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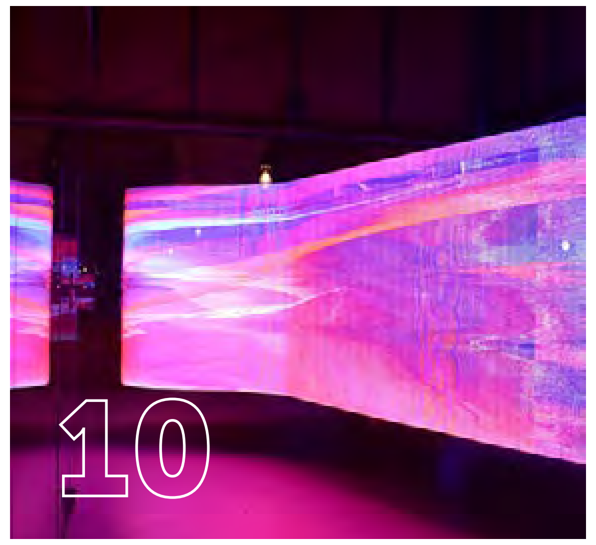
HR DIRECTORS' BRIEFING

A DECADE OF TRANSITION:

TRENDS AND ISSUES IN 2023 – AND BEYOND

CONTENTS



A DECADE OF TRANSITION: Trends and Issues in 2023 and Beyond

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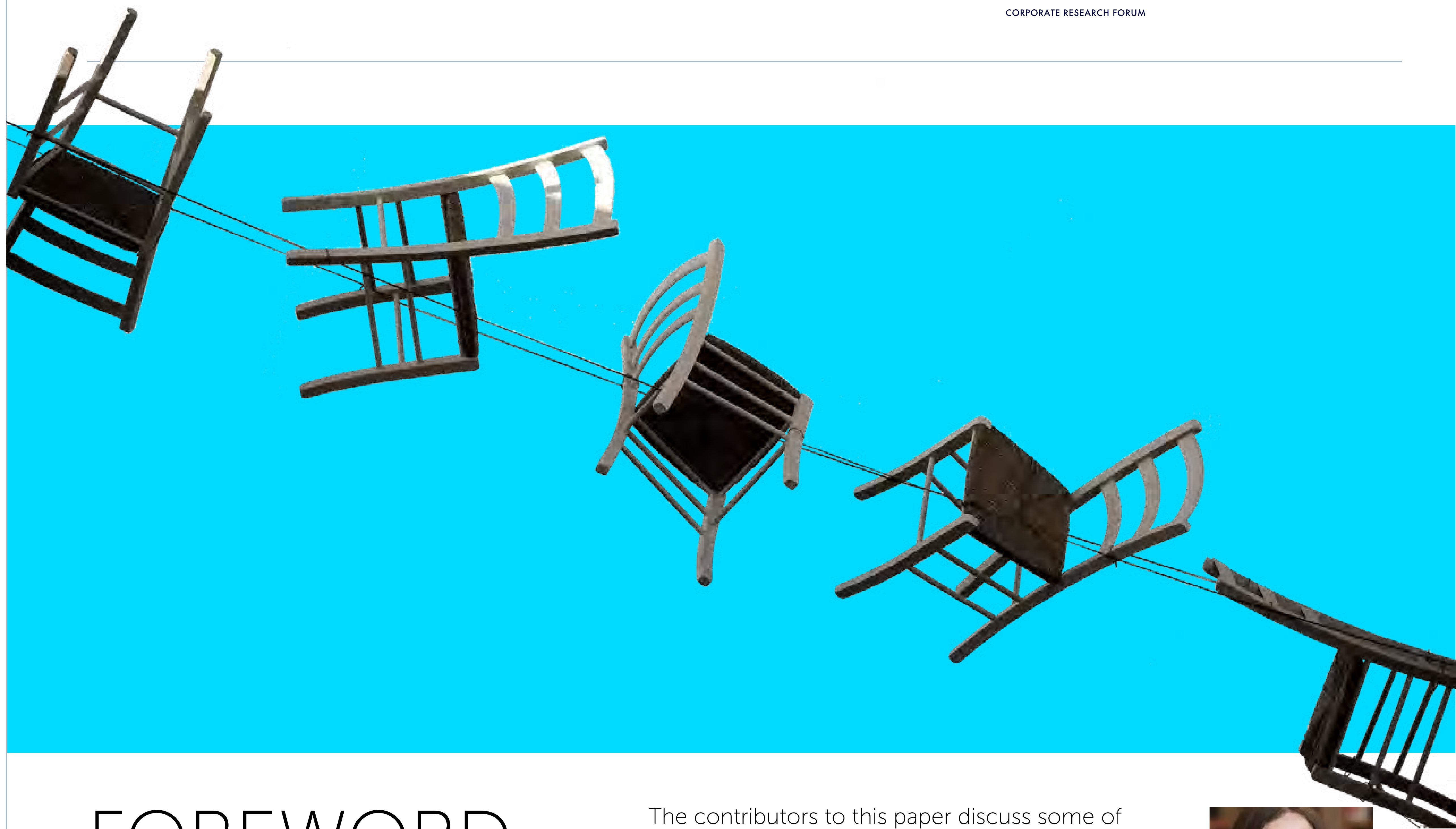


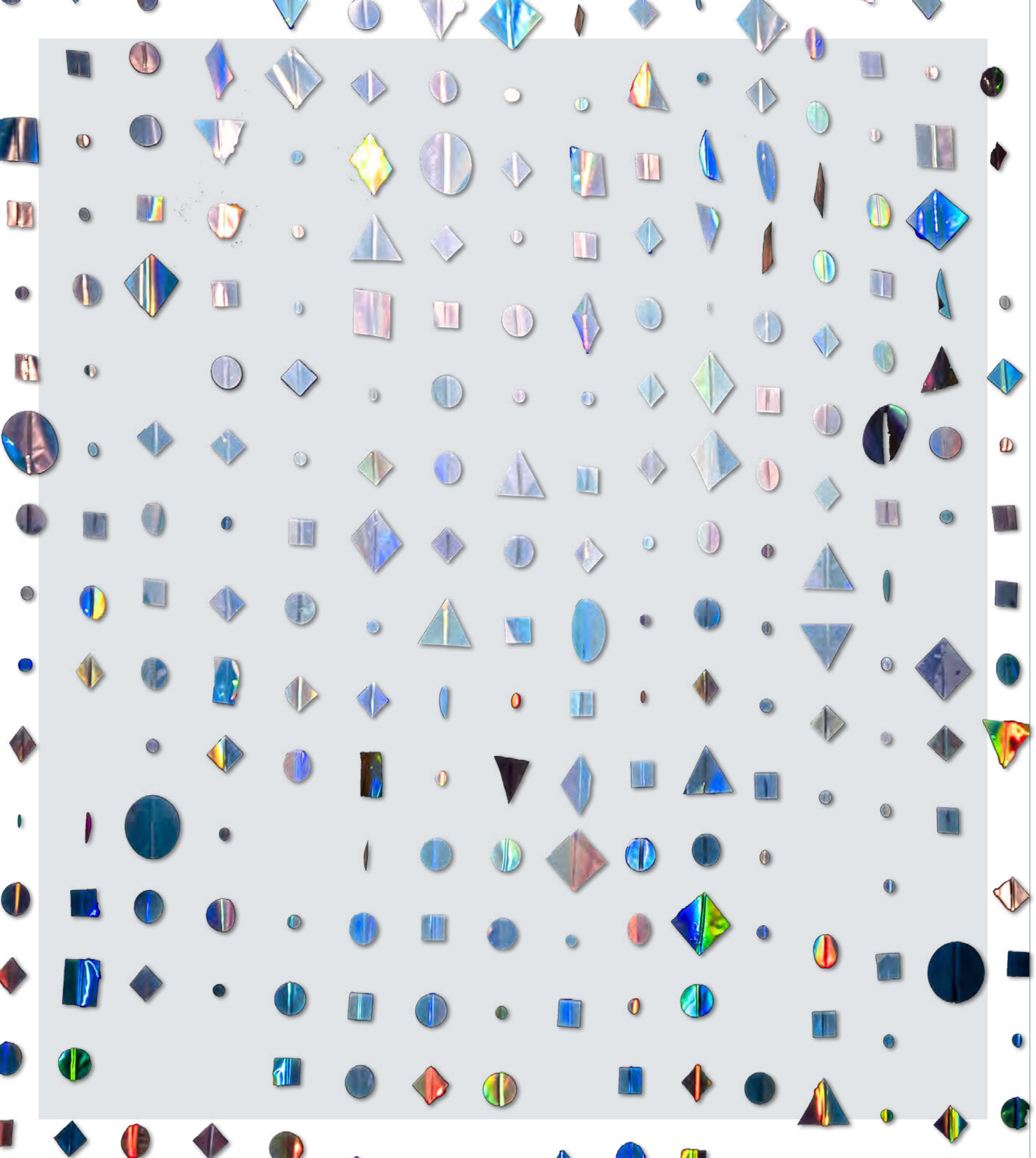
FOREWORD

This year's HR Directors' Briefing Paper is full of articles that explore the issues that businesses need to tackle to thrive in the current economic climate and beyond. Collectively, these articles underline the fact that we are caught in an uncertain transition phase on our way to a new equilibrium.

The contributors to this paper discuss some of the most complex issues that will impact HR professionals directly and indirectly this year: geopolitical instability, globalising workforces, automation, hybrid working, and sustainability, to name but a few. As they face these challenges, some businesses will have unprecedented success as they rise to the challenge of being agile and adaptable. Others will suffer creative destruction. What will delineate the winners from the losers? Undoubtedly, the ability of all persons within the business to navigate effective decision making during this period. There is a clear role for HR professionals to strengthen their colleagues' abilities in this regard.

