

Managing tomorrow's people

How the downturn will change the future of work



About Managing tomorrow's people

At the end of 2007, PricewaterhouseCoopers (PwC)* published its first report on the future of people management. We believed the growing talent crisis, demographic shifts, advances in technology and the rise of sustainability issues on the corporate agenda would dramatically change organisational models and the way in which companies manage their people.¹

The report, *Managing tomorrow's people: the future of work to 2020*, produced with the help of the James Martin Institute for Science and Civilisation at Said Business School, Oxford, explored three scenarios or 'worlds' which we believe will co-exist in 2020.

The report generated a high level of interest from business leaders, HR professionals, the media, academics and bloggers around the world. It is clear that the future of work is a hotly debated subject. This led us to produce a follow up study at the end of 2008 on the views of the new generation – *Millennials at work: perspectives from a new generation*. The report detailed insights from over 4,000 new graduates from 44 countries and was designed to help companies understand how millennial attitudes to work differ from previous generations.

This new report looks at the impact of the global economic downturn on people management. We explore how the actions of businesses as a result of the crisis determine their readiness for the upturn and their ability to compete in the second decade.

Quotes from CEOs featured in this report were taken from the PwC 12th annual global CEO survey.

*PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

¹ See Appendix 1: Global forces

Contents

Introduction	02
2020: where three worlds co-exist	05
The Green World: sustainable business is good business	06
The Blue World: corporate is still king	12
The Orange World: tribes thrive	18
Summary	25
Conclusion: is your people strategy fit for the future?	26
Some of the key decisions made by each company as a result of scenario planning	29
Appendix 1: global forces	30
Appendix 2: from scenarios to real options	31
Publications	36
Acknowledgements	37
Contacts	37

Introduction

‘To echo the recent words of our CEO, “the future is not cancelled”. While managing costs and capital closely, we still invest for future growth by continuing to hire graduates, run development programmes and target reward to our better performers. We do not want gaps in our future talent pipeline.’

Carole Crossley, VP HR
International Mobility, BP plc

The credit crisis and subsequent global recession has created the biggest challenge to economic prosperity since the 1930s. Focused on survival, many companies are slashing workforce headcount and drastically reducing their expenditure on people.

The economic crisis has raised fundamental questions about the institutions and practices of modern business life. Belief in a self-regulating financial system has been shaken, confidence in the foundations of business has been eroded and a new generation of workers are reassessing the relationship between employer and employee.

Here, as part of our *Managing tomorrow's people* series, we explore the impact of the downturn on people management, the different options open to companies and the scenarios we believe will play out in this time of great change. As we head towards the upturn, we examine how the decisions companies make today will affect their ability to compete in the future.

We outline three possible worlds or business models which will co-exist in the future, illustrating three fictitious companies as they look back from 2020. Some common themes have emerged:

- Demands for **greater transparency and social responsibility in business** have been magnified by the crisis and combine with the call for environmental responsibility already present in the green agenda. This will impact many areas of people management, particularly in relation to how people are rewarded. This is expressed in our Green World scenario.
- Increased **focus on hard people metrics** to measure performance and productivity as companies look at a long-term reality of having to do more with less. Our Blue World scenario imagines the performance and efficiency culture necessary for global companies (some larger than many individual countries) to succeed within a new order of economic superpowers.

- The opportunity for **radical new ways of working** will emerge in our Orange World scenario. We take the concept of outsourcing and globalisation of the workforce to an extreme portfolio working model where people organise their working lives like individual businesses in a highly networked world.

The global economic downturn has forced many companies to make important and difficult choices about how they manage and motivate people, with both immediate and long-term consequences.

As you read this document think about your people management strategy as a result of the downturn. What scenarios are plausible realities for your business in the decade ahead? And what practical steps do you need to take now² to realise your vision and limit the possibility of long-term damage to your talent pipeline?

Is your people strategy fit for the future? Do you think you can compete with the companies outlined in this report? One thing is certain, the decisions you are making today are already creating a legacy for the future and determining how successful you will be in 2020.



Michael Rendell
Partner and leader of Human Resource Services
PricewaterhouseCoopers LLP (UK)

‘The ability to attract people – to motivate them while they’re with you and motivate them to stay with you – is going to be the challenge. We’re in a period when the demand for people is going to be greater than it’s ever been before.’

James E. Rogers,
Chairman, President
and CEO, Duke Energy
Corporation, US

² See Appendix 2: From scenarios to real options



2020: Where three worlds co-exist

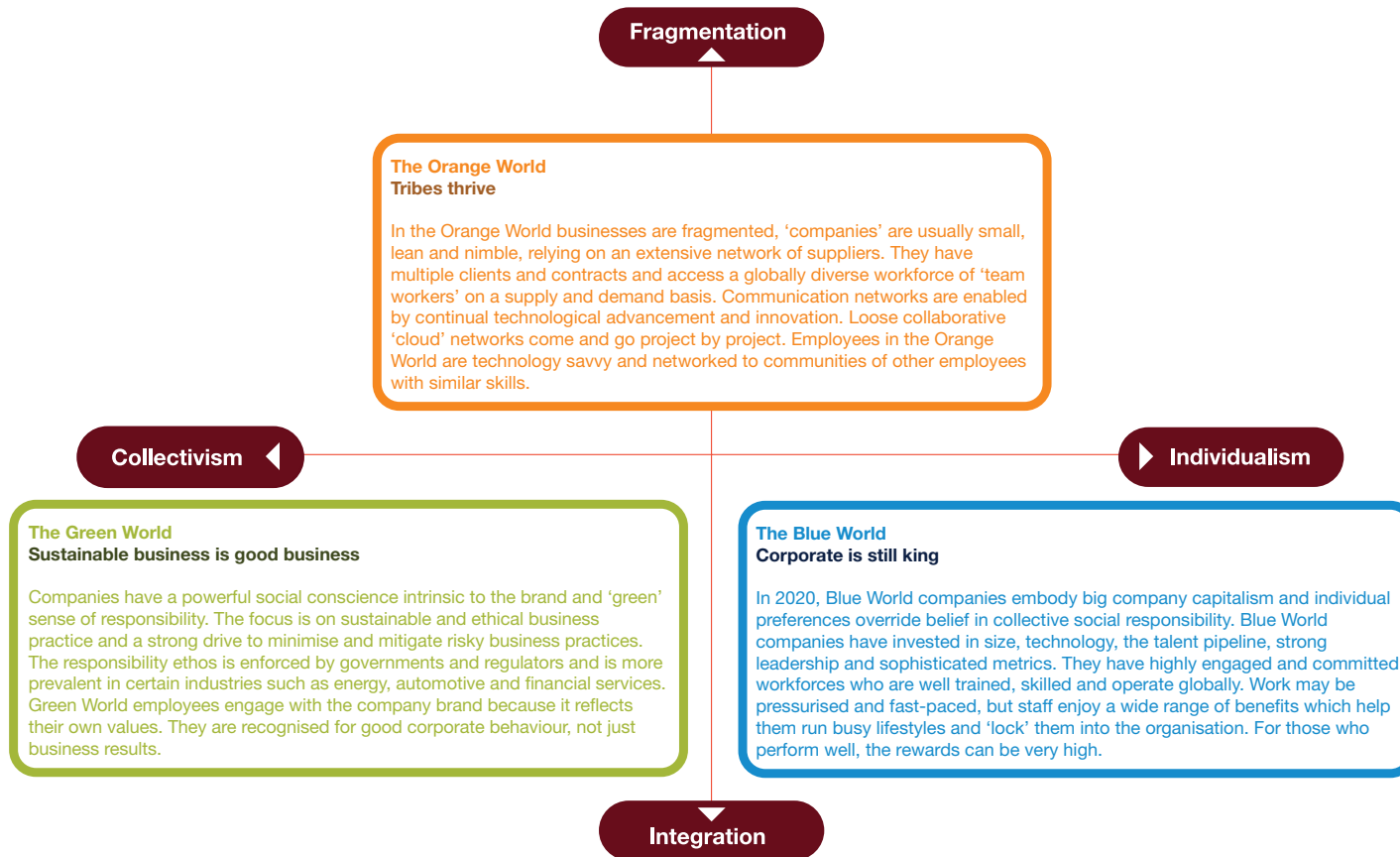


Figure 1

The Green World: sustainable business is good business

G-Bank in 2020

G-Bank is a US based investment and commercial bank, in business since 1922. In a tough new regulatory environment G-Bank has provided shareholders with steady growth and solid (if modest) returns by managing risk within its workforce and business. Its behaviour is always geared toward the long term, to ensure both economic and environmental sustainability. It's corporate responsibility values permeate throughout the organisation. G-Bank realises that failure to uphold these values could damage the brand with customers, and lead to penalties being enforced by governments or regulators.

