

**People first for
organizational
fitness**

Eight trends impacting individual
progress and collective success



Businesses have always needed to adapt and transform to stay competitive. Yet, in today’s increasingly digital economy, the way we use technology must be balanced with an understanding of changing behaviours and demographics in the workforce.

Successful transformation is the responsibility of both business leaders and Human Resources.

This report looks at some of the most significant people challenges facing organizations today. Using real-world business examples, research and expert psychological insights, we guide your future success by helping you to put people first.

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Delivering on **diversity**

Despite the efforts taken by governments and organizations around the world, diversity in the workplace may be shrinking. For example, the World Economic Forum (WEF) reported in 2017 that gender disparity in the workplace had increased.¹ Gender is just one way in which diversity is measured, and in this section, we'll consider what diversity means, why it's important, why progress can be difficult, and what business leaders can do to deliver on diversity.

Why does diversity in the workplace matter?

Diversity refers to the ways in which we differ from each other. When we understand that every individual is unique, and when we recognize and make constructive use of individual differences, then we support diversity. Although gender, ethnicity and race are often diversity's focal points, diversity also encompasses differences in personality type, religion, socio-economic background, generation/age, capabilities, nationality, sexual identity, and neuro-diversity. The latter is beginning to enter HR vocabulary as a term to cover people with conditions such as autism, dyslexia and Asperger's Syndrome.²

Every individual is unique, and when we recognize and make constructive use of individual differences, then we support diversity

Diversity and competitive advantage

There is now significant research affirming the relevance of the link between diversity and economic performance at a national and organizational level. A recent McKinsey study³ identified inclusion and diversity as a source of competitive advantage and a key enabler of growth.

The research results were striking. It found that companies in the top quartile for gender diversity on their executive teams were 21% more likely to experience above-average profitability and greater value creation than companies in the fourth quartile.

For ethnic and cultural diversity, the finding was a 33% likelihood of outperformance in profitability. At a national level, the WEF reported that economic gender parity could add an additional US\$250 billion to the UK's GDP, US\$1,750 billion to the USA's GDP, and US\$2.5 trillion to China's GDP.⁴

The WEF ranks 144 countries in terms of their progress in closing the gender gap. It ranks progress across four dimensions – economic participation and opportunity, educational attainment, health and survival, and political empowerment. **The top 10 ranked countries and selected others are:**

1. Iceland
2. Norway
3. Finland
4. Rwanda
5. Sweden
6. Nicaragua
7. Slovenia
8. Ireland
9. New Zealand
10. Philippines
- ...
15. United Kingdom
35. Australia
49. U.S.A.

The McKinsey study showed that companies with more diverse workforces can attract top talent and improve their customer orientation, employee satisfaction and decision-making.⁵ Our own research has found that entrepreneurial organizations have a more balanced gender mix and are more attractive to women.⁶ In our

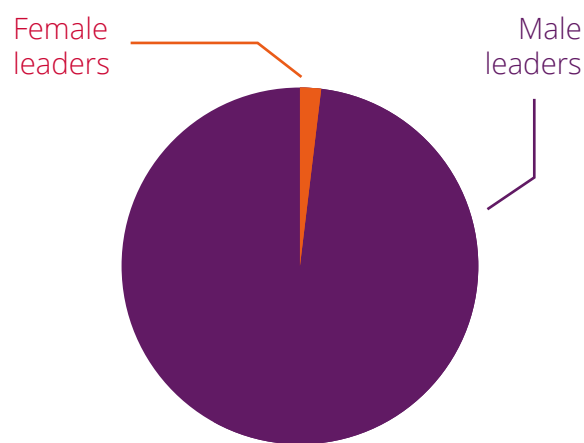
experience, additional contributing factors include higher levels of collaboration, innovation and creativity, together with a more effective team working dynamic.

Given the evidence, it's not surprising that business leaders recognize the importance of diversity. In PricewaterhouseCoopers (PwC) 2018 Global CEO survey,⁷ 77% of CEOs said that they already have a diversity and inclusion strategy or plan to adopt one in the next 12 months.

And yet, a great deal of inequality still exists. If we take gender as an example, we find that:

- Women account for 60% of college graduates but only 3% of leaders worldwide
- There were fewer female CEOs of FTSE 100 companies (6 in total) than CEOs named David (8) or Steve/Stephen (7) in the UK in 2016
- Male CEOs were likely to earn 77% more on average than female CEOs⁸

In our own research, we found that women were significantly under-represented at higher levels in organizations and over-represented at lower levels. People at the top level were 2.5 times more likely to be men than women.⁹



Many organizations now acknowledge that they have a diversity problem. In a 2014 blog entry titled *Getting to work on diversity at Google*,¹⁰ Google's then-Senior Vice President of People Operations revealed that 70% of Google's employees were men and 61% were white.

For technology positions, 34% were Asian Americans, 17% were female, 2% were Latino and 2% African American. Google's openness was welcomed because it made the company more accountable for improving its numbers. Conversely, when the BBC was forced to reveal significant gender pay differentials it caused a public outcry,¹¹ partly due to a perceived lack of transparency.

Would anyone expect pay secrecy to have a negative impact on employees' performance? Perhaps not, yet research has shown that pay secrecy could reduce employee performance, motivation and effort.¹² Why? Because when there's a lack of accurate pay information, employees tend to speculate and overestimate what others earn. This makes them feel more dissatisfied than if they had accurate pay information in the first place.

Leaders shape and transmit culture in more impactful ways than vision and value statements do

Making progress

Progress in these areas requires government, education and industry policymakers to co-ordinate their efforts. New legislation in the UK, for example, is forcing organizations to reveal gender pay gaps,¹³ and a key progress area identified by the WEF is to close occupational gender gaps. WEF's Global Gender Report finds that men are under-represented in Education, Health and Welfare, while women are strongly under-represented in Engineering, Manufacturing & Construction, and Information, Communication & Technology. Talent pools are significantly disrupted by these biases.



Organizations often combine diversity initiatives with inclusion and collaboration initiatives, which makes a lot of sense. Diversity can be defined as the ways we differ. Inclusion and collaboration refer to the ways we value and actively work with those differences.

The added focus on inclusion and collaboration does signal that the organization wants to use the benefits of diversity, and wants to create an environment that recognizes uniqueness, fosters belonging, and empowers collaborative and team working. Diversity is not just about increasing the percentage of under-represented groups in an organization. It's about recognizing and encouraging difference – for example, diversity of personality types. And when we consider different personality types, we find implications for decision-making too.

Diversity and decision-making

In our research,¹⁴ we looked at decision-making: does a person prefer to make decisions using objectivity, logic and impersonal criteria? Or do they prefer a values-driven approach which considers the personal circumstances of the people involved? (In MBTI terms, the former preference is called Thinking, and the latter is called Feeling.)

In line with other research, we found that women were more likely than men to prefer Feeling, the values-driven approach.

However, it was in the interaction between occupational level, gender and decision-making style that the results really caught our eye. For men, the proportion of people with a Feeling preference did not vary much between levels. For women, the higher the occupational level, the

lower the proportion of those with a Feeling preference. The percentage varied from 46% at employee level down to just 30% at top level.

This suggests two things. First, it may be more difficult for women to be promoted if they have a Feeling preference, but for men it does not matter – all things being equal, men are just more likely to reach a higher level. Second, even in organizations that do have women at higher levels, the Feeling approach to decision-making is likely to be underrepresented. This could be an issue because there is plenty of evidence that this can contribute to a very effective leadership style,¹⁵ especially when shaping an organization's culture.

A deep understanding of organizational culture and how it relates to individual employees is crucial to making progress with diversity. Leaders are especially important in this because they have most influence in shaping and transmitting the 'real' culture (informal, perceived, understood). This is not necessarily aligned with the 'ideal' culture (formal, published).

A deep understanding of organizational culture and how it relates to individual employees is crucial to making progress with diversity.

Leaders shape and transmit culture in more impactful ways than vision and value statements do. Employees know what is really measured and rewarded. They

know how leaders react to important events, what they provide feedback on and give recognition for, who they coach and mentor, and the criteria they use to select, develop and promote.

Role models are significant too, because people who belong to an under-represented category can take much longer – or find themselves unable – to integrate with an organizational culture.

