our wallets and purses, we don't feel so bad. Think about the old-fashioned utility meters that took coins versus today's direct billing options. Payment systems for smartphones and watches are similarly conducive to what we might call 'bad' economic behaviour. In getting us to think less about our money, they encourage us to spend more of it. Likewise, trading platforms routinely present us with past performance reports when we know for a fact that past performance is no reflection of how stocks will perform in the future.

Money is an interesting animal, to be thought of in terms of 'opportunity cost'. Every time you spend a dollar on something, that's a dollar less for you to spend on something else. But what exactly is this something else? Where is it coming from? It's very hard to think about money in any real degree of clarity because of the existence of such dilemmas.

Imagine a world in which I gave you $20 a day on the provision that this is your daily allowance – no more, no less. You would realise very quickly what you can and cannot afford, and how best to deal with the money. If I gave you a weekly allowance on Monday, you'd not recognise a constraint then or on Tuesday. However, by Thursday you'd start to feel it, and then it would be too late.

Mortgages are another good example. In the US, mortgages are often bought using points. Points are effectively a means of buying lower interest rates and allow you to pre-pay some of your interest upfront. If you stay with the same mortgage for 30 years, it's usually a good deal – but if you refinance, it could be bad. When people are presented with just one dimension when making a financial decision, they don't get it wrong (assuming the dimension is sound). But when other dimensions are added, they then start making mistakes.

Building the right environment

If, as I mentioned earlier, human flexibility and ability has everything to do with the environment around us, then what kind of environment should we have around us? One that gets the worst out of us, or one that gets the best out of us?

Our current environment is rife with the former – with systems that make it easier for people to fail – when in actual fact we should be considering how to take human nature into account when building it.

Imagine you and I were in charge of building the next electronic wallet. What would we build? One that gets people to ignore their money as they spend it, or one that gets them to contemplate it a little more? We don't need more systems that do the former.

Behavioural economics has made great strides in the savings and pensions arena – even just in terms of simple concepts, such as giving people different defaults for retirement. Some countries in South America (Chile, in particular) have traditionally let people decide for themselves how much to save, but the governments recently realised that people weren't saving – a familiar story. So, they decided to force people to save 10% of their incomes. And it's working, just as similar approaches appear to be working in the US and the UK. The whole notion of automatic deduction works so well simply because it gets people to think that they don't have the money in the first place – an inversion of the aforementioned 'pain of paying' scenario.

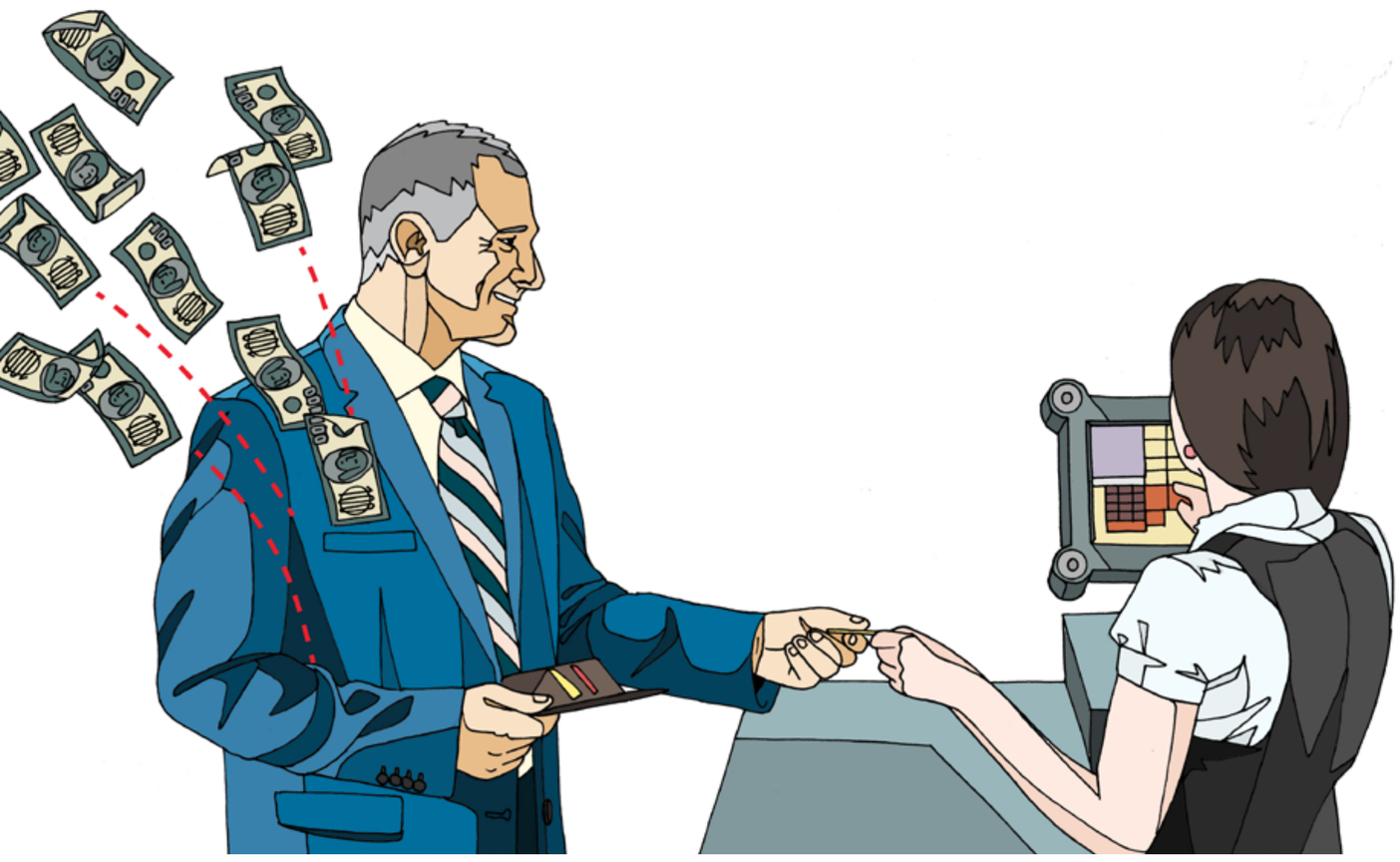
People have a tremendous desire to be motivated. We like to feel connected to our labour, and we want to feel that what we are doing is useful. Needless to say, the place of behavioural economics in the modern workplace goes beyond savings. Actually, in many cases the role of businesses is not just to create motivation, but also to not destroy it.

