Hourglass
Making the most of your people

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PwC’s 16th Annual Global CEO Survey showed clearly the dilemma facing the world’s business leaders. The economic pressures of the past few years have led many to cut costs and employee numbers drastically, but there’s a widespread recognition that headcount has now been reduced as far as it can without damaging employee engagement still further. This makes productivity and employee performance – a fundamental responsibility of HR – more critical than ever. And yet it appears that many organisations struggle to get performance management right.

So, in this issue of Hourglass we’ve looked at the many aspects of performance management, from asking why so many get it wrong, to looking at how artificial performance enhancement methods might develop in the future. The latter may seem a controversial and rather unlikely topic but, as Imelda Michalczyk explains on page 4, it’s already something that HR professionals are starting to grapple with.

We also look at the challenges of managing performance and improving productivity among a workforce that is diverse, both demographically and geographically. The overarching message is that we’re all individuals, motivated by different things. Some of us simply work better when we’re at home – or think we do (some, as Beth Holmes points out on page 16, may not agree). But wherever and however we work, it’s left to HR to monitor our performance. And in a modern workplace, that’s quite a challenge.

Liz Fisher
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Skills shortages are still a major concern, so perhaps it’s time to concentrate on the fundamentals of talent management – without relying on pay as the main motivator.

A new approach to talent management

The availability of talent is still an issue which is keeping CEOs awake at night. In spite of their best efforts to address the problem, it’s clear from our latest CEO survey that their current strategies are falling short. 58% of global CEOs surveyed said a lack of skills is hampering their growth prospects and is one of the greatest threats to their business growth.

With so many companies struggling to find the talent they need to drive their growth ambitions, this raises a question: should you be looking to develop the talent you already have in your business, rather than looking externally to plug the skills gap? For this to work, you’d need to identify what the skills are you need to achieve growth and which of these can be achieved organically through your own business. This will mean refocusing on the fundamentals of talent management – attracting and retaining the best people, organising them in the most effective way, creating a culture that encourages the best from them – without relying on pay as the main motivator.

Written by
Michael Rendell is Partner and Global Head of Human Resource Services at PwC. You can read The talent challenge report at www.pwc.com/talentchallenge
While pay is still an important part of the equation for many employees, it’s not necessarily everything – particularly for the new generation of workers. Millennials, those workers born between 1980 and 1995, are now entering the workplace in vast numbers and come with a new set of expectations and motivators. Our research into this generation shows that they value flexibility, the opportunity to progress and a good work/life balance over financial rewards. In fact, our research reveals that 21% of females and 15% of male respondents would give up some of their pay and delay a promotion in exchange for more workplace flexibility.

The employer value proposition gains a new significance with this generation. Millennials are committed to their personal learning and development and want to work for an employer they can feel proud of. But many workers of this generation already feel that work/life balance and diversity promises made by employers are not being kept. Many Millennials we surveyed said the work/life balance was worse than they had expected before joining, and over half said that while companies talk about diversity, they didn’t feel that opportunities are equal for all.

This changing set of priorities and expectations leaves your business with a challenge: how do you adapt the way you motivate and reward staff?

At a time when growth is top of all businesses’ agendas, investment in employee training and development should be a key priority for the year ahead. But it’s clear from our research that the tried and tested techniques for managing talent are no longer effective. Many organisations’ career development and leadership programmes are simply failing to pay off. A fundamental rethink of how you get the most out of your staff is needed and for many this could mean it’s back to the drawing board for their performance-management programmes.

“If you want to see a real change you’ll need to take back the initiative on your people strategies and target your investment in talent to make sure that you secure the skills you’ll need to compete globally. While the intention to improve employee engagement exists, too many organisations seem to be relying on tried and tested techniques that are failing to produce the results they need. For example, 77% of the CEOs we surveyed said they’ll change their strategy for managing talent in 2013. But CEOs have told us the same thing for the past six years, which suggests that either the changes they’ve made aren’t working, or that their plans have never been put into practice.

The tough and uncertain economic backdrop means it’s more important than ever to get the most out of your employees and nurture them to help achieve your growth prospects. For many, this will lead to a renewed focus on performance management.

The current environment means you’ll have to think differently and look far wider than financial rewards to motivate your staff. Maintaining employee engagement in this restrained, cost-cutting environment will require a coherent talent strategy that’s built on a powerful employer brand, which is embedded in the very DNA of the organisation. Having a clear deal between employer and employee that lays out exactly what each can offer, as well as expect in return, will become vital. Integrating these deals into your strategic planning and driving the business from within will mean you can maintain much higher levels of employee engagement.

“77% of the CEOs we surveyed said they’ll change their strategy for managing talent in 2013. But CEOs have told us the same thing for the past six years, which suggests that either the changes they’ve made aren’t working, or that their plans have never been put into practice.”
A strong coffee at our desk; prescription medication taken by students to help their concentration at exam-time; electrical stimulation of the brain. Artificial performance enhancement research is gathering pace, so where should we draw the line?

Making better humans
Significantly, the use of these drugs is increasingly prevalent with eager newcomers to the business world, suggesting a possibility that it may filter up through the ranks. “Some research is suggesting that up to 90% of US students now admit to using these sorts of drugs,” Talwar says. Some might have turned to the drugs – which are easily available online – to help them through university exams and have continued to rely on them in the workplace, where results are equally important and competition can be fierce. This raises serious questions for employers, not least around whether they may need a formal policy for the use of performance-enhancing drugs – something that’s not even on the radar for most employers.

“Chemical stimulus is the big one – it’s where more and more research is going,” says Talwar. “There are chemicals that inhibit or unleash certain brain functions or improve memory. It’s opening up huge possibilities. The whole human enhancement issue is moving very fast. It’s no longer something that ‘could’ be out there, it’s happening.” The controversial question is whether performance-enhancing drugs could become a widely used and accepted method of increasing productivity.