Ginni Rometty, the CEO of IBM, has described how, earlier in her career, she would say, “Please, don’t ever reference me being a woman.” However, she realized that people do need role models, and this must be considered. Equally importantly, she describes what she learnt from her own mother, which is to never let someone else define who you are. “Only you define who you are”.¹⁶

Overcoming confirmation bias

We need to open our eyes to our own prejudices. All human beings are prone to bias. We are more likely to favor people who are similar to us, to see people as all good or all bad, and to make initial judgements based

on limited information. Then we look for evidence to back it up, even if the judgement was false. This last trait, known as confirmation bias, can be seen in the phenomenon of the ‘glass cliff’¹⁷ where female and minority leaders are more likely to become CEOs of organizations that are already struggling. They are then (unfairly) blamed when things go wrong, which confirms an existing prejudice that they, as a group, make poor leaders.

Methods such as Implicit Association Tests can help people become more aware of their unconscious biases.¹⁸ More generally, personality questionnaires can be extremely useful. By understanding their own personality, seeing how others differ in personality and using these differences in a constructive way, individuals can go beyond prejudice and develop effective working relationships.

In the era of #metoo, organizations cannot ignore diversity. Monocultural companies that have one viewpoint and a limited range of approaches to problems will not be agile enough to withstand the challenges of the 21st century.

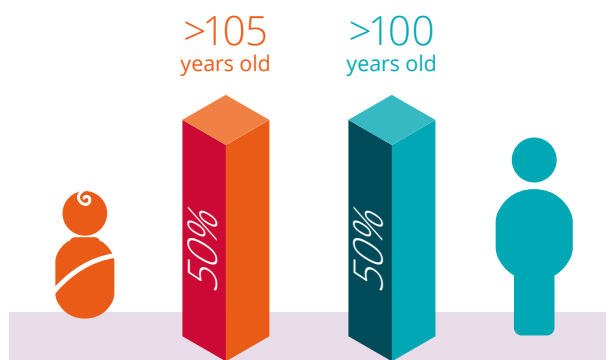
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Harnessing the multigenerational workplace

More people are working longer. We're not talking about hours or days per week, though this may well be true. We're talking about years. People are living longer and are more health-aware than previous generations, which is good news.

People are healthy enough to work longer – but the downside is that they have to work longer. Pension funds are generally shrinking or becoming less stable, and retirement ages are consequently getting higher.

Meanwhile, younger people keep joining the workforce. This means we have a multi-generational workplace whose composition is unlike any we have seen before. Did you know that a child born in the west today has a more than 50% chance of living to be at least 105? Or that a 20-year-old has a 50% chance of living beyond 100?



What are the implications for organizations? With such a huge mix of experience, attitudes and energy to draw upon at any given time, organizations should be able to use these resources to secure great results. But to make this happen, businesses need to do two things:

1. ensure that different generations with different values and approaches can work together productively.

2. help individuals develop and grow throughout their now-extended working life.

The rise of the millennials

Much gets said about generational differences, and a lot of it focuses on three generations:

- **Baby Boomers** (people born between early/mid 1940s and early/mid 1960s)
- **Generation X** (people born between mid 1960s and early 1980s)
- **Generation Y** (millennials, born between early 1980s and mid 1990s)

The big news is that Generation X is no longer the largest component of the US labor force – millennials are, and this is a momentous shift.

The one meaningful difference regarding millennials was not attitudinal or behavioral but that they are the first wave of digital natives to enter the workforce.

Generation Y (people born between 1982 and 2000) surpassed Generation X in the workforce in 2015, representing around one-in-three of the US workforce (just ahead of Gen X) with Boomers accounting for 29%. In many other developed economies, the proportion of millennials is now at least 25%. And Generation Z (post-millennials, born after 2000) is now beginning to join the workforce too.

The management myth

Millennials have been portrayed as a difficult group for organizations to motivate and manage, but is it true?

In her Five Millennial Myths¹ article, Jennifer Deal of the Center for Creative Leadership (CCL) found that “.... stereotypes of millennials in the workplace are inconsistent at best and destructive at worst.” Similarly, IBM’s multigenerational study of employees in 12 countries concluded that millennials are a lot like their older colleagues.²

These research initiatives evaluated a range of assumptions and stereotypes about millennials. Assumptions include:

- they don’t want to be told what to do
- lack organizational loyalty
- are not interested in work
- want constant acclaim
- are more motivated by perks and high pay
- have different career goals and expectations etc.

All these assumptions were found to be inaccurate. Any differences were minor, and some were even favorable toward millennials.

In the CCL research, the claim that ‘Millennials want more work-life balance’ was supported, but even this was only marginally different from Generation X-ers and was probably related to stage-of-life rather than generational shift. And in the IBM study, the one meaningful difference regarding millennials was not attitudinal or behavioral but that they are the first wave of digital natives to enter the workforce.

Academic research finds much the same thing. By compiling the results of 20 different studies, David Costanza and his colleagues found that “meaningful differences among generations probably do not exist on the work-related variables we examined”.³

If the research suggests few generational differences, why do so many people worry about them?

Maybe it’s because our experiences when growing up influence the values and ‘personality’ of our generation. This is a seductive idea. We’ve all experienced a connection with similar-aged people when we talk about childhood TV programs or toys,



but we have also been influenced by what happened last year, last week, or yesterday. The values held both by society and by individuals change over time. People from any generation may have more in common with others in their organization than they might realize, especially where there is a strong company culture.

The age of ages

So, what if we talked about people's ages instead of the generational groups they belong to? Is this more useful?

Older people are, on average, more conscientious, modest, conventional, careful in interaction, sympathetic and helpful than younger people, regardless of the generation. Younger people are more sociable, outgoing and keen on variety, again regardless of generation.

Even 2,500 years ago Socrates observed, "The children now love luxury; they have bad manners, contempt for authority; they show disrespect for elders and love chatter in place of exercise", and these differences may well have been talked (or grunted) about when our ancestors first stood upright on the African savannah. As we get older, we tend to differ from our younger selves.

And when older people look at today's youth, it's those younger selves that they see. The values and mores of society will change across the years, but the underlying structure of human personality seems to be remarkably constant. Knowing that the differences are less about generations and more about age makes it much easier to see how people can work together productively.

We are no longer talking about monolithic generations, fixed in their behavior. We are looking at individuals, each at a different stage in their lives, making it easier

for both them and us to flex behavior and work together. Some honest reflection on what we were like when we were younger, or where we might be heading when we get older, might help us to understand other 'generations' better.

A new life cycle

Since the industrial revolution, we have followed a three-stage life cycle of education, work and retirement. The longer working life means this neat sequence no longer applies. People who work 50 to 60 years will find multiple stages in personal, career and work experience – and not necessarily in the same order.

The model developed by Lynda Gratton and Andrew Scott in *The 100-Year Life* suggests new and different stages. They include:

- Education
- Exploration
- Individual producer/entrepreneurship
- Regular work/employment
- Portfolio work and retirement

For individuals, it will be important to recognize when these transitions are coming and navigate them successfully. Understanding personality development through life is key to navigating the stages of the new working life, and it's no coincidence that many executives seek coaching when they are re-evaluating what stage they are at in life.

Organizations seeking to retain and leverage talent across generations need to make these transitions as constructive as possible. They need to recognize that individuals can contribute at any age or life stage. And focusing on the individual – rather than the mass – is going to make the difference.

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Optimizing for the always-on culture

For organizations, an always-on culture can be attractive. Why wait for information or decisions when we can contact the right people any time? Many CEOs see smartphones as a way to increase productivity,¹ and the always-on culture appeals to multinationals where team members operate in different time zones. When communication is restricted to 'regular' working hours, it slows things down. Communication can spread across days.

Digital technology has revolutionized communication. Public, medical and customer services are available online 24/7, and we can connect with our families anytime, anywhere in the world. However, this connectivity also means that we can be contacted by our workplace anytime and anywhere, leaving many of us experiencing a blurring of the boundaries between work and home.

It's not all one-way traffic from employers, though. Individual employees invest in the always-on culture too. We know from our own research that people use technology to avoid unpleasant surprises or keep ahead of the game when they are not officially 'at work'.² Technology can even give the same buzz as drug use and many of our communication apps are designed to be addictive³ (which is now causing some soul-searching in Silicon Valley).⁴

When our smartphones are always on, we struggle to switch off. This is the 'always-on' culture.

The downside of always-on

The always-on culture does have its downside. In our survey of workers in mainly managerial and professional jobs⁵, we found that although most people agreed with the statement "people shouldn't have to check their emails outside of normal working hours", many of





these also said that their organizations or their clients expected them to check their emails in the evenings or at weekends.