The phrase 'new normal' is now ingrained in the discourse surrounding the return-to-work post-COVID. It encapsulates the state of certainty we

Dr. Grace Lordan is Associate Professor in Behavioural Science and author of *Think Big, Take Small Steps and Build the Future you Want*.



crave as we navigate towards the future, but it is time to acknowledge that it is simply not coming. At least, not in the next two years. We need to accept that we will continue to encounter uncertainty, complexity, and insecurity, at least in the medium term. There also needs to be an emphasis on effective decision making that occurs with speed. Behavioural science can help this effort – not by somehow revealing the right decisions to make, but by recognising that at times of uncertainty, how we approach decision-making can make a real difference. If we are not careful, we can end up relying more on heuristics and biases, which can affect how we assess risk and perceive costs and benefits.

When we face unexpected challenges, it is natural to rely on the familiar and devise solutions based on experience. Traditional decision-making models that aim to maximise expected utility and return are best suited for 'small worlds', where that experience can be used to make strategic and economic decisions, but not where the future is unpredictable or uncertain. By contrast, a scenario-based approach can help businesses remain agile. Scenarios which explore the key sources of uncertainty and evaluate their potential implications improve resilience. The psychologist Gary Klein coined the term 'premortem', where teams come together to suggest reasons why a strategy might fail, finding weaknesses and identifying risks. The ability of leaders to do this relies on the skills offered to them by their HR professionals. Never before has there been such an urgency to upskill leaders across the business on effective decision-making.

There is also an urgency to equip leaders to understand when to bring their team together and employ a scenario-based approach. I suggest evoking the 5:95 rule: we waste too much time deliberating the small stuff, so leaders need to prioritise the 5% of things that are high stakes for the business when they will draw on their team's views. High stake decisions are high cost and sometimes even irreversible. They include product development and hiring a new colleague. For the remaining 95% of day-to-day activities, leaders simply operate systems of transparency around how decisions are made and who the decision maker is. This rule allows leaders to leverage the diverse perspectives in their team for the important decisions. The transparency around low stakes decisions builds trust. It also saves precious time!

Group dynamics will also play an important part in determining the value of scenario-based decision making. Deliberation by diverse groups acts as a positive force, but it depends on being able to have a breadth of views in the room. This will not happen if colleagues around the table feel they need to conform to the status quo in order to advance. Now, more than ever, leaders need to hear diverse perspectives, encouraging dissent and not forcing consensus-based decision making. Collective intelligence improves a group's capacity to deal with uncertainty, but the value is not in the average or maximum knowledge. Instead, group performance is correlated to the equality of opportunity to speak and be heard. At the same time, uncertainty leads to emotional responses and reliance on what is familiar, which erodes these gains. In other words, during periods of high uncertainty people feel that their job is less secure.

As you read on, please consider how you are equipping your leaders to battle the human tendency to fear uncertainty and become entrenched in the status quo. After all, your organisation is only going to be as effective as the decision making of its people!

CRF will be exploring the topic of **Better Decisions: Making Sense of Complexity** at our event in March 2023.

View the CRF 2023 Programme **here**.

THE EVENTS THAT SHAPED US

THE GLOBAL CONTEXT OF THE 2020S

There has been a lot of discussion in recent years about historical turning points and watershed moments. Historian Eric Hobsbawm argued that the 20th Century didn't really start until 1914, the Edwardian Era having been an extension of the 1890s. When future historians debate the point at which the 21st Century really got going, 2022 will be a strong candidate.

There will be others, of course. The FT's Rana Foroohar argues that the globalised business world built in the late 20th Century started coming apart with the financial crisis in 2008. Others make a case for 2016, when the UK left the European union, Donald Trump rode roughshod over accepted norms of government and diplomacy, and the Davos conference the following year was in a state of shock. But while it is true that nothing comes from nowhere and that the forces of change have been building for some time, 2022 was the year when it became clear that much of what we have taken for granted over the last 30 years has gone. The coming decades will look very different.

The last half of the 20th Century saw unprecedented economic growth for the advanced western economies. Per capita GDP grew faster than at any time in history. Many explanations have been put forward for this, including the repurposing of rapid wartime technological advances for civilian use, pent up demand after WW2, improved education, and the demographic sweet spot, where the proportion of the population of working age was at its height. Whatever the reasons, we saw the results in rapidly expanding living standards.

END OF THE COLD WAR

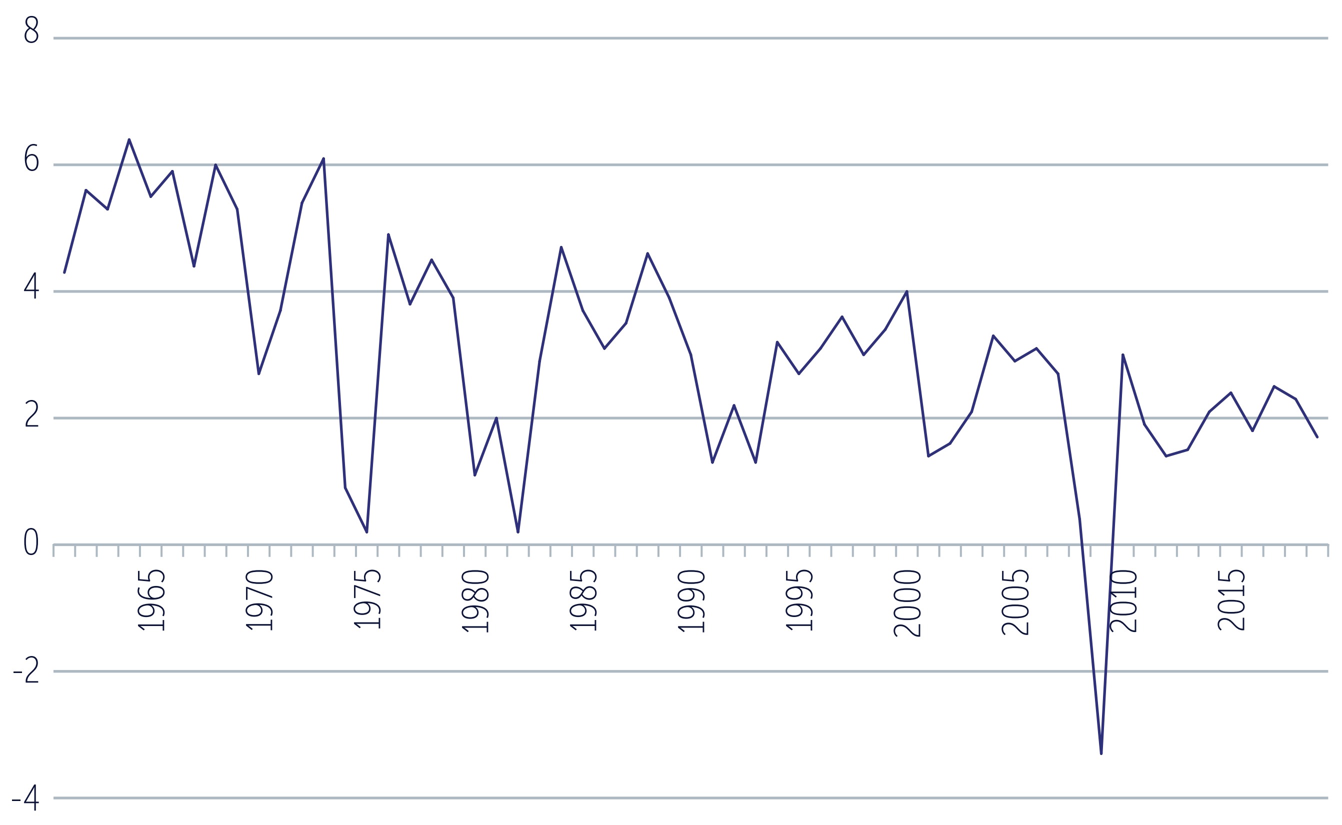
1989 gave western capitalism a further boost. The democratisation of the former communist countries and the trade liberalisation of China brought a massive increase in workers, resources, and markets into the global market system. (Economist Charles Goodhart described this as the largest ever positive supply shock). Firms could now do business in areas that had previously been off limits. Companies outsourced many activities to cheaper jurisdictions and a system of global just-in-time supply chains was built. The 'Washington Consensus' – with its falling tariffs, taxes, and regulation – created the most favourable environment for international business in world history. Global trade increased, resting on the rarely challenged assumption that it would always be possible to move things around the world at speed.

During this period much was written in business books and articles about the speed and complexity of change. What has become clear, however, from more recent studies is the extent to which business dynamism fell – on a variety of different measures. Duncan Weldon covers this in more detail in Section 3 but the quarter century between 1990 and 2015 was largely one of entrenchment and consolidation by established firms, rather than one of dynamic change. Ironically, what was proclaimed as 'the triumph of capitalism' did, in fact, see capitalism slowing down to pluck the fruits of its victory, rather than racing ahead to new horizons. But while the GDP growth of the postwar period was never quite matched after 1990, there was still enough of it to ensure that living standards continued to rise for most people.