Admittedly, we don't have solid evidence to prove a correlation between financial incentives and employee motivation, but I'd wager there is one. Even simple things like kind words, social contracts, pizza – all of these things are capable of dramatically changing how employees view themselves, their work and their interest in it.

From a real world perspective, I don't think behavioural economics can be called an emerging science any more. It's got a multitude of different understandings, but if you look at what many organisations are doing in terms of innovation and ask them whether they rely on economic models or data to inform decisions, the answer will almost always be the latter. Similarly, ask them how much they rely on the principles of design and of human factors, and they will tell you that they use all of these – even though they may well be unaware of the fact that they are based on behavioural economics.

Standard assumptions about rationality are simply not part of the mindset of the modern workforce. Granted, there is a considerable way to go yet, but the journey has begun.

Dan Ariely is Professor of Psychology and Behavioral Economics at Duke University, North Carolina, and a founding member of the Center for Advanced Hindsight. He is the author of several books on the subject of behavioural economics, namely *Irrationally Yours*, *Predictably Irrational*, *The Upside of Irrationality* and *The (Honest) Truth About Dishonesty*. He has also produced a short movie, *Dishonesty*, and a card game, both on the topic of behavioural economics. These are Dan's attempts to describe his research findings in non-academic terms so that more people will learn about the subject, discover the excitement of it, and possibly use some of the insights to enrich their own lives, at home or at work.



DEFYING LOGIC, UNDERSTANDING CUSTOMERS

Director of Business Development at Equatex UK, Stuart Bailey, on the potential of behavioural economics for share plan administration

When I studied Economics at university 30 years ago, the focus was on developing a set of rational laws that determined why money works in certain ways. Increasingly over the past 20 years, academics have built a greater understanding of how psychological, emotional and social factors defy some of these logical rules and determine the economic decisions that people make.

In many respects, behavioural economics has become the flavour of the month. It has had a huge influence on public policy, and financial services organisations are developing products and services that take account that people make decisions about money based on a range of factors, not all of which are rational.

Increasingly, the findings from behavioural economists are affecting the design, communication and operation of equity compensation plans. For example, economists have identified that people will take more account of a message if they can relate to the person giving it. They are also more likely to take action if they understand that it is the popular thing to do amongst the workforce.

In the UK, one of the big supermarket chains decided to move from having a standard way of communicating their share plans to one that differentiated the message so that it was appropriate to the various parts of the business. Non-management shop floor employees received an invitation pack that included an endorsement from shop floor colleagues who were already in the plan; office employees' invitations had a message from one of their colleagues. Feedback following the invitation showed a greater level of take-up and employee engagement due to the different approach.

Research has also shown that in general, employees do not necessarily fully grasp the real value of deferred compensation. Often benefits that pay out today are viewed as having greater value than those that have the potential of significant upside in the future. As such, it's important to ensure participants have access to information that clearly explains how a deferred compensation plan works and to make it easy for a participant to get an understanding of the value of what they have awards over.

At Equatex, we have recently completed a redesign of our participant portal. The development was based on a significant amount of research and analytical work of how our participants use a portal as well as taking account of some of the findings from behavioural economics. It was clear that different users are looking for the site to provide different things. Some want access to a lot of information before making decisions. Others are cash-rich and time-poor with the main attraction being able to transact quickly. And there are others who are fairly nervous and who don't have much knowledge when it comes to money. For each of these, the portal provides specific communication and tools.

Taking account of the importance of showing the value of awards, the portal provides a real-time picture of the value of their awards when they land on the home page and the ability to complete projections of future value using a simulator tool.

Words: Erin Meyer, INSEAD
Illustration: Lucky Team Studio/Shutterstock

When corporate and local cultures collide

As companies internationalise, should their corporate culture supersede local culture? Or can the two be married to create a harmonious working environment? Erin Meyer, Professor at the international business school INSEAD and author of The Culture Map, says it depends on the objectives of the company

Many companies I've worked with have strong, centralised corporate cultures, which means that they have clear personalities and tend to hire for fit. They look for individuals who have a certain personality type and then train them to assume a very specific set of behaviours. A good example of this is Google and their Googlers. Google's corporate culture is similar to Californian work culture and they hire talent with values as close to this as possible. Other companies have decentralised corporate cultures in that each location has a separate organisational culture, often similar to the local way of working.

There is one strong benefit to having a strong centralised culture as companies internationalise: it makes them more efficient. I designed a framework called The Culture Map, which allows businesses to plot the similarities and differences between their corporate and local cultures across eight scales.

Let's take one of the dimensions: disagreeing. Some nations or companies feel that open debate and lively disagreement are largely positive; others believe that this type of behaviour is destructive. So if a company is confrontational in nature, they tend to hire people who likewise enjoy disagreement. The company is therefore more streamlined as all employees are similar – it provides a more homogenous way of working.

There are difficulties in hiring for fit, however. Companies are in danger of missing out on local talent if they only hire people who fit in with their corporate culture. Another challenge that comes with hiring for fit is that employees may work harmoniously with other employees, but may struggle to communicate effectively with local customers or suppliers. ExxonMobil, for example, is very task-orientated and focused on efficiency. They employ task-orientated people, which makes it easier for the business internally, but they also have large operations in relationship-orientated societies like Nigeria.

What are your objectives?