We also found that sending or receiving work-related emails on vacation, in the evening, late at night or first thing in the morning contributed significantly to how stressed they were.

Employees who are tired, stressed and dissatisfied perform below their best, are more likely to make mistakes and will be less skilled in interacting with their colleagues or with customers

This didn't surprise us. Academic research has shown that the enforced overlap between work and home life is linked to negative outcomes, including increased stress, decreased performance, lower satisfaction with family life, poorer health, reduced life satisfaction and decreased sleep quality.⁶

Employees who are tired, stressed and dissatisfied perform below their best, are more likely to make mistakes and will be less skilled in interacting with their colleagues or with customers.

The productivity paradox

A 2018 Financial Times article refers to a chart on the Bank of England's unofficial blog that compared plunging productivity with soaring shipments of smartphones.⁷ Typical productivity growth in advanced economies has on average been negative since 2007.

Lower productivity might be one consequence of the always-on culture, yet the underlying business models drive disproportionate amounts of investment toward technology rather than human capital. **Just because employees are always-on doesn't mean they are always performing.** Sometimes it means they're stressed, and if this causes people to then leave an organization, the increase in turnover affects the bottom line. It's one example of how reducing stress and building resilience can help organizations perform better, as we've seen in our own work.

From always-on to sometimes-off

As the always-on culture has grown, the 'right to disconnect' is starting to emerge in some countries. In France, a law became effective in January 2017 which established a worker's right to disconnect. The El Khomri law, named after the French Minister of Labor, requires companies with more than 50 employees to establish hours when staff should not send or answer emails. The legislation followed a report which found that a correct balance between work and private life is essential for digital transformation to have a positive effect on workers' quality of life. Knowing how to disconnect is a skill, and employers need to support it. Italy has also adopted a 'right to disconnect' law.

Knowing how to disconnect is a skill, and employers need to support it.

Organizations might find it more difficult to fix boundaries, but some do manage it. In Germany, Volkswagen, BMW and Puma are among the companies that have adopted policies to restrict email activity

out of hours. At Daimler, emails sent to vacationing employees are deleted (with a suitably polite warning message for the sender).⁸

Our own research shows that adopting simple email rules can reduce stress and increase the effectiveness of communication. Here are a few highlights.

Tips for reducing email stress	
Send fewer emails	The more you send, the more you receive, and that's stressful – for you and everyone else
Respond quickly	People vary in how quickly they expect a reply, but try to respond within 48 hours
Be clear, concise and correct	Most people like clear, concise emails with a subject line. Many are irritated by errors
Take care with chains and copying	Think who should be in the 'to' line and in the 'cc' line. Avoid making people search through long email chains
Stick to the working day	As far as you can, avoid sending and checking work-related emails at other times. Try to have at least some time email-free
Be polite	Your recipients will feel most positively about you and see you as more competent
Think about your audience	You probably have a particular style of communication. Vary your approach to match the needs of your audience

These guidelines might be difficult to follow. Some organizations penalize staff for switching off their phones, or not opening voice messages, outside contracted hours, but such approaches are likely to reduce the health of the organization.

A new manifesto

One of the best examples of a leader-led initiative is the New Work Manifesto. Created by Bruce Daisley and Sue Todd, the manifesto (see newworkmanifesto.org) seeks to improve the world of work. Daisley is the EMEA Vice President at Twitter, and Todd is CEO of Magnetic Media. The manifesto declares:

"Modern work is frying our brains. We're working longer and the way we're working is taking more of a toll on us. We believe we can make work more enjoyable, more rewarding and less taxing. By committing to this simple manifesto we believe we can improve work and our lives."⁹

The New Work Manifesto

Presume permission

Assume the permission to be flexible – people do their best work in different ways

40 hours is enough

Working longer does not achieve more. Respect 40 hours as a week's work

Reclaim your lunch

Urge everyone to use lunch breaks to refresh themselves

Give us some room

Open plan offices are bad for concentration. Allow people to step away from their desks, or to arrive later to them

Digital Sabbath

No-one should be forced to answer work emails at the weekend

The only way is ethics

Be able to assert our convictions and be held accountable to them

Got to be me

Allow us to be our true selves

Laugh

Laughter reduces our stress levels. Teams who laugh together collaborate better

A new approach to time management

Leslie Perlow, the Konosuke Matsushita Professor of Leadership at Harvard Business School, worked with Boston Consulting Group to identify how people can better manage their collective time.¹⁰ The objective was to improve the quality of life in a sector known for its long hours and 24/7 culture.

They found that focusing on individual self-control or discipline has limited value. Why? Because the modern workplace has a high emphasis on connectivity and collaboration. The underlying problem was not how individuals manage their own time, but “...how we manage our collective time – how we work together to get the job done. Here is where the true opportunity for productivity gains lies.”¹¹

Their solution included mandatory time off (which led to higher job satisfaction), better work/life balance, and making people feel like they were learning more on the job. A related challenge is to stop the madness of meetings,¹² although this is not a recent phenomenon. The Economist, in a considered study of Unilever’s leadership style in the 1980s, observed that given the number of meetings it must have been almost impossible for a leader to sleep – unless, of course, they slept in meetings.

Perlow’s research demonstrated that it can be very difficult for people to take control within an organization, but ultimately, it is the individual’s responsibility to find a way to optimize their relationship with the always-on culture. There are choices. It might be as simple as planning a complete switch-off on vacation. It’s unlikely that a company will fall apart in the meantime, and it creates a chance for other team members to step up, take responsibility and gain more experience.

Leaders: leading by example

It seems there are rewards for organizations that can successfully navigate the always-on culture. In this, the role of leaders and managers is crucial.

First, they need to set reasonable guidelines and expectations. Second, they need to lead by personal example. Understanding personality and behavior is important. People with different personality preferences will tend to use social media in different ways,¹³ have different views on email, and be affected in different ways by various aspects of the always-on culture. Some people like the buzz of working into the night, but others don’t. For those people, it is stressful.

...there are rewards for organizations that can successfully navigate the always-on culture

If a leader knows how their own work style and personality preferences differ from others, they can avoid imposing their work patterns unnecessarily. And if employees know how they work most effectively, they are better equipped to establish boundaries and take control.

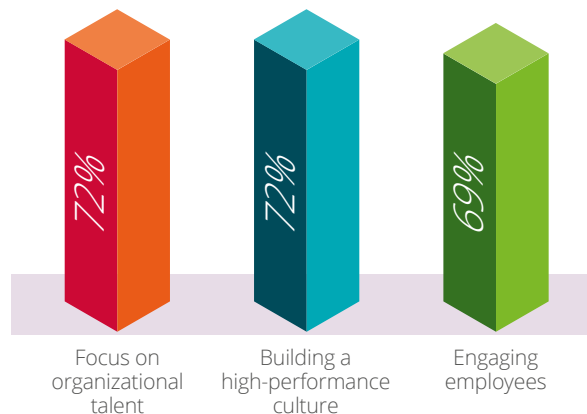
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Engaging and retaining staff by promoting well-being

Engagement has been a buzzword for a while now. In 1990, engagement and disengagement were popularized and defined by William Kahn, author and Professor of Organizational Behavior at Boston University's Questrom School of Business, as "... the behaviors by which people bring in or leave out their personal selves during work role performances."¹

Engagement is more important than ever. Many organizations see it as a way to build business performance by increasing job satisfaction, happiness and fulfillment. **A recent survey of 25,000 leaders showed a direct link between engagement and bottom-line results.**² The surveyed leaders identified the top three actions to drive performance as:



In the UK, the government-sponsored MacLeod Report³ concluded that many studies "... show a clear correlation between engagement and performance – and most importantly between improving engagement and improving performance". It also noted that "Engagement, going to the heart of the workplace relationship between employee and employer, can be a key to unlocking productivity."

When employees are engaged at work, they are likely to have higher levels of job satisfaction and motivation, and lower levels of absenteeism and presenteeism.⁴

They are also less likely to quit,⁵ are more innovative and productive,⁶ and their organizations are likely to be more attractive to both clients and candidates.

The benefits look clear. But what can organizations do to increase employee engagement?

Routes to engagement

Recent research by Caroline Knight and her colleagues shows that different methods are effective.⁷ Examples include:

- **Increasing employee motivation** especially by increasing intrinsic motivation, where the job itself is interesting and rewarding to the person doing it. Extrinsic motivation – financial reward, for example – can be less effective and might even reduce engagement.
- **Cultural fit.** For some people it's very important that the organization's values are aligned with their own. Companies whose official values differ from those that are rewarded by management are likely to have problems.
- **Good interpersonal relationships** and liking, or at least understanding, the people at work. The relationship an employee has with their immediate boss is especially important.
- **Fulfilling the psychological contract,**⁸ which is the unwritten expectation between employee and organization.