In the 2012 film The Bourne Legacy, Jeremy Renner plays a ‘black ops’ government agent whose physical and mental capabilities are genetically and chemically enhanced. Nothing more than gripping cinema? Perhaps not. Research into methods of mechanical, chemical and electrical enhancement of human performance are gathering pace, and this is already raising some difficult questions for HR.

The subject of human enhancement in its full, mind-bending gamut, was one of the subjects discussed at the recent PwC HR Leaders’ Symposium in Paris. Rohit Talwar, CEO of Fast Future Research and one of the leading thinkers in the field of human enhancement, presented a startling and intriguing case for businesses to begin to look at the effects that developments in artificial performance enhancement might have on employees, their employers and industry standards.

One particularly controversial avenue of human enhancement is chemical stimulus. We’re familiar with the use of caffeine to give us that extra boost to kick off or keep up with the day, but stronger drugs are already seeping into the veins of the business world. Talwar explains that a number of drugs intended for one purpose are being used for another: “It’s called off-label use. So, for example, Ritalin is for attention deficit disorder, Modafinil and Adderall are for sleep disorder and people are using them to enhance their cognitive functions, their concentration and their ability to stay up and work late.”

Human Enhancement and the Future of Work, a joint report from the Academy of Medical Sciences, the British Academy, the Royal Academy of Engineering and the Royal Society was published in November 2012. The report gives a glimpse of the issue’s global reach: “Research indicates that some academics make use of enhancers such as Modafinil and for a variety of reasons, for example to overcome jet lag and to improve productivity for particularly challenging tasks. An online poll by the journal Nature found that of 1,400 respondents from 60 countries, one in five said they had used drugs for non-medical reasons as a cognitive enhancer.”

Talwar says, in the future, it’s the emerging markets that may be most tempted to consider a company strategy embracing these sorts of drugs. “You’ll see certain countries allow it because they want to gain competitive advantage,” he argues. “You’ll see countries compete on this in the same way they do on tax regimes today or the quality of their education or health systems. Why wouldn’t they compete on the range of enhancement science available? I think emerging economies, even if they have moral concerns, might see this as a way of accelerating and attracting investment,” he says.
“We know that this is something that organisations in many markets, and particularly in very aggressively competitive markets such as Russia, for example, are taking very seriously in their pursuit of competitive advantage,” says Laura Hinton, PwC Partner and Head of HR Management Consulting. “But it’s absolutely critical that organisations both understand the science behind performance enhancement medication, and consider very carefully the ethical issues that they may need to address as part of their HR strategy.”

Chemical stimulus is not the only type of human enhancement that could infiltrate the workplace. One interesting example is the technique of brain stimulation via electrical or magnetic pulses, a process known as transcranial stimulation, which affects brain activity and improves mental functioning. The positive effects can last for months. “Claims vary dramatically, from minor improvements to some people saying a 20 times improvement in brain function,” says Talwar.

“There are chemicals that inhibit or unleash certain brain functions or improve memory. The whole human enhancement issue is moving very fast. It’s no longer something that could be out there, it’s happening.”
The technique may sound revolutionary but it has the potential to become widely available – the company GoFlow is developing home use kits – and it’s just the tip of the iceberg, according to Talwar. “There’s a huge EU project to fully map how the brain works as a computer, as a sender of electrical signals. As we really start to develop a deep insight into the brain, then the potential opens up for us to transfer information from computers and the internet directly, uploading and downloading information straight to our brain.”

And for jobs that involve, for instance, heavy lifting, wearable robots and exoskeletons are being trialled to help humans gain previously impossible strength or movement. As with much of human enhancement science, the developments have extended from pioneering medical and scientific work to restore bodily or mental functions, but governments across the world are also researching human enhancement options, particularly in the military realm.

So, as these new developments become available, the important questions are should they be formally introduced to the workplace and, if so, how can it be done in a safe, responsible and monitored fashion?

Hinton flags up some of the questions that employers might need to face. “There are many, many issues that will need to be addressed that touch on just about every aspect of performance, HR management and strategy. For instance, how should HR manage the performance targets and rewards of a workforce where some employees may be enhanced and others may not? How do you benchmark performance when enhanced employees may be able to deliver work more quickly than others – is time an appropriate measure? Would those who’ve chosen not to be enhanced see the reward structure as discriminatory? This issue has a profound impact on the employer/employee deal.

Talwar says that companies would do well to start thinking about their policy now; whether to encourage it, ban it, turn a blind eye or allow it in selective cases. “When presented with radical shifts, the desire is to wait and see what happens,” he says. “Companies are almost deliberately making the choice to have decisions taken away from them on many things, because it’s too hard to think about. They’d rather the regulatory regime made the choices or competitors took them down that path.”

Talwar’s advice to the HR industry is to become informed about the sorts of enhancements available: “You need a fact-based discussion. Then try to articulate a set of working principles and policies to apply around the world. Most firms will err on the side of caution, but at least you can make it clear to people what happens if they’re found using it or encouraging it.”

The Human Enhancement and the Future of Work report points out that each industry and country will have its own factors to weigh up: “It’s clear that there would be pressure to permit, encourage or even obligate the use of enhancements if they could be shown to increase the safety of others, for example in the context of medical practitioners or transport workers. Likewise, there will be calls for enhancements to be permitted to provide a level playing field for [domestic] businesses if other countries are using enhancements. Both these contexts may lead to the coercion of employees to take up enhancements.”

The report concludes: “Enhancement could benefit employee efficiency and even work–life balance, but there’s a risk that it will be seen as a solution to increasingly challenging working conditions, which could have implications for employee wellbeing.”

“I think that these radical shifts that are coming require some radical shifts in the way we look at the ethics of science and technology and the impact they’ll have.” Talwar concludes. “We need to get this into the public discourse in a way that isn’t sensationalist.”
Big Data is increasingly being used to predict and shape the future. But why is HR slow to embrace the concept?

