

Reflect

Insightful business ideas from Equatex

Think human,
not resources

The importance of understanding
your people as individuals


EQUATEX

“We are on the edge of shifting from a world where employees have to fit into an organisation to one where the organisation needs to fit employees”

– Professor Rob Goffee

Welcome to the second issue of *Reflect*, the magazine launched by Equatex to share insightful, inspiring and engaging business ideas with you. This new issue is dedicated to those who are fundamental to the success of our organisations: employees.

It is one year since Equatex, formerly part of Swiss bank UBS, launched under its own brand. During that time, our employees have been instrumental in the success of the company, and we now have more than 100 experts of different professional disciplines and nationalities working across seven locations.

In this special issue on people, we have brought together a fantastic line-up of thought leaders from some of the world's leading organisations, institutes and consultancies. A common theme that emerges from the authors' expertise is the necessity of understanding your people as individuals.

Josh Bersin, Principal with Bersin by Deloitte, discusses how HR departments can use analytics to improve not only HR but also people-related problems across an organisation. GSK's Chris MacRae continues to suggest that talent management must consider individuals' motivations, while PwC's Polly Bieri considers tightening legislation, the challenges of global mobility and why total compensation is becoming more diverse. Professor Rob Goffee of London Business School then tells us what it takes to create an authentic organisation and lastly, Dr. Werner Eichhorst of Germany's IZA explores how benefits may change to meet employees' needs as they live and work for longer.

We do hope you enjoy this issue, and please let us know your feedback.

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Issue 2

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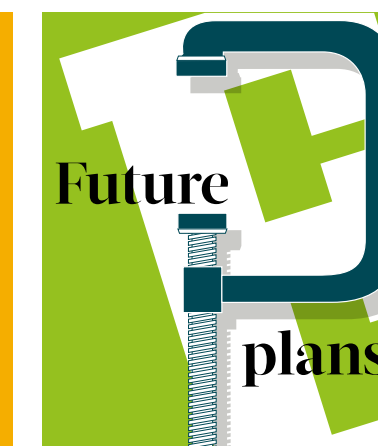
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Contents



4.

The analytics of people

Josh Bersin, Principal with Bersin by Deloitte, on how analytics is being adopted by HR departments looking to solve people-related problems in their organisation

15.

The organisation of your dreams

Why should anyone work here? Professor Rob Goffee of London Business School tells *Reflect* how to build an authentic organisation that employees are proud to be part of

8.

One size doesn't fit all

One talent strategy cannot be applied across an organisation when there are so many generational, geographical and cultural differences, says Chris MacRae, Head of Talent Management at GlaxoSmithKline

18.

Benefits evolved

Exploring how employee benefits might evolve amid a work culture in flux, with Dr. Werner Eichhorst, the Director of Labor Policy Europe at Germany's Institute for the Study of Labor

12.

Future plans

Polly Bieri, Director People and Organisation at PwC, considers a future of tightening legislation, the growing challenge of global mobility and why total compensation is becoming more diverse

Words: Josh Bersin, Bersin by Deloitte

Illustration: Björn Öberg



The analytics of people

For years companies have only harnessed a fraction of the potential of their HR departments. The key to unlocking the rest lies in analytics, according to Josh Bersin, Principal, Bersin by Deloitte, Deloitte Consulting LLP. Once the prerogative of marketing and sales, product development and finance, now the science is being adopted by those fuelling businesses with the best possible employees and striving to keep them there. After all, good employees don't just reflect strong HR departments – they drive business success →



A decade ago, HR was at the bottom of the totem pole of business. It was regarded as an administrative function. Today, though, it has become vastly more strategic than that. We've been tracking the whole issue for at least five years, and in the last year we've seen how much it's picking up steam. The fact is that most business problems are now talent related, and because companies are so heavily invested in the service business, they have to take their people strategies much more seriously than they might have done in the past.

At the same time, we are undergoing a revolution in HR technologies, and with cloud-based systems now the mainstay, these are becoming much, much easier to implement. They're also much more integrated, meaning that the data gathered is more reliable than ever. It used to be the case that companies had to purchase software, give it to their IT departments, wait for them to customise it accordingly, switch it on and then teach everybody how to use it. Frankly, by the time companies did all of that, their systems weren't very useful and the data not very good.

What's more, the whole concept of data analytics is changing. The traditional approach companies adopted was to build human resources data warehouses. Within these, companies would simply store all of the data about people from all of their systems (often using Excel, believe it or not). But that's an old-fashioned way of thinking about analytics. The only thing it's good for is analysing HR – it's not good for analysing business at all.

Now, HR is learning from marketing and sales, finance, product development and other such areas of business what analytics is actually all about. HR analytics – or 'people analytics' as we call it now – involves the transfer of people from these parts of business ready and willing to apply their knowledge of analytics to the people side.

Where the concept of analytics in HR used to mean figuring out how to make HR better, now it is being applied to make business better. Companies are asking how they can improve sales and productivity, how they can reduce fraud, and how they can improve customer retention. The reality is that these are all critical business questions, and they're all people related – every one of them.

The secret lies in being able to correlate the two – in being able to connect tenure with sales or training with performance, or any other such critical business binaries.

Intelligent business

Every time a manager hires an employee, decides who to promote, decides to give somebody a raise, decides who to move to a new role, or decides who might be ready for a different assignment, they make a decision based on gut instinct every single time. Yet if they looked at the data available to them, they may well realise that the person in question is not typically the type of person that will succeed in the role.

There's a vast amount of data that can make these kinds of judgements more accurate. As people we're very biased. We tend to promote people who are like us, and we tend to replicate patterns that we've seen before because they worked in

the past, but that doesn't mean they're right. So the data allows us to work around the biases people subconsciously have so that we as businesses can make more scientific decisions. The computer's not going to make the decision as to who you should hire, but it is going to make it an easier decision.