To avoid a clash between corporate and local cultures, companies need to figure out the pressure points between the two. The Culture Map illustrates how cultures can vary from one extreme to another along a spectrum. Are decisions made by consensus or does the boss decide? Are timeliness and structure important or is flexibility at the heart of the company's success? Companies then need to think about whether their goal is to create efficiency within the business and preserve their own organisational culture above all else, even if that means they are at odds with local clients' style of working. Or are they more interested in developing a flexible culture that maximises diversity?

This often depends on what product companies are selling and what their goals are. If, like Google, they have few local competitors as well as a highly innovative product or service that is the result of their corporate culture, they may want to retain their own culture – what matters is continuing the innovative work that their culture has helped to attain. But if a company offers a product or service which means they have many local competitors, I think it's a risky choice to focus on hiring people that fit in with their corporation's way of working. It would be better to create an environment where managers are able to bridge the local environment with their headquarters.

From California to Japan

I worked with a company in Silicon Valley, who had been very successful locally. When they decided to expand, they were very deliberate about it. The executives worked together to map out their corporate culture and the national cultures they wanted to expand into. As they did so, they started to notice a few things.

The company is extremely direct with negative feedback, more so than most American businesses. They hire people who are direct and encourage them to be brutally honest. As the company began to expand in Japan and Indonesia, they needed to confront the brutal honesty they believed in as this was in direct opposition to these cultures. The solution was to hire managers who had a high degree of authentic flexibility – Japanese and Indonesians who had experience of working in other countries and could differentiate between local and corporate cultures. The company's local teams in Asia didn't adhere to the culture of brutal honesty, but the managers were able to effectively adapt the corporate culture as such. It is one strategy that requires a lot of forethought and talent.

Another is to choose the countries you move into based on your similarities. The same company also believed in egalitarian management systems, so they set out to find a country for their second headquarters that matched these values. First they looked at Latin America, but these countries tend to be less direct with negative feedback. Then they looked at Russia, but they have strong hierarchical processes. The country they ended up choosing was Israel as it's both egalitarian and direct with negative feedback.

Creative cultures

When employees are located in the same place in the same culture, much of our communication is implicit, whether this is through eye contact or body language. The closer the space we share, the stronger our reliance on unspoken cues. A manager at Louis Vuitton told me: "At our company, managers didn't finish their sentences. Instead, they would begin to make a point and then say something like, 'OK, you get it?' And for us, that said it all."

As companies internationalise, the ability to pick up on subtle messages breaks down simply because employees are no longer in the same space. Companies often automatically move to a more documented way of communicating to ensure meaning is not lost. What I've found, however, is that companies with creative environments have highly implicit communication. At Louis Vuitton, ambiguity is part of the value proposition, and one manager told me: "The more we wipe out ambiguity between what was meant and what was heard, the further we wander from that essential mysterious ingredient in our corporate culture that has led to our success."

Companies can purposefully draw lines or boundaries around their creative departments and let communication within them remain more ambiguous. The rest of the company becomes more documented, while those creative units don't suffer. This can help to protect your creative spaces.

Employee engagement across cultures

People naturally feel close to colleagues they see daily. So difficulties can arise when employees are working in different locations, which can lead to an 'us vs. them' mentality. For example, one New York-based financial institution opened offices in Asia and struggled to export its highly collaborative culture. The issues can become exacerbated when you have local environments, for example in a company's office in America, there are only American employees; in their office in India, there are only Indian employees. The more homogenous the locations are, the more likely there will be an in-group subculture.

One very useful strategy is to be heterogeneous everywhere, so a percentage of your American workforce is based in India, and vice versa. It is a costly proposition, but if you are able to create heterogeneous pools, there are two consequences: one is that the Americans living and working in India become a bridge between the two locations; another is that those people understand the gaps between the different environments. It's a very successful way of breaking down the 'us vs. them' mentality and increasing understanding between employees across cultures.

Let's look at L'Oréal. Confrontation and open disagreement are a strong part of its corporate culture. In France, those disagreements create an engaging and intellectually stimulating place to work, but in Asia, it can feel like a personal attack. L'Oréal carried out training programmes across the world around the concept of confronting ideas, which was somewhat successful. I interviewed employees in China who said that they could now see the positivity in disagreeing with one another. Yet, the company is now rethinking whether it needs to change its corporate culture altogether. Therefore, as well as training and putting cultural bridges in place as I mentioned before, there is a third strategy: you adapt your corporate culture in order to be more effective globally.

Whatever strategy they choose, companies must have a strong awareness of what their corporate culture is and how it has led to their success. In general, I would say that they don't think about these types of things enough. Companies that do will not only experience better engagement, they will have a more collaborative workforce and be closer to their clients. Some even find that they can't actually succeed if their bases don't get along.

If you think of a company as a machine that needs to run, culture is the system behind how it's running, so it can have a huge impact on the bottom line.

Erin Meyer is a Professor at INSEAD, one of the world's leading international business schools, and author of *The Culture Map: Breaking through the invisible boundaries of global business*. Her work focuses on how the world's most successful global leaders can navigate the complexities of cultural differences in a multi-cultural environment. Her work has appeared in *Harvard Business Review*, *The New York Times* and *Forbes.com*. She is the recipient of the 2015 Thinkers50 RADAR Award. Erin gives keynote speeches and runs seminars for organisations such as the World Bank, KPMG and L'Oréal.

Words: Foo Chek Wee, ZALORA
Illustration: Edward Tuckwell

The gig economy has arrived. More and more of today's workforce are assuming temporary contracts or 'gigs', rather than permanent positions. The growth in digital work platforms and marketplaces has made it easier to buy and sell services across the globe, enabling organisations to contract project workers, freelancers and other independent workers for short-term engagements.

But what does the trend towards the gig economy mean for HR? Foo Chek Wee, Regional HR Director of fashion giant ZALORA, tells Reflect more

It used to be the case that 85–90% of the working population was made up of permanent employees, with the remaining percentage offering transitional and outsourced services. But with the increasing adoption of freelancing and contracted employment, the key question now for business and HR managers is how to engage non-permanent employees and change the 'us vs. them' mentality.

