

TRANSFORMATION

Insights

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**Why it's time to
measure human
capital as an
asset, not a cost**

The world is about to
make a quantum leap
in the way we view
human capital

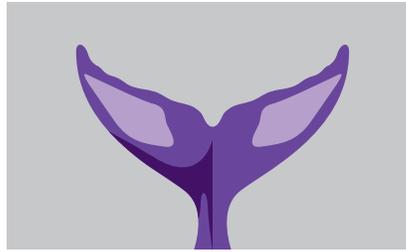
Lee Hecht Harrison

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Why it's time to measure human capital as an asset, not a cost

Dan Lett, Transformation Insights, LHH

After working with companies of all sizes in more than 20 countries on four continents, Ian Williamson has come to an important conclusion: the world is about to make a quantum leap in the way we view human capital.

The Dean of the Victoria University Business School in New Zealand, Williamson told the senior business leaders attending the World Business Forum in New York in November that the quantum leap will involve companies viewing human capital more as an asset than an expense.

It's a simple enough concept, but Williamson said it will require a major change in the way we invest in and value employees.

"We are dealing with a fundamental shift in the basis of our economy, which has shaped the way organizations create value. This, in turn, ultimately shapes the way in which the people within the organization are valued," Williamson said in an interview prior to his keynote address to the forum.

For the most part, companies have been conditioned to view labor as an expense and assets as investments. This concept stems from a time when companies made most of their investments in physical assets necessary to produce a good or a

service. Labor, which was mostly unskilled and readily available, was part of the overhead of producing a good or a service, separate and apart from assets.

That traditional view, Williamson argued, has been utterly disrupted.

Now, higher-skill activities such as high-tech manufacturing, software design, bio-technology, healthcare, and information and communications, require higher levels of education and training. Many low-skill human processes are being phased out, while more jobs are being created for people with specialized skills who innovate and have an ability to continuously learn and adapt.

However, business accounting does not allow a company to record talent recruitment or hiring as an investment, he said. Those activities must be recorded as an expense.

"We know that people aren't really an expense," Williamson said. "The technical definition of an asset is something acquired today that has a potential to generate a benefit in the future. That sounds a lot like human capital, but that is not how we record it in our financials. That's the quantum leap in my mind."

Even though it's unlikely that business accounting principles will change the way

"The most successful companies will start viewing human capital as a renewable resource, rather than something that can be discarded and replaced on a whim."

Ian Williamson
Dean of Victoria
University Business School



companies book the costs associated with human capital, it is possible to change the way they view labor costs internally, Williamson said.

The most successful companies will start viewing human capital as a renewable resource, rather than something that can be discarded and replaced on a whim, he said. Like an asset, Williamson said, labor is something that must be managed to be sustainable and to provide the greatest value possible.

Far too many employers are still trapped in a cycle of firing employees whose skills are no longer needed and then going out to hire people with new skills that will drive future growth, Williamson said.

The global skills shortage makes this traditional workforce strategy untenable, he added, because there just aren't enough skilled workers to go around. Williamson noted that by some estimates, global IT companies need more than 85 million skilled workers to fill immediate openings.

With hire-and-fire no longer a viable option, companies must look at other workforce strategies to get more out of their existing labor. That could involve upskilling and redeployment, where existing employees redefine their skills to fill emerging roles, or working with government and educational institutions to train a new generation of skilled workers.

Companies can no longer make rash decisions about layoffs without determining whether the employees they are letting go could be filling future jobs.

“The decision to have individuals exit an organization is the same as a decision by a property company saying, ‘I’m going to sell a building.’ That means I’m no longer in the business of trying to figure out ways of creating value for my customers through that asset,” Williamson said.

“If [firing someone] is just a temporary thing and then you go back and hire that individual later on, probably at a higher price, that’s a really bad decision. If you

were doing that in a property company—you sold a building and ... then you go back and buy that same building at a higher price—something tells me your board would not view that situation very favorably.”

Williamson has met with many company executives who are reluctant to get involved in upskilling or redeployment because they fear an investment made today will be wasted if individual employees decide to leave on their own in the future. That, he added, is a very short-term view of workforce management.

“I think there is an understanding that when you [upskill and redeploy], there are some risks associated with it but ... there is a high likelihood you’re going to get a return. The more you give your people in terms of opportunity for future employment, the more you can expect to be repaid in increased engagement and productivity,” Williamson said.



Emotional quotient

The great white whale of leadership development

Burak Koyuncu, Workforce Solutions Director, LHH

It is the great white whale of leadership development.

Leaders who are not only technically proficient but also mature, empathetic and trustworthy. Leaders who are decisive but also listen to their teams before reaching a conclusion. Leaders who are attuned to the emotional state of their teams and demonstrate confidence to inspire others rather than to feed their self-aggrandizement.

