delaware

THE FUTURE OF WORK

Part of the delaware business insights series

INTRODUCTION.

"Balancing the Value of Today and Tomorrow"

Author | Ian Greenhalgh, UK and US Managing Partner, delaware

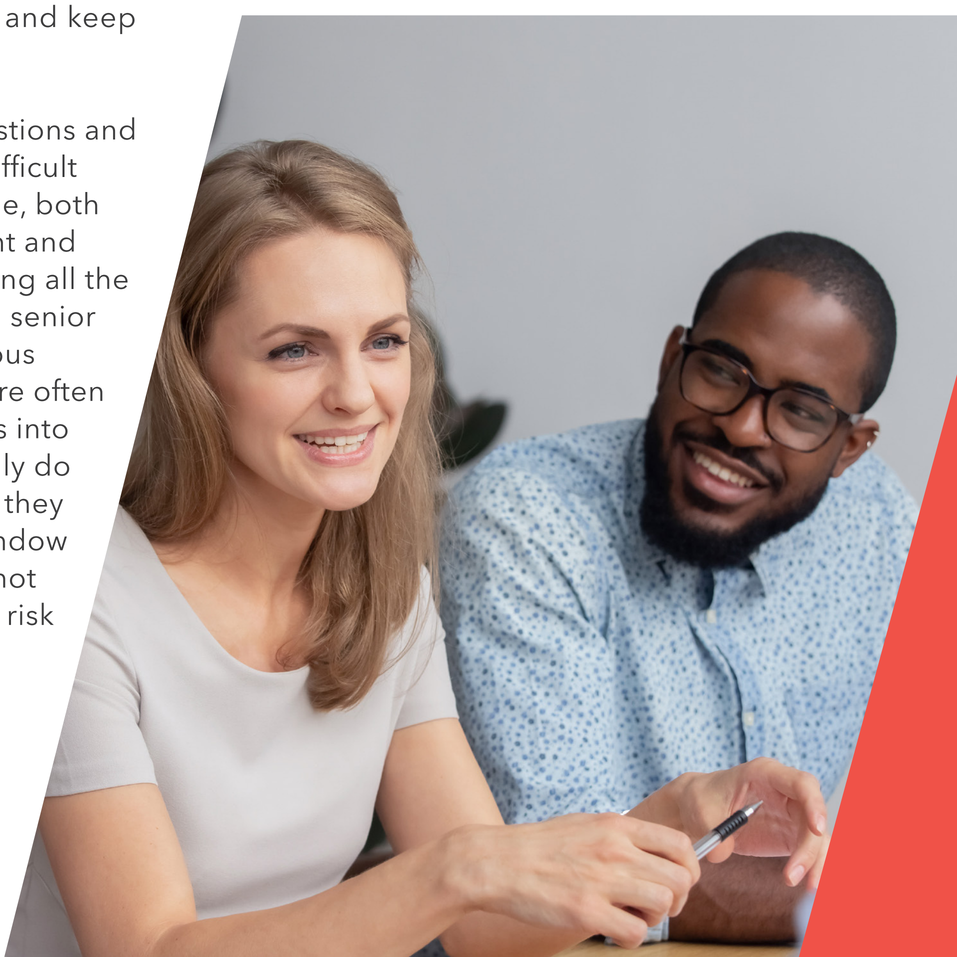
The pace of change in business is accelerating as more and more enterprises prioritise digital transformation and adopt higher levels of automation to drive up productivity and operational value. This process brings challenges as well as opportunities.

However, how do organisations make the transition without neglecting the need to deliver instant profitability?

How do they ensure they continue to engage with employees positively today as they transition to the smart new technologies of tomorrow?

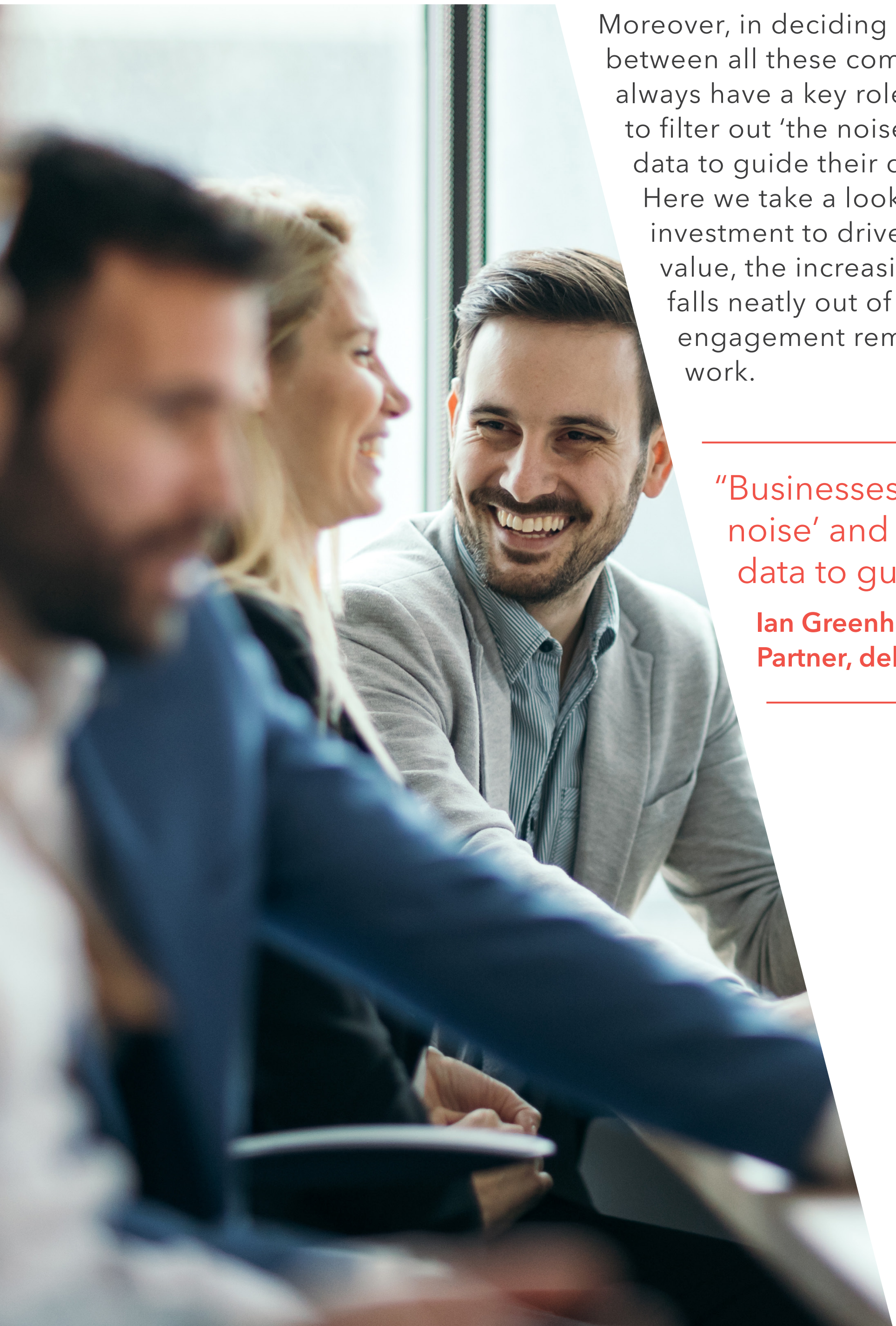
This handbook considers all these questions. Critically too, it assesses the key issue of how all this will impact on the future of work. How can organisations get the most out of automation and still retain the loyalty of their staff? What will the future of work look like? How can businesses ensure that tomorrow's workplace empowers employees to work faster, smarter and better but also engage with them positively and keep them happy and loyal?

All of these are complex questions and they are getting ever more difficult to answer. The pace of change, both of technological development and business culture, is accelerating all the time. Twenty years ago, when senior businesspeople made a serious investment decision, they were often looking two-to-three decades into the future. Today, they typically do so to take advantage of what they see as a three-to-five year window of opportunity. The cost has not gone down but the longevity risk has gone up significantly.



