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2022 CONFERENCE

CONFERENCE RETROSPECTIVE

Managing Reward in Our Uncertain World

WEDNESDAY **15** JUNE 2022 | LONDON

Managing Reward in Our Uncertain World

CONFERENCE RETROSPECTIVE

CO-CHAIRS

Celia Baxter RemCo Chair, Non-Executive Director

Peter Blausten Independent Senior Advisor

SPEAKERS

Philip Stephens Writer, Commentator and Historian

Rebecca Homkes High-Growth Strategy Specialist, **London Business School**

Tom Gosling Executive Fellow, **London Business School**

Jason Shaw Shaw Foundation Chair in Business, **Nanyang Business School, Singapore**

Peter Boreham UK and European Practice Lead for Executive Reward, **Mercer**

Commentators have been emphasising the 'Uncertainty' of our world for years. When it comes to geopolitical upheaval and radical economic shifts, though, the 2020s will put recent times in the shade. Two years into the current decade and already the previous one is looking straightforward and uncomplicated by comparison.

Accelerating focus on climate change, geopolitical volatility, 'pandemophobia', shifting expectations of companies and the inexorable march of technological and demographic change are set to dominate the economic and business environment of the coming decade. Add to that the shock of military conflict in Europe giving rise to a broader economic war involving most of the world's major economies, and the 2020s is likely to be a more challenging decade for international business than most of us have seen in our working lives.

Companies are having to up their game. The ability to scan and understand the operating environment, to anticipate changes and to strike the balance between responding and over-reacting will be crucial. The capacity to develop and pursue a long-term strategy, while being able to swerve and adapt in the light of sudden events, will make the difference between those who merely survive, and those who thrive. These strategic capabilities must be embedded in the entire organisation.

As our conference Chair Peter Blausten said in his opening remarks, *"To be credible, you have to be aware of the strategic context."* This conference aimed to assess the current global situation and anticipate the likely trends and thereby provide a framework to plan and adapt, and understand the implications for reward strategy.

The World We Now Live In – International Business Perspective

Philip Stephens

Philip Stephens entitled his presentation: *'The Last Big Mac and the End of the End of History'*, i.e. the rapid re-ordering of the global geopolitical landscape and the sudden return of politics as a major risk factor in business strategy.

He alluded to two theories which gained currency after the end of the Cold War – the Golden Arches theory, that the growth of McDonald's represented the incorporation of the rest of the world into western capitalism, and Francis Fukuyama's End of History that the world was moving inexorably towards liberal democracy and western capitalism.

For a time, this seemed to be happening. Without the Cold War military and ideological rivalry, we were at the start of what George Bush Sr called a new international order. Former communist countries joined an increasingly globalised market system and brought substantial resources and millions of new workers and consumers into the capitalist world. A global system – the so-called Washington Consensus – prevailed in which trade barriers were reduced, regulations removed and, for the most part, a global rules-based order prevailed. Military conflicts were localised and rarely threatened anything more than temporary disruption to global trade and its increasingly finely balanced supply chains. This was a period when people assumed we had seen the end of great power confrontation. Sooner or later, the rest of the world would become more like the liberal democracies. The West had won and geopolitics made way for globalisation.

This began to change when the Global Financial Crisis killed the myth that markets could fix everything. The decade from 2010 saw the resurgence of nationalism. The rise of populist strongmen in places like Brazil, Turkey and the Philippines coincided with the growth

WATCH PHILIP'S SUMMARY HERE:

Or watch the full session from conference here:

PHILIP STEPHENS is a writer, commentator and historian. He is a Contributing Editor at *The Financial Times* where he was previously Director of the Editorial Board and Chief Political Commentator. His latest book *Britain Alone: the Path from Suez to Brexit,* was published in 2021. He is a frequent speaker and moderator at conferences on European, transatlantic and global affairs, and offers analysis and advice to business leaders on geopolitical risk.

of populist movements in the West. US-China relations deteriorated and a more aggressive stance from President Xi signalled an intention to challenge US hegemony. Russia's invasion of Georgia in 2008 exploded the idea that it was ready to integrate with the West. Its attack on Ukraine finally killed the illusion that western values had triumphed.