Managing people in the Green World

G-Bank's relatively conservative approach to lending meant it was able to weather the storm during the great credit crisis of 2008-10. G-Bank recognised that increased government scrutiny and the demands for more ethical business behaviour arising from the credit crisis would inject renewed vigour

into the environmental agenda. G-Bank's strategy explicitly recognises the need for strong environmental credentials as an essential part of an ethical and sustainable business.

Employees are rewarded with a rich selection of benefits but the company rarely offers short-term incentives for performance. This is partly due to the rigorous US regulatory framework and partly that G-Bank's business model is geared towards slow but sustainable growth.

G-Bank reports extensively on its people risk and reward performance as well as a host of other metrics around customer knowledge, ethical behaviour and supply chain efficiency. During recruitment, G-Bank assesses professional qualifications but also the contributions made to society and environment of the individual.

In G-Bank, as with many other Green World companies, people management focuses on achieving high levels of employee engagement. Pay is moderate compared to pre-crisis standards.

Timeline of company

2009	2011	2015	2016	2018
G-Bank adopts new 'principles for pay' for its executive cadre; at least 60% of any individual's pay must be based on group performance	G-Bank is first US bank to publish audited accounts of its environmental activity	G-Bank adds a permanent representative from an NGO to its board of directors	Announces early adoption of guidelines from Climate Change Act 2015 and Ecosystem Act 2016	G-Bank relocates HQ to new energy efficient eco building in the suburbs



Recognition is achieved through compensation being aligned to carefully regulated financial and non-financial KPIs. Engagement levels are not just influenced by pay, but the chance to work for a company with strong values, an ethical culture and behaviours aligned to its employees' values.

How G-Bank emerged from the global crisis

Transparency became the key principle through which the bank maintained the trust of its customers. The bank began to disclose the positive and negative impacts of its portfolio of activities, so that customers could see exactly where their money was going.

The bank facilitated a 'green new deal', where environmentally friendly technologies led the recovery from the recession. The bank applied its long-term view on climate change and began to finance the adaptation of its customers to the impacts of global warming and insuring against the costs. Its early acceptance of climate change as a business driver gave it a leadership position relative to latecomers, particularly in the US with a new climate conscious government. G-Bank was the first to introduce carbon and sustainability related metrics to monitor and reward its employees and businesses.

This approach proved attractive to the millennial generation and placed G-Bank at the top of graduate 'employer of the year' lists in many countries. Other new people management strategies which gave G-Bank the edge over the competition during the upturn included:

Radical new benefits model – G-Bank recognised that the workforce was more diverse than it ever had been and that current flexible benefits programmes were out of touch with the millennial generation. They had to think creatively about other incentives to motivate and engage staff beyond salary. A benefit credits system was introduced which enabled employees to earn bonus credits (earned on an ongoing basis for good performance and demonstrating company values). These could be used for a whole range of options such as: secondment to an overseas office, government department, non-governmental organisation (NGO) or other socially responsible organisation; personal career/life coaching (various levels); learning a new vocation/language (not necessarily related to current job); subsidies/advice for green improvements on their homes and paid sabbaticals or extended maternity/paternity leave.

In G-Bank we trust – G-Bank wanted to change the corporate culture and reinforce new behaviours among its staff. Having been criticised for accepting a high-risk culture under the old regime, the bank was keen to refocus its brand as an honest,

'86% of millennials would consider leaving an employer whose behaviour no longer met their corporate responsibility expectations.'

Millennials at Work

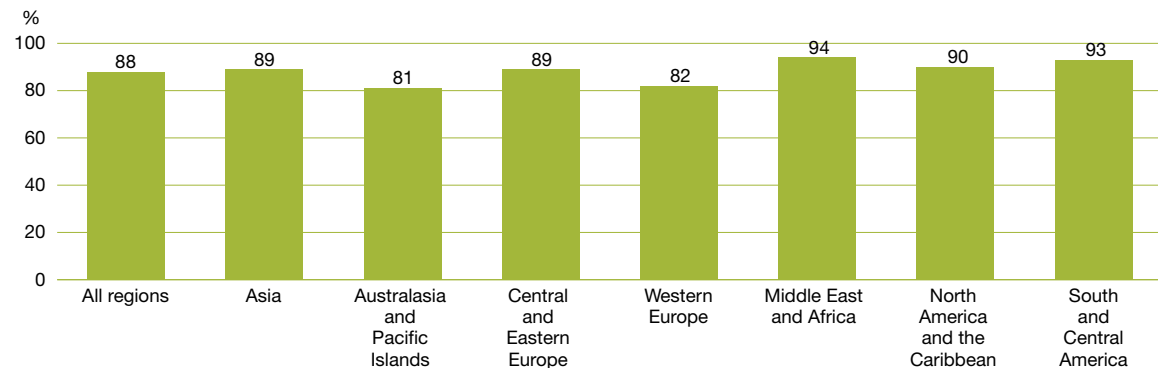
‘One of the things that the survey told us is that employees attach a great deal of importance to the bank’s proactive stance on issues of corporate responsibility. These issues resonate very strongly with our employee base. You see the same level of interest among the graduates we recruit.’

continued on p09

safe bank with a conscience. HR teams led an extensive cultural change programme internally to get staff to live by a new code of conduct. To help the company focus their minds from the boardroom down, they invited three of their key corporate sustainability (CS) partners to join the board as observers and influencers on the leadership.

How green are you? – G-Bank recognised the growing strength of the environmental lobby and the need for companies to react quickly to consumer concerns about any aspect of their business deemed unethical. G-Bank introduced an audit process and quarterly company reporting that focused on measuring CS practices by detailing carbon emission ratings and carbon exchange activity as well as more traditional

Corporate responsibility is key. 88% of millennials would deliberately seek employers whose CR behaviours reflect their own values



Base: 3922 global respondents

Source: Millennials at work: perspectives from a new generation (PwC December 2008)

Figure 2

company valuations. This is an indication of the importance shareholders and investors began to place on these issues, and how they were reflected in the share price. Employees were also asked to complete annual ethical and environmental reviews as part of the compliance process.

Risk under the microscope – G-Bank was criticised (but not as much as some other financial institutions) for rewarding the previous management team, despite poor financial results during the downturn. New performance review metrics for staff included measurement of the level of risk taken by the individual as well as other key non-financial metrics. Employees could be penalised for excessive risk taking even if the outcome had been profitable. Performance reviews were linked directly to the benefit credits system and staff could see their credits removed as well as being rewarded.

New reward model – G-Bank was one of the pioneers of ‘new reward’ in financial services, introducing a radical shake up to the previous reward for individual performance model. It adopted ‘seven key principles of pay’ across the organisation from the top down. The model was praised by shareholders and regulators and was quickly copied by other companies (see *Sustainable reward. G-Bank’s seven ‘principles of pay’* opposite). G-Bank also adopted innovative new approaches to retirement funding.