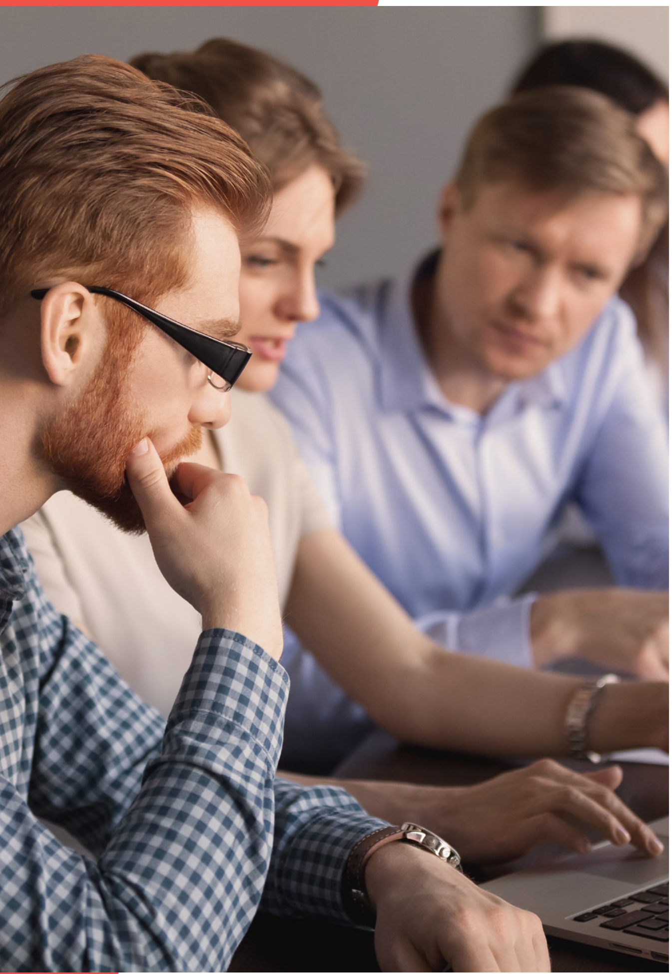
Such a forward-looking investment decision will also inevitably impact on employees. As businesses make the move to digital technologies, they take on much greater levels of automation and that will almost inevitably mean some job losses. The more predictable, everyday roles that repeat a set process are the most likely to be automated. Ethics, therefore, comes into the business decision-making process in this context. Will decision-making be made putting the profit principle front and centre or will the future of the workforce be given a high priority?

Short-term profits will always be a consideration but so too will long-term operational business value – and in achieving that there will always be a place for the employee, whether that is through the business upskilling existing workers, or through it bringing new kinds of employees on board to fulfil new roles that technological advancements have created.



Moreover, in deciding what balance to strike between all these competing priorities, data will always have a key role to play. Businesses need to filter out 'the noise' and focus on the relevant data to guide their decisions in this regard. Here we take a look at the whole process of investment to drive operational business value, the increasing role of automation that falls neatly out of that, and why employee engagement remains key to the future of work.

> "Businesses need to filter out 'the noise' and focus on the relevant data to guide their decisions"
>
> **Ian Greenhalgh, UK and US Managing Partner, delaware**



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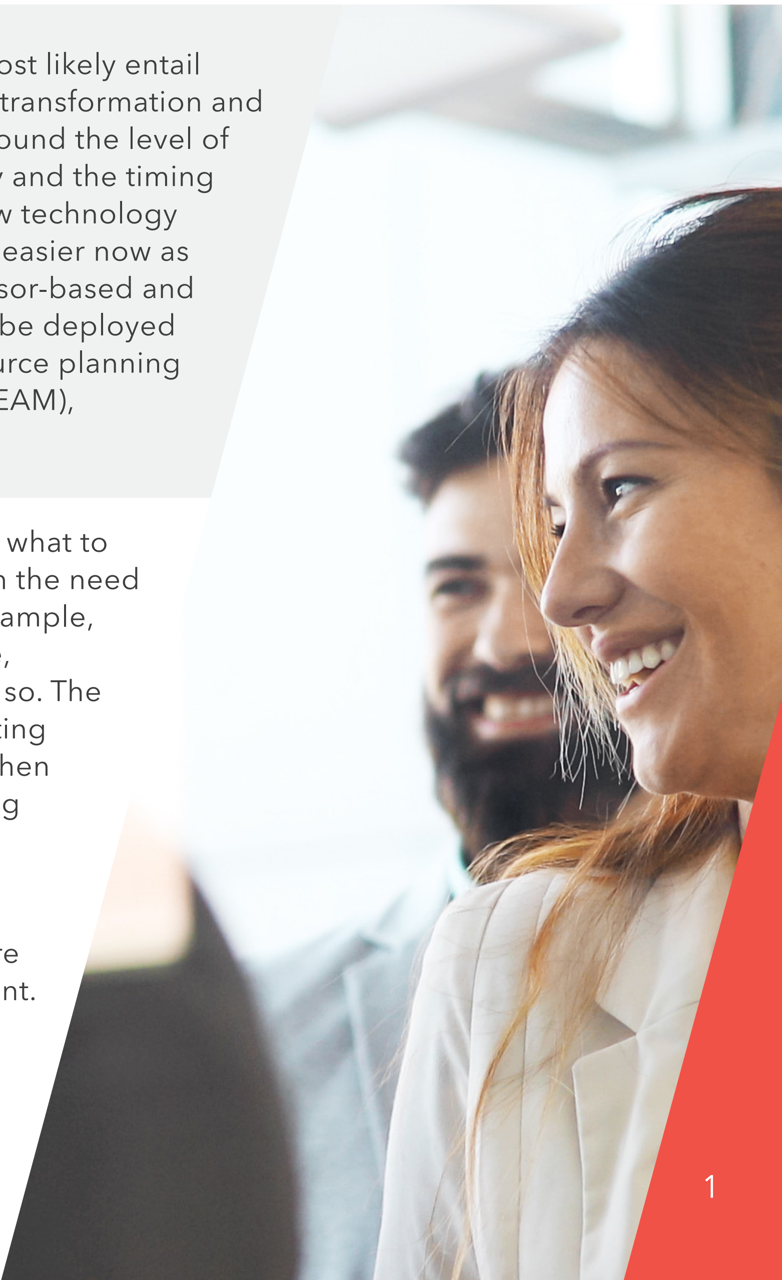
OPERATIONAL BUSINESS VALUE.

Author | Andrew Sepahpour, Director, delaware

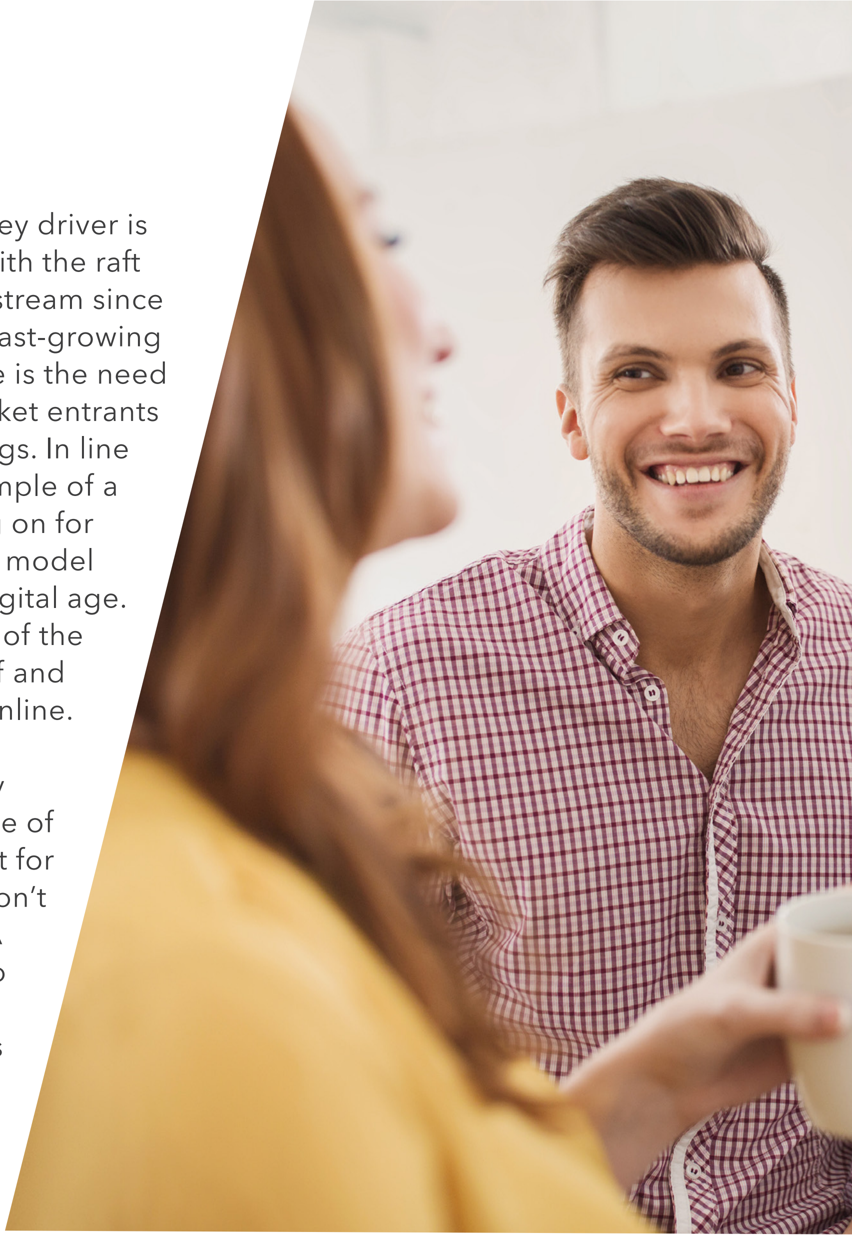
Every organisation is trying to maximise operational business value. Depending on the nature of the business, there are likely to be a wide range of potential approaches that can be taken to boost that value. Businesses could look at restructuring their assets through enhanced working capital management or fixed asset optimisation, for example. They might consider reducing costs through improved supply chain management, or they could focus more on tactical or strategic growth by concentrating on areas like bundling and cross-selling or product development.