**Data, data everywhere**

Written by Mick James

To say that organisations are drowning in data is, if anything, an understatement: only a decade ago the biggest datasets in the world were only a few hundred terabytes big; today high street stores sell terabyte drives and the world’s largest companies have datasets that reach into the hundreds of petabytes (one quadrillion bytes).

Until recently the ability of corporations to gain insight into this mass of data was limited, but the development of new tools and predictive analytic techniques increasingly mean that these huge datasets, colloquially known as ‘Big Data’, can be used not just to monitor performance but to predict and shape the future. In 2011 for example, the Los Angeles Police Department (LAPD) piloted a project that would use data analytics to direct police patrols towards likely crime hotspots. After seeing a 27% decrease in crime in the first month of the trial, the LAPD decided to rely entirely on predictive analytics to forecast property-related crimes.
Big Data is now being enthusiastically adopted by many organisations and functions, but HR seems to be slow off the mark, despite having access to a wealth of extraordinarily rich data.

Nick Holley, Director of the Centre for HR Excellence at Henley Business School, has been conducting a large-scale survey of the use of predictive analytics in major organisations. “There’s a growing realisation that Big Data is already in the process of revolutionising business, but HR is light years away,” he says. “When I interview sales and marketing people they have great stories to tell – HR professionals simply don’t have as many.”

This is partly because the field is in its infancy and early adopters tend to be industries and functions that are used to dealing with large amounts of data, for example using retail loyalty cards for targeted marketing, or which are already highly oriented towards data and numbers, such as IT and financial services – Big Data is, after all, only a modern descendant of the concept of actuarial tables.

But HR as a function has been slow to come to the Big Data party, despite the fact that HR issues are well up CEOs’ agenda. PwC’s 16th Annual CEO Survey showed that CEOs saw the availability of core talent was a growing concern; 58% cited this as a problem compared with 54% in the previous year’s survey. And as Michael Rendell highlighted in his column on page 2, CEOs consistently say that they intend to address their talent management strategy.

Big Data has the potential to unlock these and many other pressing HR problems. “HR sits on massive amounts of transactional data,” says Nik Shah, Principal at PwC’s workforce measurement practice, Saratoga. “You can use that for selection or for predicting future performance and then for more pragmatic issues such as predicting unscheduled absenteeism or where safety incidents may occur.”

So the obvious starting point for HR is that the data that already exists in the organisation but as Shah points out, much of the focus has been implementing HR technology to improve transactional efficiency. The move to using HR technology for predictive analytics, rather than as a custodian of historical data, requires a change in mindset. The bigger the organisation the easier it is for HR to lose sight of the company’s bottom line. The question is whether a Big Data project in HR would benefit the person who’s spending the money: it’s best to start with a small idea then grow it – plant the idea and then look at what you need to put beneath it. Organisations often underestimate the complexity of these projects, so starting with the tools in the systems you already have in place is a good idea. There’s also a worry about data quality. HR is a federation of systems and a lot of data is held outside the system, so there’s quite a big job to be done when HR now fails to answer simple questions such as ‘How many people do we employ?’ and ‘How many are contractors?’.

But Nick Holley warns it’s important not allow to a Big Data project to become an exercise in data cleaning. “Don’t start with the data, start with the insights,” he says, “otherwise you will spend two years on an unbelievably expensive data warehousing project that ends up with insights that are only of use to HR – training and development, international mobility, sickness and absence – rather than how to enter new markets or industries, or how to transition from product selling to solution selling.”
“Don’t start with the data, start with the insights, otherwise you’ll spend two years on an unbelievably expensive data warehousing project that ends up with insights that are only of use to HR – training and development, international mobility, sickness and absence – rather than how to enter new markets or industries, or how to transition from product selling to solution selling.”

For example, many organisations have recently declared they have a digital strategy but appear to have no idea where the digital expertise to deliver that strategy is coming from. “CEOs are continually making promises to the market; HR needs to think about what those promises imply,” says Holley. “It’s got to come out of an understanding of the business; using analytics to create insights of a compelling nature, that drive the business to take action.”

This means that HR can – and should be – at the leading edge of what Big Data contributes to the business: “Data analytics gives HR the greatest opportunity it has ever had to make a difference, but it’s also the biggest threat to 80% of the people in HR,” says Holley. “One headhunter said to me that lots of people who go into HR tend to be intuitives and succeed on the basis of that intuition and relationships. This is much more about being data rational.”
In other words, Big Data in HR will probably mean hiring new skills – a combination of people who are good at data mining and those who can understand the insights and present them in compelling ways, by using infographics, for example, rather than raw data. It also means being prepared to find out uncomfortable truths, says Holley: “HR is full of solutions looking for problems. A very large oil company recently did a study over a long period of the relationship between performance management and performance – they found the managers that were best at completing the performance management process were the worst performers in terms of engagement and performance.”

For HR this means finding the questions that need to be answered. “For example, we’re seeing a drop in turnover in core locations, so we need to discover what’s causing that and what the HR issues are we need to address,” says Holley. “Once you’ve proved the value of analytics by coming up with the answers to critical business questions, then you can say to the data miners: have a look and discover the insights we weren’t looking for.”

Big Data clearly poses a number of challenges to traditional HR. Unlike marketing, which deals with external data, HR holds very deep personal information about employees which is both confidential and sensitive. But, says Nik Shah, “HR is sitting on more than enough data to come out with thoughtful insights – we can still use our own intellect, but we’re now going to support that with more empirical data. That’s a new paradigm with HR moving from reporting to forecasting and being able to say what that forecast is based on.”

The other challenge to HR is not from the aggregation, but the individualisation that HR offers. “It’s no longer about what a group does but a customer base of one, so that we’re better able to create an experience for you personally as an employee,” says Ranjan Dutta, Director in PwC’s Saratoga HR Data analytics business. “You can even follow an employee timeline, look at how their responses to an engagement survey change every year.”