Sustainable reward: G-Bank’s seven ‘principles of pay’

1. Incentive payments should be based on performance measures that adequately account for the risk taken in producing profits
2. Bonus pools should not be struck below the level at which cost and risk can be allocated
3. Rewards should be aligned with the time profile of the risk borne by the firm
4. Deferrals should be linked to the realised profitability of the business on which the bonus was based
5. Managers should have a significant proportion of remuneration based on divisional or group-based bonuses
6. Compensation design should be considered a key business competence and resourced accordingly
7. Compensation should be viewed in conjunction with wider people management practices in order to support a consistent approach to achieving desired culture

continued from p08

‘Taken as a whole, you can see that our commitment to corporate responsibility supports our sustainable employee engagement policy, which, in turn, is critical to the customer relationship that is the basis of our year-end results. It all hangs together.’

Stephen Green, Group
Chairman, HSBC
Holdings plc, UK

Future view

‘An employer’s policy on climate change and environment is important to 58% of millennials when choosing an employer. This rises to 82% of respondents in Central and South America.’

Millennials at Work

Extract from operating review

G-Bank was one of the first organisations to disclose their environmental activity.

G-Bank
Sustainable business report

G-BANK

G-BANK recognises its statutory responsibilities under the Climate Change Act 2015, Ecosystem Change Act 2016, and all other sustainability legislation. We have been active participants in the International Business Panel on Climate Change since it was established in 2010.

The group has adopted the European Sustainable and Responsible Corporations guidance and has comprehensive company-wide policies on sustainability, energy and climate change, and responsible procurement. We require all suppliers to be certified as carbon balanced and eco-friendly.

During 2020 G-Bank made further changes in its energy providers in 25 countries, so that 95% of our total energy consumption now comes from renewable sources. Our extensive use of videophone technology and virtual meeting software means that business travel has reduced by 75% over the past five years.

In the last quarter of the year our environmental auditors completed their annual sustainability audit and issued an unqualified opinion. This has

allowed G-Bank to retain its status as a AA+ company within the S&P sustainability index.

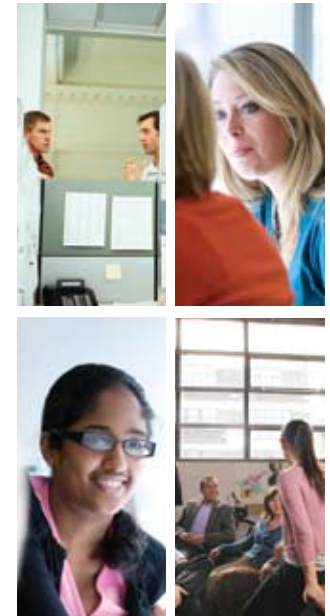
Key environmental data is provided below

Key Environmental Statistics	2020	2019
Energy use – properties		
Total energy consumption – Gw	1,015	1,200
Energy consumption/FTE – Kw	0.10	0.13
Renewables as a % of total energy consumption	95%	91%
CO₂ emissions – properties		
CO ₂ – kilotonnes	21.0	21.8
CO ₂ – tonnes/FTE	0.21	0.23
Business travel		
Total travel-related CO ₂ – kilotonnes	1.0	1.9
Travel-related CO ₂ per FTE – tonnes/FTE	0.01	0.02

How the downturn affects your ability to compete in the Green World

- **Changing the compensation and benefits model.** Some companies will consider radical changes to reward/bonus programmes and staff contracts because of the backlash against perceptions of excessive pay. New legislation may also trigger the need for a review, but purely reactive changes could result in first mover disadvantage if staff feel there has been a significant reduction in key benefits compared to other organisations.
- **New 'zero tolerance/zero risk' tactics.** Companies can achieve good short-term results by giving the market a signal that bad behaviour will be stamped out. However, the creation of a highly risk averse culture will hamper creativity, innovation and profitability over the long-term. A strong risk/compliance culture could also affect the speed of delivery to customers.
- **Companies in survival mode** often view the sustainability/green agenda as not being business critical and therefore put CS projects on the backburner. We would argue that ignoring these issues will negatively impact the brand and seriously impair an organisation's future ability to engage with customers and staff.
- **Stripping back travel** to save costs. Many organisations that operate globally rely on 'social capital' – the ability of the global network to work across borders to support the business and deliver products and services to customers. By limiting face to face contact, companies risk the break down of many years' investment in building social capital across the operation. If travel must be contained, then companies need to look at alternatives e.g. using technology to maintain networks.
- **The job for life concept disappears** as companies feel forced to make redundancies even two years after the low of the economic crisis. Research shows that unemployment follows the economic curve but lags by three years. Companies should consider alternatives to redundancy through careful workforce planning.
- **Disillusionment** with some industries, as a result of the downturn, may lead to talent turning its back on the corporate sector in favour of other sectors or NGOs.

To compete in the Green World, organisations must have a robust and transparent CS strategy. This should be clearly linked to the people strategy and, hence, actively engage employees.



The Blue World: corporate is still king

Yao in 2020

Yao is a global pharmaceutical company. It was formed by the agreed takeover of Como by China's state-owned Yao Generics in 2012. Como was originally founded in Treviso, Italy in 1913 as a soap manufacturer, later becoming a global leader in the branded pharmaceuticals market in the 1990s and 2000s.

Patent expiries, an insufficiently developed drug pipeline and increasing competition from generic producers left Como vulnerable after the global recession of 2008-10. Yao's 'Isis' longevity range, its euthanasia product 'Anubis', and 'Rise', (its popular antidepressant) now make Yao the most profitable pharmaceutical company in the world.

Managing people in the Blue World

Yao has become synonymous with dynamic, innovative capitalism. Its reward structure favours innovation and entrepreneurial behaviour. Yao continues to reward risk taking – when it works. It is a highly profitable business and provides shareholders with enviable returns.

The company has performed the neat trick of creating elements of a small business culture within a global giant by rewarding entrepreneurial behaviour. Ironically, close management and measurement maintain this culture of healthy, competitive innovation and creative freedom. More measurement of performance and output happens at Yao than at almost any other company. The HR people say they know everything about their employees, 'down to the colour of their eyes'.

Timeline of company

2010	2012	2013	2016	2017
Como introduces mass people measurement regimen across the organisation	Como bought by China's Yao Generics and becomes Yao-Como. Other acquisitions follow	Yao-Como data theft scandal prompts 'dark pool' recruiting	Yao-Como's 'Resilience' wellness at work programme is cited by the World Health Organisation as 'best of breed' model	New CEO Betty Chang moves the HQ from Rome to Shanghai (China remains its biggest market) and changes name to Yao



Yao's search and selection activities are meticulous in the extreme. From the beginning of the recruitment process, candidates (at all levels) have to undergo an intensive process of medical, physical and psychological tests to ensure they have the stamina and desired attributes of a Yao employee.

Work at Yao is known to be pressurised and fast-paced, but there are benefits. Yao invests significantly in training and development across all levels. International assignments are common, especially for junior employees, but they do not often get to choose where to go. Yao helps workers manage their lives outside work and many see the company as an iconic employer and a breaking ground for tomorrow's business leaders.

The company's obsession with measurement is not just about performance and productivity, but enables it to keep its 'core' employees engaged through training and role rotation. The Chief People Officer (CPO) sits on the board and is highly influential. Yao was one of the first organisations to consciously capitalise on the link between employee engagement, productivity, retention and customer loyalty.

Yao is good at spotting underperformers and redeploying or exiting them – it is part of what makes Yao successful. There are quarterly performance reviews and staff work in a super-charged, competitive atmosphere.

Rewards for performance are high and non-financial benefits (such as the employee health and wellness strategy) enhance the value of the overall remuneration package. With the company providing lifestyle services as part of the benefits package, employees are expected to use the resulting savings in net income to make their own arrangements for pensions and medical insurance during retirement. Yao's strategy has incorporated the lessons learned from iconic employers that failed because of crippling worker healthcare and pension costs.

How Yao emerged from the crisis

The takeover of Como by Yao Generics acknowledged the shift in global economic power to the East, already underway in the mid-2000s, but accelerated by the global credit crisis of 2008-10.