Steven Toft is a **Business Writer and Associate at PARC.**

GDP GROWTH (ANNUAL %) – OECD MEMBERS

World Bank National Accounts Data, and OECD National Accounts Data files



SYNCHRONISED STAGNATION

It all began to fall apart in 2008. After the financial crisis, the advanced economies never recovered the productivity gains and economic growth seen in the second half of the 20th Century. The assumption that things would get back to normal faded as the 2010s wore on. The disruption of Donald Trump's trade wars, a newly assertive China and the distraction of Brexit for the EU, challenged the global economic order. By the end of the decade, economists were already talking about 'synchronised stagnation'. For most countries, a period of growth after the Covid pandemic turned out only to be a rebound. Economies simply regained lost ground before returning to the slow growth pattern of the 2010s. Yet another downgraded IMF forecast in October 2022 envisaged a poor outlook for global GDP growth into the middle of the decade.

WAR IN EUROPE

Then in 2022 came the major rupture. The post Cold War economic order was already under strain but the geopolitical order that had underpinned it was shattered. Russia's invasion of Ukraine shredded the assumptions of the globalised world overnight. The belief that global trade would unite the world and lead to a convergence of lifestyles and values was shown to be a fanciful dream. The Golden Arches Theory, that no two countries with a McDonald's would fight each other, was debunked in the most brutal way. The withdrawal of McDonald's from Russia in 2022 was as symbolic as its arrival in 1990.

The stance of international economic organisations changed abruptly too. The FT's Martin Sandbu sees economic thinking at an inflection point. Remarking on the IMF shift in policy, he believes *"the return of the activist state is now the establishment's house view."* Governments are taking a more interventionist approach to business, especially where they believe that strategically important industries may be compromised.

Geopolitical and military concerns have come to the fore again. The FT's Philip Stephens says that the focus is now on security and on resilience. 'Always secure' trumps 'just in time' and offshoring is being replaced by 'friendshoring' – the sourcing of supplies from countries deemed to be friendly. While corporate leaders and financiers might have thought of themselves as 'masters of the universe' for the past 30 years, the politicians and generals are now back in charge.

THE CHINESE CENTURY

Potentially more serious for western governments in the long term is the more assertive stance adopted by China under President Xi. Under Donald Trump's presidency, US-China relations deteriorated – and have shown little improvement since Joe Biden's election. China has signalled its intention to challenge US hegemony and sees no reason to be bound by a system of global trade designed in Washington. Even if this rivalry does not manifest itself in open military conflict, it makes the division of the world into competing blocs more likely. The economic growth of China was a significant factor in Charles Goodhart's positive supply shock. A China less sympathetic to western firms will make life more difficult for global companies, even if direct conflict is avoided. As VW's former CEO Herbert Diess remarked, *"China probably doesn't need VW but VW needs China a lot."* This geopolitical realignment will also cause significant problems for those companies with commitments in countries where disputes with the West might escalate.

Predictions of a coming 'Chinese Century' may be overblown though. The country is already running into some of the same problems that have afflicted western economies. The OECD forecasts a 30 million fall in China's working population over the next decade and it is already suffering from slowing growth, rising corporate and household debt, and a massive property crash. According to the Intergovernmental Panel on Climate Change, China will be one of the countries worst hit by global warming. Its heatwave in August 2022 was the most severe ever recorded anywhere in the world.

However, this does not necessarily mean that China poses any less of a threat to the west and to global political stability. For authoritarian regimes wanting a distraction from domestic problems, war has often been a useful outlet.

THE NEW NORMAL FOR BUSINESS

The major and quite rapid shift from the previous 30 years means that companies can no longer take geo-political stability as a given. Doing business globally will be more difficult. International supply chains, access to markets, and supply of labour will all be affected. We can no longer assume that it is safe to do business almost anywhere, and that markets and company assets are secure. This is a world in which the need for resilience in the face of hard geopolitical realities will impose heavy costs on business, especially in relation to supply chains (as John Plender remarked in the FT). This may not signal the end of globalisation, but the flow of world trade will now be mitigated by geopolitical and security concerns. The high tide of globalisation has passed.

Geopolitical upheaval comes at a time when the economic challenges facing the world's economies are of a scale and complexity that most of us have never seen before. The 2020s will see working age populations start to shrink in many advanced economies – and some emerging ones too. Gary Simmons covers this in more detail in Section 2. It is likely that the labour shortages that have hampered the post-Covid recovery of the advanced economies will become a recurring feature of the 2020s.

Can India and Africa offset the demographic headwinds affecting the rest of the world and provide a new source of labour and markets? Charles Goodhart thinks not – citing weak governance, infrastructure, and human capital – and concluding: *"there won't be another 'China' for a long time, if ever."*

CARBON NET ZERO

More frequent climate events will compound the disruption to trade caused by geopolitical instability. Governments can ill afford to let up on the push for Carbon Net Zero, and it is unlikely that their electorates will let them. But this brings its own challenges. As Sky's economics editor Ed Conway puts it: *"If net zero is going to happen we need to re-do the industrial revolution all over again. It's hard to express how big a deal this is."*

The implications for manpower, resources, and potential stranded assets are massive and seem not yet to be fully thought through by any government. It is also unclear the extent to which this transition will stimulate growth and productivity improvements. The optimists insist that it will, but the interdependencies are too unpredictable to make a call on this.

In summary:

- ***The mid-to-late 20th Century may turn out to have been a historical blip, during which western economies saw a period of unprecedented growth which will not be repeated. It may be that economic growth will return later this century when the benefits of the Carbon Net Zero transition have been realised. For the next decade or so, though, that looks unlikely.***
- ***This is important because most of our assumptions about economic growth, political stability, living standards, doing business, what we expect from the state, and what age we stop working are products of that extraordinary period of growth.***
- ***The period we are now entering will be very different and will challenge those assumptions. The extent to which we are prepared to change our assumptions – never a comfortable thing to do – will determine how different businesses succeed in adapting to this much-changed world.***

Gary Simmons is an Actuary specialising in Human Capital and Organisational Strategies.

'THE DEMOGRAPHIC TIMEBOMB'

GETTING AHEAD OF GLOBAL LABOUR MARKET TRENDS

Government strategies for economic growth and job creation – particularly in the U.K. – are usually silent about where workers and skills are coming from, assuming tacitly that people 'grow on trees'. In a similar vein, much of the recent commentary regarding the tightness of labour markets has used terms such as 'blip' and 'unexpected'. The reality is, it is neither. So, what is going on, and what should, or can, HR professionals do about this?

WORKFORCE GROWTH – OR LACK OF IT

Across the developed world, centuries of workforce growth have come to a shuddering halt, even beginning to decline in some countries. There are 8 interconnected reasons for this. The first four are the massive reductions in infant, maternal and general mortality that gathered pace a century or so ago that have now largely stabilised; coupled with a huge reduction in fertility rates that have fallen below 2.1 (the replacement rate) since the 1970s. The net result is country populations that are starting to shrink. Other factors are the increases in female and older worker participation which are running out of steam and the retirement of the last of the post-war 'baby-boomers'. The final demographic ingredient is migration, which has obfuscated the overall workforce picture.

To illustrate all this, take the UK workforce: over 25 years from 1997 to 2022, it grew 5.5 million to 34 million. The non-UK born workforce contributed 4.4 million of this growth, but despite substantial migration where the average worker age is around 27, the under age 35 workforce fell by 0.2 million in 25 years. The over-50s grew by a whopping 4.6 million, dominated by the boomer bulge flowing through into retirement, coupled with the increase in female state pension age. The workforce has actually been flat since 2018, with a shrinking UK-born workforce balanced equally by non-EU-born migration.

The UK-born workforce will now continue to decline, with only migration and the tough job of nudging participation up to Scandinavian levels able to provide meaningful overall increases. With constant participation rates, net migration needs to be at 200,000 per year to 2030 just to keep the UK workforce constant.

Similar patterns are seen in EU workforces which are now flatlining after an 11 million increase in the over-55s in 10 years. Germany is more dependent than the UK for migrants to keep its workforce flat. The average fertility rate for ten major economies is now around 1.6; in some it is barely above 1. The developing world shows similar effects: the average fertility rates of the BRICS plus Mexico and Indonesia was 4.8 in the 1970s; it is now less than 2. In India, the workforce will grow for many decades, but in China it is possibly already declining at 6 million per year.

WHERE'S THE CHANGE?

Similar patterns are seen in EU workforces which are now flat-lining after an 11 million increase in the over 55s in the last ten years. Germany is more dependent than the UK for migrants to keep its workforce flat. The developing world shows similar effects. The average fertility rates of the BRICs (Brazil, Russia, India and China), plus Mexico and Indonesia, was 4.8 in the 1970s; it is now less than 2. In India, the workforce will grow for many decades; but in China, it is possibly already declining at 6 million per year.

However, one region to see significant workforce growth is Africa. The demographics here are startling. Both infant and maternal mortality has fallen dramatically, with fertility rates slowing. Take Nigeria: in the mid-1990s, its population was 95 million, it is now 220 million and is forecast to be over 400 million by 2050. But will this burgeoning African workforce have the right skills in the short term to power the global economy forward?

CHANGING OUR RESPONSES

So, how do HR professionals respond to these new demographics beyond optimising the 'career deal'?

Firstly, it needs to be accepted that supply constraints will increase churn and real pay rates and 'the Great Resignation' is unlikely to be a blip. People risk should be fully on the Board agenda, with HR leading to ensure that people costs and risks are consistently factored into budgeting and planning. Given that all businesses are impacted by demographic constraints, very few of the FTSE 250 still report people as a key risk.

In many cases, productivity gains are going to have to be the prime (or even sole) driver of corporate and thus economic growth, so it is key that people costs and risks are properly calculated to provide true comparisons to the costs and synergy gains of technology investment, AI, automation and so on. The typical budgeting tool of 'headcount' x 'pay' which quietly assumes that the roles can be filled, retained, and paid as expected is unlikely to be appropriate for this purpose. What happens if only 80% of budgeted roles can be filled by 2025? Continuing to be too optimistic on people acquisition and retention risks means important long term technology investments could be wrongly shelved.