Whatever their chosen approach, it will most likely entail undertaking at least an element of digital transformation and also making some significant decisions around the level of investment to be made in new technology and the timing of that investment. Putting money into new technology that drives operational value is becoming easier now as the cost of high-powered processing, sensor-based and IoT systems, all key technologies that can be deployed to form the foundation of enterprise resource planning (ERP) and enterprise asset management (EAM), continues to come down.

Businesses must know when to invest and what to invest in. Some organisations will question the need to invest at all. In the utilities sector, for example, where competition is perhaps less intense, companies often question the need to do so. The rationale is often that if the business is hitting target, or is close to it, without investing, then why go to the time and trouble of pumping more money in?

In other industries, however, making investment to drive value today or to future proof the business is an urgent requirement.



In the financial services sector, one key driver is the need to invest to keep aligned with the raft of new regulation that has come on stream since the financial crash of 2008. In other fast-growing sectors of the economy, the rationale is the need to beat off the challenge of new market entrants with innovative new solutions offerings. In line with this, Blockbuster is a prime example of a company that failed because it clung on for too long to an outdated video rental model and failed to reinvent itself for the digital age. Tower Records also became a victim of the digital age, both overstretching itself and failing to keep pace with the move online.

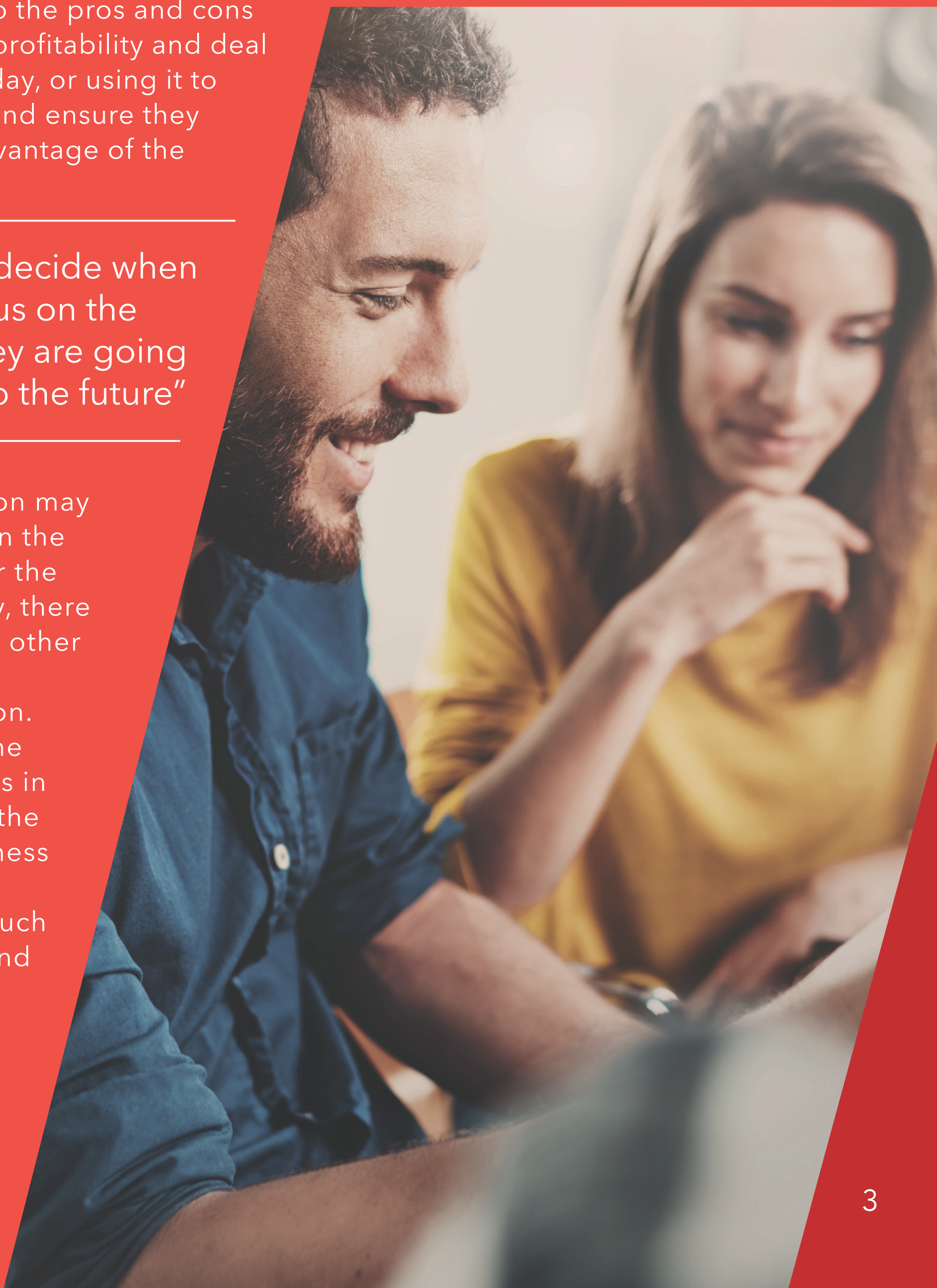
A failure to invest can also negatively impact the operational business value of the company, making it more difficult for that organisation by ensuring they don't win the contracts they need to win. A lack of investment often also leads to a decline in employee engagement. Attrition is likely to increase. Workers become disenchanted because the lack of investment made by the business in new labour-saving digital technologies means they have to spend their day using manual or antiquated approaches to achieve their goals. It is frequently frustrating, time-consuming, labour-intensive and unproductive and it may ultimately result in the employee leaving the business.

At the other end of the spectrum , those businesses that do invest to drive operational value can turn themselves into real innovators, able to carve out a distinctive position in their chosen market sector to keep ahead of the curve, and shape the whole future of work. Often, their success comes from creating new markets that nobody even knew they wanted. In the case of Amazon Prime, this included free fast delivery times and unlimited video streaming. Uber is another good example of this, adding something genuinely innovative to the traditional taxi experience, by establishing a new peer-to-peer business model on a digital platform, connecting people who offer a service (Uber drivers) with people who have a need (end customers). This has allowed Uber to quickly establish a strong position in its chosen market. Online food delivery companies like Uber Eats and Deliveroo similarly thrive in today's mobile, on-demand, instant access culture.

Today, also, success is often about ensuring you are focusing on all the right short-term issues and your supply chain is running as efficiently as possible - but also never neglecting to plan ahead for the long term. The timing of these efforts is often key. Organisations must decide when they going to focus on the present and when they are going to make the jump into the future. They need to get the balance right and ensure they do not tip over too far and find they are investing too much in the future and not enough in today.

All this will depend to a large extent on how big the organisation is, what is the nature of the work it is engaged in, and into which markets, both geographical and solutions-based, it is planning to expand. It will also depend on where it is as an organisation, and how mature it is.

Of course, it can never simply be about just taking a decision to invest, the precise focus of that investment is always going to be absolutely key. Businesses must weigh up the pros and cons of investing to maximise profitability and deal with the challenges of today, or using it to future-proof themselves and ensure they are positioned to take advantage of the challenges of tomorrow.