The gig economy can encompass consultancy services, outsourced operations and freelancers. From an HR standpoint, the challenge to practitioners is to find the common purpose and meaningfulness across permanent and non-permanent employees – these are just labels, honestly. We need to focus on how we find commonality between employees, rather than putting people into boxes. Companies that are able to fully integrate non-permanent employees will have a sustainable competitive advantage against known competitors.

There needs to be a common platform or narrative across an organisation; it doesn't do us any good by separating or isolating non-permanent employees. At ZALORA, we have created a culture that is inclusive. We do not view someone as contracted or as a consultant; we see each other as serving the same cause. Our company newsletter, for example, celebrates the successes of all Zalorians, regardless of employment status. In another example, our company parties include everyone, from contractors to consultants, interns and even part-timers. Inclusiveness is what we practise in ZALORA and everything flowed from there. A permanent employee may have more benefits in comparison with a contractor, but everyone is treated the same and viewed as one common group of people, contributing to our cause.

The Uberisation of the workforce

The truth is that the Uberisation of the workforce is happening [the exchange of services between businesses and workers →

for a defined period of time via digital platforms] – not will happen – it's happening right now, and the consequence of this is that work will become further compartmentalised and specialised. This means that with increasing globalisation, we will all be competing; for example, a country like Singapore will be competing with the world economy.

We are no longer constrained by notions of geography because of digital technology. We have access to the best services regardless of where they are – it could be the Ukraine, it could be Argentina. With a focus on the specialisation of work, the HR function, by competition or by will, and whether we like it or not, will have to establish a new work paradigm. This paradigm will affect how we recruit people and how we grow our own people.

But what do we mean by 'own people'? In the past, we talked about people but now it is no longer about buying and building talent, it's about buying and building talented services. So instead of a person, we are talking about the capabilities of that person – their specific skillset. People must become more specialised to compete with the world's best, and that's where the paradigm changes.

Take journalism – journalists can no longer say they are the best person in this market for journalism; rather it will be: "I'm the best in the field for sport stories in Singapore." It's just one example. You become the best in the world, and that's specialisation.

What does it mean for job security?

There needs to be a minimum level of protection for contractors or part-timers. Locally, it is encouraging to see that the Singapore government has taken proactive steps in protecting fellow Singaporeans. For example, in June 2016, the Singapore Ministry of Manpower (MOM), National Trades Union Congress (NTUC) and the Singapore National Employers Federation (SNEF), jointly developed a set of Tripartite Guidelines on the Employment of Term Contract Employees to provide greater clarity on leave benefits and notice periods. Actions such as the above are encouraging indicators, and I believe more will come to ensure that non-permanent employees are treated fairly at a macro level.

On a micro level, how do we as individuals view job security? This notion has evolved. If you were to look at permanent employees in Asia, it is culturally acceptable for a person to jump ship after three to four years. On another note, we hear news of redundancies happening in companies across the world – 10% here, 10% there – to the point that one can't help but wonder if such exercises are seasonal in nature. Hence, can anyone, permanent employee or not, really be assured of job security for life? The answer is no. I would argue there is actually more job security for freelancers, simply because they are more aware that their jobs are not permanent. The best form of job security is to ensure that when someone pays us a dollar, we can return three or more dollars back in value. For the person who is in the gig economy, he or she has the organic tendency to improve service or product offerings because of job impermanence, and that is job security for life.

Cultural differences

In my role as an HR business partner, I facilitate and enable talent to grow in an organisation. What I have observed in Asia is that working as a permanent employee for an established organisation is still very much the dominant preference for young graduates. Generally speaking, the Millennial generation desires more freedom and empowerment compared with previous generations. That notion may lead us to assume that the Millennials would be the first in the queue to take up freelancing gigs. However, I don't see this as a prevailing preference for undergraduates and graduates in Asia; only a very small minority want to venture into this area. I don't want to generalise, but I would say that there is more of a general emphasis on academic education in Asia. Such focus on qualifications has resulted in significant assets and time being invested by families. In Asia, parents generally invest in their children's education, so it's harder for graduates to say they are going to become freelancers. This is breaking down somewhat; I would say that five years ago it was quite prestigious to say that you worked for a private equity firm, but now it is even more prestigious to say that you are the co-founder of a start-up.

Future gigs

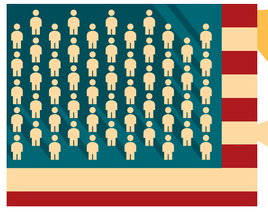
Macroeconomic forces will determine how the HR function, like all corporate functions, will evolve over time. In 10 years, low birth rates, relative high-skilled labour demand across both emerging and advanced economies, and technology democratisation will accelerate the establishment of the global gig economy.

Asian businesses are still traditional in nature, especially in Asian founder-led conglomerates where the people at the top tend to be first-generation leaders, and hoping for their children to take over the helm. Yet, the sons and daughters of these business owners tend to be educated in the West at Ivy League schools where they learn about the celebration of the individual, so this is creating a sandwich generation in Asia. With regards to the gig economy, the younger leaders, who will take over big businesses across Asia, know that it is coming. These second- or third-generation leaders will have the majority say, in time.

In a nutshell, as permanent employees, we should be thinking, "This is my gig." Even I view myself as a gig employee though I am a permanent employee; if I weren't, then would I be thinking of staying in this company for the next 20 or 30 years? Is this possible? No way. In this respect, I am a gig worker as well.

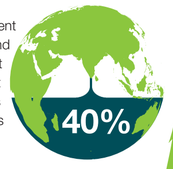
Foo Chek Wee is Regional HR Director of ZALORA, Asia's leading online fashion destination with presence in Singapore, Indonesia, Malaysia & Brunei, the Philippines, Hong Kong and Taiwan. He is one of Singapore's leading HR professionals and is also the founder of ThriveinAsia.com, a Pan-Asia non-profit community of HR professionals who share knowledge and support the career development of their members. Before joining ZALORA, he gained more than 10 years of accelerated HR experience in companies such as American Express and Visa Inc.