The idea that 'no two countries with a McDonald's would fight each other' was proved wrong in a most brutal way. The closing of McDonald's restaurants in Russia was symbolic of Russia's retreat from liberalism and its exit from the global capitalist system. It underlined the end of the 'post-Cold War' era. It now appears that History is back with a vengeance.

The new geopolitical landscape

The focus is now on security and on resilience. This will figure strongly in our lives for the coming decade and beyond.

Governments are realising that the disruption of the globalised supply chains built during the post Cold War period pose a threat not only to the companies that built them but also to national security and well-being. It is likely that they will now take a more interventionist approach to business, especially where they believe that strategically important industries may be compromised.

Philip used the example of Germany. After the end of the Cold War, its policy had three pillars:

1. Rely on the US for security;
2. Import cheap gas from Russia;
3. Sell the manufactured goods enabled (in part) by 1 & 2 to China.

Germany prospered from this approach until all three pillars collapsed at almost the same time. The German government is now massively increasing its defence budget, aiming to end Russian gas imports by 2024 and is encouraging its manufacturing companies to lessen their dependence on Chinese markets and raw materials. (China currently accounts for 50% of VW's sales.)

This new terrain will be shaped by greater superpower rivalry. The West will make alliances of convenience with autocracies hitherto considered pariahs, like Saudi Arabia and Venezuela.

Many countries are resisting the pressure to pick sides. India, for example, relies on Russia for 50% of its arms imports but is also part of the QUAD alliance with the US, Australia and Japan, formed to counter Chinese power in the Indo-Pacific region. With divided interests come divided loyalties. Other countries, such as Israel and Turkey, have similar reasons not to choose sides. Strategically important states, such as those in the Pacific islands, may find themselves the subject of bidding wars as the US and China compete for their allegiance.

More shocks are likely

More shocks could come from:

- An escalation of the war in Ukraine – to the point where NATO is forced to become more directly involved;
- China and Taiwan – 85% of the world's high end silicon chips come from Taiwan;
- Food shortages towards the end of 2022;
- Famine in Africa and the Middle-East, leading to significant hardship and further political de-stabilisation;
- Waves of migration brought about by any of the above or other unforeseen incidents.

Donald Trump's grip on the Republican Party is causing concern among US allies. His re-election would pose a renewed challenge to democracy and the rule of law. While he currently looks unlikely to extend beyond his 40% voter base, the mere threat of it is enough to undermine the cohesion of the Western Alliance as America's partners look for ways to hedge their bets. The counter-factual scenario of the invasion of Ukraine having taken place while Trump was in power is chilling for Western allies.

Until recently, the Russians were winning the propaganda war because they have been working on it and putting resource into it for some time. The use of Russia Today and social media to propagate pro-Kremlin disinformation and conspiracy theories has been running unchecked for many years.

What does this mean for business?

For businesses, this means a more volatile, more dangerous and less predictable world. Governments are now back in the driving seat and more willing to intervene. National security will trump free trade. State intervention to protect strategic industries or to mitigate security and supply risks is more likely.

On-shoring, the return of companies' manufacturing to their home countries, has been going on for some time. This is now being complemented by 'friend-shoring', the location of production and the sourcing of supplies from countries deemed to be friendly. As US Treasury Secretary Janet Yellen put it, *"countries that have strong adherence to a set of norms and values about how to operate in the global economy"*.

In this new order, it is likely that sanctions will be a fact of life rather than a temporary weapon, as the line between geopolitical conflicts and trade disputes becomes blurred. National resilience will be the new test for business. 'Always secure' trumps 'just in time'. Governments will demand that businesses show their supply chains are robust and do not have geopolitical risks embedded within them. Companies will therefore need a more thorough understanding of not only their suppliers, but also their suppliers' suppliers.

Along with a supply chain audit, companies would be well advised to carry out a PR audit of the areas where they might be at risk of being on 'the wrong side of the argument' – with governments or with powerful pressure groups in the areas critical to their business.