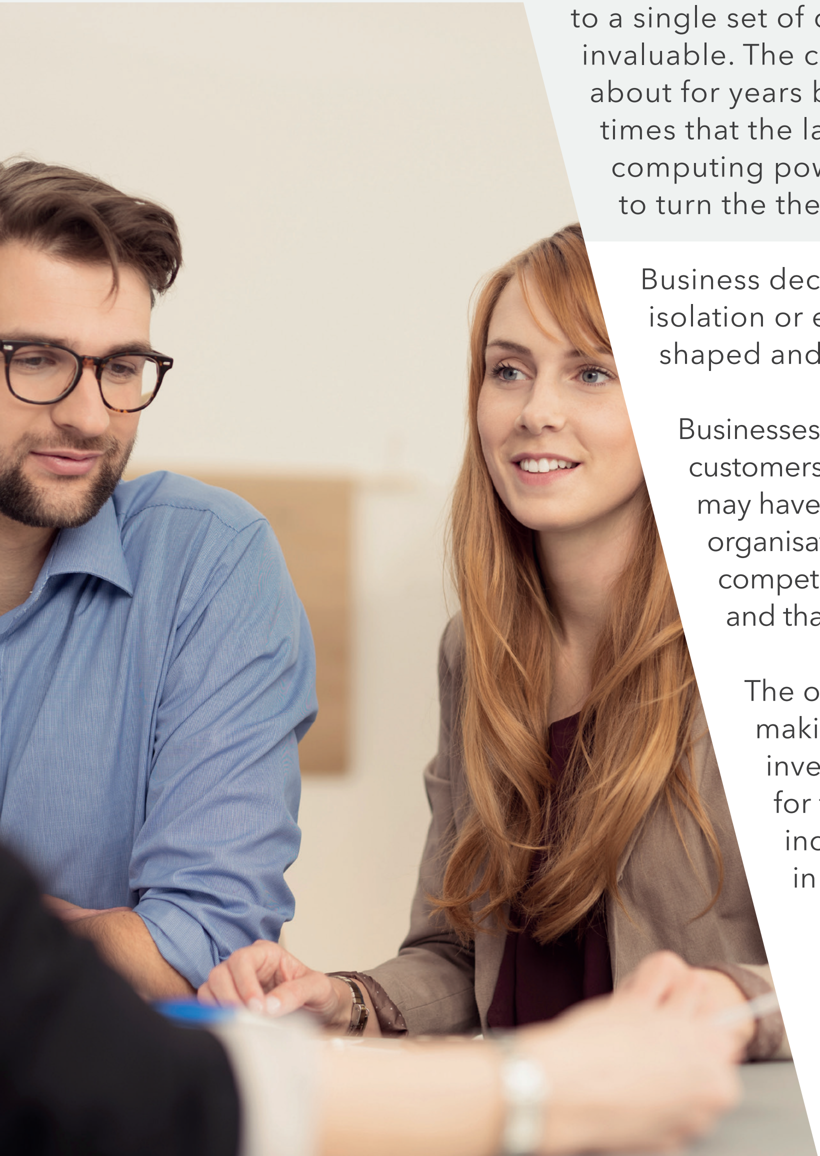


"Organisations must decide when they are going to focus on the present and when they are going to make the jump into the future"

In the past, such a decision may often have been based on the gut instinct of the CEO or the managing director. Today, there are often a wide range of other factors at play which may influence the final decision. Data should always be one of the determining factors in the timing and nature of the investment that any business makes. Most businesses today have access to a much greater volume, variety and velocity of data than they ever have before. They must have access to tools and techniques also that help ensure the quality and the integrity of that data.

Most organisations will have a lot of data available to them but they need to ensure they can focus on the data that is relevant to furthering their business goal, as opposed to the data that is effectively just noise, The key is to have systems that can serve up a single version of the truth, effectively ensuring that finance, IT and operations, all the key decision-makers across every element of the work that they do, can all be looking at a single set of data that they all believe in. That should in theory simplify the decision-making process and ensure that consensus can be more easily achieved.

But to drive true operational business value, it is also important that data is made available in a timely fashion. Technology is now available that allows data to be served up in real time or at the very least in near real time to decision-makers across the business. This rapid insight enables organisations that have it to reach out and engage with their customers more closely, reshape their whole approach and working processes, and achieve competitive edge. The most advanced businesses may even have already reached this nirvana but a lot of companies are not yet at this stage. However, that insight, visibility and control that organisations can achieve by having access to a single set of data, a single version of the truth, is invaluable. The concept behind this has been known about for years but it is only in much more recent times that the latest visualisation technologies, computing power and analytics have come together to turn the theory and the vision into a reality.



Business decisions should never be made in isolation or effectively in a vacuum, even if they are shaped and driven by data.

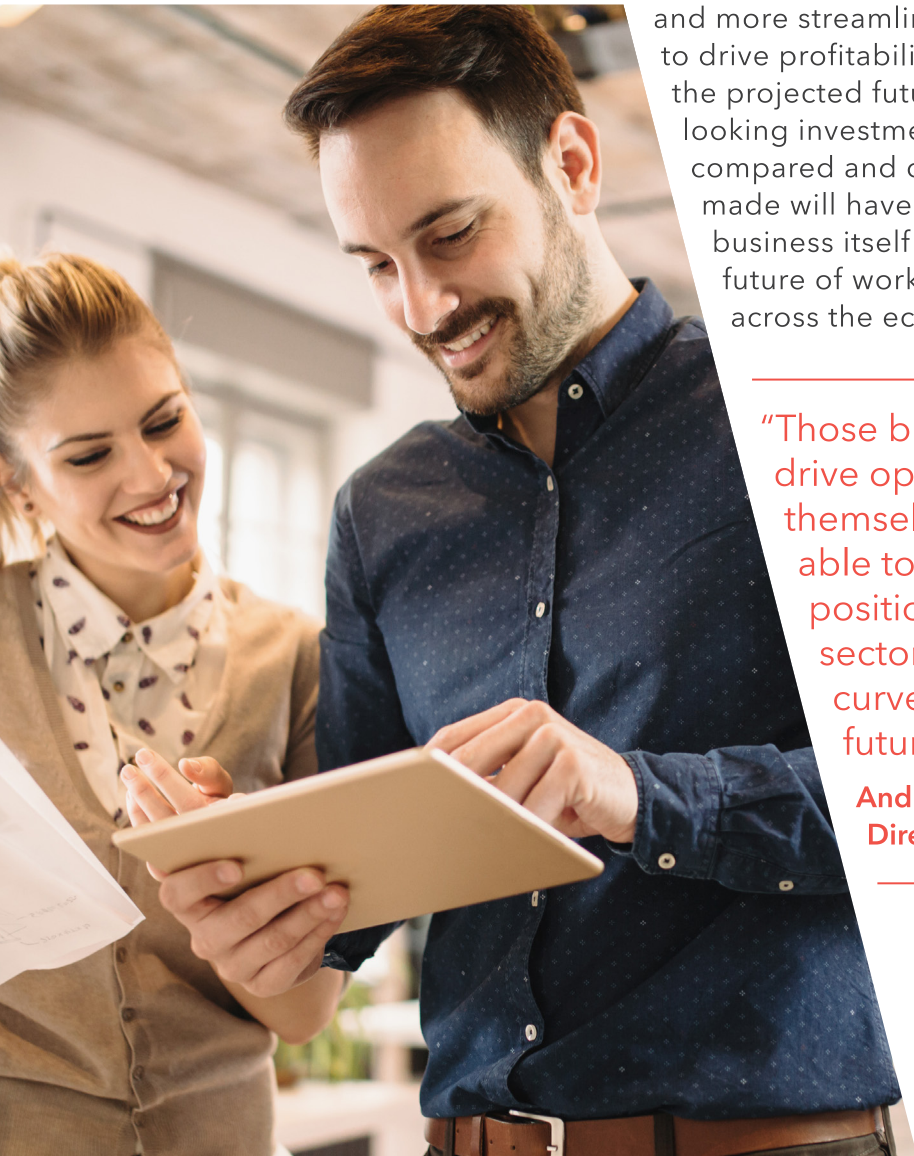
Businesses also need to ensure they listen to their customers in this context. After all, customers may have access to data, not only about the organisation they are dealing with and their competitors but also about the wider market - and that may influence the decisions they make.

The other key question is who is ultimately making the decisions in terms of technology investment and preparing the business for tomorrow? Is it still the CEO or is it increasingly the CTO, often talked about in the media as driving technology down into the business; or the CIO, who in many organisations today has a significant and growing role?

Some CIOs focus primarily on data privacy and data protection. Some, however, are more directly involved in driving the strategic direction of the company. They have a growing influence and corporate responsibility but their role is also beset with challenges – and they often lack the resources and business insight they need to execute it efficiently.

In many organisations, it is the CFO that has the final say. Ultimately after all, they are the group that sign the cheques and have to worry about missed targets. But they are also subject to the influence of the other C suite directors. In a typical scenario, the CIO would say I think we should do this from the technology perspective, take it to the chief operating officer (COO), who would take it to the CFO and say we want to do this. The CFO would typically then ask both about what happens if we don't do this, but then also what happens if we do it and it all goes wrong? What is the ROI?

That's again where data is key. If the organisation can have a single set of data that all decision-makers can agree upon and coalesce around, then the whole decision-making process becomes easier, faster and more streamlined. The benefits of investing to drive profitability today can be compared with the projected future gains of a more forward-looking investment and the long-term results compared and contrasted. The final decision made will have a significant impact on the business itself and more broadly on the future of work both at that business and across the economy as a whole.



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Andrew Sepahpour, Director, delaware

THE VALUE OF AUTOMATION.