Put it all together and you have a leader who embodies what people managers would describe as a high degree of emotional intelligence. However, while most organizations value these qualities, new research suggests that we regularly fail at identifying or cultivating emotional intelligence, more commonly known as an Emotional Quotient (EQ).

In a recent Lee Hecht Harrison Penna survey of 500 people managers, a solid majority of respondents (57%) said that EQ was likely to be found in the highest-performing members of a team. Not surprisingly, 75% of respondents use EQ to determine promotions and salary increases.

However, the same survey revealed more than two-thirds of organizations (68%) do not have any formal tools in place to identify, develop or leverage EQ. Further, only 42% provide specific training to help employees cultivate emotional intelligence.

A deeper understanding of emotional intelligence

To understand the impact that EQ can have on the performance of an organization, we need to take a deeper dive into the qualities most often associated with emotionally intelligent leaders and the consequences that a low EQ can have on an organization.

We asked survey respondents to identify the qualities they associate with leaders who are emotionally intelligent. For example, more than half of our respondents identified empathy as a quality demonstrated by a leader with high EQ. The responses to our survey show very clearly that what have traditionally been described as “soft leadership skills” are in fact the key ingredients for EQ.

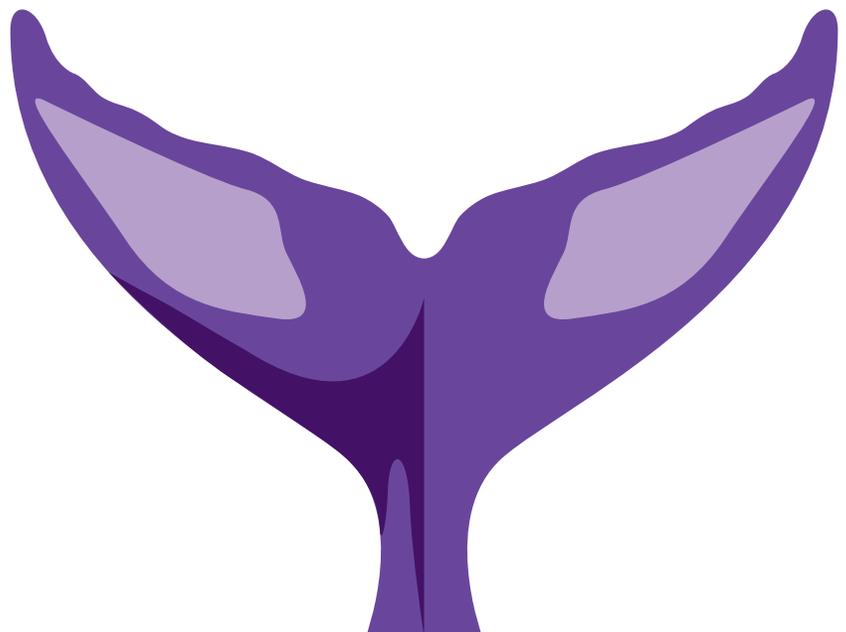
These qualities are not only growing exponentially in importance for existing

Survey results



Qualities associated with emotional intelligence

Empathy	56%
Self-awareness	43%
Confidence	30%
Trustworthiness	29%
Decision-making	26%
Resilience	25%
Influence	23%



How to improve overall EQ



Integrate EQ into management practices.

Learning programs can help bring awareness to the importance of EQ. However, companies can also integrate EQ into their leadership culture by taking steps to build a culture of coaching, where reflection, listening and collaboration are emphasized over quick judgment or imposing solutions.

Encourage leaders to learn from other leaders.

Creating opportunities for leaders to gather and discuss their experiences can help develop EQ muscle memory. When leaders see the value of connecting with each other on a more personal or individual level, they should begin to see the value of using a similar approach with their own teams.

Create time for reflection.

Sometimes, deadline and workflow demands make it hard for teams and leaders to just take a break and reflect on what they are doing and how they are doing it. It's important to build in those pauses so that team members can discuss successes and struggles or failures. Creating those opportunities to reflect not only builds EQ, it also ensures people are not bottling up feelings of frustration or resentment.

Build a pipeline.

It is harder to cultivate EQ with existing leaders than it is to recruit new leaders who already possess high emotional intelligence. Consider incorporating EQ identifiers into recruitment tools like job descriptions and interview scoring sheets. There are also some psychometrics available in the market to identify individuals' EQ values.

leaders, they are also being used increasingly to guide recruitment and promotion decisions. In fact, some survey respondents identified EQ skills as more important than experience in a similar role (13%) and educational attainment (11%), which have typically been considered precursors for leadership success.

Our respondents also connected higher levels of emotional intelligence with success in a series of critical tasks and responsibilities, particularly in the area of decision making.