Like other pharmaceutical companies at the time, Yao faced an ongoing challenge to maintain its drug pipeline, and viewed the ailing Como as a long-term investment which would bring new products, key talent and a strong foothold in the European and US drug market. Yao admired the people measurement and productivity monitoring pioneered by Como and also saw this as a key component of its strategy to become the dominant player in the industry. Yao focused on:

'47% of millennials think China, Russia & India will have more economic influence than the US & Europe by 2020. Only 28% of US graduates disagreed.'

Millennials at Work

‘Over one third of millennials believe that by 2020 companies will be more influential than governments.’

Millennials at Work

Making HR a hard discipline – the leadership of Como had pioneered a sophisticated people metrics regime across the organisation. In the downturn years this helped Como to strip costs out by ‘surgically’ removing poorly performing individuals or parts of the organisation. When the upturn came, Yao capitalised on the metrics programme to spot opportunities for growth and to nurture strong performers.

Introduction of private equity style structures in parts of the organisation enabled Yao to maintain an innovative edge in an industry where fortunes rest on a healthy pipeline of new products. This allowed individual divisions to share in the profits of successful new products they created and promoted a high performance culture internally.

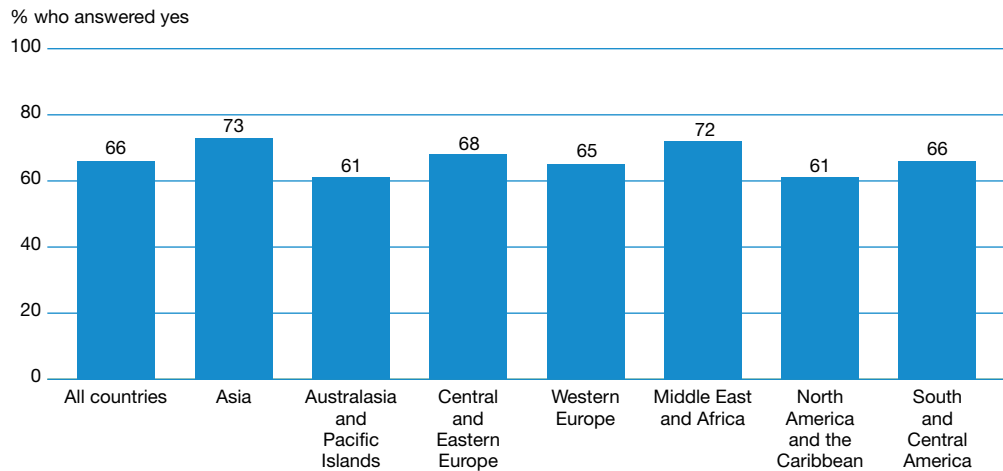
Recruiting talent from ‘dark pools’ – Yao’s extensive customer and employee information database exposed them to e-espionage and cyber attacks. In response they recognised the need to recruit technology problem solvers with unconventional résumés who could protect, manipulate and manage data in better ways (see *dark pools* on page 16).

Blurring the line between work and home – Yao recognised the desire by many employees for the company to take greater responsibility for their lives outside the workplace. Needs differed significantly by geography, but also by generation. For example, US workers wanted more flexible working arrangements and time off, whereas Chinese workers looked upon Yao as a place that could offer security, stability and the possibility of employment to other family members. Millennials wanted overseas working opportunities and lots of training, whereas retirement age workers in Europe were keen to work beyond retirement to supplement minimal or non-existent government funded pensions.

Fit workforce is a fit business – Both Como and Yao were strong advocates of promoting employee wellness, viewing regular health checks as part of ‘employee maintenance checking’. The development of the employee health and wellness strategy, had a dramatic impact on levels of absenteeism due to sickness which saw a fall by 60% in the first year of the programme.

Continued investment in training and development – Yao’s high performance culture is supported by strong training and development activity across the organisation at every level. Employees are encouraged to broaden their skills, and mobility of roles is the norm.

Many millennials would be comfortable with an employer providing personal services such as housing/food/regular doctor and dentist appointments.



Base: 3,884 global respondents

Source: Millennials at work (PwC December 2008)

Business passports

In certain parts of the world Yao has secured access to a number of 'business passports', issued to those highly skilled individuals constantly travelling between markets. This enables Yao to move some of its key employees more freely, in some cases negating the need for entry visas. It has worked particularly well for technical staff that need to be able to service and adapt the increasingly sophisticated technology infrastructure common to all large multinational organisations. Often this cannot be done remotely. The vetting procedures for these passports are tough and their future validity is not guaranteed. Any serious increase in international terrorism will likely see them revoked.

Figure 3

Future view

‘We see many enterprises around the world cutting jobs because of the financial crisis, and we work with leading human resource consultancies to recruit more Western professionals.’

REN Jianxin, President, China National Chemical Corporation (ChemChina), China

Dark pool talent

Data, intellectual property and intangible assets became an increasingly core part of many business models. Some companies relied heavily on banks of customer data (some of it updated in real time) to intelligently target bespoke products and services through the consumer’s life span and changing circumstances. Performance management within organisations increasingly focused on capturing, monitoring and manipulating a vast range of employee metrics. Data and communications networks (including mobile phones and hand-held devices) were increasingly vulnerable to e-espionage, cyber attacks and theft by organised criminals who were then able to compromise a business and blackmail its employees.

Companies needed to find a way of countering these threats. They started to fish in ‘dark pools’ for the talent they needed to create a protective shield. This new wave of corporate employee included those previously involved in covert government operations, the military, technological innovators (often under twenty years old) and ex-criminals.

A recruitment gap was identified: companies needed complex puzzle solvers who happened to use technology, not just technology experts. Initially, there was a trend for companies to go looking for dark pool talent directly. The recruitment industry eventually caught up and began to test routinely for problem solving abilities.

Although small in number, some of these employees assumed positions of great power quickly and had a significant impact on the work culture within organisations. The influx of dark pool talent provided challenges for managers and for leadership teams who understood the need for, but not the nature of, the work these employees undertook. Some were unconventional and eccentric characters with values and life experiences very different from traditional candidates. Care needed to be taken to manage and incentivise these people through their time at a company and especially during their exit. Many of them carried knowledge that could be used to compromise, even destroy operations.

How the downturn affects your ability to compete in the Blue World

For most companies, people costs represent the largest business cost – up to 70% in some organisations. During a downturn, spend on people is usually the first area to be scrutinised and cut. In the Blue World, long-term investment in the ‘talent pipeline’ is critical for businesses to remain competitive. Some of the ways companies could be affected by the downturn include:

- **Reducing graduate intake numbers** for a couple of years will seriously affect the talent pipeline and limit the number of options for leadership succession planning in the long term.
- **Training and development** budgets are often cut when companies are in difficulty. As well as a potential negative impact on customer service or product quality, cutting investment would mean the company lacks the right skills to compete when the upturn comes, incurring the higher cost and delays of hiring in people.

- **Employees committing fraud** in the workplace increases during a downturn. Companies need to ensure they have the right processes in place to minimise the possibility of fraud being committed. Employee fraud can be large or small scale and can damage both the reputation and the profitability of the business. This kind of fraud is usually borne out of low employee morale, individuals feeling personal financial pressure and an increased ability to justify the crime to themselves.
- **Not having the right data.** Although most organisations would lay claim to using some employee measurement techniques, many organisations struggle with what to measure and then how to interpret the data. In Yao’s world, HR has become a hard discipline with people measurement at the heart of financial reporting. The danger in a downturn is that companies make cuts based on inappropriate data which damages the business in the long term.

To compete in the Blue World, organisations must become more focused on measurement and making HR a hard discipline. The ability to invest in a talent pipeline for the future is critical.

‘Generation Y is much more focussed on work life balance. They want to get recognition much more quickly. The idea of being mentored by a senior manager is very attractive. But there’s less of the ‘time served’ mentality before they expect to see reward.’