THE GLOBAL GIG ECONOMY



Nearly 54 million Americans participated in some form of independent work in 2015

India's independent workforce is the second largest in the world at 15 million and fills about 40% of the world's freelance jobs



32% of Millennials believe they will be working "mainly flexible hours" in the future

50%

Estimates place half of the United Kingdom's working population as being self-employed in the next five years

SOURCE: SPERA, 2016 FREEDOM ECONOMY REPORT

Words: Barbara Seta, hkp/// group
Illustration: Callum Lewis

Ready to roll

What do companies need to know when rolling out a global share plan? Barbara Seta, Senior Partner at hkp/// group in Zurich, discusses customisation, communication and unnecessary complexity →

When companies decide to roll out a new share plan or make changes to an existing plan, two factors should be considered: the objectives of the plan and the practicalities of implementation.

Organisations should carefully consider what they want to achieve. For example, if retention is an objective, organisations need to consider the plan's forfeiture rules. If the plan is voluntary, it needs to be sufficiently attractive. And how will the plan be implemented? Companies need to assess practicalities, including what data they have and need, the countries in which the plan will be operated, the number of eligible employees in each country, the existing operational set-up, and the approximate award volume. These factors will have an impact on the relative difficulty or ease of implementation and communication.

Compensation plans must align with the company's existing or future strategy and fit into the compensation mix alongside the other benefits offered. This may vary from country to country or division to division, but organisations need to have an idea of how they want to position the plan and what individual participants will receive. This will determine what the plan will look like and whether it will be a success.

The end is just as important as the beginning

Sometimes companies only prepare for a new plan up to and including its rollout, but they need to consider the entire lifecycle of the plan from design and drafting and first awards being granted to the time when final payments are made. In the years between a plan's start and end points, there could be any number of corporate transactions and external and internal changes that could impact the employees or the shares they hold, from changes to the share capital, such as stock splits or rights offerings, to changes such as part of the business being sold or merged with other parts.

The plan rules need to contain some flexibility to accommodate such situations while also being sufficiently clear to avoid potentially adverse outcomes for the company, its employees or shareholders. Take an extreme case – if a company delists from the stock exchange (which happens rarely but can happen), suddenly there is no market for the shares, so organisations need to be able to offer something else in return. This needs to be formulated in the plan rules in such a way that it does not adversely affect the accounting treatment of the plan. A more common situation is that management may simply want to make changes to the terms of the plan in later years. So it needs to be clear what the approval process is. Therefore, it is important to think through all the possibilities and make the plan future proof.

> "Many companies with mature plans are now struggling with how many plan variations they have accumulated over the years and are trying to streamline them, which in turn can be expensive"

Keep it simple

Along with the design, operational processes also need to be clearly defined from the beginning, including the cooperation between departments, which need to work effectively together to make the plan a success. This is particularly true of HR and Finance departments since typically HR is in charge of the plan but any changes will also impact Finance. A global HR system, choice of a suitable administrator and efficient payrolls can make a big difference on how complicated or easy it is to implement the plan.

It is very difficult at the beginning for companies to get a clear picture of the total cost and they may not realise that the cost is very much the result of the decisions taken on plan design, communication and implementation. Yet, it is relatively easy to manage the expense by making the right decisions.

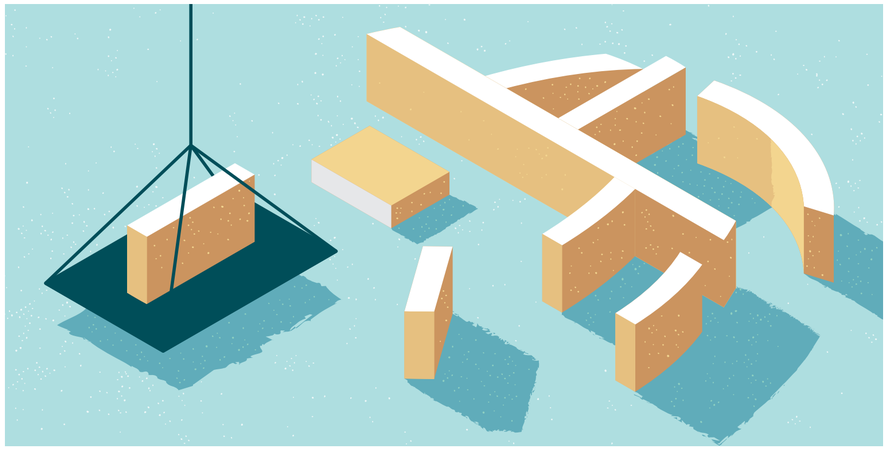
My advice to companies is to avoid unnecessary complexity as much as possible. The more complex something is, the more expensive it will be. A complex plan will increase the cost not only of implementation but also of the operation of the plan for years to come. Plans have a tendency to become more varied over time and if this can be managed in a controlled way from the beginning, it saves a lot of headaches later on.

Customise, customise, customise

In some cases, companies select a plan and rollout approach based on what they see other companies doing, instead of customising it to meet their own needs. While a lot can be learned from the experience of other companies and advisers, the best approach to implementation is not something which should be taken off the shelf, as every company is unique in terms of its history, culture, structure and employees. What is important is that the plan becomes part of the fabric of the company, which is why we would advise companies to customise their approach to design, implementation and communication.

The other question is how much companies wish to customise their plans for individual countries or groups of employees. Like with all such decisions, there are pros and cons to doing this – let's take country-specific variations as an example: if a company customises a plan in a country to make it more tax efficient, this may be in line with local market practice and save tax or social security, but it can also make the plan more expensive to operate. Many companies with mature plans are now struggling with how many plan variations they have accumulated over the years and are trying to streamline them, which in turn can be expensive.