People with higher EQ tend to be better able to assess the impact of their decisions on both customers and employees. It allows them to arrive at more balanced decisions that take into account all perspectives. That helps build support for decisions. People with low EQ might focus on purely numerical or non-human aspects of a challenge and will almost certainly ignore competing or alternative perspectives.

Survey respondents also believed EQ is a key ingredient to success in leading teams through times of change (44%), addressing personal issues of employees (37%), giving feedback or employee appraisals (31%) and spotting talent (25%). Someone with a high EQ is much more likely to spot others with the same

mindset and capabilities; low EQ hiring managers tend to either not recognize or devalue skills related to emotional intelligence.

This shifting mindset—and the growing recognition of the importance of high leadership EQ—may have a lot to do with the increasing awareness about what happens when leaders do not possess emotional intelligence.

When there is a lack of empathy, self-awareness or trustworthiness, employees can easily become disengaged from their employer and, more importantly, their customers.

Our research showed clearly that even when an organization recognizes the value of EQ, it may still have no idea about how to develop and harness its power. There are, however, several critical steps an organization can take to improve their overall EQ.

In the final analysis, EQ is about employees being more self-aware of their emotions and the emotions of the people they lead. It's not an easy mindset to develop, but the payoff is well worth the effort. Leaders with strong EQ create an environment of trust and confidence that fosters strong teamwork and higher levels of performance.

“Survey respondents connected higher levels of emotional intelligence with success in a series of critical tasks and responsibilities.”

Burak Koyuncu
Workforce Solutions Director
LHH



From the front lines of transformation at Clinique la Prairie

Greg Hart, Marketing Manager, LHH

Some business transformations are fundamental changes in what a company does and how it does it. But sometimes, as in the case of the Swiss-based Clinique la Prairie, a business transformation can involve the enormous challenge of taking something you have done for nearly a century in one place and exporting it to the world.

Located in the resort town of Montreux on the shores of breathtaking Lake Léman, Clinique la Prairie has long been one of Europe's most exclusive spas, specializing in a wide variety of medical, aesthetic and wellness programs. Anyone wanting to experience the hyper-luxury of its medical spa had to travel to the Swiss Alps. Until now.

Clinique la Prairie is in the early stages of an ambitious expansion that will see medical spas and clinics opened all over the world. The company currently has plans to open Clinique La Prairie centers in Madrid as well as several cities in Asia. The company is also considering other destinations with an eye towards spreading the company's innovative products and services globally.

According to CEO Simone Gibertoni, Clinique la Prairie's global expansion is less about replicating medical and wellness services in a cookie-cutter fashion and more about exporting a unique business culture.

"When you are managing a company that is more than 90 years old, you have to create a culture where there is a balance between innovation and heritage," Gibertoni said. "As we look towards our expansion, our challenge is to ensure that there is consistency in that culture wherever we are. A consistency between what is said and what is done."

That is a challenge that many other organizations would find daunting, particularly with a business that is so particular about how it serves its customers, in an industry that is rapidly growing around the world.

The luxury wellness resort—which combines the amenities of a five-star hotel and the scope of services offered at a private medical clinic—is as competitive now as it is exclusive.

At the main clinic and spa in Montreux, a staff of more than 350 attends to the health needs of about 50 clients at any given time, Gibertoni said. Those clients are not just found among the ranks of the extremely wealthy; increasingly, business organizations are using health-oriented resorts to care for their most senior decision makers who are not just looking for a product—they are looking for a unique experience.

“It is easy to export a product,” Gibertoni said.

“You develop the products and then sell them in a new market. But when you are trying to export an experience, it’s very complicated. We are trying to export a culture and that is a difficult thing.”

After deciding to transform from a single facility to a network of centers and clinics around the world, there was an extended period of planning where company executives had to dig deep into what made Clinique la Prairie unique in the first place.

The company’s history, which began in 1931 with Prof. Paul Niehans’ research into the unique benefits of cell therapy, suggests a founding focus on innovation and experimentation. Gibertoni said Clinique la Prairie attempts to maintain this emphasis by always looking for new products, technology and services that open up new frontiers in wellness.

That spirit of innovation continues today through annual meetings with innovators in the longevity field who come to Clinique la Prairie to pitch new ideas, technologies and products to be included in the wellness treatment regime.

“Wellness is a very competitive field now, and there is a lot of work related to DNA, genetic profiling and stem cell research. That is opening up entirely new areas for us as we attempt to help our clients become more balanced in their lives,” Gibertoni said.

However, Gibertoni noted that it is essential to remember that too much change, or change that compromises the essence of the Clinique la Prairie culture, can be a destructive force.

Some have suggested Clinique la Prairie stop catering strictly to hyper-exclusive clientele and look at ways of opening larger, more mass-market facilities. “We cannot try to be something different than what we are good at doing,” he said.