Similar risk techniques are needed for skilling and the skills pipeline. What are the costs and risks of more inappropriately skilled workers needing to be hired, managed, and reskilled quickly? Furthermore, reskilling can occur outside the workforce. There is at least one FTSE-100 that is considering using its online training resources – under the 'S' in 'ESG' – to build up appropriate skills and future recruitment pools within the communities in which it operates.

Given the only increasing workforces over the next few decades will be in Africa, and to an extent South Asia, different solutions need to be examined to utilise these. There will be very competitive worker demands from Europe, North America, and East Asia for such resources with the right skills. With the likely social and political constraints on immigration, remote-working, offshoring, and building up usable skills in situ will become favoured options. Plus, M&A activity has long been driven to access new markets, new products, or technology, so how long will it be before some deals are primarily driven to acquire specialised human capital?

CRF will be exploring the topic of **Effective Succession Management** at our event in January 2023.

View the CRF 2023 Programme **here**.

PARC will be exploring the topic of **Business Ramifications of a Globally Dispersed Employee Population** at our event in March 2023.

View the PARC 2023 Programme **here**.

A WORD ON THE NEAR FUTURE

In a possible forthcoming recession, too often people become a cost to be cut rather than an asset to be nurtured. It is instructive to see how the low-cost carrier Ryanair dealt with pandemic lockdowns. Unlike others who made savage workforce cuts only to find as the market picked up their former employees had got other jobs, Ryanair kept much of its workforce by agreeing to 5%-20% pay cuts – to be phased back in once the market picked up. It seems to have rebounded from the pandemic stronger than its competitors.

The resulting labour and skills shortages of this 'demographic timebomb' means organisations will have to radically re-think their low-risk 'buy-not-build' approaches, or face tough business consequences.

In summary:

- ***Across the developed world, centuries of workforce growth have come close to a shuddering halt; with migration keeping their workforces from declining.***
- ***Only Africa and South Asia will see significant workforce growth, with socio-political constraints meaning much of their contribution to economic growth will need to be largely in in situ.***
- ***Businesses will increasingly have to formally report 'People' as a Key Risk.***
- ***New tools for calculating people costs and risks will need to be developed to meet this need and to robustly provide cost/risk benefit comparisons against the costs of investing in automation etc.***
- ***The basic 'headcount' x 'pay' approaches will be replaced with sophisticated 'People v. Machines' models.***
- ***Increasingly specialised workforces will become a key target in M&A activity.***
- ***Organisations that don't move on from buy-not-build approaches will face tough business consequences.***

BUILDING BACK WORSE

HAS WESTERN CAPITALISM LOST ITS MOJO?

Duncan Weldon is economics correspondent for *The Economist* and formerly BBC Newsnight, and author of *Two Hundred Years of Middling Through*.

PARC will be exploring the topic of **The New World Order – and Its Implcations for Global Trade** at our event in February 2023.

View the PARC 2023 Programme **here**.

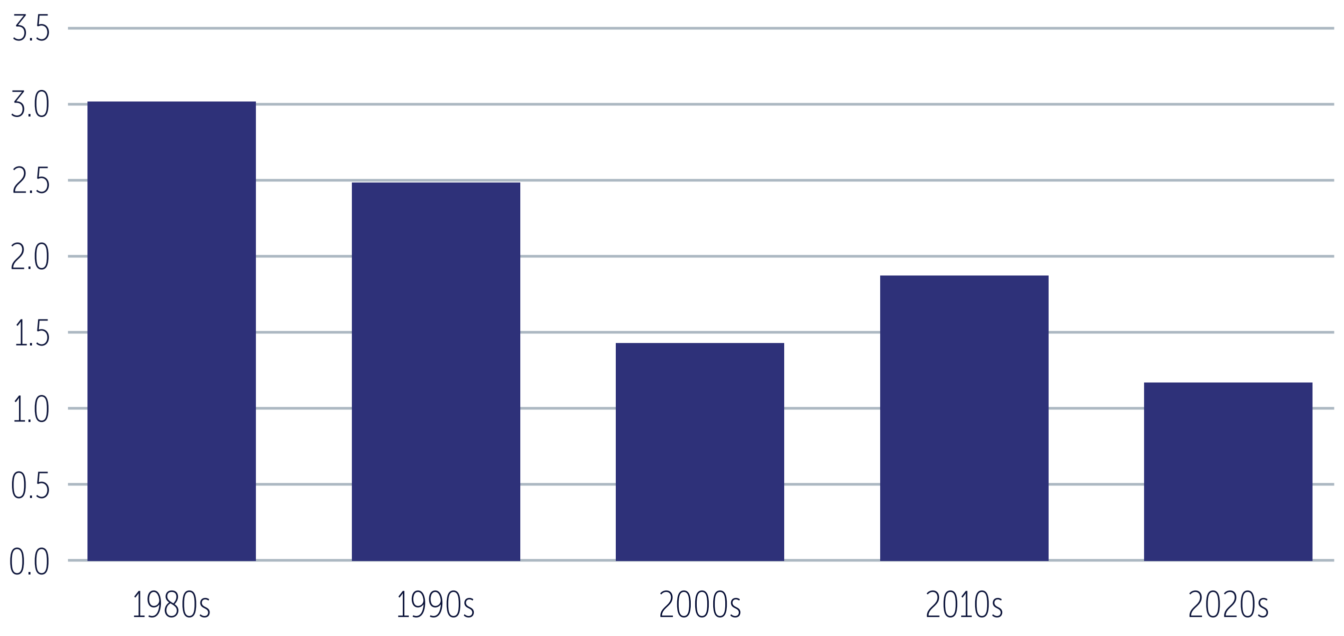
The global economy has been unusually turbulent ever since the early stages of the pandemic. In the aftermath of lockdowns, global demand recovered faster than global supply – pushing up inflation. Russia's invasion of Ukraine and the resulting spike in energy prices turbocharged that trend and led to a rapid rise in interest rates from advanced economy central banks. By the Autumn of 2022, global economic momentum seems to be flagging and a recession across Europe and North America looks increasingly likely in 2023.

However, stepping back from recent volatility and looking at the bigger picture is even more alarming. The headline figures for global economic growth in the 2010s are none too shabby. Global economic growth, as measured by the International Monetary Fund, averaged an annual pace of 3.7%, just below the 3.8% pace of the 2000s and well above the 3.2% and 3.1% rates seen in the 1980s and 1990s. But that strong headline growth camouflages as much as it reveals. Much of it came from emerging economies. Measured on the basis of purchasing power parity to adjust for different domestic prices, emerging economies made up 37% of global GDP in 1980. By 2000, that had risen to 44% and by 2020 to 58%. As these faster growing economies represented a greater share of the global total, world GDP increased almost arithmetically.

Looking just at the performance of the advanced, already industrialised nations gives a different impression. This is best demonstrated by zooming in on the G-7 group of the USA, the UK, Japan, Canada, Germany, France, and Italy.

GLOBAL ECONOMIC GROWTH G7 GROUP

USA, UK, Japan, Canada, Germany, France, and Italy



Source: International Monetary Fund

Those economies expanded at an average annual pace of around 3% in the 1980s and at a rate of 2.5% in the 1990s. Yet, since the turn of the millennium, growth has been more sluggish. The 2020s, according to the IMF's latest forecasts, will see a rate of growth around half as fast as experienced in the 1980s.

WHAT LIES BEHIND THIS LOSS OF ECONOMIC OOMPH?