So is this the end of globalisation?

Unlikely, says Philip. Too many countries – and especially China – have an overriding interest in keeping trade and investments flowing.

However, what was once a relatively open global system will now resemble a Swiss Cheese – full of exceptions and exemptions that companies will need to understand and navigate. Increasingly, security and resilience, and sometimes values, will have to take precedence over cost and efficiency in the choices businesses make.

It will therefore be necessary to scan and understand to a far greater degree what is going on in the world and the views of the various governments involved. The conflict in Ukraine has shown that what happens in future in say Moldova or the South China Sea could have a direct impact on your company, even if you don't do business in these areas.

In short, the business-friendly geopolitical order of the last thirty years is well and truly over. That period coincides with the careers of most of the people now running large businesses and consequently, it shaped their assumptions. Those assumptions will have to change rapidly if a business is to survive and thrive in the coming decade.

From Surviving to Thriving: Leading Growth in Uncertain Times

Rebecca Homkes

WATCH REBECCA'S SUMMARY HERE:

Or watch the full session from conference here:

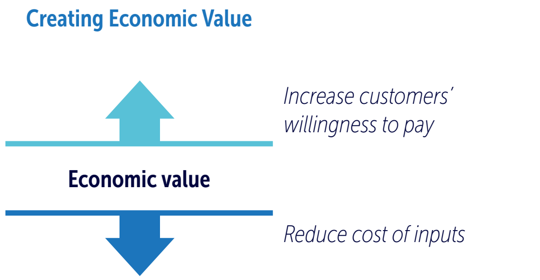
DR. REBECCA HOMKES is a high-growth strategy specialist with the LBS's Dept. of Strategy and Entrepreneurship, an Educator at Duke CE, and a previous Fellow at LSE's Centre for Economic Performance. Her consultancy advises CEOs and executives of global enterprises on developing and executing growth strategies through uncertainty. A global keynote speaker, she is a member of several boards, and has written for various major publications.

The capacity for an organisation to 'survive' and then move on to develop the longer-term strategies that would enable it to 'thrive' was the subject of the next speaker, Rebecca Homkes. As she pointed out, uncertainty is a given, unless you can predict the future. Uncertainty is simply a series of future events which may or may not occur. We usually put words before 'uncertainty' that make it sound like it is going to be bad. The question businesses face is how to make good decisions when you can't make good predictions.

Most of us are better at planning than we are at preparing for implementation, but in a time when rapid change makes data obsolete, when variables are shifting and goalposts are moving, planning becomes more difficult. We need to condition ourselves and our organisations to operate in this rapidly changing environment. Periods of uncertainty are a great time for a business to grow, but to do so the company needs to be prepared for that uncertainty and to develop a clear direction and strategy.

The essence of a strategy is to increase the gap between what customers are willing to pay for your products and your cost base.

The essence of strategy is creating economic value: moving the needles



Source: London Business School

The tendency in difficult times is to focus on reducing the costs. This is sometimes all a company can do during the survival period. The problem is that companies get stuck in survival mode. If the impact of a downturn on the business is severe, its executives may be in such shock that they fear moving on from survival mode and continue to cut costs to the point where they damage their ability to grow the business.

Those companies that move on successfully, says Rebecca, adopt a three-phase process:

1. **Survive** – managing through uncertainty and preparing for future shocks
2. **Reset** – building the strategy
3. **Thrive** – Growing through and out of uncertainty

This process is a loop not a line. Just because you have done it once doesn't mean you won't have to do it again. The next shock may take you back into survive mode, so you need to be prepared for that even when there is no immediate threat.

Survive

This is the phase during which the tough decisions must be taken.

- Repurposing assets
- Increasing customer loyalty by increasing customer care
- Protecting jobs where possible
- Above all, learning – those that develop the capacity to learn at speed are best able to reset and thrive.

It is crucial not to be derailed by the 'Sunk Cost Fallacy' – the tendency to stick with an initiative in which the company already has a significant investment – even if the future benefits are unclear. There is nothing you can do to recover time and money spent in the past.