“Everyone is pressuring us to be more mass-market. No. We have to service our clients the way we always have. We must maintain that as our brand.”

As the company opens new facilities in other countries, it is important to plan carefully to export and sustain the Clinique la Prairie culture, Gibertoni said.

Ultimately, it would be preferable to have senior managers from the countries in which the new facilities are located; at first, however, Clinique la Prairie will be assigning a leader trained in Switzerland to oversee the opening of a new site. That means putting in writing many things about the company’s culture that were understood but not necessarily codified, he added.

“We realized there were a lot of things about our company that were transmitted orally from employee to employee,” he said. “We realized we needed to codify these things, and then translate them into different languages so that the essence of who we are would be understood. This is how we plan to immerse people into this new venture.”

The future will be exciting, Gibertoni said, because with a transformation like the one Clinique la Prairie is currently experiencing, you’re never entirely sure what type of challenges you may face.

“Our vision is to grow to new places and new products but always, always by being consistent with who we are and the experience we create.”

“It is easy to export a product. You develop the products and then sell them in a new market. But when you are trying to export an experience, it’s very complicated. We are trying to export a culture and that is a difficult thing.”

Simon Gibertoni
CEO, Clinique la Prairie



To make workforce transformation a success, put HR in the driver's seat

Sharon Patterson, CHRO, LHH

Your organization is facing a generational workforce transformation. Your people are being retrained to do new things, in new ways, to produce new and better outcomes. It's the challenge of a lifetime.

If you're a senior HR leader, are you helping to drive that change? Or, are you a passenger on a journey being led by other senior leaders? Increasingly, it's becoming clear that the organizations that succeed at workforce transformation have HR firmly in the driver's seat.

A recent survey of HR leaders conducted by LHH and HR.com revealed that 55

percent of high-performing organizations ensure that their HR leaders play a "major" role in any workforce transformation. In contrast, across all organizations with varying levels of performance, only 25 percent classify HR as having a major role.

The lesson from the survey data is pretty clear. Successful organizations give HR a hand on the wheel when it comes to navigating workforce transformation. Even when HR is given a leading role, however, there are a lot of other conditions and building blocks that need to be put in place to ensure that HR can bring to bear its full expertise and value during a workforce transformation.

Why is HR often left out of central planning for a project that is, in its essence, all about human capital? It usually comes down to perception.

The role of HR is viewed as largely transactional, focused on compliance and by its very nature, administration-heavy. To earn a seat at the table, HR must demonstrate a clear understanding of business needs, talent needs, learning and development needs, and drivers of profitability. With this knowledge and understanding, it's more likely HR will be invited into strategic conversations.

When HR plays a role in developing the transformation strategy, its responsibilities must be viewed as more than merely communicating the plan. There are a number of issues that HR is uniquely positioned to help tackle when a workforce transformation is in play.

Get the message out. We cannot communicate a workforce transformation plan by sending an email; we need to explain and reinforce the message via various channels. We must fully and repeatedly explain the key elements to the transformation—what is changing, why are we doing it, how will it support the organization's business objectives and how will it affect how we get work done—to the entire organization. HR is uniquely suited to be not only the messenger, but a key author of that message.

Identify change champions. Cascading information throughout the organization is important to success, but employees can't wait for the CEO to update them on every stage of the transformation process. HR can play a crucial role in assessing and identifying key influencers within the organization and tapping them to champion change efforts and act as agents to help facilitate transformation efforts.

Senior leaders need to model new behaviors. Senior leadership needs to not only be a voice sharing key messages and keeping employees informed on milestones about transformation initiatives, they need to energize the workforce and model new behaviors. This may require assessing current leadership competencies to ensure your leaders have the right skills to drive transformation. Identify the competencies you need and design leadership development programs to build new capabilities, ensuring your leaders have the skills and behaviors to lead transformation.

Agility is key. Regularly track and assess key milestones and objectives, as these are critical aspects of a successful transformation. HR can incorporate checkpoints into the journey to measure and capture employee feedback. There will be obvious signs that people are struggling with the plan—flagging financial performance, failed initiatives and talent attrition all tell a tale. Often these warning signs can switch to red very quickly. Regular checkpoints help ensure you can shift course and address issues before it's too late.

Build a talent bench for the future. HR plays a vital role in building an organization's talent bench. It's especially important to target mission critical functions and roles that will have the greatest impact on the business. To be successful, identify what success looks like in these roles, develop profiles, use assessment tools to identify the right talent, and leverage development tools to upskill current employees who have the greatest ability to learn.

Ultimately, people are the catalyst driving transformation. Far too often, organizations overestimate people's capacity to absorb significant change. Change weariness is common. With HR in the driver's seat, organizations will be in a better position to ensure they are focusing on important people-related issues that link to success.