There are variations that companies may be forced to make either for business reasons or to ensure compliance. For example, it is not possible to do normal payroll deductions in Hong Kong and some countries, such as Italy, prescribe a specific definition of market value, which must be used to calculate the taxable benefit. In the financial services industry in particular, there are very detailed rules on how compensation needs to be structured, which also need to be taken into account. In such cases the company has to make certain amendments. But generally, it is often possible to avoid or minimise variations to those that really benefit the company and avoid unnecessary complexity. Again, it is important to find the right balance.



Barbara Seta is a Senior Partner at hkp/// group in Zurich and has more than twenty years of experience in the share plan industry. Working in London, Munich and Frankfurt, she advised companies in a variety of industries on the design and global rollout of plans. She was also responsible for the group compensation framework of a global bank with ca. CHF 1 billion of awards granted annually under a variety of compensation and equity plans. Since 2014, Barbara has worked as a consultant again, advising companies on executive compensation, equity plans, performance management and other HR topics.

Country to country

The implementation effort required also depends on the type and number of countries in which the plan is implemented. Some countries are more complicated from a legal or tax point of view: examples include China and – depending on the number of employees, type of plan and the company's existing securities filings – the US.

However, it should not be assumed that more countries necessarily means more complexities or proportionally higher costs. Companies often believe that there is a price per country, but this is not the case: one can put a plan in place in a large number of countries at a reasonable cost or in a small number of countries and spend millions on it. It depends on the decisions made regarding plan design and rollout approach, including how to work with internal and external parties.

Some advisers have their own perceptions of what the prevailing equity culture is in other countries. For a long time it was, for example, assumed that China did not have an equity culture, but there actually is a very developed equity culture in the PRC now – it is just from a very different point of view. So if a company has employees in countries that are culturally different from each other, it is even more important that the plan design is simple enough so it can be easily explained to a large and diverse population in different cultures.

The last word

Less complexity makes it easier to communicate the plan and companies should think of external and internal communication in tandem. How will you present the plan to different audiences? In the past, companies would only think about communication geared towards their employees and external disclosure, but with digitalisation, social networks and employer ranking websites, it is vital to consider how internal and external communication overlap.

The internal and external communication approach will obviously differ depending on the plan. Plans for senior executives are mostly on-top or even, in case of certain deferral plans, mandatory. The challenge here is to help participants see the value of the plan while also ensuring that it is explained properly to external audiences, including shareholders.

In the case of voluntary plans, employee buy-in is required to make them a success. This may mean that it can be beneficial to involve employees in the development of communication content or delivery more directly. Employees are also much more willing to invest in shares if they have a positive view of the future and if they believe that the company will grow. Some companies are using this and the positive effect on engagement very effectively to present themselves as an attractive employer.

CURRENCY, COMMUNICATION AND CHALLENGES

The administrator's perspective on rolling out global share plans with Patrick Stierli, Head of Global Account and Plan Management at Equatex

As Barbara says, in my opinion the first factor that organisations should consider when rolling out a global share plan is the strategic objectives of the plan: what does the organisation want to achieve? Is it building a share ownership culture or increasing the number of shareholders? Rolling out a global share plan is a long-term investment, so the objectives need to be clear from the outset.

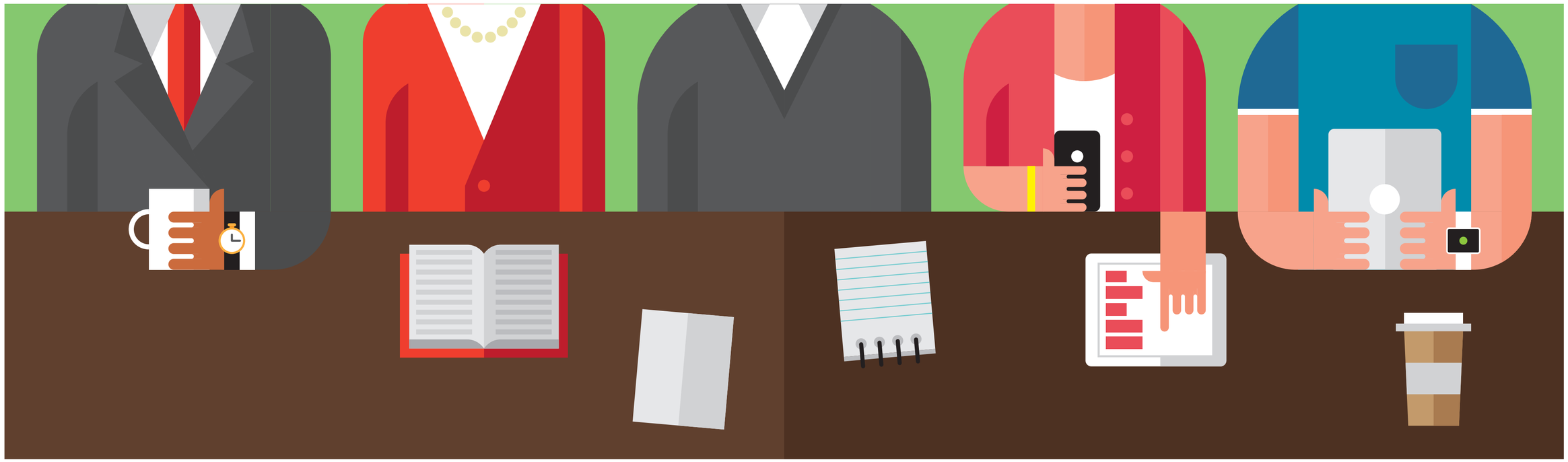
Organisations need to ensure the plan design is attractive to employees and part of this process is establishing whether they want to roll out a plan with shares being offered to employees at a discount. Alternatively, they could work with what we call a matching award, where for every two or three shares bought, employees receive another for free. Within this, it is a good idea for the plan design to also include the minimum or maximum investment amounts per employee per year. Say a company headquartered in the UK decides to roll out their plan in 50 countries with around 35 different currencies. The minimum and maximum amounts need to be defined in these currencies, which makes it more complex. Organisations should then compare the earnings of employees in different countries against the share price. If one share is worth £80, what does this mean for employees located in countries with a lower purchasing power? How much can employees realistically invest and is this sufficient to buy at least one share? Also consider that the investment has to be converted from the local currency into the market currency of the shares, or if that is not possible, a third currency must be used. All these costs must be agreed up front.