Vivien Broughton,
Career Development
Manager, Europe &
African Unit, Transocean

The Orange World: tribes thrive

Data Honey

Data Honey was established by Sven Norstaad and Petr Burgin in 1999. By 2020 it was a business of around 100 core employees, but using a network of contractors or 'team workers' of 1,500+. Data Honey is a highly successful market research and consumer communications agency based on the outskirts of Oslo, Norway. Almost half its permanent staff work remotely from around the world. Despite its relatively small employee population, Data Honey's 2019 turnover was over €4bn. Fragmenting global structures and the growth of new, dynamic local markets helped Data Honey thrive.

Managing people in the Orange World

Data Honey has managed to align its workforce size and capacity to its workload through clever use of collaborative tie-ins, international networks and its relationship with the technology guilds which have established themselves and flourished over recent years.

Data Honey uses many contractors, known as 'team workers'. Both permanent and temporary employees are encouraged to join the appropriate global guilds for everything from training and development to retirement, insurance and healthcare needs. HR as we knew it at the start of the century is almost non-existent. All that remains in-house is a talent sourcing role, which has been expanded to include management of internal

Timeline of company

2010	2012	2016	2017	2019
Data Honey helps to establish the first global guild – The Guild of Web Designers	Data Honey creates Head of Talent Sourcing role	Workbook takes care of 95% of Data Honey's team worker recruitment needs. All team workers belong to guilds	Workbook now has three serious rivals and introduces the Universal Employee Rating to regain its market lead	Guild of Web Designers successfully sued by ex-Data Honey employee for unfair employee rating



communications. Most recruitment is run through Workbook, the universal recruitment podium (see page 23).

Mobility is high. Data Honey believes that most people lose their creativity if they stay too long in the same role. Many people leave to go and work for Data Honey's clients and end up returning a few years later. A lot of the management is remote, which has involved specialised training for some of the senior managers and a constant investment in communication technologies.

In the Orange World, individuals providing professional services (such as programming expertise) now market themselves more like companies than freelancers. Some will offer a specific skill set to a prospective employer such as capability with a particular portfolio of software. Others have changed their value proposition by offering 'microproducts' or highly specialised applications which they have developed themselves.

Technology developers now leverage the power of the guilds and application marketplaces to sell these products direct to enterprise. The former barriers to entry – high capital costs for product testing as well as the fast burn rate of marketing and advertising expenditure – are borne by the guilds and the platform providers in exchange for a share in the upside. Data Honey benefits from being able to either buy talent or buy products depending on a particular need.

'85% of millennials are members of online social networks.'

Millennials at Work

‘I think the first thing is having clarity about who the top talent is, and second, ensuring that you reward them both financially and with expanding opportunity as well as with personal acknowledgement. At the same time, it’s counterproductive to lavish acknowledgement on your top talent if it’s done at the expense of everyone else in your company.’

John Donahoe, President and CEO, eBay Inc., US

How Data Honey emerged from the crisis

When many people (particularly in the technology, advertising and marketing sectors) lost their jobs in 2008-10, Data Honey realised there was a lot of good talent looking for work. They invested in creating social networks and support services for redundant workers as a way to make connections with new talent. In the short term, there was no real gain for Data Honey (although, reputationally, they became known as a forward thinking, good company to work for). But when the upturn came and demand for these services increased again, Data Honey was in the enviable position of having access to some of the best talent around the world. This gave them huge advantages over the bigger, more traditional players and they stole market share.

Creating social networks – the HR chief at Data Honey began to track layoffs at big competitor companies during the downturn. Data Honey created a number of social networking sites for jobless talent where they could find advice, share experiences and, in some cases, find new job opportunities. In fact, Data Honey was able to offer a number of short-term contracts to members of this network to support its client needs.

Early adopters of Workbook – when Workbook came on the scene in late 2010, Data Honey encouraged its social networking group to support the site. The reason Workbook succeeded where other large recruitment firms failed, was the pricing model. Candidates posted their information for a small fee and employers were charged a commission fee commensurate with the project length or level of expertise needed. As overheads were lower, the commission fees were far less than fees charged by the traditional recruitment firms.

Having a talent pipeline for the upturn – when the upturn came, Data Honey’s competitors were still struggling with the old model of hiring talent back into their organisations for permanent positions. Data Honey developed a market leading reputation for being able to cherry pick the best people from a global talent pool for its clients – if necessary, within a matter of hours.

Setting up the guild model – Data Honey quickly spotted the trend for freelancers to act and market themselves as companies, rather than merely self-employed contractors, and supported this trend by helping to set up the first guilds (see *Global guilds* page 22).

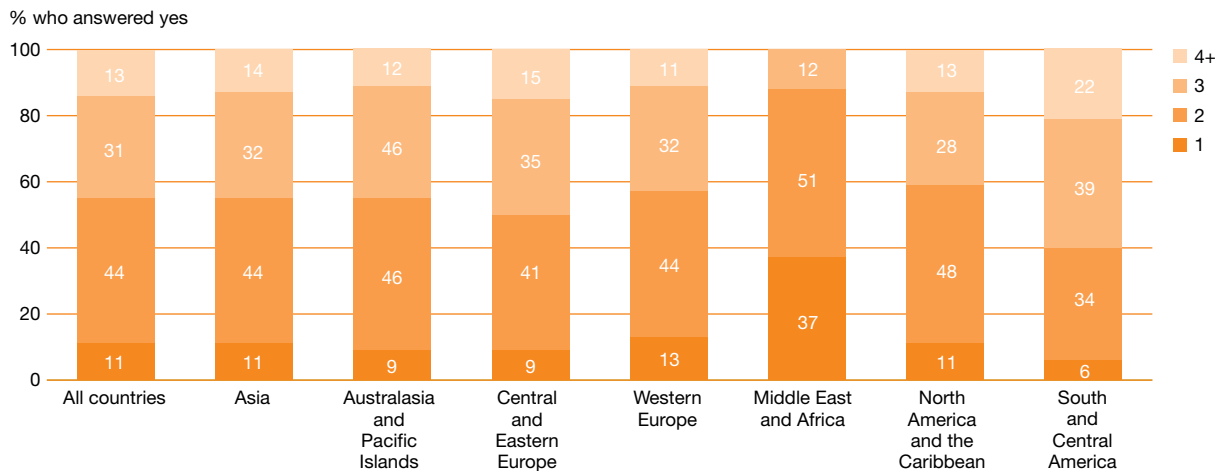
Universal employee ratings – early adopters of Workbook and the Universal Employee Rating, Data Honey recognised that

in an age of complete adoption of social media, networks have become so large that they are pervasive and self-validating. The transparency of online profiles allows prospective employers to check potentially inflated credential claims, which led to the requirement by professional services companies – now adopted in other industries – that all employees maintain available online profiles.

‘40% of Millennials would be prepared to give employers greater access to personal information, only 35% disagreed.’

Millennials at Work

Most millennials have at least one email account, 44% have at least 3 or more



Base: 3,864 global respondents

Source: Millennials at work (PwC December 2008)

Figure 4

Global guilds

The global guilds are professional bodies for the technology and related industries. They were established by groups of successful professionals (with some international development and industry funding) from each of the represented disciplines. In just a few years, they have grown to a combined global membership of over five million professionals, all of whom pay an annual membership subscription and additional fees depending on their use of guild services. Most of the technology guilds were established in India from 2010-15.

The latent demand for guilds was obvious from the outset. The dot com crash of 2000-02 and global recession of 2008-10 created a highly successful, mobile and qualified group of technology freelancers. These technology tribes include information architects, web designers, game engine developers, technology consultants, search optimisers, online marketers, software engineers and systems testers. The freelancers that form them thrive on the variety of contacts, employers, sectors and locations they experience. Their membership of a still fairly new peer group provided them with a professional identity, not their employment in a

particular company. Many of these individuals, however, were not experts at completing tax returns, sending invoices or planning their own training programmes.

The global guilds have stepped in to provide these services, which has also made life easier for employers. The guilds can manage payroll, tax, global resource mobility and training, as well as legal representation for individuals and small companies. Their association and collaboration with universal employee podiums (notably Workbook) has enabled small but growing companies like Data Honey to effectively outsource most of their HR activities. The guilds' standards and codes of practice mean they can 'vet' Workbook's members and, to some extent, carry the risk through its disciplinary procedures and membership criteria.