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Sharon Patterson
CHRO, LHH

The future of learning

Connecting people who want jobs, with jobs that need people

Ranjit de Sousa, President, LHH

It was one of those stories that spoke volumes about the state of today's global labor market.

The New York Times recently profiled a New Jersey woman who had been diligently looking for full-time work ever since she was laid off in March 2016 from her job as a production manager at an advertising agency.

In those three years, she applied for more than 500 different jobs.

While she searched for that elusive full-time job, she used her time constructively by taking a project management course at a college. But nothing seemed to do the trick; over the past three years, she has only been able to find short-term contracts.

It seemed extraordinary to me that someone with solid job experience who had also made legitimate attempts to upgrade her skillset could not find a full-time job, even in an era when we are told there is a global shortage of skilled workers.

However, when I thought more about it, I realized that the global skills shortage is not about a lack of skilled workers. It's really about our collective inability to connect learning with emerging job opportunities.

The result is that we have a mismatch that leaves organizations without the skilled workers they need and otherwise talented and motivated workers without meaningful, sustainable job opportunities.

Traditional approaches to learning—compulsory or voluntary programs in a formal classroom setting—have not proven effective. More informal approaches, where learners are in control of the learning process and outcomes, have shown some promise but have failed to make a dent in the skills shortage.

The problem with traditional learning strategies is that they lack strategic focus. Companies usually offer employees opportunities to learn things that help them improve upon the job they are doing. Rarely, it seems, do they offer opportunities for employees to learn things that will help them fill the jobs of the future.

As well, too many organizations see their workforces as replaceable as opposed to renewable resources. These organizations believe they can still hire to fill new skillset needs. The reality is that global shortages of workers with future skills make it impossible to just go out and shop for new people on demand.

Complicating matters, younger generations now demand a whole new approach to learning and gathering information. These are the generations that do not read newspapers or watch the evening television news. They very much want to learn, but they don't want to sit in classrooms or stare at awkward avatars. They want to use technology as a conduit for focused, purposeful learning.

“The global skills shortage is not about a lack of skilled workers. It's really about our collective inability to connect learning with emerging job opportunities.”

Ranjit de Sousa
President, LHH





Learning must be directly connected to actual jobs

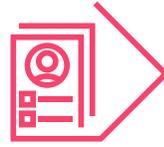
LHH recently sponsored a luncheon in New York City to coincide with the World Business Forum (WBF). Our featured speaker at the luncheon was Ian Williamson, the dean of the Wellington School of Business and Government at Victoria University in New Zealand, and a featured speaker at the WBF.

In his luncheon address, Williamson posed a number of questions to the assembled business leaders to help them build a workforce of the future. The first question, and perhaps the most important, was “do you know the skills your organization needs to fuel innovation and drive business strategy?”

Williamson told us a story about work he did with Nestlé in Malaysia and Singapore. After decades of dominating the beverage industry in the two South Asian countries, a local upstart unleashed new and appealing products that eroded Nestlé’s once-insurmountable market share.

The problem for Nestlé was that this new competitor was very much rooted in the local culture of the two countries. Nestlé found its success by marketing its line of global products, not products with a true local flavor.

Rather than wave the white flag, Williamson said Nestlé began working closely with local schools to train a new generation of workers. The result was an influx of young and innovative talent that helped the company unleash a new array of products that were able to earn back market share from the local competitors.



Successful organizations must look first to their existing talent pool to fill future skill needs

Human capital must be viewed as a renewable resource, rather than a component that can be removed and replaced at the drop of a hat.

One of our clients, BAE Systems in the United Kingdom, has an extensive redeployment program at work that allows skilled workers in one area of its extensive operations to obtain training to take on jobs in other areas.

As a defense contractor, BAE has traditionally suffered through a hiring and layoff cycle driven by contract schedules. As one contract winds down, workers are laid off even as the company is hiring in another area to ramp up for a completely different contract.

To avoid this cycle, BAE Systems developed a program that offered intensive training for any employee that had roughly 60 percent of the skills necessary to perform a different job. Since 2008, the program allowed the company to redeploy more than 1,300 employees, saving more than £20 million in severance and transition costs and retaining 20,000 years of expertise.



Technology can assist learning but cannot replace the human touch

There has been a lot of talk about whether people are ready for the “Uberization” of education. That’s an interesting idea, particularly if you follow the logic employed by Uber.

The Uber app does not, in and of itself, transport you from one place to another. The Uber app connects you with a person with a car who is willing to shuttle you from one place to another for a fee. It is technology that connects people to accomplish a valuable goal.

Now, apply that same equation to education. We have already tried to use technology to deliver the actual learning with mixed results. In the future, however, we will need to employ technology as a conduit that connects the people who want to learn with those who can deliver learning.