In Knight's research, many of the most effective interventions focused on the health and well-being of employees. Successful organizations are addressing well-being, and by doing this they can differentiate themselves from the competition.

Percentage accounted for by good employee engagement

Source: Gallup, 2016



At the 2018 World Economic Forum, business leaders such as Paul Polman, CEO of Unilever, talked about how organizations can create a culture of purpose which benefits both society and employees.⁹ The importance of well-being in wider society is emphasized by current, and sometimes disturbing, trends in psychological health (for example, in 2016 an estimated 1.3m adults attempted suicide in the USA).¹⁰

This has led organizations such as Booz Allen Hamilton to act. They're actively engaging with and promoting both physical and emotional well-being in society and the workplace. Booz Allen Hamilton is a founding member of 'The Campaign to Change Direction', a national initiative in the USA to focus attention on mental health, mental illness and wellness.¹¹

Flexicurity

To address well-being, many organizations focus on their employee value proposition (EVP). Along with the EVP, they define and articulate a sense of purpose for the organization and individuals.

Dan Cable, Professor of Organizational Behaviour at London Business School, identifies how feeling a sense of purpose or meaning is central for humans. He cites research which says that if we feel a significantly greater sense of purpose than the average person, we reduce our risk of dying by 15% over the next 14 years.¹²

Cable describes how leaders who help employees find more purpose in their work "... are engaged in a humanistic cause....and it helps organizations win because they get more potential out of their employees".¹³

Many studies "... show a clear correlation between engagement and performance – and most importantly between improving engagement and improving performance"

In Denmark, there's an initiative for improving well-being and generating a sense of purpose. They call it 'flexicurity'.¹⁴ It's a model of how they manage globalization challenges and minimize its potentially negative impact on well-being. The national flexicurity model is rooted in a long tradition of social dialogue and negotiation among social partners, and its aim is to promote employment security over job security. Studies show that Danes are more positive about globalization than other countries and have less fear of losing their jobs.¹⁵

The benefits of B Corp

More than 2,500 business organizations in over 50 countries around the world have Certified B Corporation status. Companies with B Corp status follow a governance philosophy different to traditional shareholder-centered corporations. B Corps are for-profit companies certified by the non-profit B Lab to meet rigorous standards of social and environmental performance, accountability and transparency.¹⁶

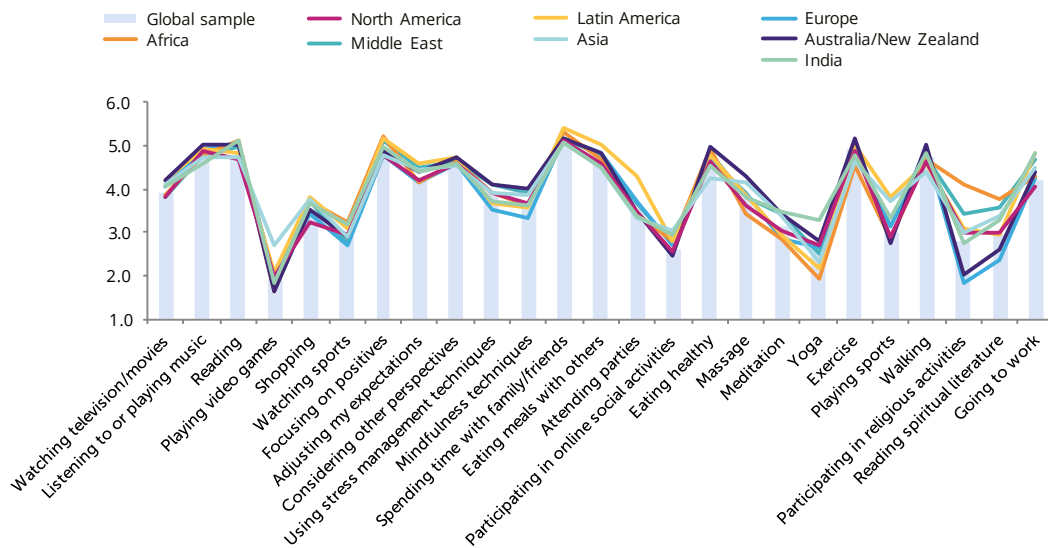
Achieving B Corp status is an example of how an organization can differentiate itself as a responsible employer. It should also improve the retention and engagement of staff. In *Why Corporations Are Becoming B Corporations*¹⁷ the motivator is identified as this: firms want to demonstrate they are genuine and authentic advocates of broader stakeholder benefits. The article says, “For mission-driven businesses, these alternative forms of organizing provide an opportunity to better communicate their commitment to society and to the natural environment.”¹⁸

Well-being and retention

In our view, well-being is one of the keys to increasing engagement and retaining staff. In 2017 we conducted international research and published the results in *Well-Being and MBTI® Personality Type in the Workplace*.¹⁹ The research uses the PERMA framework developed by

Martin Seligman, who proposed a theory of well-being that underpins what he calls ‘flourishing’.²⁰ Seligman’s PERMA well-being model comprises five factors, shown below.²¹

Positive emotions	The experience of feelings such as happiness, contentment, and pleasure
Engagement	Deep psychological connection, absorption, and interest in an activity or a cause that is intrinsically motivating
Relationships	Where the positive aspects of the relationship greatly outnumber the negative aspects and involve mutual feelings of caring, support and satisfaction
Meaning	Having a sense of purpose and direction in life and feeling connected to something bigger than oneself
Accomplishment	Pursuing success, winning, progress, or mastery for its own sake, regardless of whether it results in positive emotions, engagement, relationships, or meaning



Source: Well-being and MBTI Personality Type in the Workplace: An International Comparison. The Myers-Briggs Company [formerly CPP, Inc.], 2017

Our research explored the interaction between personality, culture and workplace well-being. It assessed the frequency and effectiveness of 25 activities that support well-being, based on a diverse sample of more than 3,000 people from 87 countries across six continents. On average, the activities rated as most effective overall in improving well-being were:

- Spending time with family/friends
- Exercise
- Listening to or playing music
- Focusing on positives
- Reading

The activity most frequently mentioned as improving well-being was 'Going to work'. This suggests that organizations should be able to create a virtuous circle where a healthy workplace increases well-being, which in turn fosters a healthy workplace, and so on. The research also showed that personality type, as measured by the MBTI® instrument, played a role in influencing workplace well-being.

The role of awareness

People of all personality types can and do experience generally positive levels of well-being in the workplace, but things that are detrimental to well-being – stress, for example – will be different for different people. Individuals who understand something of their own personality can manage their stress triggers better. Similarly, managers can recognize the situations that will lead to a reduced well-being for their reports.

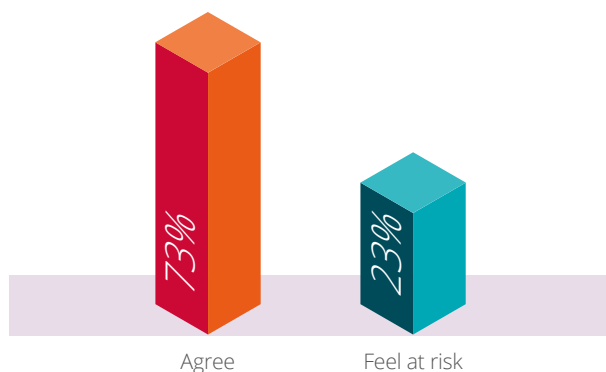
These findings highlight the positive effect of supportive relationships, exercise and good diet in enhancing well-being.

Organizations that focus on well-being are setting the pace in engaging and retaining their staff. They create differentiation from their competitors, and are likely to show improved performance and greater resilience from their employees.

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Will digital replace the human in human resources?

Asking whether digital will replace the human in human resources is not an empty question. In a recent survey by Gallup and Northeastern University, 73% of Americans agreed that artificial intelligence (AI) will eliminate more jobs than it creates (though only 23% felt that their own job was at risk).¹



If organizations hire fewer humans, what will happen to human resources?

Businesses, education, healthcare and the military are investing in digital infrastructure at such a pace that many find it difficult to keep up. AI and machine learning are on the increase. We are in the midst of a revolution in how we work and live.