Applying that data, and possibly combining it with macroeconomic indicators to predict the ‘flight risk’ of core employees, may lead to a call for highly tailored interventions that challenge some of the traditional tenets of HR. “The legacy of HR is to be egalitarian, to treat everyone the same, those are the pillars,” says Shah. “Yes, we’re going to treat everyone fairly and be a great place to work, but for certain people in certain roles let’s use the data to extract even greater levels of performance.”

The other, related danger is that HR will oversimplify the insights from analytics. “You want to know, why do people leave, what are the one or two reasons?” says Dutta. “But the reasons are complex – it’s no different from customer actions, why does this customer want to buy or not buy. What drives this individual, what’s driving this person’s life?”

Finally, Shah points out that, while understanding the power of predictive analytics to help HR influence and add value to the business, HR needs to recognise that the value comes from greater accuracy in prediction and not achieving certainty: “People are still looking for 100% accuracy – don’t let perfect be the enemy of good.”
Hourglass – Corporate culture and performance

Netflix’s ‘culture deck’, a series of slides setting out the company’s approach to culture and values, has been seen as a bold and refreshing manifesto on talent management.

A culture of success

Written by
Sarah Perrin
When Facebook COO Sheryl Sandberg says that something ‘may well be the most important document ever to come out of the Valley’, people sit up and take notice. The comment was made in an article in GQ magazine in February 2013, in reference to the Netflix culture deck – a series of slides posted online and setting out the video streaming and DVD rental company’s approach to culture, the values that enable its success and its focus on high performers.

The Netflix culture deck (version two having been posted up in 2011) has attracted almost 4.4 million views on Slideshare.net, and provided material for many a blog and opinion piece. Why? Because it challenges many traditional corporate management approaches, and in a lively and open way. Much comment has been supportive of the approach, though there have been criticisms too. Whatever the truth, many organisations and advisers are casting an interested eye over the Netflix deck to see whether any lessons can be learned.

Titled Netflix Culture: Freedom & Responsibility, the deck reveals a vision of an organisation where rules and processes are minimised, the potential to innovate maximised, and only results are rewarded – not effort. In the Netflix world, people who love the culture are those who ‘thrive on excellence and candor and change’; those who don’t like it are people who ‘value job security and stability over performance’.

The importance of high performance – and high performers – is made absolutely clear. High performers are paid top of market rates, while adequate performance results in ‘a generous severance package’.

It’s this distinction between good and ‘average’ performance, and the willingness to ditch average performers, that’s been one of the most controversial elements of the Netflix deck. It’s something that Netflix executives have admitted that they argued for months over, discussing the pros of loyalty and commitment and the dangers of damaging morale. But in the end, the value of high performers won out. Netflix have likened the idea to an elite sports team – everyone has to earn their place, and keep earning it.

The deck explains why Netflix is ‘so insistent’ on high performance as follows: “In procedural work, the best are 2x better than the average. In creative/inventive work, the best are 10x better than the average...” The deck itself acknowledges that some businesses may require more emphasis on procedures and processes. The impact of the deck on less creative sectors has, accordingly, been relatively muted.

Netflix employees themselves (on employer ratings websites such as www.glassdoor.com) have acknowledged that you’re effectively on your own at Netflix when it comes to training, mentoring and honing your skills – Netflix wants the best, but it leaves the training and development to others. Its approach to performance management also depends heavily on the people making the judgments, and if internal performance management processes are less than rigorous, identifying who are genuinely the top performers (versus those that are great at getting on with their managers) can be a hit and miss affair.

These are some of the reasons why many experts warn against a wholesale adoption of the Netflix way. Performance management is a nuanced business, and needs to be tackled in a way that best suits the organisation, its people and even its sector. “The Netflix approach could be appropriate for specific types of organisations and could work well in more creative type industries,” says Matilda Venter, Director in PwC’s Human Resource Services practice. “But in industries such as engineering, oil and gas, utilities and financial services, where things like assurance, measurement, risk control and safety are important, it’s more difficult not to have procedures and structures in place to guide people and provide boundaries against which you can hold people to account.”
Venter notes that the deck talks about the benefits of increasing ‘talent density’, but that talent is not necessarily the same as high performance. She adds: “You can encourage high performance, but some organisations need large pools of people who are just going to do a job that’s well-structured, potentially quite repetitive, and who will do that job year in, year out. While companies in the creative industries like Netflix can afford to draw a clear line between innovators and ‘average performers’, the real performance issue for businesses in other sectors is finding ways of drawing the best from a wide range of employees doing a wide range of jobs.”

Claire McCartney, Resourcing and Talent Development Adviser at the Chartered Institute of Personnel and Development, sees much of interest in the Netflix culture deck, such as the focus on allowing freedom to innovate. “Allowing people to behave in an entrepreneurial way is something more and more organisations are looking at,” she says. “It’s something they want to create, particularly if they’re larger organisations and have lost that entrepreneurial edge.”

But, some elements of the deck do jar with McCartney, saying that there seems to be a tendency for Netflix to highlight type A performance, perhaps sometimes at the expense of “thinking about all the talents your people have and playing to their strengths”

One interesting idea in the Netflix deck is that high performers will do best when their managers set the context for their work, rather than imposing control or issuing commands or instructions. This is a contentious point and many have questioned whether the same approach would work for everyone. It also draws on a wider question around performance management – that the results depend very much on the manager. There remain issues with performance management that will always be tricky to overcome. Isabel McGarvie, Partner in PwC’s Human Resource Services practice, identifies the inevitable subjectivity that comes from having individuals – with their own character traits – overseeing the process. “Different people have different preferred styles – conversational, asking questions, listening, confrontational, analytical – so the question is how you get a system that plays with all those but also some consistency with what comes out the other end,” she says.

“Managing by setting context relies on having line managers who are highly effective at people management, and at understanding how you measure performance and how you ensure a degree of fairness across a team. At PwC we hear consistently from clients that line managers often struggle with having the right conversations around performance management with people and they often like to involve HR.” Line managers will typically require ongoing coaching and support to enable them to manage effectively. And managing through context rather than control may not be appropriate for all organisations; as before, entities in the engineering or financial services sectors, for example, may need a more control-focused approach to management.