We at LHH are already experimenting with technology that can help connect people with teachers, coaches and mentors. These are the people who can help individual workers plot their future careers and find the learning opportunities that will give the best shot at a sustainable job.

Right now, we are not doing a good job at matching people who need jobs with the jobs that need filling. But with a focus on improved learning opportunities and a more deliberate effort to connect people with future skills, we are getting closer.



Four key trends in workforce transformation:

Reflecting on 2019 and looking ahead to 2020

Transformation Insights, LHH

There's a lot to look forward to in talent management in 2020. New innovations transforming the world of work, increased use of data analytics in recruiting and hiring, development of new leadership competencies to support transformation and a greater focus on upskilling employees to build talent ecosystems that will help to bridge strategy execution gaps.

To help identify emerging trends in 2020, it's important to first reflect on what happened in 2019 to see how these insights inform the opportunities that lie ahead.

When I look back at all of the work we've done and the people we've worked with, there are narrative threads that run through all these experiences that create a kind of road map to the upcoming year.

At LHH, we are critically concerned about workforce transformation as a strategy to not only improve current performance but also future-proof companies for the inevitable change that is to come.

Through insights gained from speaking with some of our top clients, we performed a deep dive on workforce transformation challenges that has revealed the good, the bad and the occasionally toxic in company culture and transformational capabilities.

Tales from the front lines of transformation

We spent quite a bit of time over the last year profiling senior HR professionals who are leading the charge to transform human capital to meet new business needs. It is hard to overstate the value of studying the culture of companies that are walking the walk of transformation.

We spent quality time with organizations like Intelsat, one of the world's leading satellite communication solutions providers, and Fellowes Brands, inventor of the ubiquitous banker's box, which showed us how very successful companies of all sizes can transform to stay ahead of their competition. Meanwhile, Recology, one of San Francisco's leading solid waste managers, showed us how engaging employee owners can forge a path to transformation. And leaders at Swiss-based Clinique la Prairie, one of the world's most exclusive spas, showed us how a venerable company can change to conquer new geographic frontiers.

No doubt, 2020 will bring profound changes in the way we work. Companies who see change as an opportunity will need to adopt new approaches to talent management to maximize those opportunities.

“We dug into the strategies that successful companies employ to build the workforce of the future. What emerges are the top four trends in workforce transformation we will see in 2020.”

Learning will make or break your future business plans



In December, I wrote about how our understanding of workforce learning has changed dramatically over the past year. Now, successful organizations are focusing learning investments on connecting people who will need jobs with jobs that need people.

Although that seems like a pretty simple idea, it has proven to be elusive for many employers that find they have too many people with outdated skills and not enough people with new skills to fill the jobs of the future.

We know that today's employees expect more training and development opportunities from their companies. We know they are looking for new, more

engaging ways to learn. To dramatically accelerate development, companies are starting to give more employees access to a personal coach. By combining leading technology and professional development coaches via a video platform, we've made learning more relevant and personalized, allowing companies to better meet the development needs of their employees and fill their talent pipelines.

The dawn of the renewable workforce



In the past, when human capital was seen as easily replaceable, employers could fire thousands of workers and hire thousands of new employees who had the skills needed for future challenges. Today's global shortage of skilled workers has made it abundantly clear that this approach is doomed to fail.

Turning to some of the best and brightest thinkers in this area, we made a strong case for viewing human capital as a renewable, rather than replaceable, resource. We also argued that human capital must be viewed more as an asset, so that money spent on learning is viewed more as an investment and less as an expense.

Matt Such, our global practice leader for assessment and analytics, pointed

out how few companies perform quality assessments of their current workforce before planning future changes. And, in partnership with the Adecco Group, our parent company, we also looked closely at accounting practices and how few companies are setting aside money specifically for re- and upskilling, keeping employers in a vicious and expensive cycle of firing and hiring to find the people with the right skills.

Developing a new generation of leaders



An up-to-date and skilled workforce is never going to live up to its full potential without good leaders. As a result, we spent quite a bit of time looking at the importance of effective, accountable leadership in executing business strategies.

The changes in talent management we saw last year will require companies to

develop a new generation of leaders going forward. Our research shows this will be a very challenging task.

Vince Molinaro, author of *The Leadership Contract*, summarized several years of global research to provide a fascinating and somewhat worrisome picture of the state of leadership today. Future leaders will need to be more accountable to drive business results, and as Molinaro's research shows, organizations are

simply not doing enough to develop those leaders.

We also studied the issue of mediocre leadership and how it can suck the life out of your organization if left unchecked. Molinaro's colleague, Alex Vincent, followed up with a scathing assessment of leaders who create psychologically unsafe working environments. Both of these issues must be addressed in 2020 if organizations are to meet or exceed their expectations.

The rise in importance of organizational culture



This year, we will see a new emphasis on learning, renewable workforces and leadership. But we will also need to focus on culture.

