



## **Transforming the Workplace: Are Leaders Ready?**

*“The world we experience is analogue: colours, sounds, smells, all merge and mix smoothly. The digital world ushered in by computers is different: binary, on or off, yes or no.” Charles Arthur in Digital Wars.*

## Introduction

During 2020/21 digitisation was happening fast and with the COVID pandemic internet usage increased by 70% and the use of apps doubled. 88% of employees will likely continue to work remotely at least part time post COVID compared to 30% before COVID. While more than 25% of consumers use mobile devices for purchases at least once a week.

The speed of technological change requires an urgent upskilling effort. Within the next decade 90% of all jobs will require digital skills and two thirds of the workforce will have already left education and be in the workplace. If a sector employs 3 million, then to survive 2 million will need to be upskilled or reskilled within the workplace. While most employers agree in principle that there needs to be urgent action, they also say they are not ready. Yet the speed and impact of technological change will challenge their businesses and society at large. What are the triggers to make employers move fast to catch up?



If we put this in a global context first and then the UK context we can see the size of the challenge. By the end of this decade more than 1 billion jobs, almost one third worldwide, are likely to be transformed by technology according to the OECD. By 2022 it is estimated 133million new jobs in major economies will be created according to the World Economic Forum. In addition, **by 2022, 42% of core skills required to perform existing jobs are expected to change.**

The world is facing a reskilling emergency and the only way this will be resolved is by working together across national boundaries to ensure people are not left behind. This entails working together across governments, business and society to provide the right education, skills and jobs for at least 1 billion people by 2030. The cost of inaction across the G20 countries failing to meet the skills demand could put at risk \$11.5 trillion in potential GDP growth in the next decade according to Accenture estimates. The human cost is likely to be far worse and should be included. Those not being upskilled will have no place in the digital world.

In 2018, Deloitte carried out a survey and found that only 12% of top global executives thought they could play much of the role in educating and training their employees. In 2020, the same poll found more than 80% claimed to be creating a culture of lifelong learning. But there is snag. Their employees don't trust them to do so. Another survey by Edelman across 28 countries found that less than one third of people trust employers to retrain employees. In fact, it was found that 83% were worried about losing their jobs as companies use more freelancers, automation or foreign competition to boost shareholder returns.

## The UK and New Technology

If we focus on the UK the challenge is still great. Everyone will be affected by the digital age with an estimation that 47% of jobs will be automated resulting in income disparities. Yet employers continue to under-invest especially where skills shortage is particularly acute says a report by Made Smarter Review. [About 16.5m in the UK need to be upskilled to become digital and 10.5m lack basic online skills](#), the majority of which are over 55 years and in sectors where digitisation will be crucial to keep the UK competitive internationally. With employees working longer, employers and HR need to catch up as it is no longer the case that everyone is finished by 60 or 65.

According to the report, the pace of change is such that two thirds of children in primary schools today will work in jobs that do not exist yet. In addition, individuals will have several careers and will need to continually reskill. When millennials were asked if they thought universities and FE colleges had given enough effort in educating for this reskill, the majority of respondents said 'no'. At the same time UK employers spend half as much on continuing vocational training as the EU average and this has declined further since the 2008 Crash. The adult skills budget was cut by 41% between 2010/11 and 2015/16 in addition to access to funding.

According to a report from PWC the biggest challenge for UK firms in adopting technology is lack of a digital culture, talent, and a clear digital operations vision. It found inadequate skills to understand, develop and deploy AI solutions. A bigger concern in the PWC Report was the inability of the existing workforce to work alongside AI technologies.

A report from Harvey Nash and KPMG claims that AI will lead to a massive upheaval of jobs over the next five years with more than a fifth of roles overtaken by computers. The survey of more than 4,000 technology leaders controlling around \$250bn (£197Bn) of technology spend said many were being asked by their companies to drive further automation into businesses potentially leading to jobs becoming redundant. Most of these respondents said that at least 10% would be replaced by automated roles within the next five years, but a third of respondents said an increase of 20%. This is not about low skilled work - there will be a wave of what some call 'de-professionalisation' in which white collar workers will be replaced with algorithms that can do their work faster, better and cheaper. In fact many parts of our lives are becoming decisions of algorithms.

What are these technologies that will transform industry today? According to Deloitte there are nine trends that will transform industry and the workplace.

- The Internet of Things
- Cybersecurity
- Autonomous robots
- Simulation
- Horizontal and vertical system integration
- The cloud
- Additive manufacturing
- Augmented reality
- Big data and analytics



Most of the companies operating in this space are at present in the US. In 2019 the International Monetary Fund warned that the market power of a small number of global companies threaten to stifle innovation as they have the capacity to block the entry of potential rivals. It also called for a tougher international tax regime to target excess profits. This is also an ongoing public debate about the corporate power exercised by the US tech giants such as Google, Amazon, Apple and Facebook. The tech giants have been accused of using takeovers and mergers as a way of removing competitors and the IMF said its evidence showed that these had led to higher profits. In 2021 the G7 decided to address this.