There are three truly valuable things any HR department can do to leverage the power of their businesses from an analytical standpoint. The first is to look at sales productivity. Every company has a sales department, and they always experience productivity issues. It stands to reason, then, that this is a perfect opportunity for companies to assess their analytics expertise. Another is the leadership pipeline. It's a huge issue in modern business. What are the characteristics, job assignments and backgrounds of the people who make it into successful leadership? The third consideration is turnover. Why do we have a high turnover in this department versus that department? In this manager versus that manager? In this city versus that city?

Every company has these problems, and people analytics can add a lot of value in all three of those cases. It's not a case of HR trying to do better HR; it's about gaining credit for improving the business as a whole.

Analysing people

As an example, I once worked with a tech company that wanted to look into what's

known in HR as 'toxic employees'. These are employees who regularly lie on the job, who cheat or who undertake what would be considered harassment. The tech company isolated which employees could be considered 'toxic', and then backed up and looked at the data they had collected during the recruiting process.

What they discovered was that they could actually predict, based on the employees' answers to certain recruiting questions, whether they were likely to become 'toxic employees'. And so the company was encouraged to change its hiring process to cover these questions earlier, allowing for better hiring decisions in the long term.

Another issue that is coming up all the time in business is the question of whether or not college degrees, categories and grade point averages lead to high performance. An insurance company we've worked with for years used to be a very traditional-thinking firm, hiring people out of Harvard and other such well-known colleges, putting them into rotational assignments earlier in their careers and giving them sales opportunities and so forth.

After analysing its data relating to education and performance, though, the company found that college degrees, categories and grade point averages had absolutely no correlation with performance during employees' first five years there. In fact, the greater correlation was

“Where the concept of analytics in HR used to mean figuring out how to make HR better, now it is being applied to make business better”

INTELLIGENT DATA

Data analytics gives organisations the opportunity to not only measure the effectiveness of their incentive plans, but also understand employees' behaviours, says Michele Cassano, Equatex Group Strategy Head

At Equatex, we really want to understand why clients are launching compensation plans, whether it is for retaining people or hiring the best talent in a certain country. We currently offer standard reporting to all our clients through EquatePlus (Equatex's platform for equity-based compensation), but we are also moving towards offering a more dynamic and customisable solution.

There is a wealth of data held on EquatePlus about plan participants that can be used to assess, for example, how the plan is working during its life cycle, how many participants there are in a specific country, and what the participants' behaviours are over time. EquatePlus operates as a centre of information for different countries and business divisions within a company. Combining all this data creates a lot of intelligence, and if HR departments have this information, they can really understand the impact

of their incentive plans and whether the business's objectives are being met.

Say, for example, a multinational organisation decides to launch a specific purchase plan for its US population to bring company culture more in line with its European HQ. After the plan is launched, the company could establish who was investing and if it is the same for all regions and business functions.

Equatex's new data and analytics team is working on a fully automated solution for clients to analyse the platform's data, measure success and see what further action is required. Clients will be able to use the data to make decisions that will give value back to their entire company. We are working with first-in-class reporting software and our intention is to offer this solution to clients in the future.

The coming 4th industrial revolution is going to be driven by extreme automation and big data. We want to be on top of this trend and provide automated data analytics to our clients. We also believe that people will always make a difference to companies and we want to give our clients the instruments to understand how their employees are behaving and reacting to companies' decisions, and I think that is really important.

found in whether they had any typos on their résumés. Accordingly, the company completely changed its hiring process and opened it up, and others are doing the same all of the time. Deloitte UK has actually stopped using college degrees and grade point averages as hiring criteria.

Investing in intelligence

People analytics is still in its early stages, and not all companies have made the leap. What they tend to do is talk about it, but not actually do it. The truth is, people analytics takes investment, both time and money.

Large companies have access to vast amounts of data, but it's traditionally been too messy, it's been put into too many different systems, it's been inaccurate, and it's been difficult to use. The first thing they have to do, then, is clean up their data. That's the biggest and often the most difficult aspect, and it's what most often holds companies up. It usually takes one to two years or maybe even longer. Systems may need to be replaced and IT support may have to be sourced. If you don't fund the project to create a clean, organised and manageable database, though, you won't be doing analytics.

The return comes a little later. That's the primary reason why so many companies are reluctant to commit to people analytics, instead deciding to focus on other projects. And yet a company wouldn't dream of spending millions of dollars on a sales campaign or a marketing campaign without knowing the desired results.

Analytics has become fundamental in certain parts of business, and I think that within five to ten years it will be fundamental to HR – as much as it is in sales and marketing, product development and finance. All of the trends are moving in that direction; the technology vendors are getting closer and closer to delivering it out of the box; and there are more and more smart people operating in the fold.

I also believe that over time it might actually move out of HR and become more of an operational performance analytics function. As I've mentioned, the real value in people analytics is taking the HR data and using it to improve things like delivery performance, sales performance, turnover – really every possible aspect of business. To this end, HR should be providing data and giving context for it, but it's actually more of an operational analytics discipline.

That's still a few years away for most companies, though. Right now the focus should be on getting data cleaned up and making sense of it. Companies are looking to invest in teams of people doing analytics work in lots of different areas of business, and bringing them together to work on people as a group.

HR has become a crucial strategic part of business over the last couple of years. Good specialists make a lot of money, and they're especially sought after, particularly in tech and software companies – places in which there are a lot of people issues, challenging people and competition. I've been in HR for almost two decades now, and every single year I've seen an upturn in the importance of HR and talent issues to business.

It's always important to remember, though, that you'll never replace human judgement in people decisions; there's always a need for human judgement. But what the data gives us as people and as businesses is much more intelligence. ■

Josh Bersin is a Principal with Bersin by Deloitte, which provides research and advisory services focused on corporate learning, human resources and talent management. His education includes a B.S. in Engineering from Cornell University, and M.S. in Engineering from Stanford University, and an MBA from the Haas School of Business at the University of California, Berkeley. Josh is a frequent speaker at industry events, has been quoted on talent management topics in key media, and is a regular contributor to *Forbes*.