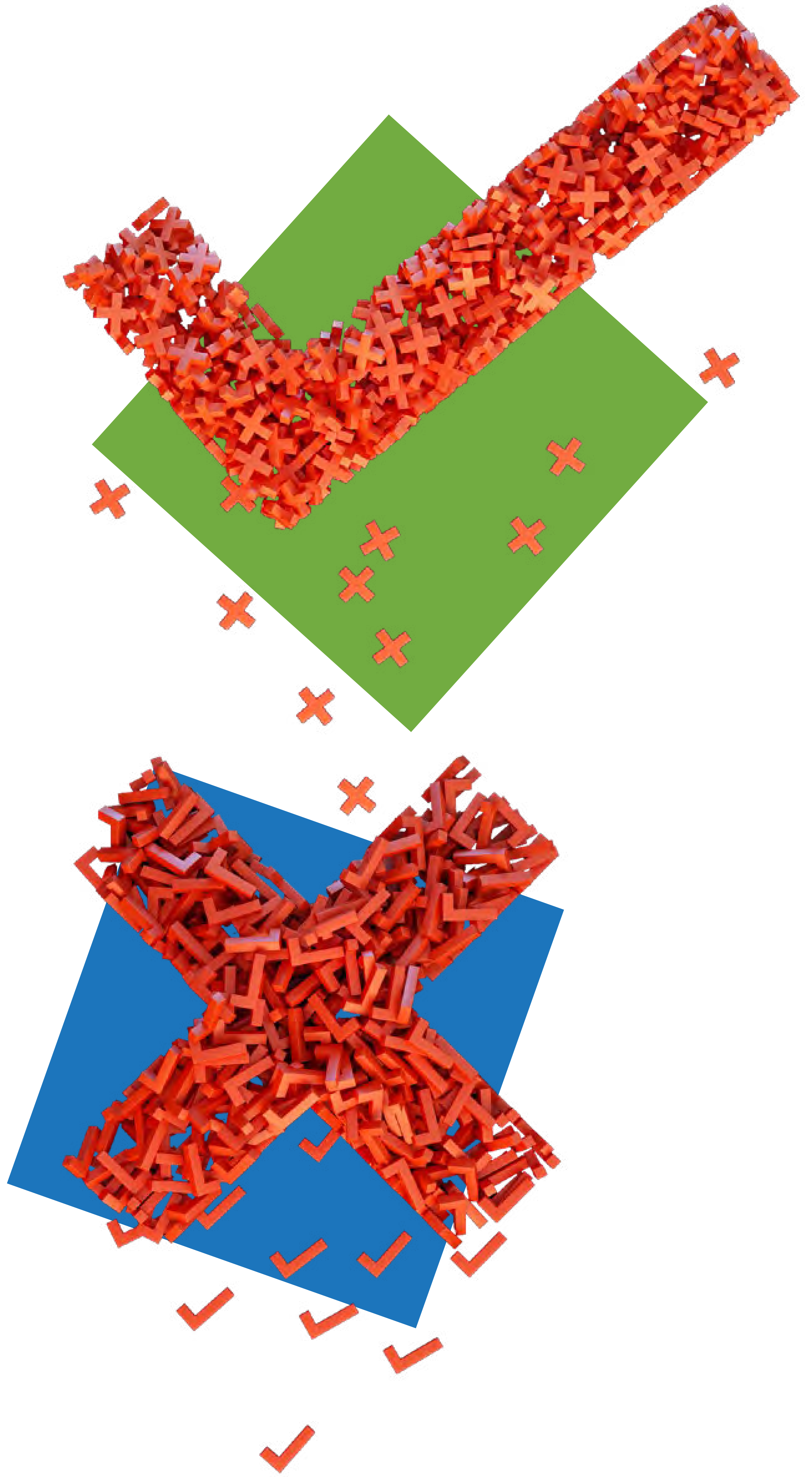
No single factor can be fingered as the sole culprit, but instead analysts look to a combination of demographic shifts, sectoral changes, and changes in corporate behaviour.

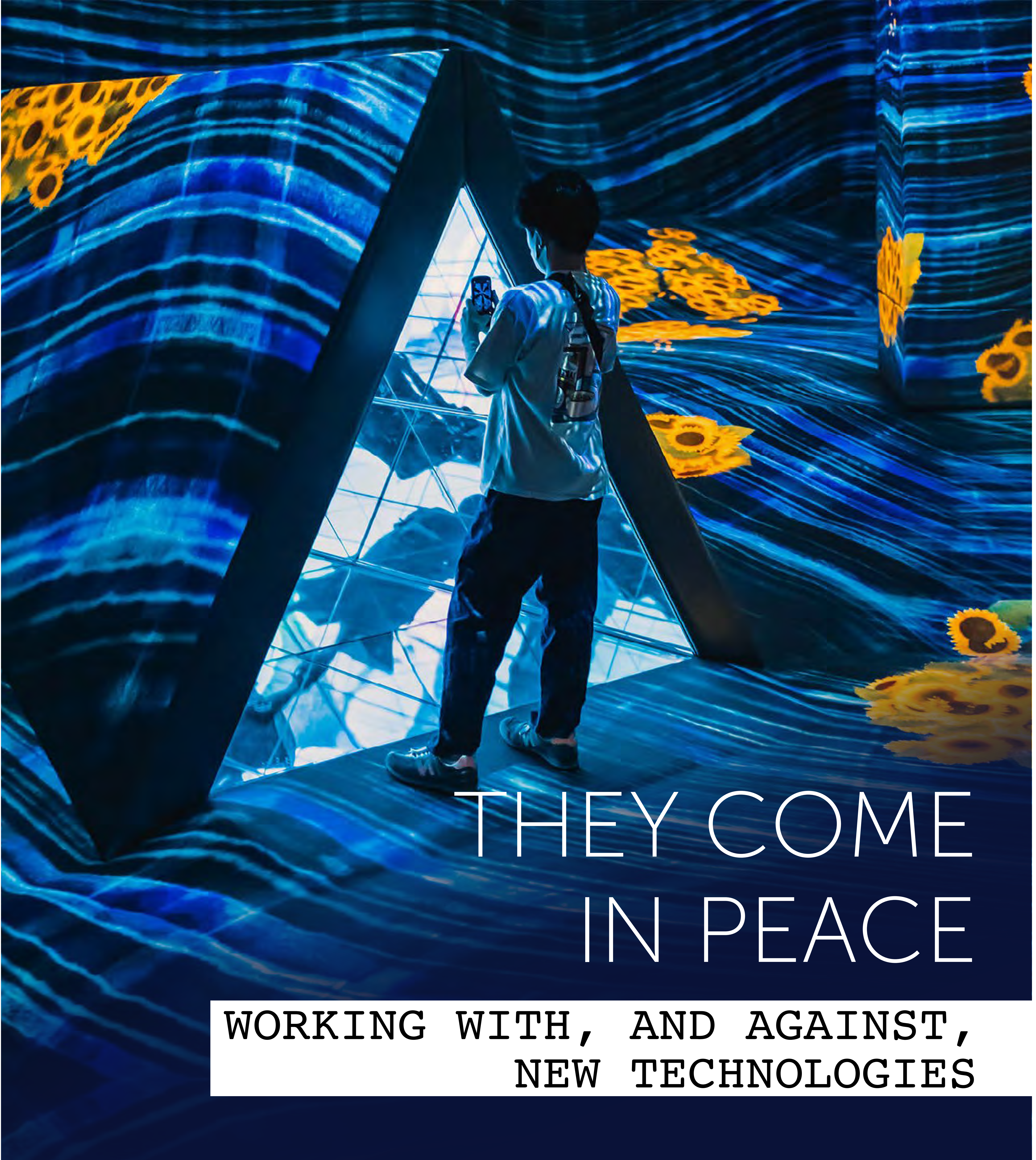
1. Whilst demographics are not destiny, they certainly can provide a strong head or tailwind to economic growth. Throughout the 1980s and 1990s, raw demographics were a powerful motor for growth. The post-war baby boomers, born between 1945 and 1965, came of age between the 1960s and 1980s driving an increase in the number of workers and a fall in the dependency ratio (the ratio of 18-65 year olds to younger and older people). All else being equal, a rising number of potential workers should be a decent tailwind for growth. But beginning in the 2000s demographics began to be a drag. Whilst the pace of change varies between countries, the broad pattern across the advanced economies is the same, i.e. slowing growth in workforces and rising numbers of retired people. Political opposition to immigration has provided a further demographic drag.
2. A second factor is the global shift in manufacturing activity away from the advanced economies and towards emerging markets. Whilst the volume of western manufacturing output has continued to rise, its share of both GDP and employment has fallen markedly since the 1980s. Manufacturing is both an investment heavy sector and, traditionally, one that has seen rapid productivity growth. The loss of relative standing in manufacturing has almost certainly contributed to a slowdown in growth rates.
3. Alongside demographics and sectoral shifts has come a strange change in corporate behaviour. In a textbook model of an economy, the household sector would be expected to be net savers and corporates to be net borrowers. Households want to build up savings for retirement whilst firms should want to borrow to fund expansion. Yet, over the past three decades household saving rates across the west have fallen, perhaps driven by demographics (older households usually run-down accumulated savings). Meanwhile, corporate saving has increased. Firms are now, in aggregate, less likely to borrow than in the 1980s or 1990s and more likely to retain profits than reinvest them. Whilst balance sheets may be stronger, as a result it has led to weaker investment rates and slower growth.

Taken together, demographic change, sectoral realignments, and weaker corporate investment have added up to a productivity problem. Whilst the British problem is especially acute, the growth of output per hour worked has fallen in every major advanced economy since 2008. Almost fifteen years from the financial crisis, the argument that this is simply a hangover from the banking crisis feels much weaker.

The optimistic case is that this reflects a measurement problem. National Statistics offices which compile GDP data were built in a world dominated by manufacturing which, if nothing else, is at least easy to measure: one can count the widgets coming off the production line. Output in a service-dominated economy – not to mention one where activity increasingly takes place online in the digital world – is harder to track. But for measurement to explain away the whole problem, it would be the greatest statistical failing on record.

More likely, Western economies face real structural headwinds that require strong policy action to mitigate. Politicians are, understandably, focussed on the short-term fluctuations in the business cycle – but they need to keep at least one eye on the bigger picture.





THEY COME IN PEACE

WORKING WITH, AND AGAINST, NEW TECHNOLOGIES

In the Digital-Covid Age, we have seen a decade's worth of digital transformation in a few months. It was technological innovation that enabled us to centralise work during the Industrial Revolution. It is technology innovation that is now enabling us to decentralise work. This is allowing people to earn and learn from multiple sources using digital platforms.

As industries adapt to a volatile economic situation, it's worth reflecting on how technology enables and shapes how we manage work.

CLOUD-BASED SOFTWARE

The move to Software as a Service (SaaS) models over the last 15 years has led to the standardisation of HR-related processes. In the past, we could adapt and mould our systems around the nuances of inherited HR processes. Cloud-based software meant that if we wanted to use the latest HR software, we needed to harmonise our processes. This has brought a step-change improvement in HR efficiencies.

The traditional narrow strip of employee data recorded has now been extended to employee sentiment, productivity, and even personal data like location. We have seen an influx of talented behavioural scientists into HR to utilise this data and technology which has seen innovative People Analytics functions push organisations forward.

While this is a great opportunity to develop our people function, it also raises some important questions for HR: are we measuring the right things? What is the right balance between empowering workers and spying on them?