The UK has only 33 robots per 10,000 employees compared to 93 in the USA and 170 in Germany and the gap is widening. Germany invests 6.6 times more than the UK in automation although its manufacturing sector is only 2.7 times the UK in size. In 2019 the UK government had the Made Smarter Review led by Professor Juergen Maier, CEO Siemens UK set out an ambitious plan for the UK to become a leader in the 4<sup>th</sup> Industrial Revolution through the development and adoption of Industrial Digital Technology.

The Made Smarter Review recommended in 2020 1m industrial workers in the UK are upskilled in the next 5 years by 2025 but added:

*“There is lack of expertise within HE, FE and schools to support employer needs. The immediate priority is thus for industry and government to work together to increase the level of industrial digital technology skills in the existing workplace.”*

The Review recommended a number of actions to reskill and upskill workers, with a particular focus on SMEs (which represent one third of industrial employees). These included the establishment of a central co-ordinating body for industrial digital skills such as a Smarter Skills Strategy and a Smarter Skills Implementation Group to promote good practice and innovation in skills development through an open partnership of employers, universities, private training providers, experts in online learning delivery and professional bodies.

These proposals have now influenced some actions backed by government funding, but we are still behind other competitors. Therefore, actions businesses can do right now include:

- Creating a culture of lifelong learning and more visible career paths for adults. This means that learning is part of any role not an extra item for a few.
- Improve how we identify future skills requirement and take short and long- term action.
- Create an agile skills development system able to respond to rapidly changing market needs.
- Increase investment substantially and improve the provision and access to quality learning to support those future skills.

Upskills requires giving employees opportunities to gain knowledge, tools and capabilities they need to use advanced and ever-changing technology in the workplace and their daily lives. Not everyone has to learn code – but they may need to understand and manage AI, data analytics, autonomous vehicles and other technologies we have yet to invent or bring to market. Chuck Robbins, CEO of Cisco has said “We should disregard the previous criteria of how we recruit people just based on graduates and age and stop looking down on vocational qualifications which are often looked down on, we need to break this thesis.” He also believes that companies should connect more with their communities, “If you help the community, you will get better employees.”

People in organisations will also need better leadership capabilities to inspire and empower others to take on the challenge of continuous learning and be able to make good decisions about the use and implementation of technology. [Upskilling 1.37m workers whose jobs are threatened will cost £35b or around £20,000 per person. Yet the cost of inaction will be worse.](#) Already it is a challenge to find the right people in many businesses, so we have to upskill those already in work as well as those in education.

According to the Future of Jobs Report (2020) from the World Economic Forum, 50% of all employees will require reskilling by 2025. The OECD suggest what is required is Global Skill Taxonomy, that is a common language for skills that would enable collaboration between employers, learning providers and governments to reskill, upskill and redeploy talent. There also needs to be a roadmap of what industries and skills will be needed for each sector. Companies have responsibility for this if they want a future because either they adapt or be left behind as we have seen across retail and others.

Upskilling is not simply a matter of teaching people how to use a new device - as it may be obsolete by next year. Rather it involves learning how to think, act and thrive in a digital world that is sustainable over time. This includes those who are at risk of exclusion. This has become apparent with the lockdown and having to use technology to educate children.

This new world is questioning everything we once took for granted or assumed. The growing use of surveillance devices is making us think about ethics and governance. Advances in genetic engineering and AI is making us question what it is to be human. The 'digital divide' between rich and poor is making us consider what constitutes a fair economy. Social fracturing has been exacerbated by digital media, making us question the credibility of information and its impact on democratic voting. The pressure of climate change and advances in energy technology is making us rethink and act towards environment sustainability.

Each country needs to consider the demographics of its citizens, its ability in technology maturity and the make-up of its economy to develop its own upskilling solution. For example, a developed economy, with an aging population and strong service sector will have different priorities than a developing, rural economy and population under thirty years. However, all will require to raise their capabilities and understanding of the digital world.

The World Economic Forum suggests that digitisation is an opportunity to gain greater understanding through three actions. The first is to explore how to transform an organisation into a digital business across seven dimensions: new value creation; digital at the core business models; intelligent and agile operating models; localise resilient supply chains; real time decisions at the edge; data-driven investment decisions; and augmented talent.

Secondly, digital transformation should empower all stakeholders: employees; consumers; suppliers; partners; government and society. Finally, digital transformation should enable organisations to explore system change through digitally enabled collaborative models that correct market failures.