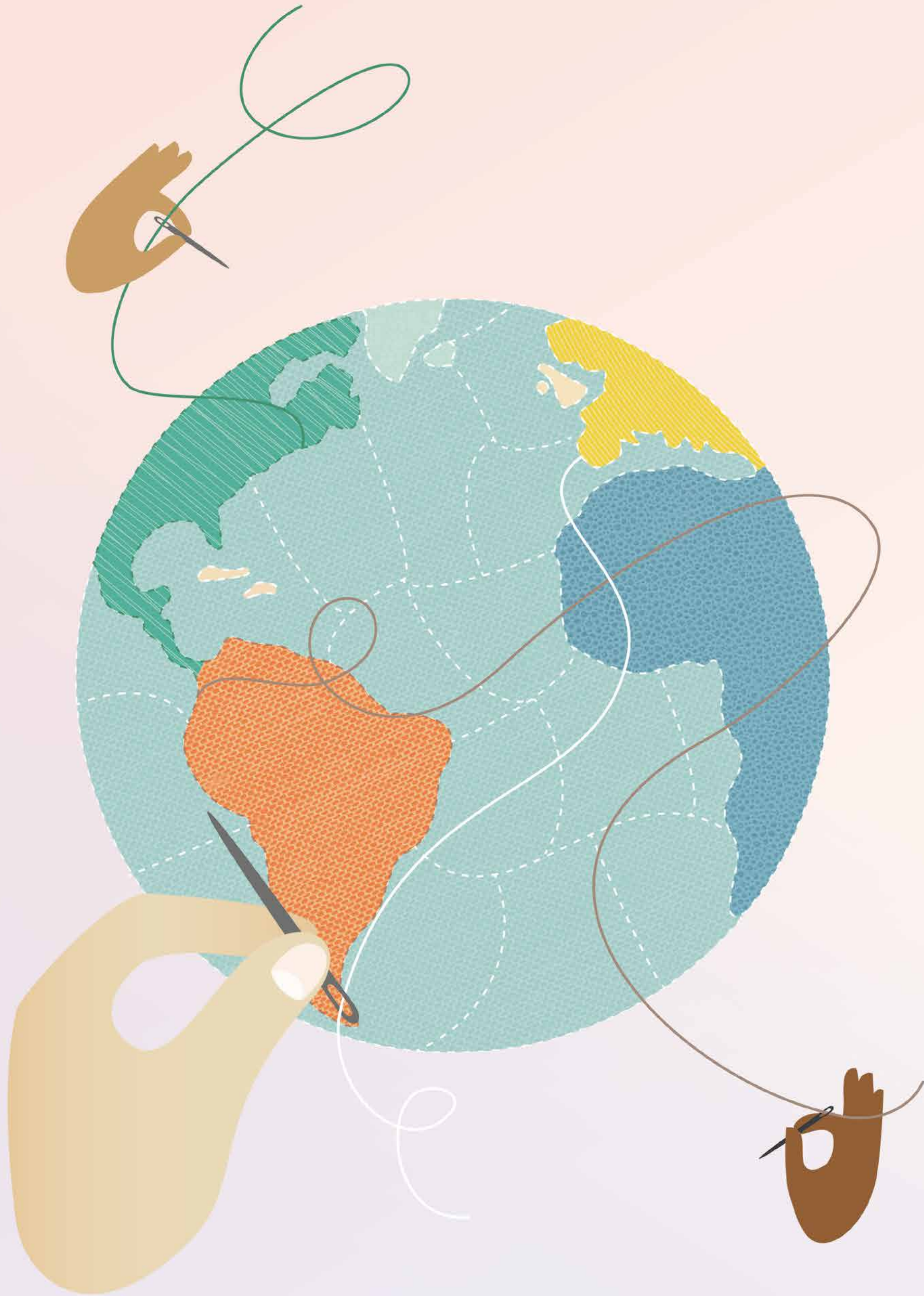
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Words: Chris MacRae, GlaxoSmithKline

Illustration: Anna Betts

One size doesn't fit all

A blanket talent strategy cannot be impetuously applied across an entire organisation; talent management must understand generational, geographical and cultural differences, not to mention the demand and supply of skills and experience. Chris MacRae, Head of Talent Management at GlaxoSmithKline, discusses the challenges of attracting and retaining talent for multinationals, and why it's never been more important to consider what motivates your employees →



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What do you class as talent? Different organisations use the label in different ways. At GSK, we believe talent can be described as individuals with the potential to be successful in big, stretching roles. Across the world, there is a shortage of these high potentials as identifying them proves to be very difficult.

What we have come to realise at GSK is that there isn't a one-size-fits-all approach. We can't apply a blanket strategy across the whole organisation as each segment of GSK is operating within a unique context. It is vital to interpret our global strategy and identify the key talent activities that each business needs to undertake based on the opportunities and challenges they are facing.

Talent across emerging and mature markets

In emerging markets, organisations see a high voluntary turnover and leaders with very mixed experience. GSK spends a huge amount of time on recruitment, the identification of talent and accelerating employees so they are ready for bigger roles. In Asia, companies are still growing and investing in their business and the demand for talent outstrips the supply of capable people. Take China, for example, where organisations investing in the country require very senior local leaders – the salaries companies must pay are huge as there just aren't enough local leaders to go round.

The landscape will eventually plateau; ten years ago in places like Dubai, companies were creating hundreds of jobs and there weren't enough people to fill them, but the situation settles as markets move towards a more mature state. It's always happening somewhere in the world. GSK is already investing heavily in Africa; big organisations haven't been on the ground developing people there yet, so there is no experienced local talent pool in many of those countries. You need to start at a grass-roots level and invest in people at the very early stages of their career. GSK works with universities to educate students about the opportunities that exist as there is often a broader range of portfolios open to them than they are aware of; for example, many of GSK's sales and marketing teams have a medical background.

The challenges in emerging markets are completely different to Western Europe where employees are more mature in terms of their experience and the economic situation means that there is low voluntary turnover. In Europe, we have found it is necessary to give employees

the opportunity to do something different and help broaden their experiences, as there are often limited opportunities for upward progression. One of our talent programmes, PULSE, is unique in that employees nominate themselves whereas typically the business decides which high potentials embark on development programmes. Employees are seconded to an NGO or charity either at home or abroad, and the purpose is threefold: employees can use the skills they have built at GSK in charities that are light on those skills; individuals can step back and do something different; and the level of energy, commitment and enthusiasm when employees come back to the business is fantastic. Like many multinationals, we are very lucky in GSK that we have incredible resources, and when employees go to a charity where there are no resources, it encourages them to think and work differently.