The World Economic Forum (WEF) has recently established the Center for the Fourth Industrial Revolution, stating that, “The Fourth Industrial Revolution – the current period of rapid, simultaneous and systematic transformations driven by advances in science and technology – is reshaping industries, blurring geographical boundaries, challenging existing regulatory frameworks, and even redefining what it means to be human.”²

Not all leaders and commentators are optimistic about these changes. Elon Musk, of Tesla and SpaceX fame, speaks of AI as a fundamental existential risk for human civilization, commenting that robots will do everything better than us.³

But there is another story behind the headlines. The digital revolution, and the advent of AI, has the potential to bring real benefits to both individuals and organizations – as long as we do not forget the human side.

Which leads us to ask: what are the challenges and possibilities coming from the fourth industrial revolution?

The fourth industrial revolution

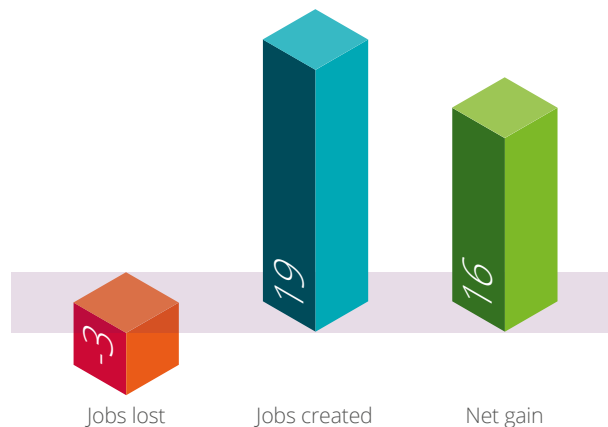
Have you ever typed ‘will robots take my job’ into Google? Try it. Among the nearly 100 million search results you’ll see dire predictions about the future along with calculators to work out how quickly your job will be obsolete. You might find it depressing reading. Then again, previous industrial revolutions didn’t just destroy jobs – they created them too. The printing press put scribes out of work yet created many new jobs for typesetters, and this is likely to happen with the digital revolution as well. The added difference today is that machines can do cognitive as well as physical tasks.

Should we be worried?

A 2017 report from the McKinsey Global Institute⁴ suggests ‘not yet’. This report uses information analysts as an example. We might have expected them to become obsolete as computers increased in power and the internet made it easier to collect information. Instead, the opposite has happened. The number of analysts has quintupled from around 400,000 in 1980 to about two million today. The availability of cheap

US million jobs lost vs created by personal computers (1970-2015)

McKinsey Global Institute: Jobs lost, jobs gained, Workforce transitions in a time of automation – December 2017



computing power and information stimulated an appetite for more insightful analysis, and the role of the analyst shifted to interpreting and sharing information.

Another example is actuaries, who do the probability calculations needed by insurance companies. By the turn of this century, there were around 40,000 qualified actuaries in the world. Demand was estimated for double that number.⁵ But in the last 10 years, machine learning has replaced a lot of traditional actuarial work (machine learning is a series of statistical modeling techniques, many geared toward predictive modeling, which rely on computer programming to develop, test and refine the algorithms with minimal human intervention).

As a result, one major USA-headquartered health insurer has terminated its long-established actuary recruitment and development program.

Crucially, it said this does not mean redundancies for their existing actuaries. Instead, actuaries will need to develop new knowledge and skills that focus more on insights and interpretation of data. Machine learning and AI requires actuaries to evolve in their roles.

100% change

AI will delete some jobs and create others, but what else do we know? When Ginni Rometty, CEO of IBM, was asked if AI will displace more jobs than it creates, she replied: "... when it comes to complete job replacement, it will be a very small percentage. When it comes to changing a job and what you do, it will be 100 percent."⁶ The McKinsey Report suggests that 5% of jobs could be automated in their entirety, 25% of CEO time is taken up by tasks that could be automated, 45% of individual activities could be automated and that 60% of all

“ ... when it comes to complete job replacement, it will be a very small percentage. When it comes to changing a job and what you do, it will be 100 percent.”

occupations could see at least a third of their activities automated. This presents some very human problems for HR departments. They'll need to help people cope and work constructively with change. Organizations that adopt AI but neglect the human element are setting themselves up for failure.

The human impact

The digital revolution will certainly have an impact on people in the workplace, including:

- **Resilience and change.** For individuals to prosper in a digital world, developing resilience and embracing change is a must. People will need to look at who they are and what they can – and want – to do.⁷ And organizations need to be an active part of this, helping employees adapt by setting up programs to build resilience.⁸ They need to work with change.
 - **New skills.** To retain talent, organizations need to invest in retraining and skills programs. Flexible working structures may be needed for particular projects, with a greater use of temporary or 'gig' workers. In some cases, even a CEO could be outsourced.⁹ The digital revolution will provide the platforms that will allow flexible structures to operate.
 - **Structural change.** With flexible working structures being normalized, organizations built on traditional hierarchical lines may struggle. Informal influence will become more important, as people with specific skills, expertise or knowledge become central nodes in an informal network. HR teams will need to help people form productive relationships quickly. They'll also need to inspire key individuals to remain with the organization.
 - **Career-path disruption.** The early stages of many career paths feature tasks that could be performed by AI – codifying legal documents, for example. If AI did take over this kind of activity, the career path for lawyers would be disrupted, leading to shortages of legal expertise some way down the line. Organizations and professions may need to develop alternative career paths for the future.
 - **Trust in technology.** For people to embrace technology and use it effectively, it needs to be introduced and applied in an open and ethical way. Organizations need to be transparent in how they use technology and foster an atmosphere of trust. Raising awareness of technology's ability to amplify our 'darker' side will be crucial.
- Microsoft has an example of this last point. In 2016 it unveiled Tay, a chatbot designed to respond to tweets from the public and 'learn' from them, responding in an ever more humanlike way.¹⁰
- Tay was shut down after just 16 hours after it learned and repeated anti-Semitic, sexist and other offensive 'opinions' from human users. When organizations introduce AI, a human overseer is still needed, and HR, as the experts in people, will have a role to



play. Developing trust will be especially important if organizations are to use the new possibilities presented by people analytics.

Though HR will be instrumental in many of these changes, the impetus will need to come from the top. Business leaders will need to recognize the importance of the human element in the digital revolution. They'll need to ensure that employees build resilience and develop relevant new skills, and that organizations develop a strong, trust-based culture.

Humanics and moving beyond limits

Things will change further. Our own research suggests that the way we express our personality through behavior has changed over the last 10 years, especially for younger people. Joseph Aoun, in *Robot-Proof*,¹¹ suggests creating a new academic discipline called 'humanics', a hybrid of humanities and STEM (Science, Technology, Engineering, Math) disciplines. And Yuval Noah Hahari, in his influential bestseller *Sapiens*,¹²

includes a chapter titled 'The End of Homo Sapiens'. He identifies that humans are now transcending limits that were previously unimaginable – like cyborg engineering, which combines organic and inorganic parts with a direct two-way brain-computer interface. To quote Harari, "Such a cyborg would no longer be human, or even organic. It would be something completely different."¹³

What if you had a device that could identify your mood (something that is already being developed) and communicate this to someone else? Would 'emotional telepathy' improve communication and avoid misunderstandings in the workplace?

We do know that more change is coming. Organizations that get on board and get their people on board – and then do the right thing by their people – will be best placed to find success in the digital revolution. Digital might not replace the human, but it will shift our current thinking and approaches to people, roles, and the workplace.

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The evolving shape of teams

We all have basic needs, such as food, water, shelter, security...and we all need people. As Abraham Maslow wrote back in 1943, we have a need for 'social belonging'.¹ In organizations, some of this need can be met by being part of a team because it creates a space where people can belong and feel connected.

All of us have different interpersonal needs,² but almost everyone needs to belong to a group, at least to some degree. It's not only important at an individual level, either. Organizations need to leverage this sense of belonging if they want their employees to perform well and work together effectively.

Unfortunately, teams don't always meet people's need to belong. Teams are groups of people who work together to achieve a common goal, and who are dependent on each other to deliver it. Many 'teams' in organizations don't fit this definition because they are nothing more than people who are brought together. And just being brought together does not make a team.

Teams are groups of people who work together to achieve a common goal, and who are dependent on each other to deliver it. Many 'teams' in organizations don't fit this definition.

Some leadership teams work this way. Each member of the group is so focused on the success of their own business unit, rather than on the common goals of the organization, that they become competitors. They're not really concerned if other business units fail, and the overall performance of the organization suffers.