DISTRIBUTED PLATFORMS

A work designer can aggregate tasks and associated skills and convert into job roles. The reverse is also true. So, what work needs to be done, and where is the best place to source it?

Work tasks can be identified and sourced on freelance platforms such as Fiverr and Upwork. One in seven working-age adults in the US has worked from such a platform. These platforms then match qualified, user-rated and available workers for tasks including coding and designing. Gradually, these platforms will move through industry verticals, like Medicine or Education, and horizontally across different skill sets, from coaching to traditional consulting.

Examples of the emerging decentralised workforce using platforms include:

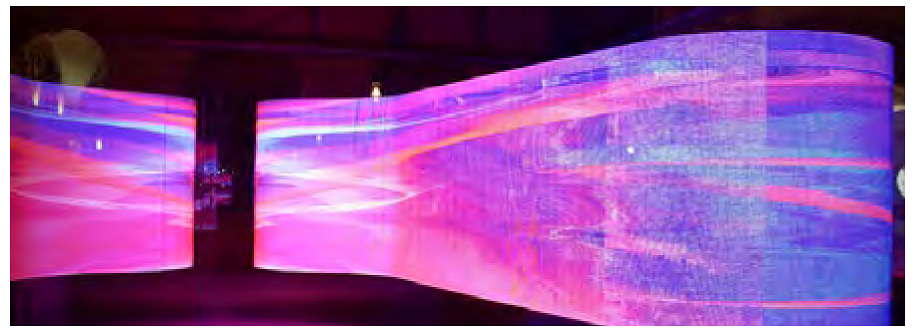
- Teachers and coaches – some of the largest ranked marketplace platforms are in education, matching learners with teachers. These include Outschool, with over 1 million young learners and 140,000 interactive online classes, and TeachersPayTeachers, a platform with 7 million educators.
- Hourly experts – independent contractors offering global consulting expertise by the hour with Talmix, Toptal or Gigster.
- Solopreneurs – independent digital shopkeepers boomed during the Covid era, with Shopify with 1 million stores and also Etsy.
- Digital Nomads – watch cities compete to attract workers who can work anywhere.

There are now many accessible ways to earn and learn outside of traditional employment, which will increasingly challenge the hegemony of the traditional employer brand appeal.

Andrew Spence, is an Independent Workforce Strategist, and author of *Workforce Futurist Newsletter*

CRF will be exploring the topic of **Team Effectiveness in the New World of Work** at our event in March 2023.

View the CRF 2023 Programme **here**.



A NEW INFRASTRUCTURE FOR WORK

The internet has brought us some previously unimaginable benefits, especially in HR where we have been able to find candidates using social media and exchange electronic data easily. It has also generated some equally unexpected problems, including friction, the need for trillion-dollar intermediary industries, and spam. One of the results is that most data is owned by a small number of 'digital landlords', who charge a 15-20% fee to access our data.

Every industry is evaluating how to better use data, giving users more control and privacy, and this applies to work too.

A new infrastructure for work is being built by non-profit foundations like the Velocity Foundation which standardises employment credentials so they can be portable and verified across trusted decentralised networks. We will move past the CV – invented by Leonardo Da Vinci in 1482 – and into new models where individuals control their credentials.

A credential in this context might include a degree or employment history. This credential can then be verified using decentralised nodes in a network with trusted entities such as universities or employers. All nodes need to agree a transaction for it to be approved.

These digital profiles can be used on work-matching platforms and create a more direct relationship between worker and employer. Over time it is envisaged that the organisations do not need as many full-time employees as they can pull from a liquid workforce using these platforms.

THE RISE OF SELF-MANAGED TEAMS

Workers want more autonomy, flexibility, and equity. At the intersection of social and economic trends, we are starting to see examples of work being reorganised by teams.

As work was industrialised, workers collaborated for mutual benefits with unions to improve worker conditions. In the post-industrialised context, workers are also re-organising themselves for mutual benefit. We are seeing reinvention of old ideas like digital guilds and platform cooperatives.

An example is in Jakarta, Indonesia, with motorbike delivery riders using platforms. They have grouped together outside the platform, using WhatsApp, and formed groups called ojol which provide different services such as phone charging, tech support, and informal insurance.

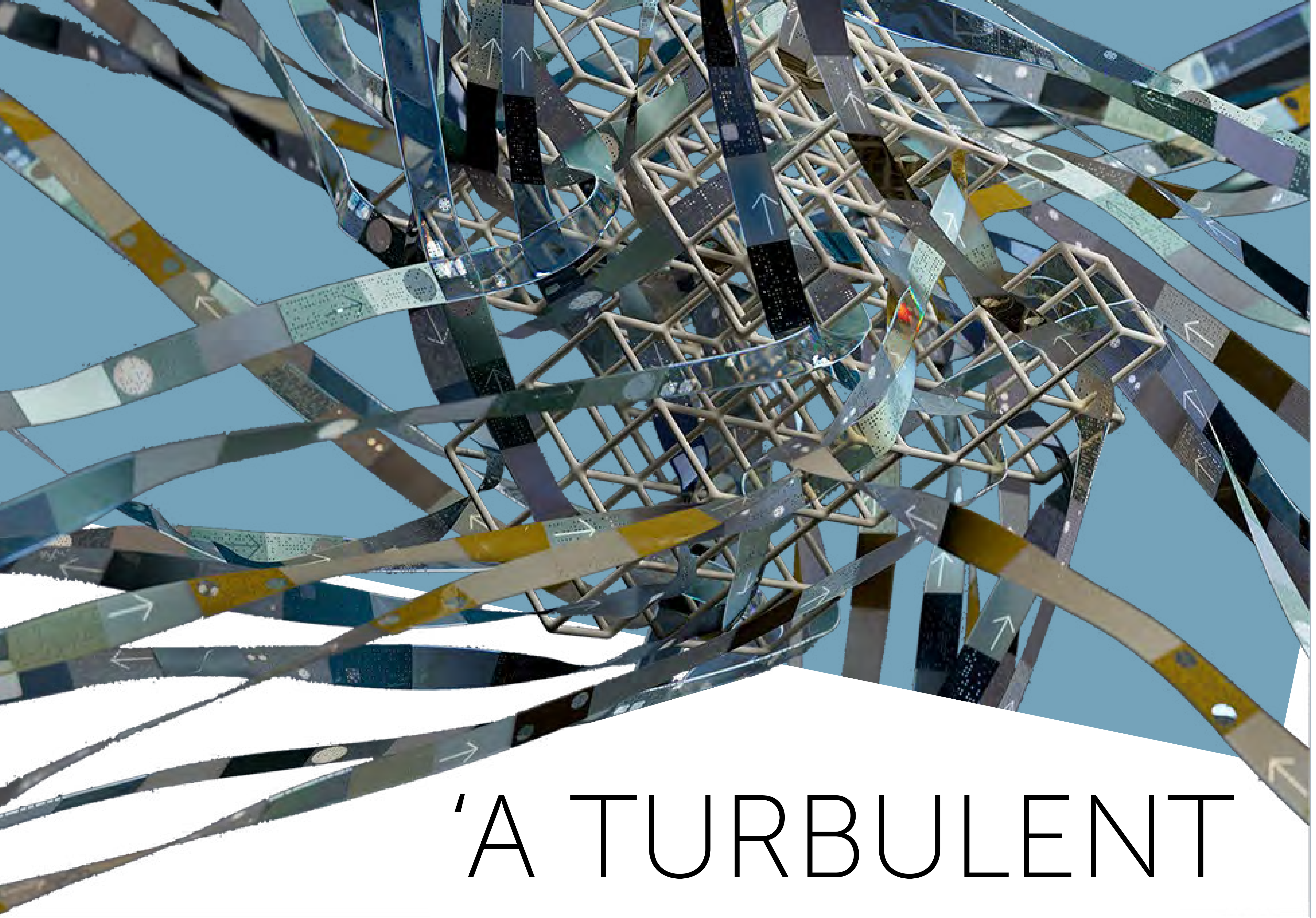
Some new organisations are forming such as Decentralised Autonomous Organisations (DAOs). DAOs are a way of organising work with platforms where teams can use tokens to vote on governance, incentivise and share equity.

Self-managed teams will create new sources of talent for multi-nationals with DAOs, user-owned freelancers platforms, and digital guilds. Managers of teams within larger organisations may want to start thinking about how to support them to be more self-sufficient in line with these models.

In this emerging world, there are different opportunities and risks for those impacted.

There are big opportunities for workers, with more projects, contracts, multiple revenue streams, potential collaborators and hundreds of careers. Many will find like-minded people to collaborate with complementary skills and interests and flourish in smaller organisations.

There are also big opportunities for employers, who won't need large static workforces on multi-year contracts as they source work directly from reliable work-matching platforms they trust. Fewer permanent salaried staff are needed and there is far more churn, with lower transaction costs and smoother onboarding. Employer brand is still important but the distinction blurs between salaried employees and all types of contractors. A key aim of a 'workforce function' is to empower teams to be self-sufficient with smarter, compliant technology.



‘A TURBULENT DECADE’

EXPERIENCING A SEA CHANGE IN RISK MANAGEMENT

The Perfect Storm is a true story written by Sebastian Jurgen, about the 1991 ‘storm of the century’ created by the collision of three major weather systems in the North Atlantic. The expression ‘perfect storm’ has since been used to describe all kinds of scenarios where factors converge to create seismic events at the frontier of change.

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Humanity has always been faced with naturally-occurring and artificial risks, arising from business decisions and behaviours. The difference now is that people are increasingly familiar with the intensity, velocity, and connectivity of risks – leading to transformational change and a more turbulent world. The pandemic, climate change, the war in Ukraine, and the 2022 economic double hit of rising interest rates and concurrent inflation have forced organisations to rethink how they keep up with the speed at which new risks emerge and the changing profile of known risks.