The guilds' adoption of Workbook's Universal Employee Rating (UER) has helped employers and employees navigate the recruitment terrain, although this has not been without obstacles as the UER has now acquired a quasi-legal status and can be challenged in court.

Future view

Extract from employment networking site in 2020

In the Orange World, Workbook, an employment networking site, is used as a key route for people to find jobs, host their work experience and join networks

The screenshot shows the profile of Chin Han Lao on the Workbook platform. The profile includes a search bar, navigation tabs (Profile, Colleagues, Networks, Inbox), and a main content area with a profile picture, bio, and various details.

Workbook Profile edit Colleagues | Networks | Inbox | home account privacy logout

Chin Han Lao
Chin Han is handling monthly accounts receivable for oregon microgeneration systems.

Networks: Keelung
MicroEnergy finance e-guild

Key Skills: General accounts, bought ledger, microenergy

Sector knowledge: Languages spoken: Mandarin, English, Urdu

Sex: Female
Looking for: Short-term contracts
Available from: Next Monday

Date of Birth: June 1, 1996
Hometown: Keelung

View Chin Han's work history
View Chin Han's qualifications
View Chin Han's rate card

Chin Han is online now

▼ Colleagues
352 Colleagues see all ▼

▼ Colleagues in Other Networks

Networks
Keelung (237)
Microenergy (48)

▼ Mini-feed
Displaying 10 of 42 posted messages

June 2nd 2020
Chin Han was awarded a two-week contract with Oregon Microgeneration Systems.
Gaeten Sanchez and Chin Han completed their contract with Vent et Eau Toulouse

June 1st 2020
Chin Han celebrated her birthday

‘The shortage of talented people in many of the markets where we are is going to be a huge concern just for sheer demographics. That’s why the investment in technology is going to be even more critical, so people have the tools to be able to provide more sales per employee with the same amount of demand on hours as they have today.’

Group Chief Executive,
FTSE100 global company

‘The key for HR in these times is to focus on being more engaged in the business, Attracting talent is going to be challenging when companies are cutting back. Trying to make sure that we keep that influx of new talent coming into the organisation will be critical.’

Barise Hatfield, Global Mobility Advisor, Huntsman International LLC

How the downturn affects your ability to compete in the Orange World

During a downturn, many organisations switch to survival mode, cut costs and take cover until the storm blows over. Data Honey remained focused on the future and the belief that they could capitalise on the changing world more quickly than their competitors. Its flexibility and entrepreneurial approach helped to create a completely new way of working for an entire industry.

- **Being innovative and taking risks.** During tough times, companies often shift focus to the short term. Companies need to continue to innovate, and anticipate or create their own futures.
- **Cost cutting** can lead to reducing numbers of external contractors and bringing a number of areas back in house. This might seem like a good short-term strategy to save costs, but may not be the best model for the supply chain over the long term.

- **Technology investment** is another area likely to be hit during a downturn. Spend on technology enhancements can seem like luxuries when there are more pressing issues, but companies need a competitive and relevant technology platform to support the business when growth returns.
- **Networking sites** – companies need to embrace the new currency of social networking sites and see them as a tool for developing contacts, new clients and promoting services. On the flip side, disgruntled employees can vent their frustrations on these sites and irreparably damage a brand within a short space of time.
- **Millennial employees** have different needs and expectations from previous generations. This tech-savvy generation expect employers to embrace technology and the flexibility it brings to their working lives.

To compete in the Orange World, organisations need to continue encouraging innovation and exploring new ways of doing things. The fast rate of technological advances cannot be ignored.

Summary

	Green World	Blue World	Orange World
Workplace culture	Focus on socially and environmentally responsible business practices	Fast-paced, global operator, with high performance culture	Flexible and highly networked with a focus on the short term
Employee profile	'Your corporate values match mine – I belong here.'	'Only the best work here – I am the best.'	'I will work with you because it suits me right now.'
People management style	Coaching and nurturing to promote the right behaviours	HR is a hard discipline, very metrics focused with rigorous recruitment processes	Emphasis on global talent sourcing, global guilds replace the HR function
Key themes	CS and transparency underpin everything to drive moderate but steady growth	Controlling talent is key, the line between home and work is blurred	Small means agile, innovative and able to adapt to change quickly
Corporate ethos	Sustainable business for a better society	Perform well all of the time and everybody wins	Networks make the world go round

Is your people strategy fit for the future?

‘As an employer with 250,000 employees, we are also dependent upon access to manpower, particularly since there is a high turnover of personnel in the security industry... In the long term, however, demographic development is a risk factor. Europe is expected to undergo a population decline to an extent that has not been seen since the Black Death.’³

Alf Göransson, President and CEO, Securitas, Sweden

Of course we cannot be certain about the future, but we know that talent will be as critical tomorrow as it is in today’s world. 97% of CEOs in PwC’s 12th annual global CEO survey said that having access to talent and key skills was the most critical factor for their long-term business strategy.

We can also draw some conclusions from the case studies presented in each of our worlds where each company embedded best practice, but at the same time was not afraid to take on board fresh ideas.

- It is clear that the **millennial generation have different expectations of work and career**. Businesses will need to think carefully about how they engage with employees of different generations.
- **Corporate sustainability and climate change issues have gathered momentum**. Perhaps dependent on location or industry, companies will be forced to make significant changes as a result of new regulation, but also to remain competitive and sustainable in the eyes of customers, shareholders and employees. The debate will move on beyond carbon to other issues such as water scarcity.
- Employees, business leaders and governments have had to weather the economic crisis together. Some businesses will come out better than others, but we are likely to see **renewed efforts to restore trust**. This will come in the guise of new regulation or tighter controls to manage risk. The **‘once in a lifetime’ shift in our notion of performance related pay** will change our outlook on company reward and retirement arrangements.
- The importance of hard measurement of people has never been more crucial. **HR can no longer be a ‘soft’ discipline**. Today’s people cost cutting has been likened to conducting surgery by candlelight, but tomorrow’s competitive world will demand much greater precision.
- The **health and wellbeing of the workforce will be a key focus** in tomorrow’s metrics oriented world. Sick, unhealthy or unhappy employees = reduced productivity and absenteeism.
- **Companies slashing training and development budgets will regret it**. In the rush to reload the talent supply when the upturn comes, these companies will be left behind. We also know that training and development is the most important benefit in the eyes of millennials.

- The impact of the economic crisis was felt everywhere and even emerging markets were not ‘decoupled’ from the crisis as some had predicted. **Global mobility of talent will be essential** to manage operations, optimise success in key markets and to maintain the talent supply in the organisation.
- **Companies need to accept the implications of social networking** and use it to target new customers, attract talent and manage customer relationships. Companies that innovate in this area will succeed.
- **Having the right technology platforms to run the business will be vital** to compete. Businesses might struggle to keep up with technological advances and the inevitable cost of change, but customers and employees will demand it.
- And finally, how is the Human Resource function positioned for tomorrow’s world? HR decision making will be key to the organisation’s cultural evolution and change. Is the era of ‘business partners’ coming to an end? Could we end up outsourcing everything to global guilds? Might the

finance or marketing functions take over HR? Whatever the outcome companies need to ask: **is the HR function fit for the future?**

We believe that all companies should be thinking about scenarios for their own organisations. They need to examine how macro trends (demographics, globalisation, technology, climate change, etc.) will impact their business or industry, and how these might play out into future scenarios. Thinking through what these scenarios would mean for an organisation and what decisions or options need to be considered, will help to prepare for the future.

For employees, the future is likely to be a world where many different ways of working are on offer. The opportunity to experience multiple cycles of experience either in one or many organisations will exist. Employees will align themselves with organisations that fit their priorities and ideals more than in the current world, whether that be in relation to financial gain, social and environmentally responsible practices, aligning with personal beliefs, the opportunity to work overseas or being self employed.

For employers the challenge will be much harder. The competition for talent will continue to be intensely fought. Employee expectations will be far greater, and organisations will face these challenges against an even more competitive global market.