Sometimes, groups of people working in the same business unit don't even have a common purpose or vision. Those teams typically lack cohesion and perform less well than those who do.

Google's Project Aristotle

The sense of belonging that people can get from a well-structured team is important for achieving performance. In 2012, Google embarked on a large-scale research study, codenamed Project Aristotle, to discover what made some of their teams successful while others crashed and burned.³

They found that the most important factor was psychological safety. This is where team members feel safe taking risks and being vulnerable in front of each other. Trust is important because it speeds everything up. Think of relationships where you have a high level of trust, and how much easier and quicker it is to get things done compared to relationships where the trust is missing.

Project Aristotle identified other success factors too. They included:

- **Dependability** – team members can be depended upon to complete quality work on time
- **Structure** – clear goals and well-defined roles
- **Meaning** – the work is personally significant to each team member
- **Impact** – the group believes that their work is purposeful and positively impacts the greater good

Cisco and team performance

Cisco has also invested in research into high performing teams, and defining and building team intelligence. Studying teams' performance across the organization, Cisco identified three key factors which explained why some teams were more effective than others.⁴ They were:

- A focus on the individual strengths of each team member
- An environment where every individual feels their values are shared
- A safe and trusting environment, where members feel like their teammates support each other

Both the Cisco and Google research projects mirror the work of Patrick Lencioni who, in *The Five Dysfunctions of a Team*,⁵ identified a lack of trust as one of the key obstacles to effective team performance.

Organizational structure

Changes in the way that organizations work have had an impact on the way teams function. From the rigid hierarchies of the 1960s, 70s and 80s to the flatter, more collaborative structures in the 1990s and the networks of diverse teams we see today, each structure presents challenges to the effectiveness of the teams within them.

When people belong to several teams, as happens in many modern organizations, it can take time to build psychological safety and trust. Individuals may have one core team that they feel they belong to, but many more teams that they interface with, taking on different roles in each. Sometimes it's unclear which team is their core team, but it's important that a person's psychological needs are met by at least one of them. People need a 'home team' where they can talk openly.

In some organizations, the wirearchy is displacing the traditional power structures of the hierarchy

The notion of a 'home team' often creates challenges within senior leadership, and we've seen it with some of our own clients too. There can be a difference of opinion about what the home team is. Individuals who have been with the organization for many years



form a central group and see themselves as the 'real' team. Other members are more peripheral. It's not dysfunctional, but there's a feeling that they could perform better and one way of doing this is to ask, 'Who do you see as being in the team?' It brings issues to the surface and can help a team on the road to great performance.

As teams have become more fluid, things have become more complex. A modern team may have people who see it as their core team, as well as other (possibly temporary) team members who fulfil a specific role, like subject matter experts (SMEs). What's important is that these SMEs still have a home team somewhere in the organization.

Teams are still the bedrock of corporate structures. They just look different now.

Fluid teams are often also more diverse, which creates both challenges (finding a common vision) and opportunities (members can bring their different approaches, viewpoints, knowledge and skills without fear of ridicule).

Wirearchy or hierarchy?

In this more complex environment, the need for a team leader is more important than ever. This person needs to move things forward, provide a link to the rest of the organization, and protect the boundaries of the team.

It doesn't need to be a formally structured leadership role, and the leader may change depending on what task the team is engaged in. In some organizations, the wirearchy – a degree of power and influence based on connectedness and the flow of information – is displacing the traditional power structures of the hierarchy.⁶

As the number of teams increases, so does the number of relationships we have. There is, however, a limit to how many relationships we can hold.

The 'Dunbar Number', named after the anthropologist and psychologist Robin Dunbar, suggests that 150 is the maximum possible number of people that we can maintain stable relationships with.⁷ When any organization, team or combination of teams exceeds this number, they tend to fragment into smaller units. This means that very large teams or groups will find it difficult to work together, and some companies deliberately restrict unit sizes. Gore Associates, manufacturers of Gore-Tex™ fabric, limit their factory sizes to 150 employees.⁸

Two other key trends have affected how teams work: globalization and the availability of new technology. Put them together and we have a whole new team dynamic.

Global networks

With a reliable WiFi connection, many professionals can do their job from anywhere in the world. They don't need to be in an office or physically close to colleagues. Virtual teams are becoming more common. Ferrazzi Greenlight found that from 1,700 knowledge workers they surveyed, 79% reported always or frequently working in dispersed teams.⁹

79% reported always or frequently working in dispersed teams

However, virtual teams are not easy to get right. Globalization scholars Vijay Govindarajan and Anil Gupta studied 70 global teams and 82% said that they had fallen short of their intended goals. A third of them rated their performance as largely unsatisfactory. Lack of trust, communication barriers and the lack of a well-defined team charter were among the key reasons for failure.¹⁰

82% said that they had fallen short of their intended goals.

For many virtual teams, the geographical spread and organizational makeup of the team can cause problems, but these issues are largely controllable. It's the human dynamic – factors such as psychological safety – that is more likely to be an issue.¹¹ Research has shown that trust is even more important in virtual teams than those working in the same location.¹²

The good news is that the very technology which makes virtual working possible can also be used to address its issues. Team development can be delivered virtually and it's something which global businesses need to consider. Teams are still the bedrock of corporate structures. They just look different now.

The rise of the gig economy may have drawn attention to individuals working alone on a transactional basis, but most people still work in teams and most projects still depend on them. Team membership, and the sense of belonging it creates, is more important than ever in our looser, technologically-enabled structures. This is reflected in the growing number of clients we see who have an idea that they need to do something – but they don't quite know what.

Team development can open the door, but teams must be willing to step through it with the help of their team leader. And the organization needs to give them the space to do it. It's the only way to see an impact on performance.

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The expectations and demands on **today's leaders**

Leadership is less straightforward than it used to be. Traditionally, the way to become a leader was to find a role that suited a person's strengths (but did not expose weaknesses) and then continue on that path.

But now, we live in a VUCA environment, a world that is Volatile, Uncertain, Complex and Ambiguous. Leaders still need to find roles that play to their strengths, but they need to be able to change and adapt in order to be successful. In a rapidly evolving world, today's leaders are never a finished article. They need to stay motivated to develop themselves.

To put it another way: when the forest is growing around you, you need to keep your axe sharp.

Wirearchy: the new order

In a 2018 survey, CEOs ranked 'failure to attract top talent' as their principal concern.¹ Good leadership is a priority, but the role of the leader has changed – leadership can be now more distributed. In flatter, less hierarchical organizations, it's less clear where the power lies. Who are the influencers? Who are the informal, but important, leaders?

In a rapidly evolving world,
today's leaders are never a
finished article. They need to stay
motivated to develop themselves

Recent years have seen the rise of the wirearchy. These are people whose power and influence are based on connectedness and the flow of information rather than the traditional power structures.² They're often not labelled as 'leaders' and so might not get the same status or rewards as traditional leaders.

Often, it's only when they leave an organization (due to low recognition?) that their true worth is realized. Leadership isn't about the style and characteristics of the individual leader any more, it's about how a group or a team of leaders can lead the organization together. They need to create the culture and systems that inspire the people around them.

Leaders need to be externally focused too, able to act quickly – and often publicly – in our increasingly interconnected society. The dissolution of the presidential business/economic advisory councils in the US, after several CEOs withdrew under pressure from both the public and their own employees, is a recent example.

There is evidence that individuals
who are more narcissistic are
more likely to become leaders
but perform less effectively in this
role than others

The end of narcissism?

What does this mean for traditional leadership characteristics? There is evidence that individuals who are more narcissistic are more likely to become leaders but perform less effectively in this role than others.³ Such people have positive and inflated views of themselves. They maintain these views despite contrary evidence, often at the expense of others, and have relationships that lack warmth and intimacy.