Treating your talent as individuals

GSK has more than 100,000 employees – everyone from 20-year-old graduates to employees coming to the end of their careers – and they are all driven by different motivations. So, what would a young employee who has no family commitments be motivated by? This may be the chance to do stretch work, quick progression through GSK or volunteering opportunities. Likewise, what are the motivations of someone who is due to retire? In countries where the state pension age has increased, there can be challenges in keeping employees engaged if they are past the age where they had planned to retire.

There are also cultural differences in terms of what matters to individuals. Our corporate social responsibility work is vital in attracting talent in Europe and the US, as employees want to be part of an organisation that they are proud of. When we are advertising for talent in medical, we emphasise how employees can make a difference to people's health and lives. In Africa, where employees may be the first member of their family to go to university, working for an organisation like GSK means stability and being able to provide for their family.

We have to be careful not to think of our employees as a homogenous group; in big multinationals, you must have a portfolio of benefits for each segment of talent and one that takes geographical and generational differences into account. At the same time, we have thought extensively about what we stand for as an organisation, and what unites our talent

Chris MacRae is Head of Talent Management within the Talent Leadership and Organisation Development Centre of Excellence at GSK. In this role, she is responsible for the development and implementation of talent strategy and approaches across all areas of the business. She is also accountable for managing the talent management processes for the most senior leadership cadre. Her main focus has been to establish an enterprise approach to understanding the demand for and supply of talent within and across the organisation, including a focus on the future capability and leadership requirements linked to the business strategy. Prior to joining GSK in 2011, Chris held the position of Global Talent Director at Unilever.

strategy is our purpose – to help people. We are very values driven, and believe in investing in the development of individuals. Employees are not under pressure to be something they are not.

The demand and supply of talent

GSK uses a standard talent review process across the organisation, undertaken by each part of the business twice a year. The leadership team assesses talent a couple of levels below them, identifying factors such as learning ability, broad leadership potential and expertise. It's a collaborative and transparent process that allows us to recognise those employees who can move into leadership roles or become deep experts in the future. Other teams will also look at talent much deeper than this, so it's continually happening at all levels within the organisation and we are aware of what talent we have, or indeed what talent we are missing.

Likewise, the process helps us to understand what our talent requirements are for the future, particularly for succession planning – so how we best develop people in terms not just of individual development but also of career development. So, if I've been identified as a potential deep expert in the future, what role should I be considered for? Or if I was identified with broader potential, which roles should I be on the succession plan for?

Within our talent strategy we also use a strategic workforce planning approach, which helps us look forward to the next five years to understand what capabilities we are going to need, whether this is for a new geography or therapy area. The talent review process feeds into this, so we can identify our gaps, and sometimes we may need to look externally and recruit. Understanding the demand and supply of talent means we know whether we can build talent internally or we need to recruit because the timeframe isn't long enough for us to build internally or we don't have the capability.

Challenges unique to leadership

It can be a challenge to retain employees in certain markets and pockets as some functions are highly sought after. Medical is often problematic as you find that those who qualify as medics want to practise medicine and only a small number want to work in a commercial environment. What we are also seeing at the moment is an increase in demand for senior female talent as there has been a big push for all companies to increase the number of women in senior positions.

Many multinationals face problems in identifying people with potential to fulfil senior leadership roles in the future, and in healthcare you typically find that employees motivated by becoming specialists don't want to spend time managing big teams and budgets as what they love is the science. Identifying people who have a real depth of expertise as well as leadership skills is like finding a needle in a haystack.

Another factor you have to be really thoughtful about when looking at senior leadership is your company culture and values. If you decide to bring in people at very senior positions, they need to be aligned to your company culture and values as they will be setting the tone for that part of the organisation.

An incentive to stay

Incentive schemes contribute to employees feeling that they have ownership of GSK and the overall business. It's recognised as part of your package in the developed markets in Europe and the US, where employees believe they will work for the business in the long term. For those very junior employees coming into GSK, it's not high on their shopping list of what they want and for those in emerging markets, many are still more motivated by cash now rather than shares later.

In saying that, we think incentive schemes are an important part of our whole portfolio. Share ownership fits in with our philosophy, mission and values about long-term commitment to doing the best for patients. Just look at how long it might take to develop a new medicine – our malaria vaccine has been 30 years in development.

For people in the business for a long time, it is a strong retention tool, as they can take pride when the business does well and financially benefit because of it. What you class as the business doing well can vary – whether it's sales or a new drug becoming licensed – but it creates a feel-good factor and has an impact on the share price. It is part of feeling proud; the business is making a difference by doing the right thing and you see that not only in the share price but in your own personal investment.

Multinationals need to think about all the different segments of their population and really acknowledge and understand what employees are motivated by. The talent strategy at GSK is always aligned with our values, and what we stand for, but we need to increasingly think about different generations, cultures and geographies, as well as our future employee population. ■

RETAINING TALENT

Mike Rothery, Relationship Director at Equatex, discusses how incentive schemes can contribute towards attracting and retaining talent

For talent in an organisation, incentive schemes can help contribute to a sense of ownership. When employees start thinking about the company as if it's their own, it can encourage them to think outside of the box and come up with new improved ways of doing things, rather than only focusing on their daily tasks. They are no longer only receiving a pay cheque every month; they have a stake in the business and can feel their contributions are more meaningful. Being part of an incentive plan can therefore change people's attitudes and the employee–employer relationship.

Incentive schemes can be a strong part of an overall employee benefits package, while they can also act as a retention tool. Equatex manages several voluntary employee incentive schemes for large multinationals that have been implemented as part of a company's HR talent retention tool. So, I think there is a direct correlation between incentive schemes and attracting and retaining talent.