This report has outlined three very different business models co-existing in tomorrow's world. Each organisation faced different challenges and tackled the downturn in unique ways. As companies contemplate the next decade, many will consider rethinking and reshaping their strategy. In these three diverse worlds one common theme is that G-Bank, Yao and Data Honey invested in their *own* scenario planning process to identify opportunities to innovate, increase competitiveness, and identify real options to mitigate risks. This strategy helped each company to become the dominant players in their industries.

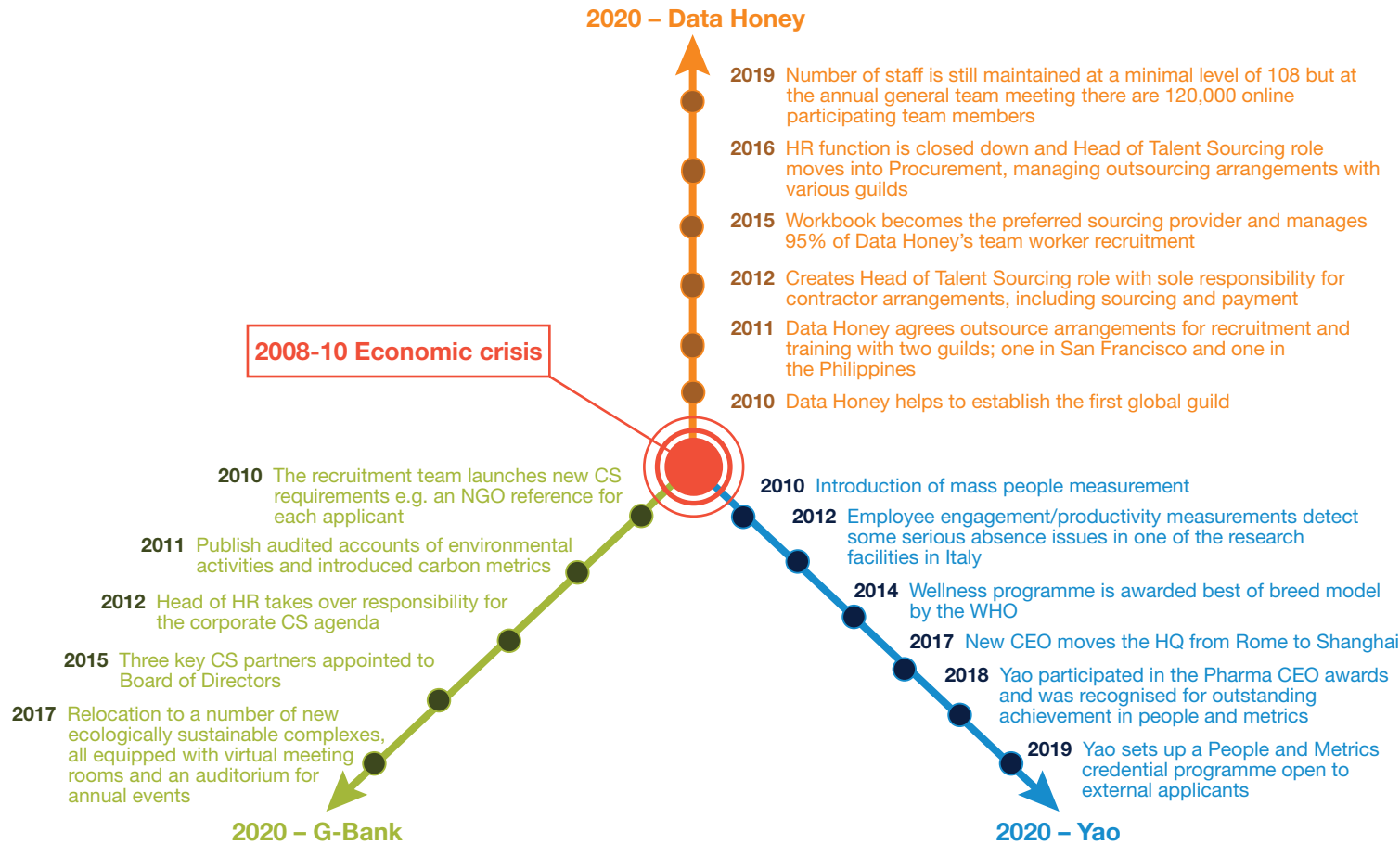
What should you do now?

Determine how future proof your business and people strategy is against the global drivers that will impact in the coming decade

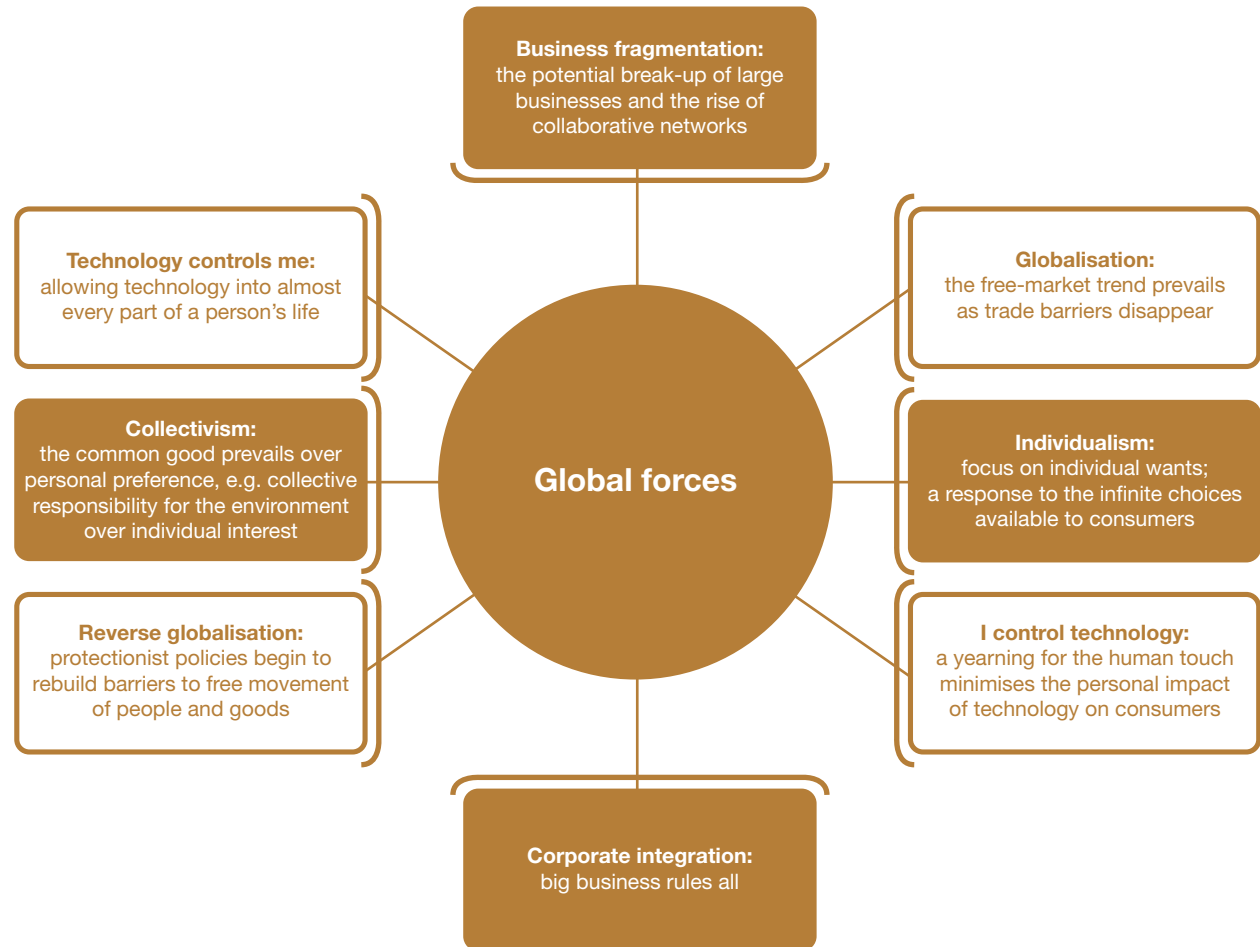
- ▼ Develop scenarios appropriate for your company, industry or geography
- ▼ Understand how your business fits into these scenarios and how well prepared you are to meet tomorrow's challenges
- ▼ Drill down into specifics on people management; for example, your reward strategy, retirement plans, recruitment policies – are they future-proof?
- ▼ Consider what 'real options' or actions you might take now to mitigate any risks and capitalise on opportunities to put yourself in a competitive position for the future
- ▼ Challenge the HR function to be more externally focused on customers, markets and trends – HR needs to harden up

Recognise that the future is not a place you go to, but one which you create

Some of the key decisions made by each company as a result of scenario planning



Appendix 1: global forces



During periods of economic upheaval and increased uncertainty, the difficulties of plotting the future course of a business are brought more sharply into focus. Successful companies are those which, rather than reacting to unfolding events, take a proactive stance and incorporate the possibility of change into their business strategy.