Communication is greatly linked to the success of the plan. The rollout requires very early engagement with local units as they need to be involved in communicating and administering the plan. Overall, there must be commitment top down from local management to make the plan a success. A lot of communication is needed to share the benefits for individuals, so it's a good idea to prepare rollout packs in several languages. The language of the plan's administration system may also need to be adapted; Equatex recently helped administer a plan where part of the rollout was in Russia, so we supported the company by offering Russian language in our web platform EquatePlus.

In terms of vesting, most communication is now paperless, which is fast and efficient, but if you are rolling out the plan to employees who do not have internet access, for example, can you easily communicate online? If paper is involved, the timings are completely different, which presents new challenges. Another challenge is how employees pay for their shares. A simple and easy way for employees to participate is through salary deductions but there are some countries where this is not allowed.

A trusted administrator not only helps put the technology in place for a global share plan; it can also help organisations with these aforementioned local and specific challenges. We have a wealth of experience at Equatex in rolling out global share plans in multiple countries; I would recommend selecting and bringing your provider on board as early as possible. If we are engaged when an organisation is at the design stage, we can bring our experience to the discussions around the administration, challenges in general and best practice for processing of the plan. We can advise on whether or not it can be easily administered, which prevents challenges later in the plan's lifecycle.

Words: Alice Stapleton, Career Coach
Illustration: Callum Lewis



One workplace, five generations

The year is 2025. There are five generations working simultaneously in the workplace. It's a minefield. Will organisations prosper or will they fall? Career Coach Alice Stapleton explores the challenges and opportunities of managing multi-generational workforces

A full 75% of the modern workforce will soon be made up of Millennials, or 'Generation Y' (born 1980–2000), according to research by Deloitte. The remaining proportion will be taken up by 'Traditionalists' (born 1945 or before), 'Baby Boomers' (1946–64) and Generation X (1965–79), as well as those born after the turn of the century – Generation Z.

The make-up of the modern workforce, then, is changing – but the management of it doesn't always reflect this fact. Up until now, the general approach to managing workforces has been a one-size-fits-all, like-it-or-lump-it attitude. Organisational managers can often be set in their specific ways, and if it grates with other generations within organisations, the reaction is the same: buy into it, or be shown the door.

Management styles have, of course, changed to reflect modern organisations' preoccupations with the likes of race, gender and disability – and thankfully so. Yet when it comes to age and the cultural awareness of it in the workplace, there's a definite discrepancy.

This has much to do with timing. Generation Y, in the grand scheme of things, are early on in their careers. Generation Z haven't even begun. Furthermore, there are schools of thought that claim there aren't actually any differences between the generations at all – that employees all want the same things and work the same way.

The shift about to occur when the generations are all aligned is only just becoming apparent. As populations age and retirement ages rise, the narrative on the subject of workplace generations is getting louder. It is indicative of the fact that organisations are starting to realise they're losing or missing out on a lot of talent. HR departments across the board are thinking: "How can we understand what's going on here? How can we understand these differences between generations in the workplace?"

Generational traits

Born in the wake of World War II, the Baby Boomer generation has grown up in a workplace in which job security and economic safety has been paramount. Career opportunities during the 1940s and 50s were fairly limited compared with the possibilities now. Travel was expensive and technology was young, meaning that few companies had global strategies. The whole entrepreneurial start-up market didn't exist when you consider what it looks like today.

All of this gave rise to the 'job for life' attitude. The more specific the profession, the clearer the career progression, the more attractive the pension fund – these are some of the most important career considerations for Baby Boomers, just as they are for the generation before them.

For Generation X and, increasingly more so, Generation Y, being able to develop specific skillsets and become experts in particular fields is key. Another major factor is being able to see the impact their work has. Their motivation is based on purpose, meaning and social impact. They want their work to be something they're genuinely interested in and proud to talk about. →

The younger generations rely on what their careers say about them. They would more willingly accept good reputations and take hits to their salaries than the other way around. Older generations, on the other hand, would likely be willing to compromise some of these less tangible factors in place of greater salaries and job security.

Generating responsibility

It's important not to view these generalisations in a negative light. For example, that members of the younger generations have high expectations (as is generally the belief) is no bad thing. Think of customer services and the way that standards and expectations have risen in society. To me, it's the same. Young employees expect more and think standards can be higher because of the wealth of opportunities, resources and possibilities available to them and the organisations for which they work.

Of course, there are challenges when it comes to workplaces simultaneously hosting multiple generations. An organisation with such a workforce will be teeming with different opinions on how things should and should not be done. Misunderstandings, tension, conflict – the workplace can readily turn into a challenging environment.

Alice Stapleton has spent her working life helping people get to where they want to be - first as a Probation Officer and now as a Career Coach. Specialising in coaching clients in their 20s and early 30s, she is an expert on Millennials/ Generation Y. She also provides corporate services designed to help organisations better understand their Generation Y talent. Her practice is regulated by the European Mentoring and Coaching Council, of which she is a member. Alice has appeared in publications such as *The Financial Times* and *The London Evening Standard*.

On the flip side, there are obvious advantages. A wealth of variety and diversity in the workplace means a broader understanding of client needs as well as the trends and habits of the different generations an organisation is looking to serve. It also means a myriad of different values, viewpoints and perspectives, honed across several decades and through the differing political and economic shifts that have taken place during that time – a vast benefit when it comes to creative and holistic decision-making.