Participating in a scheme encourages employees to think more about their long-term future at an organisation. For younger people, it may make them more aware of the importance of financial security. For older generations, something that brings financial security is very appealing, and schemes can help in wealth creation and planning for retirement.

At the same time, incentive schemes won't work as a retention tool in isolation; companies also need to ensure that they are offering further development opportunities for employees, and company culture is important in contributing to a feeling of ownership. It's also worth remembering that different countries, markets and cultures have different values, so what may work in one market might not work in another.

“It is vital to interpret our global strategy and identify the key talent activities that each business needs to undertake based on the opportunities and challenges they are facing”





Future plans

Words: Polly Bieri, PwC

Illustration: Matt McArthur

The positive impact employee share plans can have on employee engagement and performance is acknowledged by most. But ensuring these schemes are set up to attract and retain the right talent and stay on the right side of the law amid ever-evolving regulation requires constant care. Polly Bieri, Director People and Organisation at PwC, considers a future of tightening legislation, globalisation and meeting the new needs of workers

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fter a period when regulation covering incentive schemes became more relaxed, all of a sudden a few years ago we witnessed a big bang. Now, everywhere you look you see increased restrictions and a renewed scrutiny of compensation. Amid the current refugee and migration crisis, there is further pressure to tighten things up.

Everything has to be regulated and reported, and it's never been more important to have all aspects of reward under control. When I began working in this area in 1999, the Swiss but also most European equity incentives markets were very young. One would see a lot of option plans for senior executives and just a few share plans around, most of which involved purchase plans for large multinationals. The US market on the other hand was already then significantly more mature and standardised.

At that time most companies were giving options to their senior managers and were not expensing them, which later led to dilution. As long as the executives remained employed, the options would vest with no conditions. The markets were booming and executives were literally making millions out of their options. Even if the company or executive performance was not great, many of their options were still quite valuable.

With the changing markets, the major difficulties some companies went through, the dilution problems and the huge amounts some executives made, it was clear that change was needed.

Regulations came into place for reporting and expensing, companies began moving away from options and going more towards share units and tying these to performance. So, today we see a lot more performance and restricted stock unit plans rather than option plans.

Somewhere along the line governments also realised that they had been missing out on taxes and social security contributions on most of these plans and that this was not an insignificant amount. Therefore they brought in more and more regulations to ensure appropriate withholding and reporting. Today it is important to know where employees have been during the vesting of their awards, or where the employees were when options were exercised and which countries are involved and responsible.

My personal opinion is that if anything was falling through the cracks before, these holes are now being closed. Legislation is becoming significantly more stringent. Going forward a lot of changes will be required to ensure data availability, transparency, reporting and taxation.

Working with some large corporations that operate in over 60 countries, I can see that all other countries are beginning to follow the same direction as the US and Europe towards more stringent regulation and this includes Asia, Africa and South America. →

Gareth Jones and myself wrote a book called *Why Should Anyone Be Led By You?* which had a central recommendation: be yourself more, with skill. We asked what is different about you as a leader that will lift, inspire and motivate others. Executives who we worked with liked this idea, but many of them turned round and said, "I'll be more authentic if I work in an authentic organisation." The more people who said this to us, the more we paid attention: what did they mean when they talked about an 'authentic organisation'?

As it turns out, it is a question for our times. Trust levels in organisations are falling; the journey from Enron to VW is a long one, and don't get me started on Fifa. Across the world, engagement levels are low and nowhere near where →

employers would like them to be. I believe we are falling out of love with organisations, but at the same time, expectations are rising, some of which can be attributed to Generation Y, who want more from organisations. Many also believe we are moving towards a knowledge economy, and in that kind of economy you will have organisations full of ‘clevers’ – talented, skilled professionals who are often a source of significant added-value to organisations, but who may prove difficult to lead. It’s a deadly combination: the clever factor together with generational shifts, as well as technological changes, increased levels of mobility, and demand for organisations to be accountable and transparent.

For our latest book *Why Should Anyone Work Here?*, Gareth and I asked people to describe their ideal organisation, and why they are working there. Of course, for many people the answer is simply to earn a living, but increasingly the most talented people are driven by choice, rather

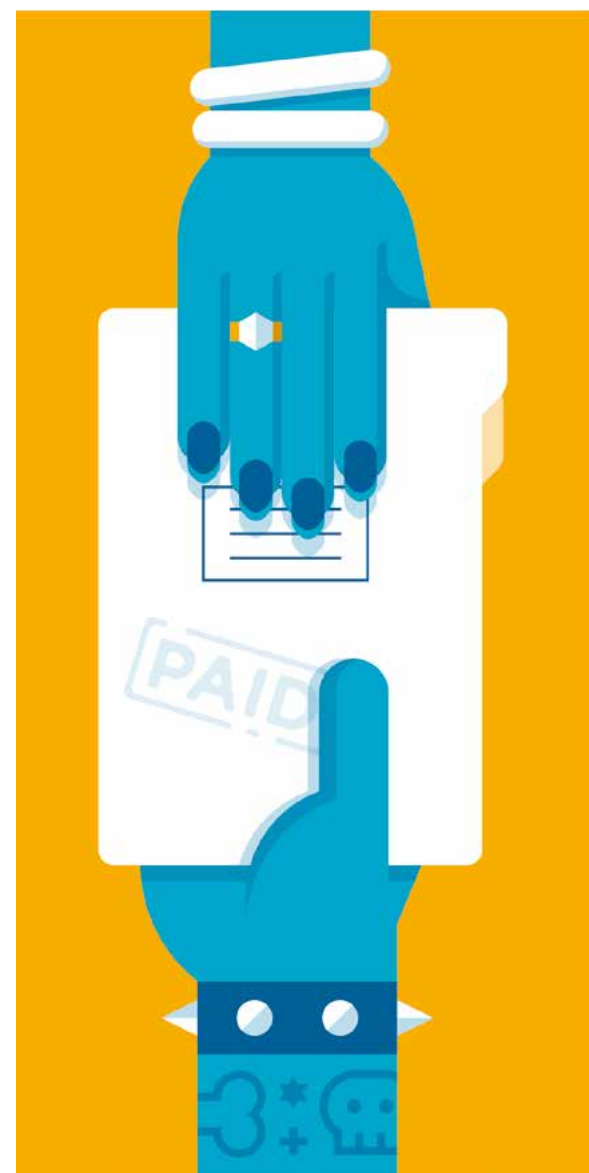
than constraints. Employees referred to roughly six things: I want to work somewhere I can be myself; I want to know what is going on within the organisation; I want to develop and become more skilled; I want to work somewhere I’m proud of; I want my job to be meaningful; and I want to work somewhere where I’m not drowning in bureaucracy.