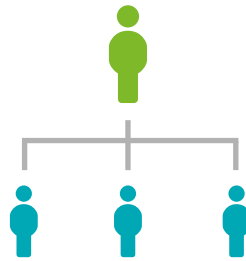
While this may fit with an outdated 'great man' view of leadership, such behaviors will not deliver the leadership culture demanded in most organizations today. Our own research shows that these behaviors

The psychology of leadership™



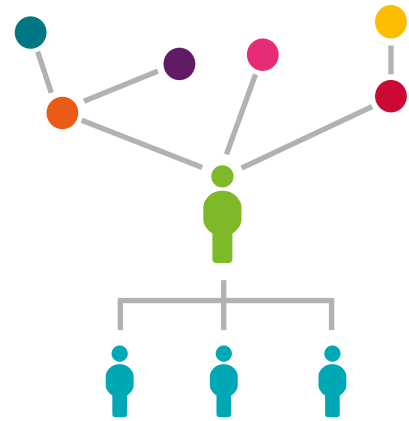
Leading self

An 'inner awareness' which enables a leader to become self-aware and release untapped potential



Leading others

An 'awareness of others' which enables a leader to bring out the best in people



Leading the organization

An 'outer awareness' which enables a leader to successfully lead across wider organizational systems

can lead to women being less likely to seek out leadership roles, even when they are as well or better qualified than men.⁴

So, it's especially important that selection processes are fair and objective (see *Finding the right fit*, page 32). The Engagement Institute⁵ identified that leaders must be trustworthy, build relationships and communicate effectively. Highly engaging leaders are more focused on being available. They seek the ideas and opinions of employees, and they build partnerships for shared success. Trust and integrity were rated as the most valued qualities from engaging leaders.

Here are some factors affecting younger leaders in today's organizations:

- **Speed of promotion.** Traditionally, organizations would take a cohort of young recruits to develop steadily and build a home-grown pool of future leadership talent, but this is no longer the case. This means they can lack experience and support.
- **Different expectations.** Though the overall personality of younger people is probably no different to what it was in the past (see *Harnessing the multigenerational workplace*, page 8), their expectations are different. People stay in jobs for shorter periods, which may also reduce the incentive for organizations to invest in their long-term development.

- **Networks and opportunities.** With online platforms like LinkedIn, young professionals are more aware of new jobs than ever before. They don't even need to be looking for a job – jobs look for them, dropping into their account unsolicited.

It's worth noting two further points. First, artificial intelligence (AI) is stripping out some of the 'grunt work' that trainees traditionally undertook on their way towards becoming leaders. This means they're less experienced than previous trainees would have been, especially in terms of working with and managing other people.

Second, the demographics of the workforce mean that some senior leaders are sufficiently well-off to retire early, but instead go into semi-retirement, leaving the new leader uncertain as to their status and level of authority.

Leadership's first commandment

Bright young leaders might be keen and ambitious but if they lack knowledge of their own strengths and blind spots, it can lead to mistakes. We found this in one of our own clients, and the first stage in their development was to increase their self-awareness – to know themselves better, something described by the Harvard Business

Review as 'leadership's first commandment'.⁶ In our leadership model, self-awareness is the bedrock of self-leadership. It's the basis for leading others, which is in turn the foundation for leading the organization.

For existing leaders, the challenge is often to avoid becoming 'stuck' in old approaches or patterns of behavior. For example, junior hospital doctors in the UK used to work extremely long shifts, frequently up to 72 hours, with the result being that they did not always make the best clinical decisions. Yet the consultants who were their managers and leaders did not see why this should change. As far as they were concerned, it was a rite of passage that they had gone through and the others should not miss out on the same pain.

Leaders sometimes think there's a problem in their team, when in fact it is the leader who is the real issue.

Where the working landscape has changed, junior roles need to change too – and senior leaders need to acknowledge this. Senior leaders also need to acknowledge that their own role may have changed.



Leaders sometimes think there's a problem in their team, when in fact it is the leader who is the real issue. It is entirely possible for an executive team to change the culture of their business, apply new values and re-appraise the expected behaviors of managers and employees, but find it difficult to make the same changes themselves. They may even blame more senior groups for their own lack of change. Staying in the same place feels safe and secure, but if the people and environment around them demands change, this is not a viable strategy for leaders.

Making the transition

A leader's reluctance to change can be an unwillingness to give up on those skills or approaches that have made them successful. Often, the more senior a leader, the more difficult this is. Sometimes this is made obvious when a leader moves to a new organization, tries to work in the same way as they had previously worked, and begins to fail. Change is needed.

One way of achieving this is the increasing trend for upward mentoring. This is where younger staff mentor more senior staff in specific areas, like IT for example, which can give senior leaders fresh skills and knowledge. As leadership teams become more diverse, this can and should help to introduce new viewpoints.

Coaching: the way forward?

Many leaders find that coaching can help them to define their way forward. While coaching has been commonplace in sport for many years, it is still sometimes seen as a box-ticking exercise for business leaders. But by digging deep and uncovering a person's real motivations and challenges, a professional coach can guide an individual to improve very specific issues – building resilience in a complex, high-stakes environment, for example.

Questions for leaders

Here are some points for leaders to consider:

- Leaders create the culture of an organization
- Start development with yourself and then move out to your teams
- Things change – don't be complacent. Keep learning
- How you did it isn't how you always need to do it, or how others need to do it
- As a leader, are you building or breaching trust?

Leaders should ask themselves: how am I impacting the culture, how am I supporting it? Do I know everything? Is my way the best or the only way? How do I really react to change? What's the effect of this on others?

If anything here seems obvious, it may be worth another look.

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Finding the right fit

A recent study of more than 600,000 politicians, athletes, entertainers and researchers found that high performers were 400 percent more productive than average ones.¹ What makes good companies great is their ability to attract, select, develop and retain the right people,² so it's no surprise that there is a long history of inventive selection methods.

In the Bible, Gideon had too many candidates for his army. First, he allowed the weaker candidates to self-select out ('Whoever is afraid and trembling, let him return and depart from Mount Gilead.'). Then he carried out a job simulation exercise. He led the candidates to an oasis and selected those who drank from cupped hands while remaining watchful. He rejected those who got down on their knees to drink.³

Gideon was way ahead of his time. Through much of the 20th century, selection for most jobs was much less sophisticated – biased, largely inaccurate interviews were the main methods. For example, in 1929 Harry Levi Hollingsworth showed that there was very little agreement between experienced interviewers recruiting candidates for a sales job. One candidate was rated as 6th (out of 57 applicants) by one interviewer, but as 56th by another.⁴

Structured behavioral interviews, where you have a consistent rubric for how you assess people, rather than having each interviewer just make stuff up

More recently Google, after looking at tens of thousands of their own unstructured interviews, found zero relationship between how interviewees had been scored and how they ultimately performed in their job. Google also identified that brainteaser-type interview questions are a waste of time and don't predict anything. Instead, "structured behavioral interviews,

where you have a consistent rubric for how you assess people, rather than having each interviewer just make stuff up", worked better.

Google is not the only organization to realize that old-fashioned interviews don't work. From the 1980s we've seen three clear improvements:

- **Standardized and objective selection techniques**

These include the structured behavioral interviews used by Google, but also tests of verbal, numerical and other abilities, personality questionnaires, situational judgement tests, work samples and job simulations.

- **The 'selection paradigm'**

The above tools began to be used in a systemic way in what is often called the selection paradigm. This involves carefully defining what is needed in the job, choosing tools that measure these attributes effectively, using these tools ethically, and embedding them in a structured process that maximizes cost-benefit and facilitates good decision-making.

- **Bias and discrimination**

Recruiters have become increasingly aware of the potential for bias and discrimination in selection processes and have taken steps to mitigate this.

Now that we are in the second decade of the 21st century, can we relax, knowing that our organizations recruit the best possible people in the best possible way?

No, we can't. Here are two reasons why.

1. The selection paradigm isn't really used

The selection paradigm approach was always an ideal. It was more likely to be carried out by larger organizations with a dedicated HR function. A UK survey in 2010



found that the use of ability tests, structured interviews and personality questionnaires was much lower in smaller organizations.⁵

Despite extensive evidence for their effectiveness and cost-benefit,⁶ there are many reasons why businesses do not use objective assessment methods. These include short-term concerns about cost, lack of knowledge about what tests can do, concerns (usually unfounded) about legality, and inertia and resistance to change.⁷

Even those organizations that do apply the selection paradigm to recruitment might not do so for C-suite or other high-level jobs, preferring traditional methods even though they may be less effective. And yet, good or bad performance in these roles has the most impact on the business.

2. Unforeseen trends

Numerous trends are affecting selection and recruitment. Here are the main ones.

Talent shortage

Through 2018, the US unemployment rate has ranged from 3.8% to 4.0%, the lowest it has been in 17 years.⁸ Any organization trying to recruit or buy in staff is operating in a sellers' market. This means that organizations need to be more attractive to potential employees, and this needs to be built into every stage of the selection process. Evidence suggests that an

applicant's reaction to their assessment experience will affect how likely they are to pursue the job, accept a job offer, or recommend the position to others.⁹ We have seen examples in our own work of high-quality applicants who, when the recruiter is slow to inform about progress, just go elsewhere.