## The Professions

When we think of re-skilling and up-skilling there is a tendency to think of low-level jobs or manufacturing. However, [the impact of the digital world will include the professions who will have to adapt](#). This includes lawyers, accountants, architects, consultants, doctors, teachers, journalists, tax advisers and even the clergy. It is claimed that some of these professions will disappear including the professional institutions that govern them. Richard Susskind and Daniel Susskind have made a study of this and although they can't predict the future, they have seen the transformation of these professions begin already.

The professions, though different, have a common base to their work – they are valued for their expertise and knowledge. Just as with other roles in society, professional jobs will disappear, but there will also be new opportunities. Susskind describes it as: *"increasingly capable systems will bring transformations to professional work that will resemble the impact of industrialisation on traditional craftsmanship."*

The danger is that many in the professions will respond with small modifications with much staying the same ways of working. In this transition, incremental changes will not be sufficient. Today with the aid of technology, people can find alternative ways to the knowledge and expertise of professionals and so it can be assumed that by the next decade professions will have less prominence in society. Instead of visits to GPs people will use services such as Doctor Link; teaching will be made more digital and there will be less need for lawyers to attend courtrooms. This tendency of individuals today to find out knowledge and expertise themselves will continue and it has the capability of improving their lives. It could result in better education with more online courses available to many as well as better access to justice.

One area in organisations that will be impacted is finance. The CGMA have written an excellent White Paper assessing the impact of the digital world on management accountants in organisations. Their main finding was *“in a digital world, the focus of the finance function is shifting from being based on costs to being based on organisational value.”* This means the value it brings to both the organisation and the wider community. Therefore, showing a shift towards upskilling and more stakeholder capitalism thus linking how these big issues move together.

**Antonio Neri, President and CEO HP Enterprises summarises where we are going. “Accelerated by the global pandemic, we are entering the next wave of digital transformation - an Age of Insight. We must leverage technology to discover insights that elevate the greater well-being of every human on the planet.”** The well-being of people is also an issue raised by many working from home during the last 18 months.

## Changing Work Place

Working from home has become the norm for millions since the pandemic. It is estimated that 88% of UK employees want to continue working from home to some extent post-COVID. A UK study of 5,000 full time employees found that 52% of the respondents are working from home. Of this, 20% wanted to carry on working from home two days a week and another 20% wanted to work from home three days a week. On top of this, 19% said they wanted to carry on working from home full time. There is no evidence that productivity is less with working from home and 2% of the participants actually said they thought it was better. Only 19% said they would return fully to offices, but their biggest concern was travelling on crowded trains, busses and tubes.



Organisations including banks, technology companies and professional services firms have made the necessary steps to support remote working that will continue after the pandemic. This includes the UK's biggest building society, Nationwide, after finding that only 6% wanted to return to their previous work- place. They found that 57% wanted to work remotely full time. This has implications for the large office blocks in cities. HSBC has decided to reduce 40% of its office space around the world and Standard Chartered have told 75,000 employees that they don't have to return to an office.

At the beginning of May 2021 Ministers asked businesses to draw up policies on how to make flexible working the default for companies. An advisory group of business associations including the CBI, charities and unions including ACAS have formed together to help frame employment advice for flexible working and deal with issues such as health and safety, data security and productivity. The group are also working through issues such as the impact on town and cities with Ministers worried that with most working from home the impact on small outlets such as newsagents and cafes will suffer as they rely on the flow of commuters.

Many are now working through hybrid models where staff can work from home on certain days and the rest of the time be in the office. Grant Thornton said nine in ten of its UK employees wanted to spend less than half the working week in the office. Employers have realised that far more work can be done at a distance than they previously believed. However, home working is not all positive as some complain of long hours and inability to 'switch off' while others complain of zoom fatigue. Nationwide also found that one in five remote workers lack the space or technology to work from home productively. Yet companies are still tied to expensive real estate and rigid hierarchies with its emphasis on management instead of delegating more responsibility to frontline teams. Organisations are also failing in updating their communication systems and complaints have been mounting from people who say they are fed up with organisations using the pandemic as an excuse for poor communication and customer service.

Only 26% of full- time workers want life to return to how it was before COVID. Nearly 75% of 45-54 year olds do not want to return to the old 'normal'. Whereas 61% of Millennials and Generation Z would prefer to go back. The main reasons for wanting to work from home were to save money, spend more time with loved ones, less stress and saving money from commuting. The most popular option is to work from home three days a week.

Therefore, it would be wise to study how motivation and productivity has an impact on this. Businesses must develop far higher levels of stakeholder empathy and stakeholder intelligence to better understand their needs. Most people whether employees, customers, suppliers and communities do not want things to just snap back to how it was before. People have learned to work more digitally and flexibly. The issues of productivity and motivation still need addressing and this is where we have to reinvent management to be something we all do – whether it's manage our work, our time or our communication with colleagues and customers.