Venter raises an intriguing question in relation to the ultimate impact of creating a culture where concepts of freedom and innovation are so highly emphasised, and only high performers are retained. “Could an approach like that lead to an environment where you have a homogenous type of employee working there? And if it does, would that reflect sufficient diversity in the way people think and approach problem solving? Perhaps this is another reason why the Netflix approach may ultimately only be appropriate in creative industries. “One characteristic of creative people could be that they do approach things in different ways,” Venter says. “So perhaps the approach could work well in creative industries, but not necessarily in others.”

“You can encourage high performance, but some organisations need large pools of people who are just going to do a job that’s well-structured, potentially quite repetitive, and who will do that job year in, year out.”
The Netflix way

• Actual company values are the behaviours and skills that are valued in fellow employees. Netflix identifies these nine values as being judgment, communication, impact, curiosity, innovation, courage, passion, honesty and selflessness.

• The deck states: “We’re like a pro sports team... Netflix leaders hire, develop and cut smartly, so we have stars in every position”

• “The more talent we have, the more we can accomplish, so our people assist each other all the time”

• The deck states: “Sustained B performance, despite ‘A for effort’, generates a generous severance package, with respect. Sustained A performance, despite minimal effort, is rewarded with more responsibility and great pay”.

• Netflix does not tolerate “brilliant jerks”; diverse styles are fine, as long as people embody the nine values.

• Netflix employees are not ranked against each other – there is no “top 30%” or “bottom 10%” categorisation. The deck says: “We want all our employees to be top 10% relative to the pool of global candidates”.

• Managers need to set business context, not manage through a command and control style: “High performance people will do better work if they understand the context”.

• Reward matters: “Pay top of market is core to high performance culture”.

• On the Netflix vacation policy the deck states: “There is no policy or tracking. There is also no clothing policy at Netflix but no one comes to work naked. Lesson: you don’t need policies for everything”.


There has been a huge rise in the number of employees working from home in recent years. But is the tide turning, and if so, what does that mean for HR?

Making yourself at home

Written by Beth Holmes

For the past few years, a common mantra from HR teams across the world has been the promotion of flexible working. But recently there has been something of a backlash against policies where working at home is viewed as a right towards much closer scrutiny as to whether there’s a good business case for it, with, in some cases, companies banning it entirely.

Whether this trend is something that will be embraced by more companies in the future is moot. But for HR teams today it throws up important questions surrounding the genuine effectiveness and productivity of members of staff working away from everyone else and how to balance that with a flexible working policy. So it’s something that needs to be carefully considered.

It’s no secret that the Millennial generation values flexible working opportunities. PwC’s recent report PwC’s NextGen: A global generational study, confirmed this, finding that Millennials didn’t believe that productivity should be measured by the number of hours worked at the office but by the output of the work performed. They view work as a ‘thing’ and not a ‘place’. But it also found that both Millennials and non-Millenials were looking for more flexibility in the working day—to start their work later, for example, or put in time at night, if necessary. Indeed, a significant number of employees from all generations feel so strongly about wanting a flexible work schedule that they’d be willing to give up pay and delay promotions in order to get it.

“That an organisation should be equipping managers with the tools to use their discretion to find solutions that both retain employees and get the work done.”
Professor Peter Fleming from Cass Business School believes that companies seen to be backtracking from allowing home working are simply reacting in difficult times. "It seems to be a major return to control in times of crisis," he says. "So although all the evidence points to the fact that people are more productive with flexibility and that we have the technology to facilitate that, this is symptomatic of something else; control-centred philosophies. We may be entering into a low trust phase, but these things tend to be cyclical so will doubtless shift again."

Dr Rob Yeung, Director at leadership consulting firm Talentspace and author of *Personality: How to Unleash Your Hidden Strengths*, identifies certain industries as being more focused on this control element and so less keen on allowing staff to work from home. "Employees at some organisations – in particular some investment banks, management consulting firms and other professional service firms – complain that their organisational cultures require face time," he says, "so employees who aren't at their desks putting in long hours are assumed to be less hard working. That's an unfortunate culture as it punishes those who could be more productive."

But Yeung also highlights a serious point about the benefits of office working. "It's true that some people do work more productively when they're allowed to work flexibly and from home at least some of the time," he says, "But there's also something to be said for being physically present with the rest of the team. Email correspondence tends to be short and to the point. Phone calls tend also to be fairly focused. It's often when people get together, whether in meetings or just unofficial chats around the coffee machine, that they spark ideas off each other or catch useful pieces of information." Fleming agrees. "Even in the internet era," he says, "there's nothing like bumping into someone in a hallway and starting to talk."

If there's a shift back towards a reluctance to allow employees flexibility, the impact (and subsequent challenge for HR) is likely to be keenly felt by one particular employee demographic; working mothers. A new study from Santander into how mothers balance work and family recently revealed the scale of a maternal 'brain drain' on the UK economy.
Michelle Ryan, Professor of Social and Organisational Psychology, Associate Dean for Research in the College of Life and Environmental Sciences, Exeter University said: “It’s clear that employers need to create workplaces which offer real flexibility that reflect the needs of today’s employees if we’re to see women appropriately represented at senior management level in the future. We need a step change in attitudes to flexible working in order to help create diverse businesses that fully reflect society.”

This has been backed in the UK by Ruby McGregor-Smith CBE, Chair of the Government-appointed Women’s Business Council Britain, who said last month that if flexible working is embraced, it can create employment over the next five years for many of the 2.4m non-working women who would like jobs. The report added that if the female labour force participation rate could be raised to the male rate, it would add 0.5% a year to growth in the UK, adding 10% to gross domestic product by 2030. Currently 67% of working-age women are employed, compared with 76% of men.
The overarching question for HR, though, is whether productivity is improved (or damaged) by flexible working. Some people are motivated when working together in a team, others prefer to work alone. Is there a happy medium?