We developed the DREAMS model, which stands for difference, radical honesty, extra value, authenticity, meaning and simple rules. In a way the model is quite obvious. Do you want to work somewhere you must conform to? Where no one tells you what’s going on? Where you don’t get developed? Somewhere you don’t believe in, the work is meaningless and it’s full of silly rules? But if it is so obvious, then why are more companies not doing it? Organisations often apply a band-aid to deeper problems, and they are grappling with fairly big issues, such as the tendency of modern capitalism to

“Across the world, engagement levels are low and nowhere near where employers would like them to be”

Difference

Arup, the design and engineering company known for designing the Sydney Opera House, is exceptionally creative. Creativity increases with diversity: what we know is that when you bring people with different ideas, mind-sets and opinions together you get creativity. Obviously we think diversity – having a balance of gender and ethnic minorities – is good, but you shouldn’t neatly associate that with the way people think about the world. We are talking about difference beyond diversity. Do organisations need a certain level of conformity? Yes of course – they need shared values for example, but they need to be more liberal around behaviour. If people can express themselves more freely, they tend to commit more. The danger in organisations is that there are formal and informal pressures for people to be similar. Organisations need to work a little bit harder to not only tolerate but celebrate the expression of difference.



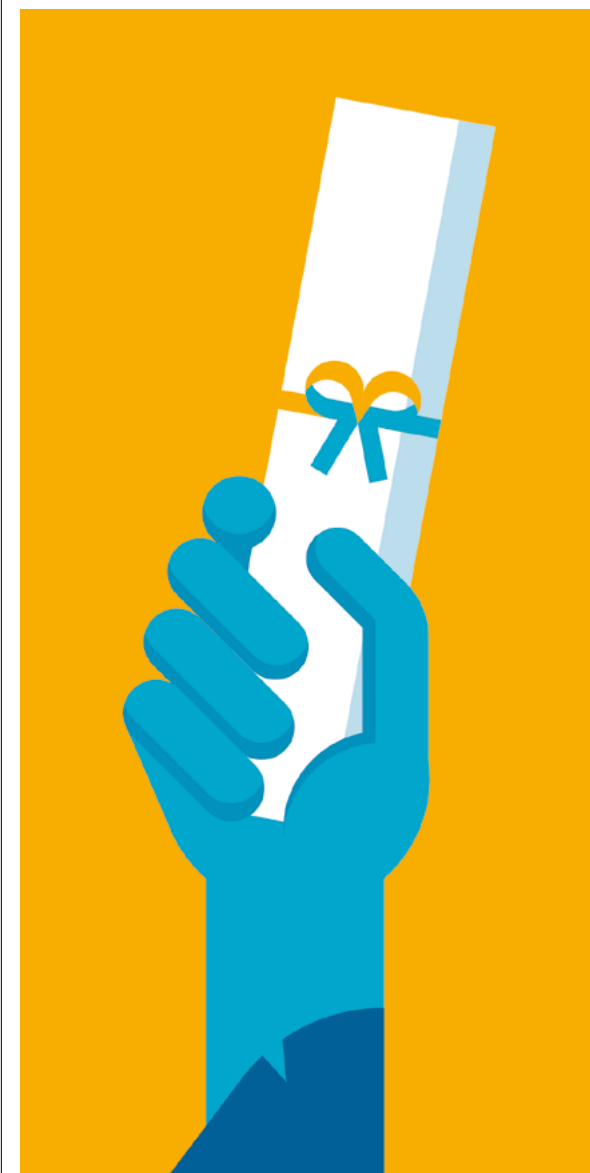
Radical honesty

Employees want to know what is going on, and in a world where social media is so pervasive, radical honesty is now required from organisations. If news doesn’t come from an organisation, it will come from somewhere else, quickly and in a way the organisation can’t control. Of course you can’t tell people everything, what with intellectual capital restrictions or competitive advantage. But organisations must move away from hoarding information to sharing information; from spinning stories to presenting them simply and clearly. Novo Nordisk is a good example. The company has triple bottom line reporting, in which they not only report on the business, but on social and environmental issues too, and they share this information internally and externally.



Extra value

Employees work at organisations such as McKinsey, Goldman Sachs or Oxford University as there are opportunities for development. Organisations need to extend this way of thinking to more people across the business, not only senior management. McDonald’s receives a lot of negative publicity, but it is a major trainer of low-skilled operatives. In the UK, it is exemplary in the education it provides to employees at lower levels in the organisation. I think there is plenty of scope for people to get value from their work, and everyone, including customers, will feel the benefit of it.



focus on short-term results as well as increasing bureaucracy as organisations expand. But we are on the edge of shifting from a world where employees have to fit into an organisation to one where the organisation needs to fit employees.

If organisations can improve on each of these six elements, they will have more engaged employees, greater productivity and it will be easy to retain talent. There are no short-term fixes, and none of the organisations I’ve mentioned are perfect in all six of these dimensions, but one of their strengths is that they are aware they are not perfect. Indeed, many of them are not conventional organisations: Arup is a foundation and New York Life is a mutual, which means they are insulated from quarterly reporting. The chief executive of Unilever recently decided to no longer have quarterly reporting, so I think there are opportunities in more pressurised businesses to move away from short-term goals to long-term thinking.

There is a Finnish gaming company called Supercell, best known for *Clash of Clans*.