Employee mobility

People change jobs more frequently and have more information about jobs. Before social media, people had to make a conscious effort to find a new job. Some were approached by headhunters, but this wasn't common. Now, anyone who subscribes to business networking sites like LinkedIn receives job suggestions regularly. Even in 2014, research showed that LinkedIn had a high capability of identifying and attracting 'passive' candidates – that is, people who were not actively looking for a new job.¹⁰ Employee mobility may be a defining factor for the millennial generation. A recent Gallup report suggests that only half of them strongly agree that they will work for their current organization in a year's time.¹¹

Faster recruitment cycles

Few people have a 'job for life'. With people changing jobs more quickly, recruitment needs to increase. In a talent shortage, employers need to choose the best candidate and make an offer quickly before that candidate goes elsewhere. A 2017 survey by the recruitment company Totaljobs found that 46% of employers had reduced the length of their hiring process due to the market for good candidates becoming more competitive. A

further 28% reduced the process because the time it took to hire discouraged candidates.¹² A lengthy, multi-stage selection process may now be a luxury that few organizations can afford.

Artificial intelligence (AI)

The rise of AI means that the required skills in future jobs will be different. The exact shape of these jobs is uncertain – see *'Will digital replace the human in human resources?'*, page 20 – but AI will probably do many intellectually-challenging tasks. Carl Frey and Michael Osborne, two researchers at the University of Oxford, explored how susceptible 702 different occupations were to computerization.¹³ They found that the jobs with the lowest risk of becoming obsolete were those which required creativity, social and interpersonal skills. These are likely to be the areas that future recruitment will need to focus on. The rise of AI may also eliminate 'dead-end jobs', though there is no definitive sign of this yet.

VUCA

Many organizations today operate in a volatile, uncertain, complex and ambiguous (VUCA) environment. Jobs must adapt to this fast-changing environment by becoming more fluid, which makes recruitment more complex. But how can anyone recruit for a job specification if it has changed by the time a successful candidate starts in the role? This leads to faster recruitment cycles, recruiting for generalist competencies that can be applied to a range of tasks, and the rise of the gig economy where contractors are hired for specific tasks. One McKinsey study identified that 20–30% of the labor force in both the U.S. and fifteen European countries is already made up of independent workers.¹⁴

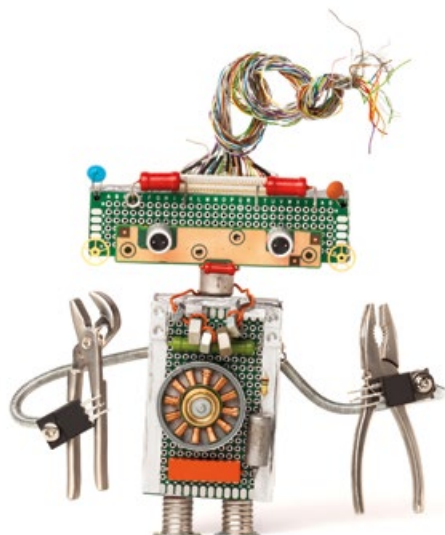
Focus on diversity

Avoiding bias and increasing diversity has been a goal of recruitment for many years. Statistical techniques and procedures for achieving this have existed for at least 10 years,¹⁵ yet diversity is still an issue. For example, in April 2018, there were more CEOs called James than female CEOs in the Fortune 100. Women are, in general, under-represented at higher levels in organizations. Our own research shows how difficult it is for women to reach the highest levels in organizations, and how they may need to modify their behavior in ways that men do not.¹⁶ However, businesses with women at the top may have a competitive advantage. A 2016 global survey of 21,980 firms from 91 countries suggests that women in corporate leadership positions can improve organizational performance.¹⁷

Of course, gender is just one aspect of diversity, along with factors such as ethnicity, age and even personality. But diversity of personality may also be important for keeping the organization fresh and innovative.

Technology and new recruitment methods

Most types of selection assessment have been around for a long time: ability tests since the early 20th century, personality questionnaires since the 1940s, assessment centers since the 1930s (for the military) or the 1950s (for businesses). When organizations began to use computers in recruitment, it was to administer the same assessments quickly, cheaply and easily. Online delivery reduced travel and personnel costs, computerized scoring and reporting saved time and effort, and telephone or Skype interviews could replace some face-to-face interviews. More recently,



many assessments have been adapted for mobile devices, though this can be counterproductive if not done carefully.¹⁸

Now, we have entirely new types of assessments. Some have been 'gamified' to make them more appealing to applicants. They can include competition against the system or other 'players', scores and levels, and badges or prizes. Some game-based assessments have gone further, aiming to assess personality and motivation from the way candidates play a 'game'. More radical is using an individual's social media activity to identify their personality profile or other characteristics. So far, this approach has mainly been used in advertising, where you only need to be accurate about some people, some of the time (including, allegedly, political advertising).¹⁹ Workplace selection tools need to be accurate at an individual level, which these algorithms are not – yet.

Automated recruitment systems

Applicant Tracking Systems (ATSs) have become the standard for collecting and storing applicant information. Potentially, this helps recruitment to be quicker and fairer. However, systems that are too rigid or poorly designed can result in good candidates being rejected. Other candidates, perhaps those interested and skilled in the interpersonal arena, may be discouraged by the lack of human contact. Organizations need to balance using technology to save time and money with investing in the applicant experience.

What can organizations do to stay ahead of the curve?

1. Understand what you are dealing with

- Do you recognize any of the general trends listed above? If not, your organization might be immune – or maybe you just haven't looked hard enough. Which of these trends is affecting you right now? Which could affect you in six months, a year, two years etc. as the world changes?
- What is the brand image of your organization? How are you rated on platforms like Glassdoor, and what do people say about you on Twitter? How do your applicants (and potential

applicants) view your organization, and are you getting the caliber of applicants that you should? If the answer to any of these questions is not as positive as you want, are you willing to change the image of your company?

Remember that for many jobs, there is a labor shortage. Candidates can pick and choose.

- Put yourself in the candidate's shoes. Look at your website, emails and communications you send out. Is it clear what you are offering them, both short-term and long-term? You might know that your business is a great place to work, but is it obvious?

2. Review your selection process

- Are you recruiting for the right qualities? Do you really know what the job entails now, and have you thought about what will be needed in the future? Avoid making assumptions. What was needed and recruited for in the past may no longer be relevant.
- Speed up the process. You may want to decrease the number of stages or decrease the time it takes to come to a decision between stages. This can also help to retain good candidates. There will inevitably be some drop-off between stages. Applicant Tracking Systems, scorable online application forms and other technology can make the process quicker but try to have at least some element of human contact relatively early.
- Use modern methods and channels. Attract candidates from as wide a pool as possible, using social media and other channels. Don't just rely on subjective interviews. Use psychometric tests, personality questionnaires, structured interviews other proven objective techniques which assess the qualities you want. Consider other ways of delivering traditional assessments, such as Skype-based interviews. Be open to more high-tech solutions such as game-based assessments or video-based situational judgment tests. But don't be dazzled by the technology, ask for the evidence that it works.

- Be aware of the limitations or biases of some popular selection methods. For example, not everyone will be at their best in a group exercise.
- Ensure fairness and promote diversity. Many studies have shown that it is more difficult to get a job if you are female or from a minority group. In 2017, the BBC TV program Inside Out London sent identical applications from two candidates, 'Adam' and 'Mohamed', in response to 100 job opportunities. Adam was offered twelve interviews, Mohamed only four.²⁰ Like it or not, we all suffer from unconscious bias. Using objective selection tools is one way to counteract this.
- Ask a diverse range of people to evaluate a selection process. This guards against any subtle biases. Ask uninvested outside parties to evaluate the program.

- Create a positive experience for unsuccessful applicants. In the short term, they can spread positive or negative views of your organization to other candidates via social media. In the longer term they could be your customer or client, or a prospective candidate for another role. Treat them like human beings, keep them informed, and offer feedback.

3. Don't stand still

- Keep your selection process under review. Adapt and change it as conditions and techniques change – which they will.

Finding the right fit today isn't easy, but it is possible. And remember, you can use these tools in other situations too – they're not just for recruiting individual candidates. Objective assessment methods, for example, can be used to select teams of suppliers for large infrastructure projects. It's all about getting the right people, whether they're individuals, teams or companies, to deliver the best job.

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