“We all know about the introversion-extraversion spectrum of personality. As you might imagine, introverts tend to work best alone,” says Yeung, “and extroverts prefer to be with others. To get the best out of individuals, it’s up to managers to recognise what suits people but at the same time to balance up what’s best for the business. So strong introverts might naturally prefer to work independently even when it might be more useful for the team to have them physically present at times. Similarly, extreme extroverts might prefer to be with others too much of the time and a good manager should be able to identify when those individuals might need to work alone. Rather than having blanket policies about how everybody should work, the best arrangement would be to allow individual managers to manage their teams as they see fit.”

But are there any techniques or personality tests that will help HR identify which employees will work better in the office, and which would benefit from more flexible or home working? “In theory, HR could roll out personality tests to measure individual employees’ levels of introversion or extroversion,” says Yeung. “But in practice, I think that most adults have a fairly good idea of where they sit upon the introversion-extroversion continuum.

“I’ve known of some businesses that have required their employees to be physically present in the office because they cling to outdated beliefs that employees who work from home are perhaps doing less work. Yes, that may be the case for some employees, but it also sends a clear message to the other employees that they can’t be trusted, which could of course damage the relationship between an organisation and its employees.”

Assuming your organisation is not about to ban home working, what’s the best way to manage staff who aren’t physically present in the office? How can you keep them motivated and as though they are part of a team? At the end of the day, says Yeung, common sense more than anything, should prevail. “Clearly, if an employee is insisting on working from home 95% of the time but seems to be producing less than most of the rest of the team, the balance has gone the wrong way. Likewise, another employee who’s physically present in the office 100% of the time but making a sub-par contribution isn’t ideal either.

“It would be a mistake to try to apply broad-brush policies to every employee. Instead, an organisation should be equipping managers with the tools to use their discretion to find solutions that both retain employees and get the work done.”

“Across different organisations, the most effective arrangements seem to be a mix of having flexible hours; for example, allowing employees to arrive early or late on certain days of the week as well as allowing working from home. But it would be a mistake to try to apply broad-brush policies to every employee. Instead, an organisation should be equipping managers with the tools to use their discretion to find solutions that both retain employees and get the work done.”
A new generation may have different approaches to work, but performance management should beware of stereotypes and focus on individuals.

Managing generations

Written by
Philip Smith
PwC’s 16th Annual Global CEO Survey highlights many of the challenges faced by the world’s business leaders, not least in managing talent. These difficulties are discussed in detail in a sister report, *The Talent Challenge*, which makes the point that if CEOs are to reclaim the initiative they need to be sure that their organisation has in place the talent it needs to deliver its strategy not only today, but as its market and business develops in the future. And that means becoming an employer that the best people would actively choose to work for.

Becoming an employer of choice is an intensely complex challenge, not least because of the contrasting demands and preferences of the different sections of the workforce and of the changing nature of work. The future promises a very different world of work. The boundaries between work life and social life will have been blurred so much that it won’t be clear where one starts and the other ends; instant communication will demand constant response and feedback; loyalty will exist only for as long as opportunity and development remains; teams will become a fluid concept, with rigid adherence to greater flexibility.

By 2020, Millennials – those entering the workplace since 2000 – will represent more than half the working population, pushing aside the previous generational groups as they stamp their own mark on the world of work. There will always be differences between one generation and the next, but what marks out the gap between the Millennials and their forebears can be summed up in one word: technology. As Geraldine Gallacher, founder of The Executive Coaching Consultancy, says: “This is the first time when younger people know something better than those that are older, and this is because of technology. They’re digital natives, while the older generations are digital immigrants. This forces, for the first time, a situation where the older generation can learn from the younger one.”

Managing performance in this new world is already a challenge, particularly for those who are from previous generations. Baby-boomers (those born between 1946 and 1964) and Generation X (born between 1965 and 1980) are being tested by the demands of this younger generation, demands that can sometimes feel contradictory and at odds with an organisation’s overall objectives. And of course, the HR function is caught in the cross-fire of this intergenerational struggle.

Describing how older managers can react to the younger members of their workforce, Gallacher says: “So many times, I’ve coached managers [from older generations] who talk about how this generation is so ‘entitled’, they’ve such a sense of being able to work when and how they want to, they don’t seem to be respectful of authority and in any way grateful for the opportunities they’ve been given.” Gallacher says that she aims to help these managers by encouraging them to look at the situation through the eyes of a Millennial. “Any performance management discussion needs to have much more of a two-way discussion. Parent/child conversations won’t work, it must be adult to adult,” she says.

Ian Milton, Senior Manager in PwC’s Reward practice, agrees. “You need to be able to think through how a Millennial will react, and anticipate this reaction. Communication will be central to this process. If you don’t get to know the people you’re looking after, then you won’t have a real feel for their likes and dislikes, and this brings into question how performance management can really operate,” Milton says.

“The trick’s going to be for organisations to tap into a person’s intrinsic motivation while steering them towards delivering against overall business goals.”
For instance, it’s widely believed that the new generation of workers is impatient, and hungry to progress and move up through an organisation. Such an objective can be particularly difficult within a flat organisational structure, or when economic times are difficult. There’s also a fear that this generation is easily bored. A good manager will be able to explain why a particular exercise or project is necessary even though an employee may not see the immediate value in what is being done. “Performance management has a great role to play in this,” explains Milton, “but it needs to be twisted in the right way. The manager can explain why what they’re doing might not seem particularly valuable, but that it’ll give the employee some great skills that can be taken to the next job within the organisation.”

But is it fair to characterise these challenges in such terms? Are the differences between the generations so stark that they require a complete re-appraisal of the way work is assessed, performance reviewed and future goals set?