Only five or six years old, it now generates €2 billion annually and has 160 employees. The company’s values are very similar to the model we use, but the challenge is to retain the dream as the business grows, and if necessary recapture it.

It is a challenge for everyone. We can all make the places we work better: you can be more tolerant of people who are different from you; you can be more open; you could spend a bit more time coaching people; you could try to make someone’s job a bit more meaningful; and you could not revert to rules.

Good work equals good societies. After the crisis, people talked endlessly about capitalism reinventing itself. Now that is a rather abstract idea, but here is a simple observation: capitalism won’t reinvent itself unless organisations reinvent themselves. ■

Authenticity

The band-aid approach to authenticity in the workplace is the corporate mission statement, which ends up getting rewritten every three years. Organisations need to practise their values, take them to heart and exemplify them in everything the employees do. The definition of authenticity is ‘of undisputed origin’ and in the States, there is a mutual called New York Life which is exceptional at honouring its traditions. But you don’t need to be old to use your roots; Apple is clever at defining who it is. It sounds circular, but we also say authentic organisations have authentic leaders. Look at Alex Ferguson – I remember he once said, “I wasn’t interested in building a team, I wanted to build a club.” While he built an authentic club, seven or eight different teams emerged – which is a major achievement.



Meaning

The BMW engineer knows why he or she is going to work – to build the ultimate driving machine; in other words, people connect their jobs to the outcomes. Yet, because of the scale and complexity of organisations, the lack of connection to others in the corporate community, the divisions of labour, and the time between what employees do and the final product, meaning is often difficult to find. Organisations must remember the three Cs: connection, community and cause. If you can get those right, people will gain meaning from what they do.



Simple rules

Employees become very irritated by bureaucracy. The bigger companies become the more challenging it is to retain simple rules, and many are struggling. One that is doing well, however, is Netflix, which has kept its HR function very simple, based on the assumption that people will try to act in the best interests of the company. So, for example, they are liberal in terms of expenses, working hours and holidays.



Professor Rob Goffee teaches on the world-renowned Senior Executive Programme in his current role as Emeritus Professor of Organisational Behaviour at London Business School. An internationally respected teacher and facilitator, Rob has taught executives from some of the world’s leading companies, including Unilever, Nestlé and Sonae, and also consults to the boards of a number of FTSE 100 companies. Rob has published 11 books and more than 70 articles, including *Entrepreneurship in Europe*, *Women in Charge* and *Reluctant Managers*. With Gareth Jones, he has co-authored *The Character of a Corporation*, *Why Should Anyone Be Led By You?*, and *Clever: Leading Your Smartest and Most Creative People*. Their new book, *Why Should Anyone Work Here?: What It Takes to Create an Authentic Organization*, published by Harvard Business Review Press, is available now.

Words: Dr. Werner Eichhorst, Institute for the Study of Labor

Illustration: Gary Venn



Benefits evolved

Work culture is changing. Employees are living for longer, working for longer, and the workplace in the age of the Internet is no longer the quantifiable entity it was even 20 years ago. Dr. Werner Eichhorst, the Director of Labor Policy Europe at Germany's Institute for the Study of Labor (IZA), talks about some of the ways employee benefits could evolve to meet the challenges of a work culture in flux

Two of the biggest issues affecting the realm of employee benefits that companies will have to consider in the future are an ageing workforce and the longer lifespans of workers. In future, people will have to remain in the labour market for longer, so company policies that help people to stay healthy and to somehow balance individual preferences with company requirements, will become increasingly important. There are many implications for company-related health programmes, including additional benefits in this area, such as invalidity benefit insurance.

Health and well-being

Longer lifespans mean that staying healthy, curious and open to learning and innovation is crucial, so work culture will become more open-minded, less routine-based, less hierarchical, but at the same time also more health-focused because you cannot work 60 hours a week for 60 years. What we know from literature and research is that first having a work

“Staying healthy, curious and open to learning and innovation is crucial, so work culture will become more open-minded, less routine-based, less hierarchical, but at the same time also more health-focused”

schedule that fits individual requirements, and also to have some sort of autonomy in terms of organising the work process, are both good things; self-reliability and co-entrepreneurship are important factors.

A very positive team atmosphere – avoiding negative feedback and fostering an encouraging culture at work – is equally crucial. This means that the role of bosses will become less hierarchical and more supportive, mediating, facilitative and provide a positive environment for individuals; many countries have seen an increase in psychological sicknesses, absence due to burnout, stress-related mental health issues, so this is probably one of the biggest issues that companies have to tackle.

The Internet and our ‘always on’ culture

Outside of the physical and mental well-being of workers, one of the biggest changes to work culture in recent years is the Internet. We have seen an increase in the prevalence of outsourcing, so more people are working on a freelance basis without a typical employer–employee relationship, so in that way companies could become smaller.

This also questions the role of employee benefits and responsibility to some extent,

so for those people who remain in companies and have more-or-less a temporary relationship with an employer, we currently see a lot of negotiations at different levels – at company level, at departmental level, at team level – to agree on projects, targets, timelines, and also on the recognition and maybe limitation of mobile working and working from home.

This is a very flexible and fluid process with a lot of variety in social solutions, including informal task-based solutions and more formal company-based agreements where, say, you don't have to answer emails during the week after 8pm – to have some rules that will respect the legitimate individual needs and family needs as well as health issues and requirements of the employees.

Overtime

Overtime is also a complex issue and in many countries flexibility of working hours is one of the reasons people have less paid overtime. Working time accounts, where you can save time and then take some time off, are a very popular and widespread development, especially in highly specialised, highly paid occupations where there is a tendency to work very long hours. I think this could become even worse in a situation where there is no

documentation and people are very eager to further their career.

I also think we'll begin to see a broader movement on the employer side where long-term employment is probably better insured when there is a certain responsibility in avoiding extremely long working times, as they can have negative consequences. There is a lot of grey here, so it would make sense to have a more formal approach or a more trust-based approach so that people can somehow decide when to work and for how long depending on a certain project.