"Automation plays a key part in the future of work"

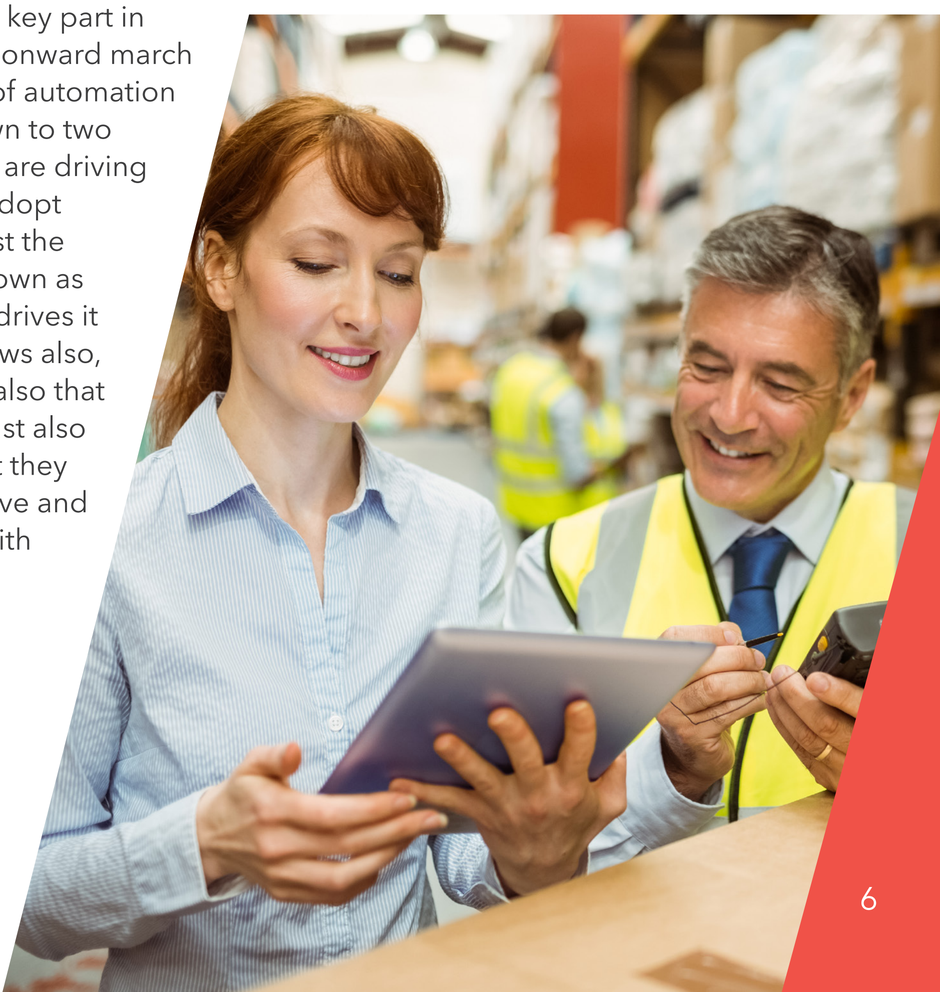
Author | Richard Seel, Director, delaware

In delivering optimum business value, automation will always have a key role to play but again there are some important decisions that organisations need to take here both around the focus of that automation and whether it should be a discrete project focused on a single area, or rolled out organisation-wide. There is a great opportunity to achieve close-to-perfect execution of some key processes within the business, while at the same pinpointing and then eliminating those processes that work much less effectively.

You must be able to pinpoint which parts of the business to automate, for example, and understand when the level of automation becomes too much.

Automation is already playing a key part in shaping the future of work. The onward march of businesses to greater levels of automation that we see today is largely down to two major interrelated trends which are driving more and more businesses to adopt higher levels of automation. First the cost of automation is coming down as the cost of the technology that drives it comes down. As awareness grows also, businesses increasingly realise also that in calculating the costs, they must also factor in all the cost savings that they are making by reducing repetitive and cutting overheads associated with certain types of manual labour.

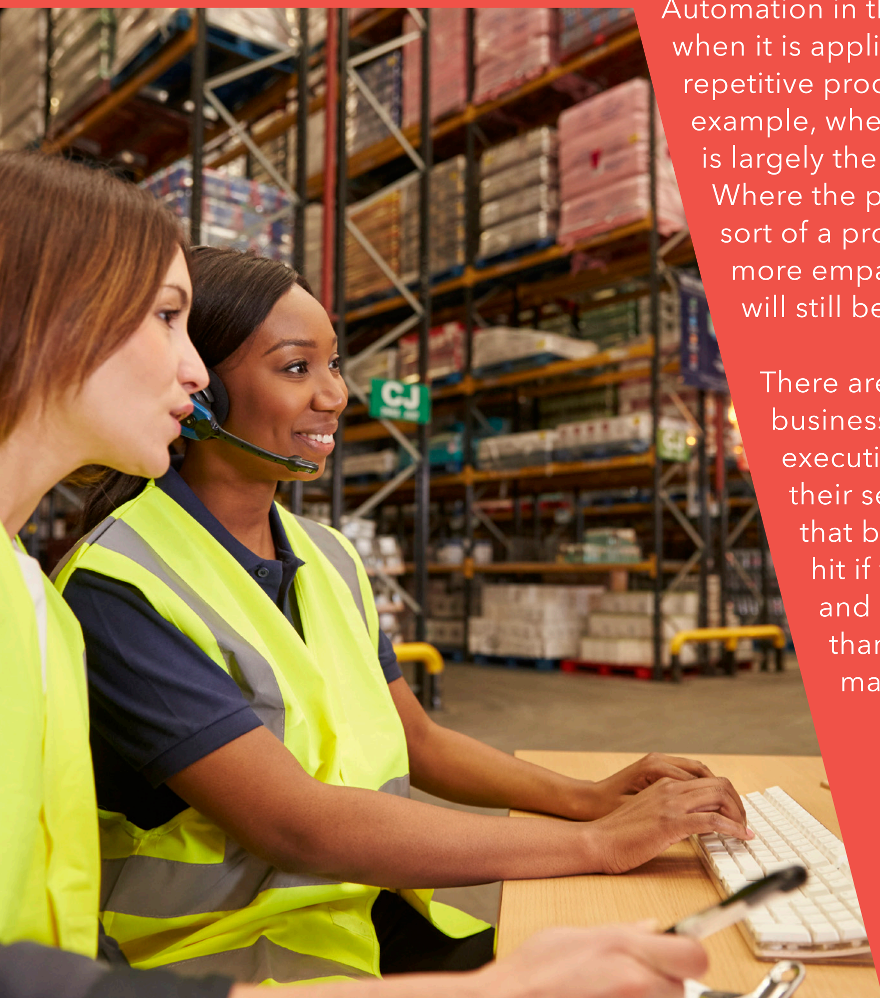
Second, with all the latest technological advances in



areas like machine learning, robotic process automation and data analytics, businesses can achieve so much more through automation today than they ever could have done in the past. The ability to predict what is likely to happen in the future using a combination of machine learning, sensor-based technology and data analytics is a case in point. Organisations can improve operational safety by anticipating and addressing factors likely to cause machinery and equipment to break down before that happens. This predictive maintenance capability also reduces costs by helping to make sure that faults can be addressed and rectified before they end up resulting in plant or equipment break down.

Given all this, however, there are still some significant risk factors at play with automation today that could still give some organisations pause for thought before implementing it. When automated systems go down, that often results in a significant amount of the organisation's overall operation being out of commission and the overall impact on the organisation can be severe. The level of severity will depend on how good a back-up the organisation has in place. But even implementing a back-up or duplicate system is likely to be highly expensive.

Another potential risk factor is that the organisation implements too high a level of automation. That will limit flexibility and business agility. Automated systems can be difficult to change quickly. That lack of flexibility will limit the ability for the business to respond rapidly to changing customer demands. As a result, they will lose focus on the customer and the levels of services they offer are likely to depreciate also. Indeed, customer service is one area where the arguments for and against automation are finely balanced. Automation in this context often works best when it is applied to simple, straightforward and repetitive processes – buying an airline ticket, for example, where the essential process followed is largely the same or very similar every time. Where the process breaks down, there is some sort of a problem, or there is a need for a more empathetic engagement, then people will still be needed to guide the process.