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“There are generational differences,” argues Wilson Wong, a senior researcher at the Chartered Institute of Personnel and Development, “but it’s not primarily about age, it’s about the kind of influences that have shaped their experiences to date, the styles of education, changes in the workplace, and how these affect expectations and the way people chose to work.”

Wong also points to the changes in workplace etiquette that have seen the overlap of private and public lives, aided through the use of technology, and the creation of a more informal atmosphere.

“Given these changes, you’ve a performance management issue where you have employees joining an organisation who aren’t accustomed to an ‘office culture’ because they’re used to more informality and are less rule bound.”

Research carried out by PwC among its own global staff, Millennials and non-Millennials alike, suggests that many, if not all, stereotypes about this group could be misconceived. Indeed, this generation shares a number of similarities with older generations in the workplace. In particular PwC’s NextGen reveals that Millennials are as equally committed to their work. But the same study shows that the relative importance of certain aspects in the workplace can vary – for instance, Millennials place a greater emphasis on being supported and appreciated.

This becomes most obviously apparent in a need and demand for constant feedback. “This is the result of an education system that they have experienced going through school, and this shapes expectations going forward,” explains Wong. Whereas previous generations would have only received feedback after completing major pieces of work, or through sitting exams, this latest generation has become used to a form of continuing assessment and feedback on work-in-progress.

This is perhaps why much of the performance management process will rest on the shoulders of managers. The HR function can put the process in place, but ultimately it’s the line manager that will need to implement it. Sometimes, this can lead to difficult conversations – many managers may be nervous about giving feedback that’s less than positive, perhaps conscious that Millennials are reputed to have grown up with little sense of failure.

As Matilda Venter, Director in PwC’s HR Transformation team, says: “Organisations need to focus on how they can combine their annual processes with regular, in the moment, feedback, that creates a culture and environment where people feel comfortable.”
So how does this work in practice? Venter suggests a number of steps that help bridge generational gaps so that performance management works for everyone. First, managers and the HR team should encourage the new generation to ask more. Millennials may expect immediate feedback, but if they don’t ask, they may not get it. Second, an organisation should make sure that line managers are comfortable with giving this immediate feedback, so that it becomes more of an ongoing conversation.

The next step is to focus on line managers, and begin to change the way that they think about performance management so that it doesn’t become a formal process and becomes more of a coaching process. Finally, an organisation should ensure that the process in place is fit for purpose. An organisation can strive towards having a single process in place, but it may not be possible to manage everyone in the same way; the process needs to be tailored.

And the line manager, or any part of the organisation, should understand that one size doesn’t fit all. This is borne out in the PwC study. While stereotypes can be over played, differences do exist. For example, the study found that Millennials are more likely to leave an organisation if their needs for support, appreciation and flexibility are not met, while non-Millennials are more likely to leave if they feel they aren’t being paid competitively or perceive there’s a lack of development opportunity. Understanding these and other differences, as well as the similarities, will help promote retention and engagement across all generations of the workforce.

As Venter says: “You need to get to know the individual and get to know what makes them tick. The trick is going to be for organisations to tap into a person’s intrinsic motivation while steering them towards delivering against overall business goals.”

“HR can provide a credible process, but it’s up to the line manager to deliver this,” observes Wong. “Each employee that you work with has a psychological contract with the organisation, and it’s the line manager’s responsibility to make sure that this is as healthy as possible.” Wong adds that HR can facilitate and encourage this culture, and that a good line manager will establish this from the beginning.

There is of course one final observation that should be made – the Millennial generation is already in management, often with responsibility for managing the performance of those in the older generations. But the same rules and advice applies: “Think adult to adult,” says Gallacher. “Listen to them, and get them to give you advice.”

For more on CEOs’ views on the talent challenges ahead, see www.pwc.com/talentchallenge
Email overload is becoming a common complaint and threatens to have an impact on employees’ productivity, but is there a better option waiting in the wings? What’s the future of workplace communication?

You have mail

We have a love-hate relationship with email. Its ubiquity has made it the most used form of business-to-business communication. But it isn’t always the most effective means of communicating or working collaboratively, particularly inside large organisations, across geographically dispersed teams of co-workers, and even among particular groups of employees, most notably Millennials. At some point in the dim and distant future we’ll probably look back and wonder why we allowed email to consume so much of our valuable time; although the average worker spends around 13 hours each week just managing, writing and replying to emails, some of the most urgent and important internal emails can still fail to attract their attention – as many of those in HR are all too aware.

So how can HR help the rest of the organisation to minimise its email overload problems and improve internal communications? “We need to educate people on how to best treat the medium of emails so that we can make it as effective and efficient a tool as possible,” says Professor Dirk Buyens, Academic Dean of Vlerick Business School and Chair of its international HR research centre.
Training – or the lack of it – may play a significant role in how well we do or don’t exploit email. “A lot of time is spent on effective communication and how to deal with group dynamics, yet there’s no investment and therefore no training on how to deal with emails,” says Buyens, who points out that very few of us have been taught how to treat new emails and how to deal with them in the frame of time management. Should workers keep their email inbox open every minute of the day and almost constantly monitor the endless flow of message? Should they check only periodically throughout the day? “We assume people can deal with these decisions but how many people have actually been educated to do so?” asks Buyens.

These same questions are being asked about the social media and instant messaging tools that workers are increasingly using to communicate. Numerous surveys and research by employers indicate that workers can spend as much as a five working hours each week on Facebook, Twitter, Linked In and other social networking sites. Organisations are split on whether this is a threat to productivity or a sign of changing communication preferences that should be embraced; by banning Facebook and Twitter from the workplace, some argue, you’re effectively blocking the preferred communication tool for an entire generation.

Some organisations are exploring the middle ground between fully embracing social media and banning them entirely by introducing their own enterprise social tools. They are being added to selected corporate systems and being used as the basis of new corporate intranets. Early adopters include large organisations such as eBay, Ford and Shell, and in 2012 PwC introduced its own collaborative and social network, Spark.