Two very different historical examples graphically illustrate how specific action based on foresight and planning can turn adverse economic circumstances into competitive advantage.

- In the early 1970s, with crude oil in plentiful supply, high demand for shipping capacity meant that oil companies were obliged to charter tanker space far in advance to ensure they could ship their product. When OPEC announced in October 1973 that they would no longer supply oil to nations supporting Israel in the Yom Kippur war, many companies were left with excess tanker capacity, at considerable expense. But one oil major anticipated the possibility of a global oil crisis and, at only modest additional cost, built options into its tanker contracts, allowing the company to decline shipping capacity in excess of its requirements.
- In the recession of the early 1990s many professional services firms slashed their graduate recruitment budgets. This short-term approach damaged their brands among the student population and, five years later when the markets had recovered, left them desperately short of experienced staff. One consulting company took a different approach. At the low point of the cycle in 1991-92, rather than cutting numbers and withdrawing offers like their competitors, they offered candidates the opportunity to defer entry for a year or two along with a modest travel bursary. Job candidates loved the idea and many accepted the offer willingly. The company's reputation among the student population was greatly enhanced and the firm saved costs in the short term while guaranteeing its supply of labour in the long term.

Building the bigger picture

Before specific real options can be incorporated into the business strategy, the broader economic backdrop and the ways in which it might change must be examined.

The process begins with the development of big picture or 'first level' scenarios, which are deliberately painted on a broad canvas. This process is about building strategies by imagining plausible futures, being creative and using inductive logic. Planners think about global macroeconomic trends, geo-politics, changes in society – including individual values and consumer preferences – industry trends, environmental changes and technological innovations.

While current trends will inform this thinking, scenario builders need to consider the possibility of major discontinuities – events like the September 11 terrorist attacks on New York or the sub-prime loan crisis, which can have dramatic effects on business and society.

From macro to micro

Using the first-level scenarios as the starting point, more detailed company specific or 'decision' scenarios can then be developed. These examine the implications of the big picture scenarios on the company, its competitors and the industry in which it operates. The scenario builders will think about the response of individuals, organisations and governments. What will be the effect of changes in the environment on consumer preferences and government regulations? How will the company itself react, taking into account its know-how, the competencies of its people and its financial resources?

Of course, while there are many possible scenarios, a company can only execute one corporate strategy at any time. The challenge is to move from a number of different plausible views of the future, with different consequences and requiring different responses, to one set of actionable plans. This is where the corporate planning technique called 'real options' comes into play.

Figure 1: From scenarios to real options

First-level scenarios	High level, descriptive, creative, inductive, general, a basis for strategic discussions
Decision scenarios	More detailed, deductive, company-specific, a basis for strategic planning
Real options	Very detailed, a basis for decisions

Real options

Both case studies above are examples of ‘real options’. They are ‘real’ in the sense that they relate to something tangible – in these instances tanker capacity and people.

A real option gives management a right, but not an obligation, to utilise an asset in pursuance of the strategic goals of the organisation. Real options create flexibility in an uncertain world. They buy time to think, to allow managers to watch trends and look for early warning signs, to experiment without making irrevocable commitments.

Timing is everything: real options should be bought or constructed when the cost of doing so is cheap, creating competitive advantage if an option comes to be exercised and minimising cost in the event that the option turns out to be unnecessary.

Real options come in many forms. They may be rights to buy or to sell, opportunities to switch between different internal business processes or external suppliers, or toe holds in different markets. Options may be acquired on the external market, created internally, or they may already exist within an organisation.

A longer list of different types of option is shown in figure 2 below.

Figure 2: Types of real options

Inherent options	Already exist for free, simply need to be identified
Created options	Need to be consciously constructed or acquired, possibly at a price
Switching options	Give the possibility of switching between products, processes, inputs or business activities
Modification options	Create additional possibilities by modifying products, processes, infrastructure
Platform options	Investment in new infrastructure or capabilities to give new business opportunities
Capability options	Development of distinct competencies – human resources, brands, reputation, culture, knowledge, processes
Portfolio options	Development of new markets, channels to market, products, pricing strategies

Incorporating multiple possible outcomes

When a set of decisions work well in all imagined scenarios, the appropriate course of action is clear. Conversely, for decisions that would not work in any possible scenario, it is equally clear that the course of action should not be taken. The real world, however, is rarely so straightforward.

Consider the four key decisions and three possible scenarios shown in figure 3. In the third case the decision works well in scenarios B and C but not in the case of scenario A.

In the fourth case the decision works well in scenario C but not in the other two. Unfortunately, the categories of decision represented by questions 3 and 4 are more common than clear-cut decisions like 1 and 2.

This is where real options come into play. Rather than gamble, management should try to identify real options which cover the implications of a 'yes' decision to question 3 if scenario A comes about, and of a 'no' decision to question 4 if scenario C turns out to be the case. These options can then be incorporated into a single business strategy.

Fig 3: Linking scenarios and real options

	Scenario A	Scenario B	Scenario C
Decision 1	Positive outcome	Positive outcome	Positive outcome
Decision 2	Negative outcome	Negative outcome	Negative outcome
Decision 3	Negative outcome	Positive outcome	Positive outcome
Decision 4	Negative outcome	Negative outcome	Positive outcome

Real options in managing people – examples:

- Building research centres in different geographical locations around the world solely with the aim of accessing wider talent pools.
- Recruiting people with an unusual mix of experience and qualifications in order to broaden a company's capabilities.
- Increasing workforce flexibility by using a mix of different types of employment arrangement – fixed term as well as permanent contracts.
- Maintaining networks of self-employed contractors to supplement full-time staff.
- Using internships and bursaries to build relationships with universities to access knowledge and as a source of graduate recruits.
- Experimenting with different learning strategies, including computer-based training.
- Incorporating greater flexibility into reward arrangements.
- Running some HR systems in-house while outsourcing others.

If you would like more information about scenario planning or real options, contact Jon Andrews, jon.andrews@uk.pwc.com

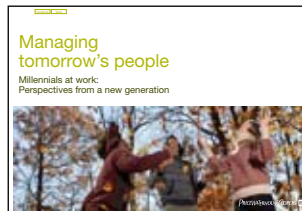
Publications



PricewaterhouseCoopers 12th Annual Global CEO Survey: Redefining success

Views from 1,124 CEOs from more than 50 countries, the report discusses the impact of the downturn, biggest threats to business growth and the talent management challenges facing businesses across the world.

www.pwc.com/ceosurvey



Millennials at work: Perspectives from a new generation

Over 4,000 new graduates from 44 countries were interviewed to explore their hopes and expectations as they enter the workforce for the first time.

www.pwc.com/managingpeople2020



Managing tomorrow's people: The future of work to 2020

The first report in our tomorrow's people series, uses scenario planning to envisage three business models or 'worlds' which we believe will co-exist in 2020.

www.pwc.com/managingpeople2020

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