In an interview with Ricardo Vargas, the executive director of the Brightline Initiative, we struck deep at the heart of

execution strategy, the process by which businesses take their best ideas and put them into practice. In particular, we uncovered why so many good ideas never come to fruition.

"People turn ideas into reality," Vargas said. "They are the embodiment of strategy. We need to understand our people and how they relate to each other better if we're going to bridge this gap."

Meanwhile, Michael Haid, LHH SVP and managing director of talent development for the U.S., took a long look at the perils of overlooking organizational culture when planning any transformation initiative. In particular, Haid noted that it was essential that businesses take stock of the good, bad and ugly of their current culture before mapping out a transformation.



Lessons from the frontlines of crisis leadership

Dan Lett, Transformation Insights, LHH

The first thing Janet Yellen would like you to know about leading in a crisis is that if you wait until a crisis arrives to prepare, you're already too late.

As the former Chair and Vice Chair of the Federal Reserve, Yellen helped guide the U.S. economy through one of the most tumultuous periods in global economic uncertainty following the 2008 global financial crisis. She was at the table when the central bank lent out more than \$4 trillion to prop up failing financial institutions and bring the world back from the precipice of an all-out depression.

What did Yellen learn from those experiences about leading in a crisis? Preparation is paramount, particularly when it comes to what you say and how you say it.

"I learned that preparation was very important," Yellen told the recent World Business Forum (WBF) in New York City. "That I always needed to think very carefully beforehand about what my message was and what I wanted to say."

Preparation was a major theme of her address to the WBF, which drew hundreds of business leaders from around the world. Yellen said she hopes that both governments and businesses are preparing for the next global economic slowdown.

Yellen admitted that she did not know for sure that there would be another severe recession, but the pace of economic growth in the United States and elsewhere has slowed considerably. Some countries, like Germany, have actually slipped into recession.

Although this does not mean that one of the longest periods of sustained economic growth will come to an end, it is a reminder to leaders of all kinds to start preparing for the worst. "There is good reason to worry," she added.

Yellen learned the importance of preparation the hard way during her first press conference after taking over at the Fed. "I made a mistake and answered a question that I never should have answered. And as the press conference was taking place, the Dow dropped by about 300 points. It brought home to me that I needed to be exceptionally careful."

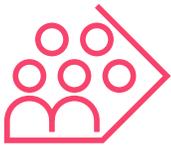
Leaders cannot build an organizational culture that emphasizes rapid responses, personal sacrifices and professionalism "when the crisis is upon you," Yellen said.

However, if you focus on being prepared, assemble a team that can make personal sacrifices and provide firm and steady leadership, you will know that you have done your best.

As Yellen put it, "Preparing and doing your best, that's all a human being can do."

"Firefighters know that when the blaze starts, you have to put [work-life balance] aside and sacrifice your personal desires and goals for the sake of the organization."

Janet Yellen
Former Chair and Vice Chair
of the Federal Reserve



Emphasize the importance of rapid responses to crises

Yellen said it was standard practice for policy makers at the Fed to “study problems to death” to ensure that they were making the right decisions. In the global financial crisis, however, the Fed had only days or hours to make multibillion-dollar decisions.

Yellen said her team demonstrated a capacity to stow its traditionally conservative approach to problem solving and accept more risk because the situation demanded it. “We had many agonizing decisions to make,” she recalled.



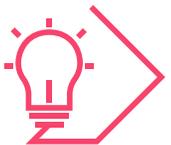
The importance of a great team

Honing and staying on message is not the only way that Yellen prepared for a crisis. She also put a lot of effort into building a team that featured smart and resilient people who could work in a data-rich environment and freely share their ideas and theories without the fear of group think.

Yellen said there was a special comfort that came from having put deliberate work

into building a great team. “I knew that I was not in this alone,” she said.

“The world is very uncertain. Economic forecasting, economic development is a treacherous business and there are always surprises... My colleagues and I knew that it was on us to figure out what to do to make this the Great Recession rather than the Great Depression.”



Adopt a firefighter’s mindset

Yellen made sure her team knew that the steady and deliberate work of leaders at the Fed was public service, and they were “motivated to serve the organization and make sacrifices.”

She put a strong emphasis on work-life balance for her team in non-crises times but with the proviso that once the crisis hit, the team had to launch into action.

Yellen said she stressed to her team that their role in a crisis was not unlike being

a firefighter facing a five-alarm blaze. Firefighters typically spend a lot of time sitting around their fire houses, relaxing and preparing for a call to come in.

At the same time, “firefighters know that when the blaze starts, you have to put [work-life balance] aside and sacrifice your personal desires and goals for the sake of the organization,” she said.

Business Transformation

A mirage or a reality?