Reset

To move beyond survival can be difficult for executive teams. To do so, Rebecca suggests making one person on the team responsible for the continuing survival activities while the rest focus on the Reset.

This is the point where executives need to scan their business environment and fully understand the changes that the shock or crisis period has brought about. In a situation of high uncertainty and rapid change, there is little point in spending time trying to predict the future. Instead:

- Identify, watch and understand trends
- Articulate your beliefs
- Test your assumptions
- Play out the implications.

The Reset phase is about building the strategy to take the company beyond the survival phase. This is the point at which, having gained control of revenue and costs and survived, you decide how you are going to move the needle and return to profitable growth. Key to this is understanding the company's source of competitive advantage and how it will play out in the changed business environment.

Valuable Resources and Capabilities:
Your right to win the 'key' to competitive advantage

Crucial to success in the reset phase is to identify a few 'must-win battles'. Growth will be unbalanced. Throw away the balanced scorecard and focus on the things that really matter.

Thrive

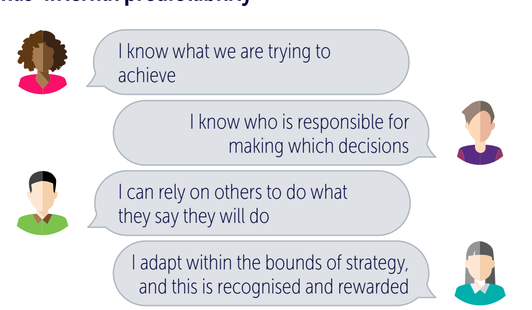
Winners have three characteristics:

1. Strong balance sheets – built during the Survive phase
2. Strategic insights – developed during the Reset phase
3. Operational agility

Companies often fail to move on because they try to pick a must-win battle for every aspect of their business. This over-complicates the process and leads to initiative overload. You can't fight external complexity with internal complexity. Companies that thrive face external unpredictability with internal predictability. By minimising the complexity in the areas they can control, they are more able to deal with complexity in the areas they can't control.

At any point in the process, it must be clear who the key decision maker is. Identifying clear decision-making rights is crucial to giving people the clarity which allows them to respond at speed. This is not necessarily based on hierarchy but on who is the best-informed to make a strategic call at a given point.

An organisation that can thrive in external uncertainty has 'internal predictability'



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Having a few clear strategic objectives (no more than five) is like having a simple tune that everyone can hum. If you start the first bar of Happy Birthday, most people can pick up the rest. All too often, though, company strategies are more like Bach – elegant and complex but almost impossible for all but a few experts to remember.

The current level of uncertainty makes it more likely that organisations will stay in survival mode. Rebecca quoted one CEO as saying that there has always been uncertainty, but what has changed now is that we can no longer take geo-economic stability as a given. This is the seismic change outlined by Philip Stephens in Session 1.

At the same time, more CEOs are reporting that employees are asking them to identify where they stand on political and ethical issues that may have nothing to do with the business. Those that have ignored such issues have sometimes found that this alienates some of their younger talent. Again, this is a social shift which is unfamiliar to many senior executives. (This will be a topic which PARC plans to cover in detail at an event scheduled for 19 October).

How Does Reward Make a Difference?

Getting the Balance Right

Tom Gosling

Tom Gosling tackled the issue – accentuated by the prominence of the ESG debate – of how to balance the interests of shareholders vs other stakeholders in the context of the significant challenges faced by organisations, as highlighted by the previous two sessions.

The fundamental shift in the business zeitgeist since 2019 has seen Corporate Purpose and its response to strategic challenges in the diverse ESG field shoot up the corporate agenda. At once, Directors and investors are now accountable to a wider range of stakeholders, including customers, communities, the environment, and of course to the wider workforce.

Statements by BlackRock CEO (Larry Fink), the Business Roundtable, the World Economic Forum and many others, and incorporated in the most recent UK Corporate Governance Code, reflect this shift in attitudes.