Incentive plans and pensions

The major issue with incentives is that literature shows individualised bonus payments are probably not the best way to motivate people because they tend to undermine intrinsic motivation, collaboration in teams and other responsible behaviour that is pro-social. In general, the issue is about what you would like to have. Would you like to have optimised indicators that are measurable, or maybe better quality? If you go for quality, it's very much to do with qualification and intrinsic motivation, so you cannot simulate this well with bonus payments.

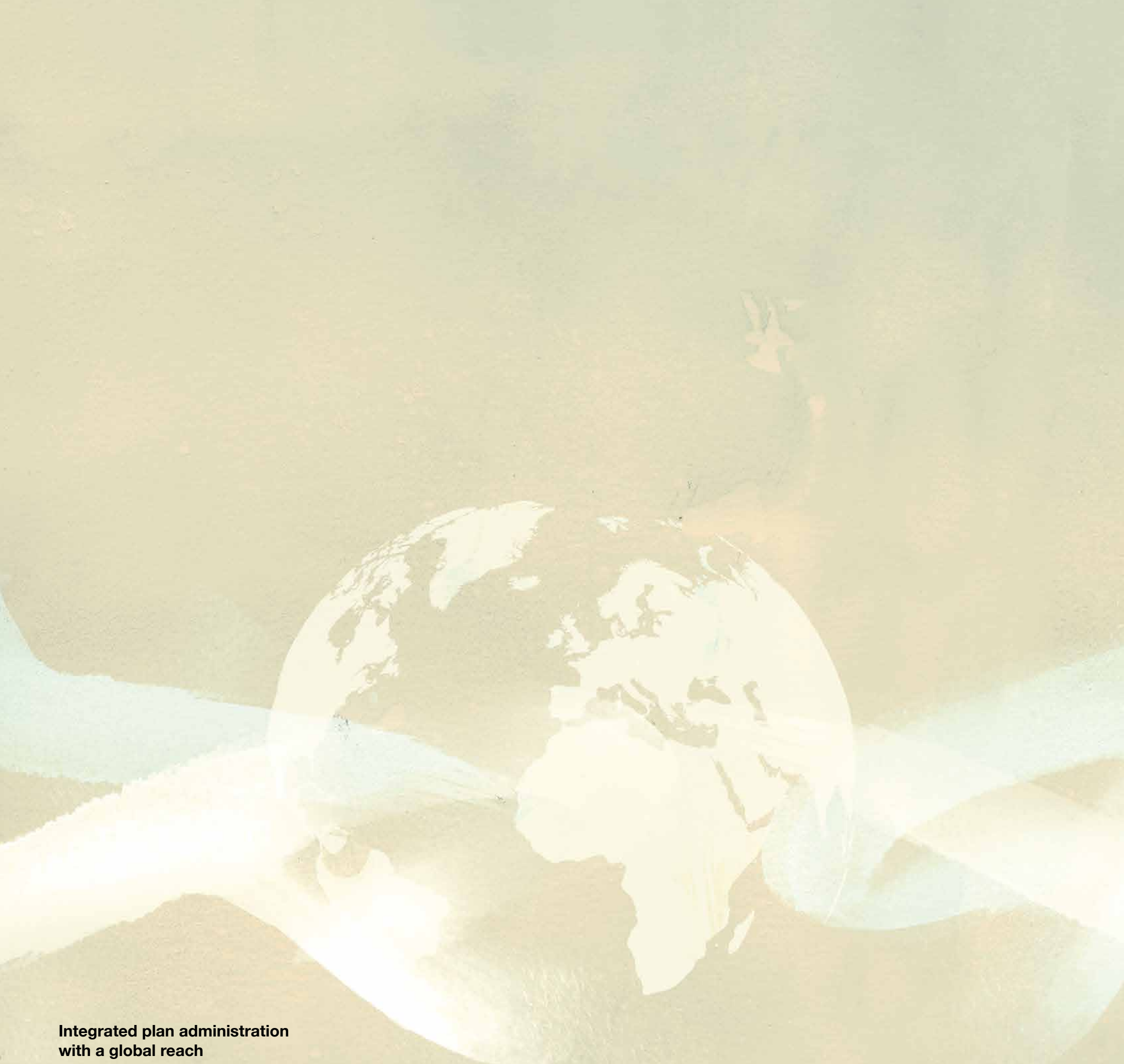
Incentives could become more team-based in future to facilitate this. We have seen from the financial industry just how perverse some of these incentives can be. Another thing that is a major incentive is that if you go more towards intrinsic motivation, you can experience job enrichment on more complex tasks, rather than purely monetary compensation. I think what we have seen in the past is not sufficient and may even have detrimental effects on other areas of motivation.

This attitude of monetary compensation can also create opportunistic behaviour, and can lead to not taking much responsibility for the company or the clients. Capital partnership may be an issue too, so I think a kind of co-entrepreneurship of having shares in the company will generate a more long-term oriented commitment and more responsible behaviour as it is not necessarily focused on achieving a target in a certain year or semester.

In many countries we have seen cuts in public pensions, and this may also affect the middle class to some extent; there is a certain worry that people will not be able to afford to stop working, so I think it would be a reasonable policy of companies to provide credible top-up of first pillar pensions as well as contributions to incapacity benefit insurances that are often not sufficient to keep a certain standard of living.

There is a role to be played by the government not just for the first pillar but also as a general obligation for companies to provide something like a company pension plan to avoid people becoming poor when they are old. It is also important to inform people early regarding what they have to do in terms of securing social protection. If the business model allows, and companies are willing to hire people with an open-ended contract or long-term employment relationship, they should definitely take care of this to a certain extent. ■

Dr. Werner Eichhorst studied sociology, political science, psychology, and public policy and administration at the Universities of Tuebingen and Konstanz. From 1999 to 2004, he was project director at the Bertelsmann Foundation, a private think tank in Germany, where he was responsible for comparative analyses of the German labour market and related policy areas. After working with the Institute for Employment Research (IAB), he joined IZA in 2005, becoming Director of Labor Policy Europe in 2014. At IZA, he takes care of international and European policy-oriented research activities, addressing in particular EU-level employment policies. He also specialises in different aspects of the future of labour.



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