Burak Koyuncu, Workforce Solutions Director, LHH
Russell Deathridge, Principal Consultant, LHH

The employees of a large European-based financial services company felt betrayed and deceived. And for good reason.

For more than a year, they were told that a digital transformation was coming, and it would radically change their working lives. Executives talked incessantly about applying new technologies to make the company more agile, more productive and—ultimately—more profitable. Most employees were cautiously optimistic; some were actually excited.

A few months later, however, and the “transformation” had shifted focus.

There were no new structures, policies or technologies. Even though the company started out with the goal of transformative change, downsizing became the sole focus of its initiative. Thousands of workers were shown the door, and those left were under

increasing pressure to take on additional roles and responsibilities.

Once employees realized that the company had fallen short of true transformation, the culture quickly deteriorated. Conflict within and among key teams slowed work profoundly. Stress-related employee illness became a top-of-mind concern. Engagement fell precipitously, and top talent resignations went through the roof.

Transformation, whether it involves adopting a new structure, new ways of working or a new technology, has become firmly embedded in modern business jargon. However, there is a growing trend where the word “transformation” has been reduced to a meaningless buzzword and is being applied in the wrong situations. Often companies fail to craft a clearly defined transformation strategy that will support their goals.

“Companies that succeed at transformation understand they need an integrated strategy to achieve the desired outcomes—a strategy that addresses processes, systems, technology and people across the organization.”

Burak Koyuncu
Workforce Solutions Director
LHH



Many companies start off believing that they are on the path to transformation—where employees will perform completely new tasks and adopt completely new ways of working—only to learn along the way that they are involved in something much less impactful and complex.

This can have a devastating impact on employees, who can feel betrayed if they are promised transformation but get garden-variety downsizing.

True transformation requires a holistic strategy that takes into account both the business side and the human side. Employees must be part of the process so that you gain their confidence and commitment. If the main goal is simply to cut costs or decrease the number of employees, however, then the word transformation should be left out of the conversation.

It's important to note that many botched transformations come not from deliberate efforts to misrepresent an initiative but rather a misunderstanding about the magnitude of change that is necessary to qualify as a genuine transformation.

One organization, needing to cut costs urgently, unveiled a “transformation program” that was described as a journey to increased efficiency and improved ways of working. As the program unfolded, however, the focus was all on reducing costs with very little attention on changing organizational culture or the new approaches to the ways work was being performed.

Employees, who were still doing the same jobs in the same way, were extremely disappointed.

We've also seen many organizations that have launched “digital transformations” that turned out to be little more than the introduction of a new IT system. Although that can be a net positive for any organization, the simple act of swapping in a new technology platform for an old one—without any effort to change the work people do or the way they do it—does not qualify as a transformation.

How do you know whether what you are trying to do is indeed transformative?

Companies that have successfully delivered on transformation have a number of qualities in common.

Challenge assumptions about whether you are launching a real transformation or simply fine-tuning your business. Companies that succeed at transformation understand they need an integrated strategy to achieve the desired outcomes—a strategy that addresses processes, systems, technology and people across the organization. Transformation is more than just meeting KPI targets; transformation is about an organization reinventing itself and its employees with new skills and behaviors so that together, they can take on new challenges and achieve the organization's reimagined vision for the future.

Encourage your employees to tell you how they really feel. Organizations that succeed at transformation make heroic efforts to get reaction and input from their employees on how they feel about all the change that is coming their way. Knowing the impact of transformation on the emotions of your employees will make you better at designing the journey of your transformation.

Transparency is the antidote for mistrust and panic. To reach your transformation objectives, you need a clear goal and vision about how to get there. If you really need to restructure and downsize to cut costs, then it might be well advised to dial-down the language around transformation. If it's going to be impossible to take everyone in your organization along for the transformation ride—either because you need fewer people or people with different skills—make that clear and help prepare people for the change.

Even the most painful transformations, ones that involve downsizing or profound changes to skill profiles of the workforce, can be positioned as positive and progressive if employees have full clarity.

Frank, honest discussions about where the organization wants to go and how it wants to get there will build support even among those people who may not personally be able to be part of the journey.

TRANSFORMATION Insights

In today's marketplace, organizations are discovering the need to turn their attention inward to find their future talent. At LHH, we help companies see the possibilities in their people. Through assessments, coaching, upskilling and transitioning, companies can realize the untapped potential within their own workforce, resulting in increased productivity, morale, and brand affinity.

A division of The Adecco Group—the world's leading HR solutions partner—LHH's 4,000 coaches and colleagues work with more than 7,000 organizations in over 60 countries around the world. We make a difference to everyone we work with, and we do it on a global scale. We have the local expertise, global infrastructure, and industry-leading technology to manage the complexity of critical workforce initiatives and the challenges of transformation. It's why 60% of the Fortune 500 companies choose to work with us.

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