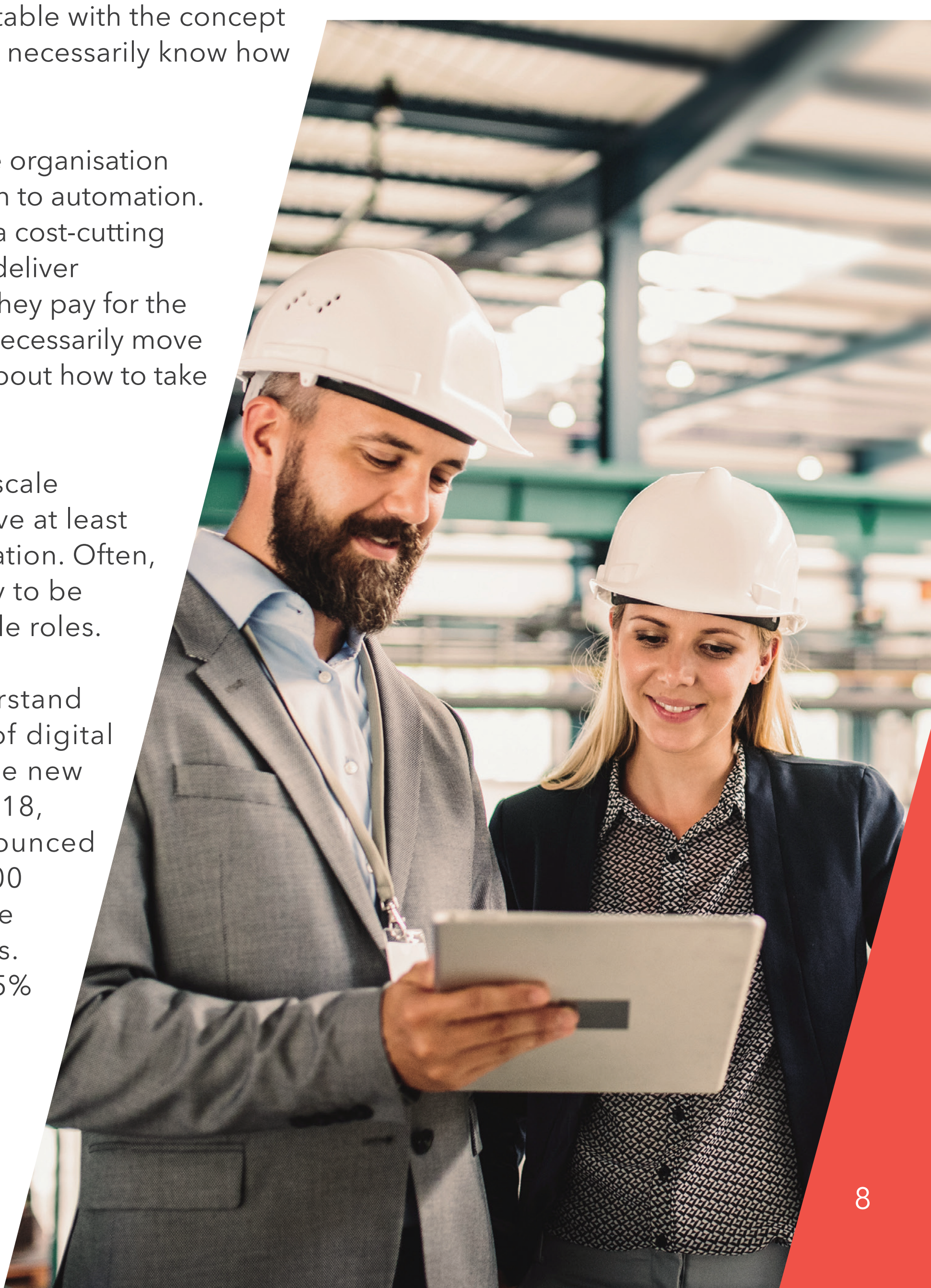


There are other risk factors that hold businesses and their senior level executives back from automating more of their services. There is often a perception that brand reputation will take more of a hit if the business decides to automate and a serious error is then made rather than if a similar error occurs with manual processes still in place.

This cause for concern also impacts senior decision-makers within the organisation. The traceability that automated systems deliver can put the CIO's job at risk, for example, if they ignore data insights that were shown to be available, and instead make a wrong decision, based on gut feeling and the business suffers as a result.

"The way I think about this is a symphony of humans and machines working together, you need both. How do we smartly design our machines to extend human capability?"

Ultimately though, while the impact on the senior management team is important, the hottest topic organisations are having to wrestle with today in relation to automation is its likely impact on the wider business. Businesses need to be able to take their employees with them on the journey. Some are falling down in this regard. They may be comfortable with the concept of automation but they don't necessarily know how best to achieve it.



A major issue is often that the organisation concerned does not transition to automation. Instead, they see it purely as a cost-cutting exercise or one designed to deliver improvements in efficiency. They pay for the automation but they do not necessarily move their business to it, or think about how to take their staff on that journey.

The reality is that any large-scale automation is likely to remove at least some jobs from the organisation. Often, the jobs that do go are likely to be those in the more predictable roles.

Businesses must also understand however, that the process of digital transformation can generate new jobs. At the back-end of 2018, Lloyds Banking Group announced plans to cut more than 6,000 jobs in order to create more than 8,000 new digital roles. The Group also said that 75% of the affected staff will be expected to move into these new positions. " Lloyds Banking Group has today announced that it will create an additional c.2,000 roles, as it strengthens its capability to offer customers new leading-edge digital banking products and services." a spokesperson said.

Moreover, in a recent interview with the BBC, Amazon's chief robotics technologist, Tye Brady said the firm's centres would never reach the point where they could be fully automated. "Not at all. One ounce of my body just doesn't see that," he said. "The way that I think about this is a symphony of humans and machines working together, you need both. The challenge that we have in front of us is how do we smartly design our machines to extend human capability."

There is certainly an opportunity in the future for firms to focus more on the innovation that automation and digital transformation can bring and how it can free up existing staff to move away from repetitive tasks and fixed processes and concentrate instead on taking a bigger, more margin-generating role within the business. In line with this, it is sometimes the case that automation can be delivered in order make improvements in the back office that can then be used to make greater investments in the front office and the people working there. Automation will typically involve far-reaching changes to the company. Sadly, that may mean some people lose their jobs but the new opportunities that result for the business may mean that they can re-skill to take advantage of other openings within the business.

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EMPLOYEE ENGAGEMENT.

Author | Brian Riddell, Head of HCM Practice, delaware

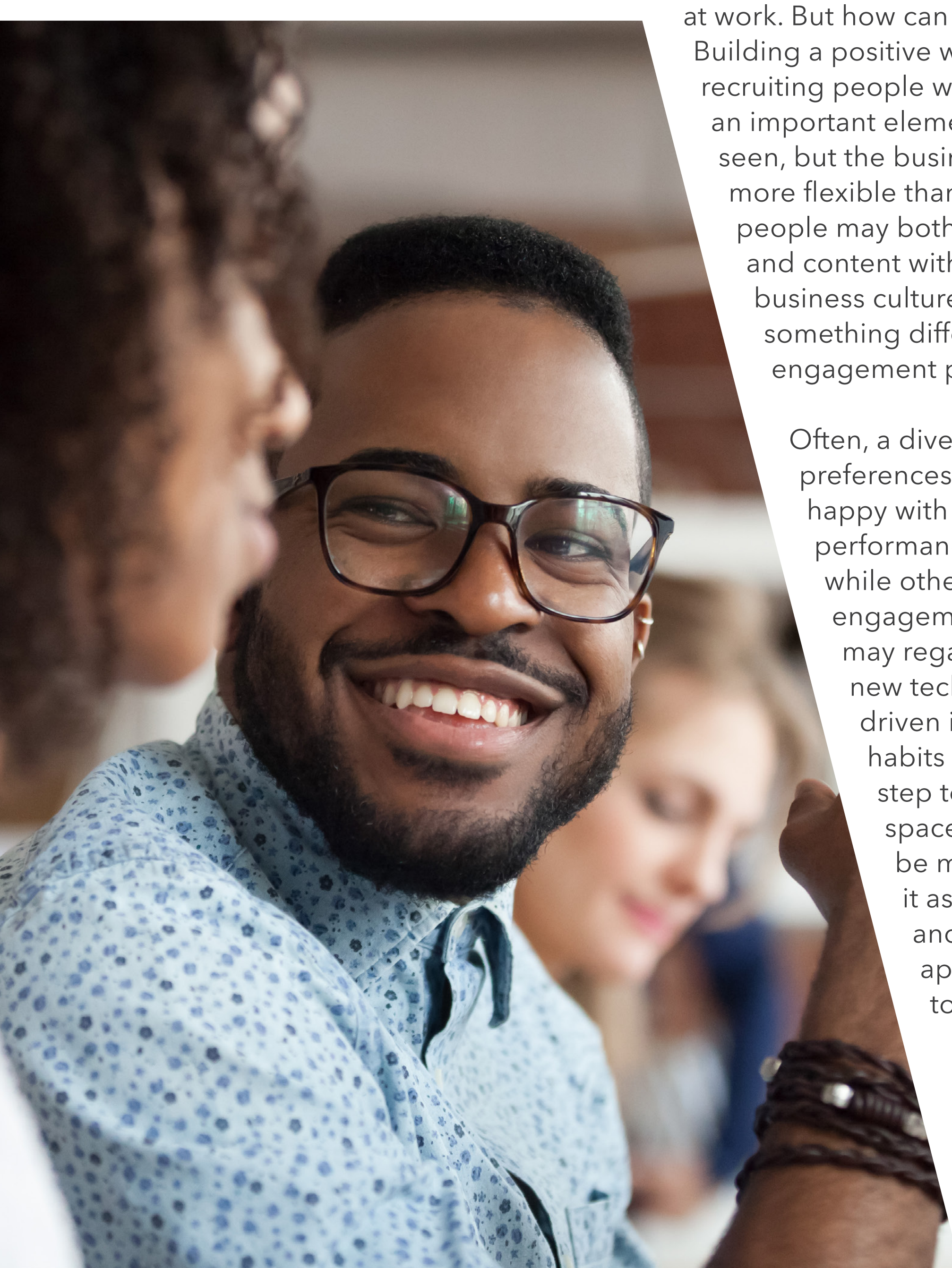
It is clear that even in the coming age of automation, people will still have a key role to play within every organisation. After all, every organisation has key employees, who either keep the lights on or drive the business forward – or do both. How do you retain them? How do you ensure they are happy and satisfied? And how can you give them autonomy and empower them to fulfil their role to the best of their ability?