WATCH TOM'S SUMMARY HERE:

Or watch the full session from conference here:

However, the link between ESG and Shareholder Value is often tenuous!

If ESG is aligned with Shareholder Value, surely companies would do it anyway. If ESG conflicts with Shareholder Value, why would they do it? A whole industry has grown up trying to prove the business case for ESG, arguing that companies and investors are thinking too short-term by ignoring it. Much of this research doesn't stand up to scrutiny. It tends to start with a solution and then find the evidence to support it – confusing correlation with causation, or failing to take account of reverse causality. For example, it might be that those companies which score well on ESG perform also perform well financially because they have high quality managers who simply do lots of things well.

FURTHER READING:
ESG and Non-financial Performance Measures. 2022. PARC Performance Trilogy Post Meeting Notes. **https://www.parcentre.com/research-and-resources/post-meeting-notes-esg-and-non-financial-performance-measures**

TOM GOSLING is an Executive Fellow in the Department of Finance at LBS where he contributes to the practice of responsible business by connecting academia, public policy, and corporate action. He has 20+ years experience as a board advisor, most recently at PwC where he established and led the executive pay practice.

The Materiality test for ESG

There is evidence that a focus on ESG criteria does lead to an improvement in shareholder value, but this is only the case when the criteria and stakeholders are material to the business.

Materiality is the test of whether defined ESG criteria are material to the company's business model and strategy. There is little point in 'ticking boxes' that have little relevance to the business or over which the company can have very little influence. ESG has encouraged some companies to invest in activities that might look good, but which are not material to the enterprise. It is important, then, to focus on strategic ESG issues that are relevant to the company and its stakeholders.

The evidence on materiality provides the clearest link between ESG and shareholder value but even this is contested.

Despite the weak evidence, shareholders are increasingly demanding a focus on ESG criteria, so it is important to make sure the ESG issues selected are those most relevant to the business.

Using reward to reinforce ESG strategy

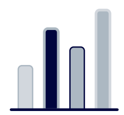
There is widespread support for linking pay to performance against ESG measures, but senior leaders appear more circumspect than investors in how this can be delivered in practice.

Even so, the use of ESG measures and targets is now widespread. 75% of senior leaders have ESG targets built into their incentive arrangements. Typically, the weighting is between 11% and 15%, but investors are asking for that to rise closer to 20%. Investors tend to believe that pay is too short-term and see ESG measures as a possible way of redressing the balance.

Investors are keen to see reward linked to broader environmental and social issues,

How to pick the ESG issues that count

Financial materiality } Value
Intrinsic materiality
Investor preferences } Purpose
Multiplication
Comparative advantage } Impact



Selecting ESG issues in this way, filtered by value, purpose, and impact, ensures they are deeply entwined in business success and will be credible and sustainable

Source: London Business School

whereas business leaders are more keen that reward should be linked to ESG factors that lie more within their control, such as employee satisfaction and health and safety. Broadly, senior leaders are focused on targets closely linked to value whereas investors are interested in targets linked to systemic issues or externalities.

Link to corporate strategy

It is important to:

- Keep robust alignment to strategy (not just what the rest of the world is telling you to do)
- Engage employees in the development of ESG strategy
- Build collaboration across the business functions

The company will only really be effective in its approach to ESG strategy when it is built into the company culture. This requires a compelling narrative from the top, and this may take time. Despite the high-profile focus on ESG, investors and directors still want senior executives to hit their numbers. ESG can't be used as an excuse for financial under-performance. In principle, it should be something you do as a means of helping to deliver your numbers!

How Does Reward Make a Difference?

The Global Pivot to Asia

Jason Shaw

Jason Shaw then provided insight into how individuals react to performance-based pay, comparing attitudes in Asian countries with those in the 'West'. He examined three specific areas:

1. Effectiveness
2. Justice and Fairness
3. Expectations

He referred to a detailed study that his team had conducted of employee reactions to performance-based pay – from a data set of more than 11,000 employees across 32 countries.