RISK REGISTERS’ CAN SEND FALSE SIGNALS

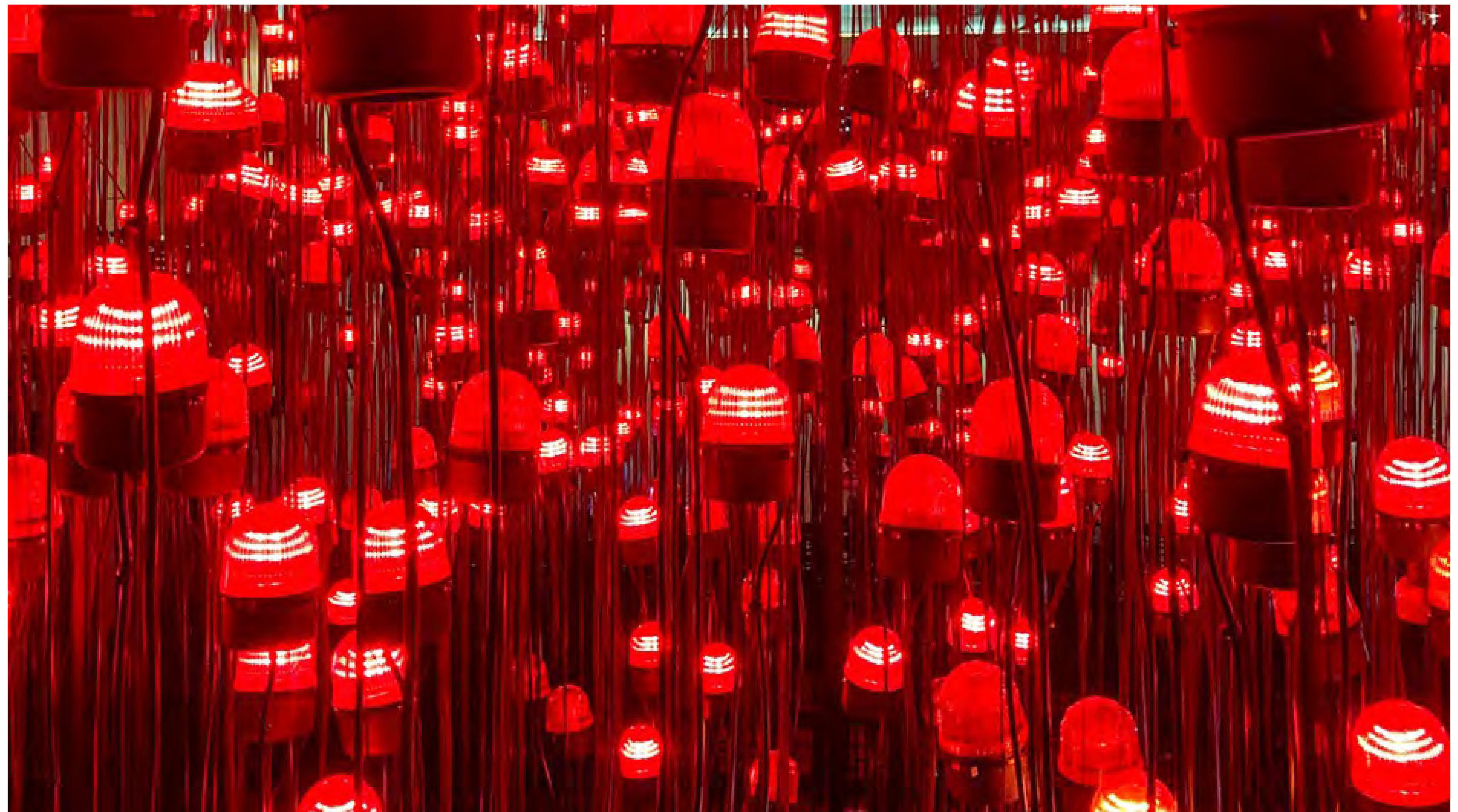
Few organisations expected the transformational events of the last two years to happen, and even fewer spent time preparing for them. Despite regulatory requirements that state otherwise, executives and boards tend to focus on the immediate horizon to the exclusion of the longer term, and consequently the focus is on risks that are more likely, regardless of their potential impact.

When simplistic maths is applied to scales of likelihood and impact of risks, it becomes clear why risks that are not high on both scales can slip down the risk league table.

THE LEADERSHIP DOOR IS OPEN

Many industry sectors will change fundamentally in the next few years and a large part of that change will be driven by technology. Boards benefit from a diversity of perspectives, based on a range of skills, knowledge, and experience and while the board governance functions of monitoring, strategy and legitimacy remain valid, their responsibilities must be enhanced beyond the traditional approach of ‘legacy governance’ (approaches to governance that have been superseded).

With a potentially disorderly decade looming, both business uncertainty and the potential stakes in business decisions are likely to increase. Developing a response to this is likely to be beyond the scope of traditional risk management models.



Julia Graham is CEO at Airmic, the association for risk and insurance professionals, and former chair of the Federation of European Risk Management Associations.

PARC will be exploring the topic of **Risk Management – Innovative Processes for Anticipating and Scaling Corporate Risk** at our event in November 2023.

View the PARC 2023 Programme **here**.

Risk professionals must keep up to speed on related developments to defend and grow their record of demonstrating agility in a volatile world and be geared up to support their organisations in defending new challenges whilst facilitating new opportunities.

Risk management was often seen as an exercise in business prevention and avoidance, with the focus on 'tick-box' compliance activities. **Leaders today are more prepared to view risk in terms of the potential to drive performance and value.** Risk professionals are well positioned to support leadership using modern technologies and risk intelligence. They have the skills required to prepare for an uncertain future and, in this context, the needs of the sustainable organisation. Using data with artificial intelligence, risks are becoming more measurable, and organisations are increasingly able to determine the upside or opportunity value of risk as well as the downside.

WHERE TO START?

The idea of 'corporate purpose' encapsulates relevant concepts such as Corporate Social Responsibility (CSR), Socially Responsible Investing (SRI), and Environmental, Social and Governance (ESG) criteria. Organisations must challenge their purpose to ensure it remains in tune with the speed, nature of change, and the context of the organisation's strategic objectives. A clear definition of an organisation's purpose and its stakeholders can provide a reference point for managing risk.

Purpose can make organisations more aware of shifting external consumer sentiments, policy directions and industry developments. Through deeper stakeholder engagement, organisations on a journey of repurposing can identify and mitigate risks they would otherwise miss. Risk professionals must be among those to whom top management look for guidance when undertaking such a repurposing exercise – as they understand the opportunity this presents in the quest to build the resilient organisation. Specifically risk appetite which falls out of line with objectives can function as a lag, holding back an organisation when it is otherwise ready for converting fresh opportunities.

THEMES AND RISKS

Organisations should be wary of overreliance on risk registers to the exclusion of thinking about what really matters. By addressing major themes, risks can be clustered by theme, and then linked by 'joining the dots' of risks across themes. This will help to surface risk and control connectivity and to help see more clearly the connectivity between risks beyond their silos.

Infectious diseases, geopolitical conflicts, cyber, supply chain complexity, climate change physical events, and monetary policy have now all impacted the insurance industry. However, the industry has the resource to help it respond to these risks on a large scale thanks to new technologies, along with massive data sets on risks and organisation behaviours. Broader use of new technologies will also help to reduce costs and add value through supporting the development of innovative solutions, collectively spurring global insurance premiums to an estimated £10 trillion by 2030.

THE MODERN RISK PROFESSIONAL

Risk professionals are helping to drive transformation and to shape their organisations. The profession is no longer a back-office role but a strategic capability for any organisation. To add greater value to the strategy and operations of their organisations, risk professionals should continue to develop and deepen their competencies in data management, environmental issues, resilience and business continuity, and crisis management. Financial literacy will also help risk professionals determine financial challenges.

KEY FINDINGS

Airmic's 'The Future of the Profession' (2022)

Environment, Social and Governance (ESG) issues have become an integral part of the risk profession.	Risk professionals are seeking to rapidly ramp up their knowledge base on **climate issues**.	Business **continuity and resilience** have been entrenched as part of the role of risk professionals.
There is an increase in the **integration** of managing risk **and insurance** and an increase in those who have joint responsibility.	**Diversity** in the risk profession remains a work-in-progress.	The risk profession is a rewarding one in which professionals tend to **stay for more than a decade**.

WHEN THINGS GO WRONG

One thing is certain – it is not the time to file away crisis management plans. Dust must not be allowed to gather: data must be fed into plans for those that might use them, and plan responses must be maintained in a constant state of readiness for whatever might lay ahead. The textbook for crisis management has been rewritten by the response required to the pandemic – where new strains of the disease emerged, where responses took many twists and turns globally and locally, when most if not all risks in traditional risk registers were impacted – and where the typical, linear post-crisis response simply did not work.