“By embracing a social business mindset we’re making a large network feel small; enabling more than 180,000 people across 154 countries to connect with each other and collaborate on key issues with great speed and reach,” says Paula Young, Global Knowledge Leader at PwC. Within the first six months, 90,000 people were using the Spark intranet and growth continues as PwC people find innovative ways to derive value from the solution (based on social business software), and it’s become a hub for internal communications. The PwC leadership uses Spark to engage employees, locate experts and hold powerful conversations on important strategic issues. “This helps us deliver the best of PwC to our clients each and every day,” says Young.

Enterprise social networking tools are now making their way into organisations in various ways. Several on the market use the ‘fremium’ model, which means that organisations can download a reduced functionality version and start using it without paying anything up-front – with data stored in the cloud. Despite its appeal this approach can create challenges further down the line. “The main issue with this method is that it’s set up on the objectives of the initiator, not the organisation,” says Helen Samworth, Product Manager for the enterprise social networking application, m-hance Social Business. This can result in multiple social networks and pockets of cloud-based data, and as she observes: “If these systems don’t follow the organisation’s strategic aims they don’t contribute to these outcomes.”

Buy in and direction from the top can make the difference between having an enterprise social tool that improves communication and one that simply creates even more operational and information silos – which can be even less effective than email. “When fully embraced by employees, with the backing of senior executives, enterprise social networks are capable of delivering tangible results and significant productivity savings,” says Samworth. According to a recent study, time spent on email can be reduced by up to 30%, which can equate to savings of approximately 40 minutes per day, or nearly half a day each week. But these enterprise social tools can also deliver a lot of benefits around the area of HR (see box) and improve the outcome of communications.

Buy in and direction from the top can make the difference between having an enterprise social tool that improves communication and one that simply creates even more operational and information silos.
“We must make a decision as to which messages are important and which are urgent and distribute them accordingly,” says Buyens. PwC’s Spark users actively sign on to send and receive messages, and filtering tools enable individuals to control the information flow, but Spark also recommends items that are potentially relevant or important to each user. Another strength of enterprise social tools is their support for work groups, as Jocelyn Garrison, a financial analyst with the consultancy Ahead IT (which is using the enterprise collaboration tool Chatter) explains. “For every consulting engagement we sell we have a Chatter group set up. This allows our managers, sales reps and engineers a place to communicate in one manner,” she says. “It centralises where we can communicate and it reduces the noise of email for us.”

Even so, more social and collaborative intranets and internal messaging services such as Chatter (and Yammer) are unlikely to sound the death knell for email any time soon. Some enterprise social tools integrate email and it remains the most effective means of communicating between organisations, and this brave new world isn’t without challenges. “Email has become an old fashioned concept and we will see its use going down as the next generation use it much less,” says Buyens. But as the use of intranet and internal messaging services can increase the number of stimuli you get and the number of sources, the jury is still out on what will replace them: “There’s a debate as to whether this can enhance your productivity or if this can actually increase the tension workers experience.” So email is dead; long live email.

**HR and the benefits of social intranets**

By keeping office-based staff and remote workers better informed and improving organisation-wide communication, collaborative social intranets can assist in employee engagement. Other benefits include:

- Connecting home and remote workers so they can collaborate – understanding what is happening in the organisation contributes their ambient knowledge.
- Engaging the Millennial generation – many are more used to sharing information and find traditional business communication tools closed and cumbersome.
- Rewarding and retaining workers – HR can see who’s contributing to conversations, ideas and innovations; identify rising stars and influencers; improve resourcing.
- Assisting with on-boarding – new starters can access targeted information and get up to speed quicker; other employees can spend less time showing them the ropes.
- Learning and development – ability to ask questions and get quick responses – often from unlikely sources – allows information to be found more readily.
- Improving employee recognition – a public pat on the back can have an enormous effect and can be provided as evidence in appraisals.
- Endorsing company values – HR can decide what it wants to achieve by using a collaborative social intranet and then build the structure to achieve this.
Talking points

We’ve moved into a world where, in developed markets in particular, it won’t be unusual to see a 17-year-old and a 70-year-old on the same team. And their approach to work – how and when they do it – will inevitably be very different. As one participant in PwC’s recent 100 Club meeting in the UK said: “Millennials tend to be ‘toogleers’, constantly switching between different tasks and communications streams, while older people are ‘compartmentalisers’ who break things up to tackle them.”

But this discussion raises an entirely different problem. We’re all guilty of generalisation to describe identifiable ‘groups’ of employees. Generation X, Gen Y, Millennials, Baby Boomers – they all conjure up an idea of an employee ‘type’. While these group names can be useful shorthand, the danger is that we slip into a broad-brush approach when it’s clear that the modern approach to HR is built on an entirely different premise.

The difficulty is that it’s easy to talk about ‘Millennials’ without considering the fact that every Millennial is different. In fact, many of the characteristics we associate with that generation are almost entirely unique to Western cultures – there’s a real possibility that the only thing that a Millennial from Boston has in common with a Millennial from Mumbai is their age.

What we’re talking about is diversity, in its modern form – the recognition that people are different, have different aspirations and circumstances, and want different things. But for HR, diversity comes with some long-standing and heavy baggage. As another participant at the 100 Club meeting put it: “Many HR functions are obsessed with still having a culture of equitable treatment and non-discrimination at a time when more employees want personalised service and to be treated as an individual.” For HR, that means adopting a fundamentally different approach: “The embedded HR mindset of treating everyone in the same way has to change”.

This is particularly true, as we’ve discussed in this issue of Hourglass, of performance management. An organisation’s talent is a collection of individuals from different generations and cultures, each with their own needs, preferences and motivations, and that means an approach to talent and performance management that’s flexible enough to fit them all. It means recognising that people work for many things other than money, and that motivation can come in many forms.

There’s no single, mystical initiative that will provide the answer to good performance management overnight. But what’s clear is that HR has to adapt, and quickly.

Jon Andrews is Head of our Human Resource Services practice in the UK.
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