Attracting and retaining the right skills into their organisation is certainly an issue that is top of mind for many senior executives today. Analyst, Gartner's Q1 2019 Emerging Risk Monitor survey, a quarterly study of 98 senior executives across industries and geographies, highlighted 'talent shortage' as being among the top three emerging risks that organisations faced globally in each of the three most recent quarters.

A key element of this is identifying what kind of talent the organisation needs today but also in the future. Will today's IT systems operators transform into tomorrow's data scientists, for example? That's about understanding the organisation's overall growth path as well as its technology roadmap and ensuring the overall recruitment strategy runs ahead of the curve. But attracting the right calibre of candidate to work for the business will actually be just as much about employer branding. That's a term that describes employer's reputation as a place to work, and their employee value proposition, as opposed to the more general corporate brand reputation and value proposition to customers. Those businesses that get it right will find their business will have a special kind of magnetism that enables them to differentiate themselves and appeal to the best talent but also those that are best suited to the company's specific culture and DNA.

Identifying and attracting the right talent is only a small part of the battle for most organisations. They need to focus on ensuring that they engage closely with employees, empowering them to bring their best self to work and enabling them to achieve personal and professional growth. Key to positive employee engagement is the need to build and then maintain the right business culture. What works in terms of culture will vary from business to business. It will depend on the specific nature of the organisation and the sector in which it is operating. But to first build such a culture, and, second, sustain it successfully, two key factors need to be in place; senior management need to be behind it and drive it and the wider pool of employees need to be happy working in it.

Everyone needs to understand what the prevailing and/or desired culture is and what part they can play – both individually and collaboratively in helping to build and sustain it. As already referenced, that culture may differ widely from one organisation to another. But for the culture to deliver ongoing success for the business, it has to be one that makes that specific company's staff feel happy at work. But how can you best achieve this? Building a positive working culture and recruiting people who fit into that culture is an important element of this, as we have seen, but the business also has to be more flexible than this implies. While two people may both feel very comfortable and content with the prevailing business culture, they may still want something different from the employee engagement process.



Often, a diverse workforce has diverse preferences. Some people may be happy with the traditional annual performance review, for example, while others will want continuous engagement and feedback. Some may regard the emergence of new technology to drive data-driven insights into employee habits and happiness as one step too far into the Big Brother space. Others, in contrast, will be much more likely to regard it as a good investment and engage actively in the approach. Businesses need to understand what is right for each individual group and, if possible look to deliver it – because by making people happier in general, they are also helping the business achieve its overall strategic objectives.

Happier people are more productive. One study found that happy employees are up to 20% more productive than unhappy employees. When it comes to salespeople, happiness has an even greater impact, increasing sales by 37%.[1]

As well as the obvious boost in productivity, happier employees have a positive impact on recruitment and talent management processes. Employees that are happy are less likely to leave, and lower attrition rates not only improve businesses reputationally, but also financially: businesses don't have to spend as much time and resource on recruitment. As a result, businesses will tend to rapidly see the financial benefit of ensuring that their employees are happy.

The concept of employee engagement raising happiness levels at work is a highly positive one of course, but how in reality can organisations ensure that their measures are actually working in practical terms? It is one thing to have dress-down Fridays, complimentary fruit in the office, flexible working, or even mental health coaching at work, but how can businesses utilise the latest tools and structure this in a way that provides clear evidence these initiatives are working?

Businesses and employees want to know that their efforts are supported by real-world metrics. Employees are more likely to buy into an approach if it can tell them that they have, for example, taken five less sick days than they did last year, before the analytics were implemented, or that they are 17.5% happier than they were 12 months previously. This may sound flippant, but in a competitive environment where calories can be tracked through your watch, credit scores obtained via your mobile, or 'likes' can be impacted by the algorithms on your favourite social media platform, happiness can be measured in a similar metric.

Through all this positive engagement with employees, businesses are ultimately looking to keep them active and interested. They are looking where possible to build a strong internal dialogue with their workers so that they remain loyal. No business wants good people to be looking outside their organisation. After all, the concept of 'the grass is always greener' continues to hold true today. If a highly-prized employee defects to a competitor, they will take their knowledge and expertise with them. Moreover, the business will have to hire a replacement and train them up to fulfil the role, a process that will inevitably raise costs into the bargain.

Having a positive company culture is therefore arguably the most important element of employee engagement in today's business environment. It has to be a symbiotic relationship in a sense. Businesses need to recruit the people that best match their company's DNA – and that very process then strengthens the DNA still further. That's a hugely positive relationship for any business but it is also a

[1]Happiness and productivity: Understanding the happy-productive worker – the fourth briefing paper in the Global Perspectives series, a collaboration between the Social Market Foundation and the University of Warwick's Centre for Competitive Advantage in the Global Economy (CAGE). Published, October 2015.

delicate and vulnerable one. That's why businesses are starting to make more use of employee performance to work out if people are happy and where possible using analytics to gauge if people are not performing at their best. This kind of technology is typically predictive rather than reactive and it allows the business to identify issues engage with the employee about them and proactively address those concerns before they turn into major problems.

Technology can also help hard-pressed senior management or HR directors and officers stay more in control. The latest systems could potentially give a busy chief human resources officer (CHRO), tasked with looking after many thousands of employees dotted around multiple office locations, a greater insight into how the workforce is performing, enabling them to make informed data-driven decisions that would otherwise have been nigh on impossible to make.

A combination of data analytics and machine learning could be used, for example, to analyse performance; proactively manage attrition by establishing patterns of behaviour that might typically lead to it; and deliver engaging learning and development experiences specifically tailored to individuals' needs. Management can help guide this process but the provision of data and analytics can also be used to enable employees more generally to take personal responsibility for their own development and training, competence management and career opportunities. If done well, this will enable employees to grow as professionals while also driving enhanced employee engagement and productivity for the businesses they work for.