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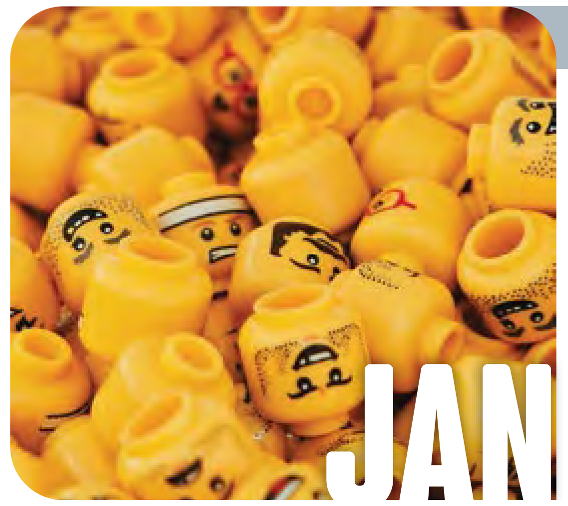
2023 PROGRAMME



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London and Online

Dr. Jessica Foster,
RHR International

DISARMING WORKPLACE CONFLICT: MASTERING DIFFICULT CONVERSATIONS

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Greater London and Online

Amy Gallo,
Harvard Business Review

BETTER DECISIONS: MAKING SENSE OF COMPLEXITY

Masterclass

London and Online

Prof. Dave Snowden,
Cognitive Edge

BY INVITATION:

HRD UAE NETWORK: SUCCESSION MANAGEMENT

Research Briefing

Abu Dhabi, UAE

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TEAM EFFECTIVENESS IN THE NEW WORLD OF WORK

Two-day Residential and Research

Lausanne and Online

Prof. Ina Toegel,
IMD Business School

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STRONG FOUNDATIONS: EVIDENCE-BASED HR

Masterclass and Research

London and Online

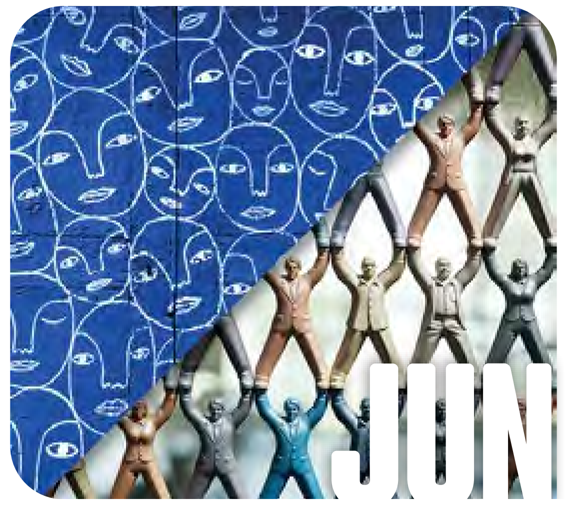
Prof. Rob Briner,
Queen Mary Uni. of London

BY INVITATION:

HRD STOCKHOLM NETWORK: EVIDENCE-BASED HR

Research Briefing and Dinner

Stockholm



BY INVITATION:

HRD UAE NETWORK: EVIDENCE-BASED HR

Research Briefing

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Prof. Rob Briner and
Rebecca Jones,
Henley Business School

AGILITY 2.0: BUILDING ADAPTABLE ORGANISATIONS

International Conference

Madrid and Online

Dr. Stéphane J.G. Girod,
IMD Business School;
Dr. Grace Lordan, LSE and
Nigel Sullivan, BUPA

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HR'S ROLE IN SUSTAINABLE BUSINESS: EVOLUTION OR REVOLUTION?

Masterclass and Research

London and Online

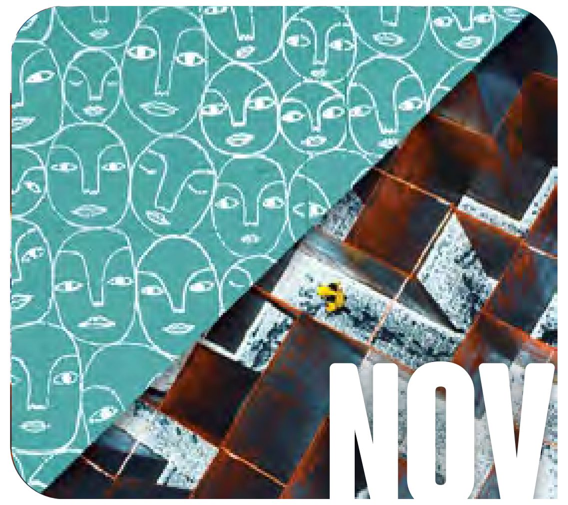
Sally Uren,
Forum for the Future

BY INVITATION:

HRD UAE NETWORK: SUSTAINABLE BUSINESS

Research Briefing

Dubai, UAE

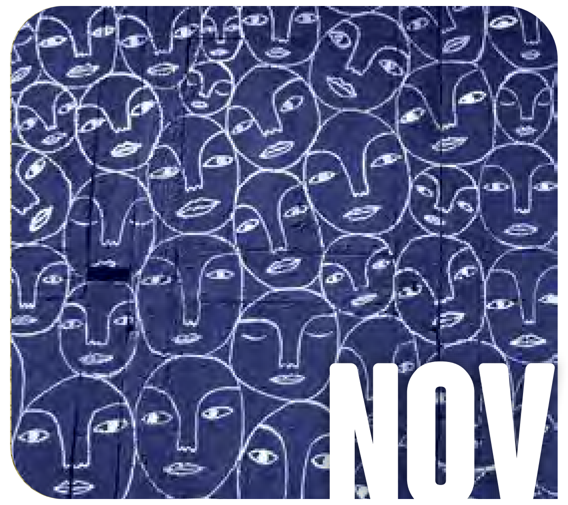


BY INVITATION:

HRD AMSTERDAM NETWORK: COACHING

Research Briefing and Dinner

Amsterdam



BY INVITATION:

HRD LONDON NETWORK: END OF YEAR

End of Year Dinner

London

PLUS CRF DIGITAL COMMUNITIES MEET THROUGHOUT THE YEAR TO ADDRESS TOPICAL ISSUES

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2023
PROGRAMME

P2P DISCUSSION
WED 25 JAN
Peer Exchange 1
ONLINE

F2F & DIGITAL MEETING
THUR 23 FEB
The New World Order – and Its Implications for Global Trade
LONDON & ONLINE

F2F & DIGITAL MEETING
WED 22 MAR
Business Ramifications of a Globally Dispersed Employee Population (Practical Tools and Their Application)
LONDON & ONLINE

P2P DISCUSSION
THUR 27 APR
Peer Exchange 2
SOUTH EAST

TWO-DAY RESIDENTIAL
TUE 9 – WED 10 MAY
Strategic Reward Skills Masterclass
WINDSOR

F2F & DIGITAL MEETING WITH REPORT
WED 24 MAY
Delivering Organisational Performance
LONDON & ONLINE

KEYNOTE ADDRESS & RECEPTION
THUR 29 JUN
Strategic and Commercial Thinking – A Framework
LONDON

F2F BREAKFAST DISCUSSION
THUR 7 SEP
Peer Exchange 3
LONDON

F2F & DIGITAL MEETING WITH REPORT
WED 27 SEP
Future Skills Required from the Head of Reward
LONDON & ONLINE

CRF INTERNATIONAL CONFERENCE
MON 9 – WED 11 OCT
Agility 2.0:
Building Adaptable Organisations
MADRID & ONLINE

ONLINE DISCUSSION
THUR 19 OCT
Economic Outlook for 2024 and Beyond
ONLINE

F2F & DIGITAL MEETING
WED 8 NOV
Risk Management – Innovative Processes for Anticipating and Scaling Corporate Risk
LONDON & ONLINE

F2F GATHERING
WED 22 NOV
PARC Masterclass Alumni Event
LONDON

KEYNOTE ADDRESS & DINNER
THUR 7 DEC
2024 Programme Launch Dinner
LONDON

F2F = FACE 2 FACE
P2P = PEER 2 PEER
DIGITAL = AVAILABLE TO WATCH ONLINE
ONLINE = ONLINE ONLY

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OPEN PROGRAMMES

HRBP BUSINESS CATALYST	*Two-days* 20-21 March 2023: Online	**£1,450** CRF members **£2,900** Non-members
	Two-day Residential 18-19 October 2023: Greater London	**£1,800** CRF members **£3,600** Non-members
PARC STRATEGIC REWARD SKILLS	*Two-day Residential* 9-10 May 2023: Windsor	**£2,500** CRF members **£5,000** Non-members
BECOMING AN EFFECTIVE HRD	*Two-day Residential AND action day* 22-23 May 2023: Greater London AND 20 June 2023: Central London	**£2,750** CRF members **£5,500** Non-members
ASPIRING GROUP HRD	*Three two-day modules plus networking dinners* 12-13 September 2023, 15-16 November 2023, 16-17 January 2024: Central London	**£8,000** CRF members **£15,000** Non-members
INTEGRATED TALENT MANAGEMENT	*Two consecutive days AND follow-on* 20-21 November 2023: Online AND 9 February 2024: Online	**£1,450** CRF members **£2,900** Non-members
IMPACT THROUGH PEOPLE ANALYTICS	*Two consecutive days AND follow-on* 5-6 December 2023: Online AND 6 February 2024: Online	**£1,350** CRF members **£2,700** Non-members

ON DEMAND COURSES

HRBP SUITE	**EFFECTIVE BUSINESS PARTNERING**
	INTEGRATED TALENT MANAGEMENT: THE ESSENTIALS
	BUILDING A HIGH-PERFORMANCE CULTURE
	WORKFORCE ANALYTICS AND STORYTELLING
	A STRATEGIC APPROACH TO REWARD
	CHANGE MANAGEMENT: THE ESSENTIALS
	STRATEGIC WORKFORCE PLANNING
CHANGE AND TRANSFORMATION SUITE	**ADVANCED PRACTICES IN CHANGE MANAGEMENT**
	ORGANISATION ANALYSIS AND DIAGNOSIS
	DEVELOPING THE OD PRACTITIONER

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