Effectiveness of performance pay in Asia

Jason's research concluded that whilst performance-based pay can be effective in Asia, reactions are different from typical Western patterns.

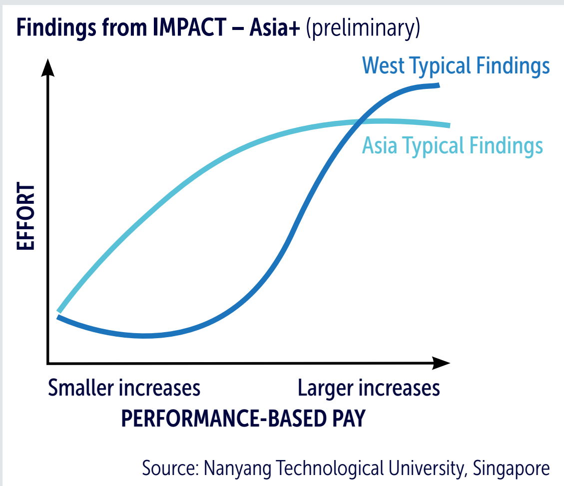
Typically, in Western organisations, there is a performance pay 'sweet spot'. If the level is too low it doesn't make much difference to levels of performance. Western employees may even be de-motivated by a 'derisory' bonus or pay increase. But there also comes a point when paying a high amount doesn't lead to an incrementally higher level of performance. From the employer's perspective, it is important to define this 'sweet spot', which is the range in between, where extra pay leads to higher performance.

In Asia, by contrast, the effectiveness of performance-based pay tends to cut in at lower levels. Smaller increases in reward can still make a difference.

WATCH JASON'S SUMMARY HERE:

Or watch the full session from conference here:

JASON SHAW is the Shaw Foundation Chair in Business at the Nanyang Business School, NTU, Singapore. He was recently Editor-in-Chief of the *Academy of Management Journal*. His research has been accepted in publications that include: *Journal of Applied Psychology*, *Strategic Management Journal*, *World@Work Journal*, and *Harvard Business Review*. He has been invited for visiting scholar positions and other speaking engagements globally.

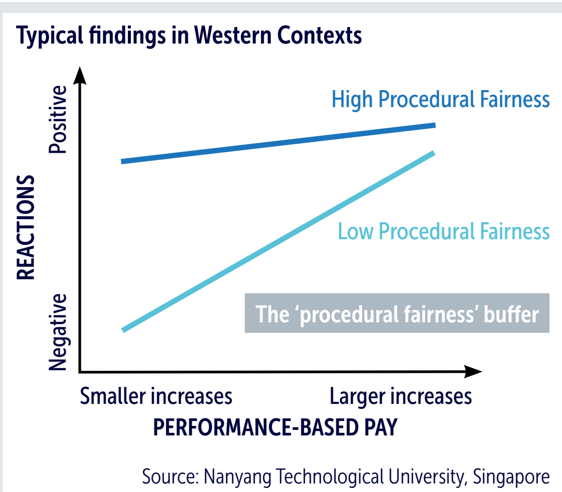


Source: Nanyang Technological University, Singapore

Views on justice and fairness

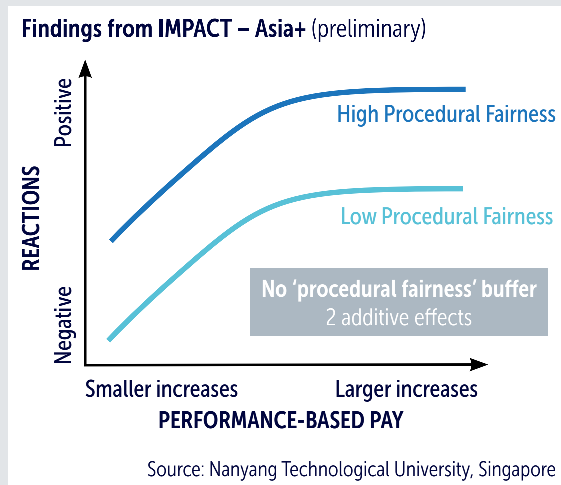
Views on justice and fairness do differ across Asia, but again there are crucial differences from reactions in Western countries.