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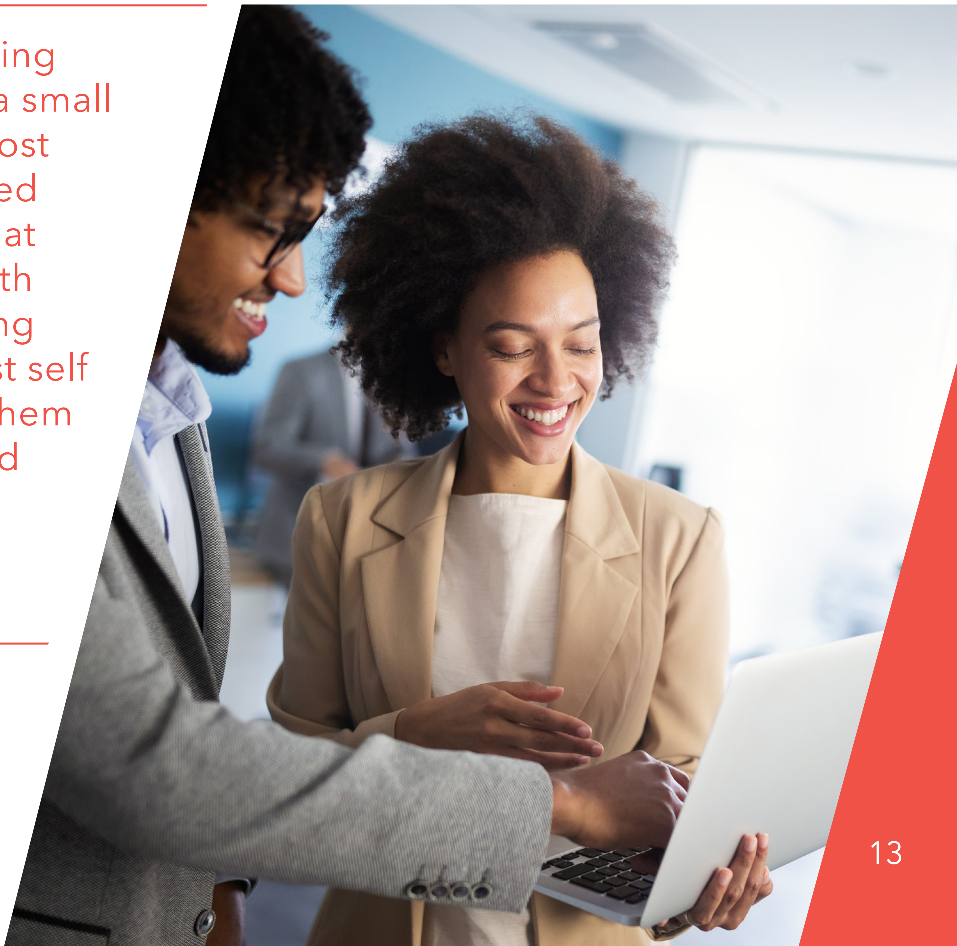
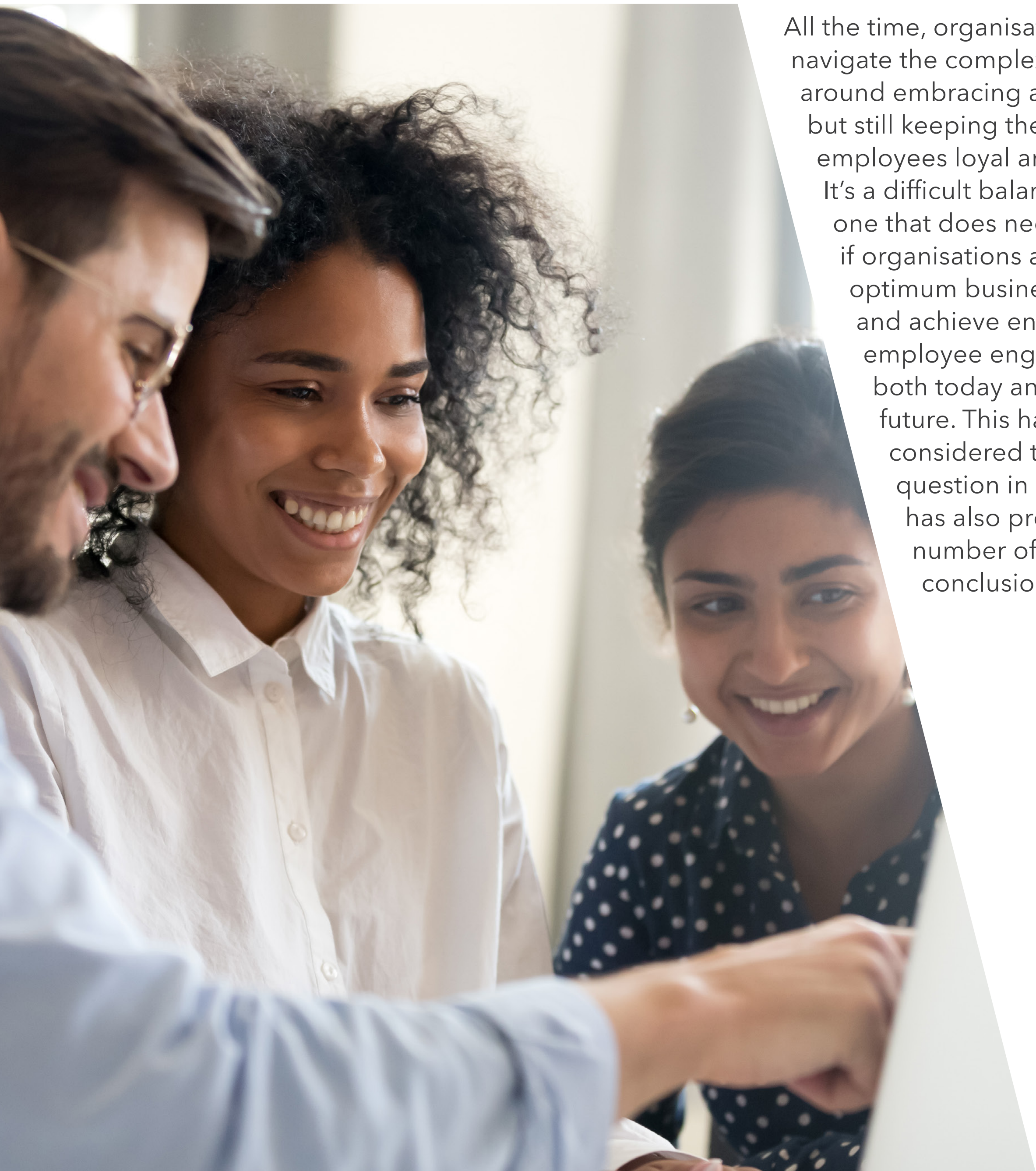


LOOKING TO THE FUTURE.

Today, the world of business is in a state of flux. The advancement of new technologies that drive business efficiencies has led to the advent of digital transformation, and organisations have been quick to embrace advanced automation, and more recently machine learning, analytics and AI. There is always a temptation to rush into the future and embrace the latest solutions to drive long-term business value even while keeping one eye on the short term requirements of business today.



All the time, organisations have to navigate the complex challenge around embracing automation but still keeping their employees loyal and on-side. It's a difficult balancing act but one that does need to be met if organisations are to deliver optimum business value and achieve enhanced employee engagement both today and in the future. This handbook has considered that central question in detail and has also presented a number of key conclusions.

TOP TAKEAWAYS.

To be able to deliver true operational business value, it is important to be able to use systems that can serve up a single version of the truth to all the key decision-makers. This effectively ensures that finance, IT, operations, sales and production – all the key decision-makers – can all be looking at a single set of data that they all believe in. That should in theory simplify the decision-making process and ensure consensus is more easily achieved

While automation brings a wide range of benefits to organisations, few properly consider its likely impact on the wider business. They need to be able to take their employees with them on the journey. Some organisations today are falling down in this regard. They may be comfortable with the concept of automation but they don't necessarily know how best to achieve it

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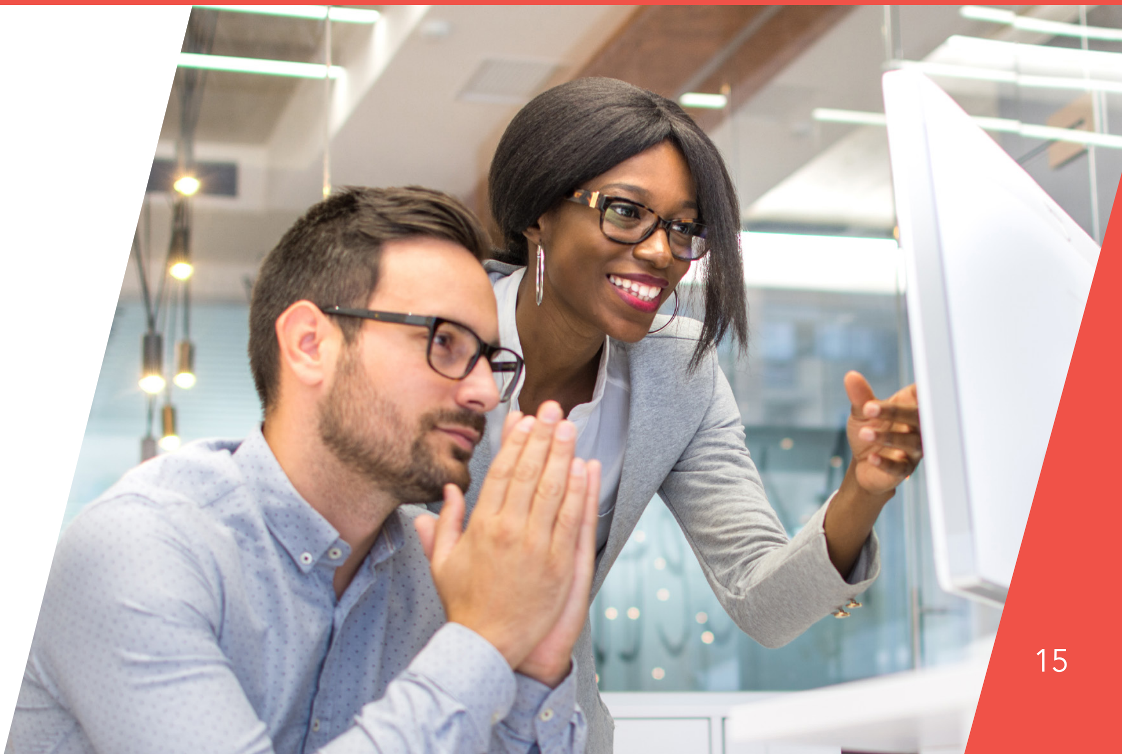

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