I'm a massive believer in the fact that employers have a responsibility – a duty of care, even – to best consider how to manage different generations of employees. Of course, people should always be responsible for their own careers, but I also think that employers have a responsibility to think about staff and create environments in which everyone can thrive and be genuinely valued. The real challenge lies in nailing the management.

Managing the masses

Bespoke is the name of the game when it comes to management strategies for multi-generational workforces. Organisations can't have a one-size-fits-all management approach and expect it to work for everybody today; it has to be about individual employees, reflective of what makes them unique and understanding of what they value.

For example, there's a definite need amongst younger generations for a more transparent, honest and reliable management style – promises being delivered, clearness on career progression, and a defined means of hitting certain milestones, as well as a degree of interest in the work, competitive salaries and possible bonuses. For older generations, following through on similar messages is still important, but the management style should focus more on things like relevant, future-focused employee incentives and the upholding of job security.

In fact, recent Chartered Institute of Personnel and Development (CIPD) research found that the four current generations value reward and salary differently. The younger generation has a stronger emphasis on the whole package of their job. Generation Y is very keen that their job makes a difference as opposed to just having a high salary, while the Baby Boomers have much more of a focus on savings and pensions and other such later-life provisions.

It's very difficult to conceive of a one-size-fits-all rewards strategy for these very reasons. What you think might motivate somebody is not going to work for everybody. The more bespoke the better. As people go on in their careers, things like shares, investments, pensions and savings become much more important to them. Yet for recent graduates, research suggests that they don't tend to think much further than two years ahead; they're much more interested in social initiatives and work/life balance opportunities.

> "Organisations can't have a one-size-fits-all management approach and expect it to work for everybody today; it has to be about individual employees"

The same applies to training. One inaccurate stereotype is to think that graduates and other Generation Y employees prefer to do training online or on their phones. Research suggests that's simply not true; that instead, because such employees spend so much time online, when it comes to training and development they really value those face-to-face environments and peer mentoring. This being the case, it's very much worth thinking about training in terms of how it is delivered, the content of it, and what might work best for the people to whom it is catered.

The other necessary facet of a successful management strategy for multi-generational workforces is the adoption of a consultative approach – so a move away from traditional, more directive methods. Especially with younger generations, an authoritative management style isn't overly effective. What's needed is a departure from focusing on specific tasks and responsibilities to focusing on personal experiences, interests and motivations. A management style that does this will get the best from employees.

Happy employees, successful organisations

Granted, implementing this kind of approach requires a considerable degree of tolerance, time and patience – an acceptance, I suppose, of the fact that people and generations are in fact different.

But at the same time it makes sense to invest in it. At the end of the day, profit is what a lot of businesses are about. There's little point in wasting money on something like an online training package that employees work through but never remember because they can't relate to it. And that's only one example.

Properly managed, age-diverse teams can be massively beneficial to organisations. It means varying perspectives and opinions from people who have all been through different experiences, and they can bring that to the tables of their respective organisations, contributing new and creative ideas on alternative ways of doing business. An environment in which everyone is blinkered and identical, and treated as such, is neither dynamic nor responsive.

The more an organisation can demonstrate an understanding of its customers, what makes them unique, what motivates them and what makes them feel valued, the more successful it will be. Some of the world's most renowned brands are successful for that very reason. They demonstrate a thorough understanding of their customers because their employees are reflective of the specific generations they're targeting. They have created – and continue to develop – an accurate dialogue between brand and customer.

Managers need to be tolerant of differences across generations, both internally and externally. It's impossible to accurately stereotype generations, so what's most helpful is to create an open dialogue with employees and adopt an open mind towards how things are done. Managers need to be understanding and accepting of both new and old viewpoints and perspectives rather than adopting a judgemental and critical approach.

There's no need for employees to be told which traditional hoops they must jump through nowadays. The modern workplace should be characterised by open-minded, flexible approaches to how employees fulfil their work responsibilities, and to making employees' lives as good as they possibly can be – for the benefit of individuals, organisations and the customers they serve.

DYNAMIC, FLEXIBLE, EXPERIENCED

Employing a multi-generational workforce has many benefits, says Stina Näslund, Human Resources Manager for Equatex

Multi-generational workforces offer many opportunities for companies. Of course, there may be differences of opinions, but different generations bring diversity, new ideas, varying levels of experience and suggestions for improvements to the workplace.

Different generations can also learn from and help each other: younger employees may be enthusiastic and have lots of ideas but they may not know how to execute them or be able to see if, for example, something is risky, whereas older employees have more experience. I think having a mix of age groups is good for companies that want to be innovative and flexible.

Younger generations may expect workplaces to be fast-paced and more transparent and for decisions to be made as a team, but again this provides opportunities. Communication is the key for everything – HR should ensure interaction between all teams and if there are any issues, these are discussed openly.

It's not only salary that Millennials consider when applying for new roles; training and development is important to them so they tend to look at how they could advance in a company. Social responsibility is also significant for younger age groups: they want to feel proud of where they work and that they are making a difference. So when recruiting, HR managers need to recognise the importance of development to this generation and illustrate the company's social responsibility strategies. In contrast, older generations may look for jobs that are safe and secure, and somewhere they can work for a longer period. Yet, all generations are changing jobs more often than they used to and this will continue to be a challenge for HR.

Equatex's core values are innovation, commitment and trust, and as part of this we have a dynamic and flexible multi-generational workforce. Engagement initiatives such as the Global Corporate Challenge (teams from across the organisation aim to walk at least 10,000 steps a day) are popular with our entire workforce. It's been a good opportunity to mix teams between not only different departments, but also age groups and even countries.

Equatex also has clients of different generations, so having age-diverse teams in the business is useful for understanding what they are thinking and what they believe is important. It's crucial to be aware that the make-up of workforces is changing but overall I don't think we can generalise too much. It's good to be aware that there are differences between generations to a certain point, but HR managers must also consider individual employees and how they fit into the team.

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