Jason's research found that procedural fairness is far more important to Western employees than to those in Asia. In Western organisations, negative reactions to low pay awards can be mitigated to a significant extent where the procedure is perceived to be fair.



Source: Nanyang Technological University, Singapore

In Asian organisations, the effect of procedural fairness is nowhere near as strong.



Source: Nanyang Technological University, Singapore

Pay increase expectations

As in the West, pay increase expectations in Asia are typically inaccurate. In Asia, as in the West, employees tend to over-estimate what their pay increase will be. However, unlike in the West, they under-report the actual increase that they receive.

One seemingly paradoxical finding was that, whilst the gap between Asian employees' expectations and their actual awards was higher than in the West, they nevertheless reported much greater 'transparency' in their pay system than those in the West.

It is therefore important to manage expectations carefully and avoid people feeling that they have no control over outcomes. Accurate and full communication is needed to avoid difficult-to-predict reactions.

How Does Reward Make a Difference?

Europe – Retrenchment or Resurgence?

Peter Boreham

Peter Boreham focused on three areas that have been impacted by the social and economic shifts discussed in earlier sessions.

1. Talent Trends
2. Pay budgets in the context of high inflation
3. Retention strategies and other interventions

WATCH PETER'S SUMMARY HERE:

Or watch the full session from conference here:

Talent trends

Emerging from the events of 2019-22 – and specifically the rise of ESG, protest movements, environmental concerns, global pandemic and war – Mercer sees the rise of what it terms the 'Relatable Organisation'. Businesses stand for what they value, and are judged on who they aspire to be and how they impact on people inside and outside their organisations. Companies are 'coming off mute' and standing up for what they believe in, so they can stand out from the crowd.

Much of this agenda is being driven by employee expectations. 96% of the senior executives surveyed by Mercer, across Europe, believe they are in an employee-centric labour market. 66% believe they are facing a labour shortage. Even with the looming threat of recession, executives are much more reluctant to cut investment in L&D spending than in previous downturns. Clearly, talent development and retention are seen as key to surviving in and benefitting from the current labour market situation.

PETER BOREHAM is Mercer's UK and European Practice Leader for executive reward, based in London. He has twenty five years' experience advising the remuneration committees and management teams of leading companies in the UK, the rest of Europe and North America on reward, corporate governance and transactions. He is a Fellow of the Institute of Actuaries.

Managing the pay review budget

In Mercer's December 2021 study, two thirds of organisations in Western Europe were planning to increase their budgets to reflect rising inflation. Over the last year, inflation has risen at its fastest for 30 years in the UK, and the figures are similar for the rest of Europe, the US and Australia.

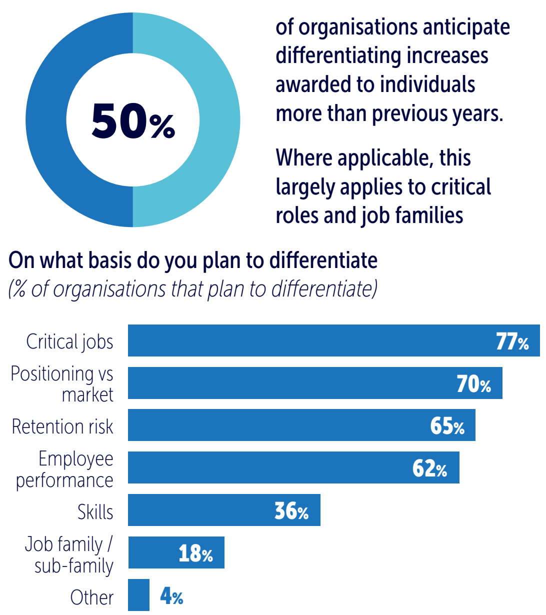
It is very likely that pay budgets will continue to increase over the next year. This will inevitably raise questions about still managing the cost base, as companies attempt to find more efficient ways of working and assess the risks of not paying more.