An impact of more home working has had an impact on housing and where to live. The need for space and access to outdoors has resulted in many leaving the cities in both the UK and USA. Parents now want a rural life for their children. Another unexpected outcome of COVID is the way it has reversed the gains women have made at work. In a study by PWC they found that 17 out of 24 rich countries, where unemployment rose in 2020, women were more likely than men to lose their jobs. On average, women spent 7.7 more hours a week than men on childcare in 2020, resulting in some women leaving their jobs. The Financial Times found many women considering taking a step back in their careers in 2021 because they felt the pressure of childcare and work too much.

## Older Workers

People now are choosing not to jump off the cliff edge into retirement but instead either carry on working part time or full time. While some do this for financial reasons, many choose to do it as they enjoy the stimulus. Yet companies still regard staff over fifty on their way out rather than part of the future. In Spain there is a plan to pay workers to postpone retirement. There is also a large number of over 50's setting up their own businesses and it seems that those who founded tech companies in their fifties have a much higher success rate than those in their mid- twenties. In other words, there is a need to update our views of older workers who contribute to the economy.

## Governance

Organisations are going to transform in the next decade. Boards have spent decades focusing on 'vision', 'mission' and 'strategy' but leading an organisation today should also focus on why it exists or its purpose. John Mackay, Co-CEO of Whole Foods Markets says “..purpose is the glue that holds organisations together”. When the purpose is clear it also attracts the best talent and strengthens brands. In the twenty-first century, purpose is also the difference you are trying to make in the world, whereas mission is the strategy to achieve this and vision becomes how the world will look when the purpose has been realised. The company's purpose should be stated simply so everyone will know and understand it.

On May 15<sup>th</sup> the media was full of stories about a petition from hundreds of academics stating that following the coronavirus the workplace must become more democratic and that human beings are *not* resources. [For without purpose work is meaningless](#). The way to see this is through the story of Sisyphus – a story I told in *In Search of Leaders* (2000)

*There is a Greek myth about a man called Sisyphus who is condemned to roll a rock to the top of a hill, to see it roll back to the bottom, then roll it back up to the top, where again it rolls down, and so on through eternity. Week in, week out, day in, day out, Sisyphus worked.*

*Now suppose, instead of a large rock, Sisyphus could have smaller ones and in different colours that would stay as a pile at the top of the hill instead of rolling down. That makes the work easier, but it is still meaningless and with no purpose.*

*Suppose those rocks are assembled into something of beauty and grandeur, a building such as the Taj Mahal, that will inspire generations of humankind. To some extent this gives Sisyphus the same motivation as the builder of a cathedral or office block. But he is still subject to the will of others. All his bosses have done is allow him to see what is happening to all the stones he is compelled to move. But he has no role except that of a drone.*

*Now suppose Sisyphus not only moves the stones, but he places them according to a plan which he created using his thought and reason and that the result is an inspiring structure of beauty. Suddenly we see someone with purpose in their life, therefore, to have purpose in one's life is a creative expression.*

This does not come with status, position, or control over others, but adds great value to the world which we all participate in – not as a passive worker but using ideas and creativity. The Edelman Survey found that 62% of people say they want the opportunity to shape the future of their companies in a meaningful way, with 64% saying, specifically, that they wish to influence strategy. In addition, 62% say they want to work for an organisation with a greater sense of ‘purpose’. Business leaders should listen to this as the new generation will have at least five jobs and some three careers in their lifetime. To recruit and keep the best talent, organisations have to do far more than at present. Having purpose means giving to the world something that would not have existed without that person. It is unique to that person, and everyone can have purpose.

However, all this is superficial if the culture does not match and here lies the big challenge for most CEOs and boards. As Peter Drucker once said: **“culture eats strategy for breakfast.”** In addition, culture comes from the top not the HR department. It is important to firstly know what the culture is and what part of it is toxic or preventing the best in everything the business does. In addition, culture is instigated by the board. John Mackay uses a business audit to assess the degree to which the firm’s culture embodies the qualities in the mnemonic TACTILE – trust, accountability, caring, transparency, integrity, loyalty and egalitarianism. These should be directed and demonstrated by the board first as everyone looks to them as role models.

Accenture’s 2020 COVID research found that 67% say the pandemic has strengthened the need for greater business responsibility to improve societal and environmental outcomes. It also found that one in two workers agree that the ethical, sustainable and moral values that a company holds will become more important to them post-COVID. The future of work will be hugely different from the present and that begins today. It is going to require a huge shift in our thinking and consciousness first and this could be the biggest challenge.

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