Peter suggested that pay increases were now more likely to be segmented, focusing on critical roles and hard-to-find talent. Even so, many companies will find themselves with little choice but to pay to recruit and retain core skills on a broader basis.

This will particularly impact those businesses which are locked into long-term contracts, predicated on labour cost assumptions from two years ago. They will risk either failing to meet delivery targets or having their margins squeezed.

Consequently, many organisations are now segmenting their market, with retention of critical roles being a more important consideration than employee performance when considering reward packages.

One size doesn't fit all, organisations are prioritising and segmenting the workforce



Source: Mercer's Wage Inflation and Retention Spot Poll, Jan 2022

Retention strategies and other interventions

In a competitive labour market, employers need to consider their broader employee value proposition. Understanding why people join and stay with your organisation is crucial.

Employers are reporting a struggle to retain key skills with 86% saying that it is more difficult than in previous years and 73% saying that reward is a significant contributor to these challenges. The retention of digital and IT skills is causing companies their biggest concern.

More organisations are now planning for adhoc pay adjustments outside the normal pay review cycle. Mercer's survey in January 2022 found that 21% of organisations were planning for off-cycle adjustments. By April 2022 that figure had risen to 52%. This is indicative of both the scale of the challenge and the speed at which things are moving.

With the likelihood of leaving an organisation highest among younger workers, employers are looking at measures such as home working and increased leave entitlement as ways of making their employee proposition more attractive.

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Managing Reward in Our Uncertain World

SUMMARY AND CONCLUSIONS

The backdrop to this conference was the coinciding of rapid geopolitical, social, environmental and economic change over the last 3 years. The re-ordering of the landscape in which businesses must operate has been the most significant for a generation. There is every reason to believe that these pressures will intensify as the decade goes on. This will present challenges but also opportunities for businesses.

As **Philip Stephens** told us, it is now clear that the open and business-friendly geopolitical environment that companies had grown used to over the past three decades has gone. We are seeing the return of great power rivalries and of state intervention. As during the mid 20th century, national security will trump free markets. With environmental and economic factors both adding to the geopolitical volatility and creating their own pressures, politicians will become more inclined to intervene. Over the coming decade, governments will start telling companies what to do again.

Pressure on businesses will also come from consumers, environmental groups and employees. As we heard from **Tom Gosling** and **Peter Boreham**, the demand for companies to focus on ESG criteria, to be seen to be purposeful and to 'do the right thing' is no longer coming only from political activists. Investors, customers and employees want to see companies taking a more ethical stance too. For many younger workers with sought-after skills, a company's environmental and social credentials are becoming pre-requisites for employment.

Of the shocks brought about by recent events, the related problems of inflation and supply shortages are having the most immediate impact on companies. Talent shortages are unlikely to ease as a seeming reluctance of older workers to continue working combines with the shrinkage of working age populations as the decade goes on. We are already seeing concerns about pay pressures and talent retention in companies across the world and it is difficult to see those pressures easing. One of the topics discussed at the close of the conference was the need for productivity improvements but, as some of our speakers pointed out, we have been talking about that for years without reaching any conclusions about the cause of low productivity, let alone the solutions.

What is clear, though, is that executives will need to build organisations that are capable of riding out and then exploiting these headwinds. As **Rebecca Homkes** said, the ability to understand what has happened and to build the clarity of purpose to survive it and thrive is what will set organisations apart. The last thing we should do in such circumstances is to meet external complexity with internal complexity – yet the tendency to respond to crises with 'initiative overload' is all too common.

Doubtless we can all empathise with the CEO quoted by Rebecca who remarked that, while there has always been uncertainty, it is now amplified by the fact that we can no longer take geo-economic stability as a given. We should expect more of this as the developments of the 2020s throw up more shocks.

With thanks to **Wagestream** who sponsored our Post Conference Reception. More information about Wagestream can be found here.

The State of Financial Wellbeing: The UK Workplace Report 2022. Wagestream. https://wagestream.com/en/state-of-financial-wellbeing-2022