

# CHAPTER 1

## Driving Forces for Workplace Change

*A crisis is an opportunity riding the dangerous wind.*

—Chinese Proverb

**T**here is a crisis coming. That is, of course, the way to get people's attention and sell books. It has worked since scribes first started jotting down thoughts on paper. And in a way, they have always been right. The crisis may not have been the one they foretold, but a confluence of events was occurring, and those writers attempted to communicate their analysis through writing. Daniel, writing in Babylonian times, foretold crisis through the interpretation of dreams and visions. The crisis we are facing is not one of biblical scale, but it requires a reordering of priorities and a reassessment of assumptions about the workplace. The recent recession has brought a crisis of faith to the financial system, as the 9/11 attacks brought with respect to national security. Both have raised questions about the efficacy of government. If we look forward, several driving forces are converging to create a workplace like none we have ever experienced.

### **The Aging Workforce**

Many employers are not prepared for the realities of an older work-force. According to a recent survey from the Society of

Human Resource Management, two-thirds of U.S. employers don't actively recruit older workers, 80 percent do not offer incentives for older workers, and 60 percent don't account for workforce aging in their long-range business plans.

In 2012, 10 thousand Americans will turn 65 every day. That would mean retirement in the past, but longer life spans offer more options for healthy seniors. Increasingly, 65 isn't the goal, as some baby boomers opt for early retirement so they can have time to kick-start a second career. In a post-recession economy, many of these older workers won't be able to afford to retire.

Futurist Peter Schwartz observed, "Many older managers or [information] workers today will be hired for their third, fourth, fifth, or sixth career tomorrow, and consequently will bring a cross-disciplinary 'hybrid vigor' perspective that will be increasingly valuable."<sup>1</sup> This profile will put them in an excellent position to capitalize on the advances in information work technology, such as asking deep, holistic questions and managing across boundaries, which increases the premium on exactly the kinds of skills that older workers bring to the workplace.

Another phenomenon comes from the recognition that the skills of older workers are not easily replaced, and when that is combined with the anecdotal evidence that the Millennial generation is not overly interested in learning about routine, industrial-age, or mundane jobs, then the choice for many American employers is to pay workers more. In July of 2007, *Business Week* reported that only 30 percent of people 65–69 were actively looking for work and that those 55 and older have seen healthy salary gains while the pay for younger workers has declined (when adjusted for inflation).<sup>2</sup>

The aging workforce presents a double-edged sword for employers. Because their knowledge is unique and organizations want to retain that knowledge for business continuity, they run the risk of stifling innovation. Aging workers may prove less loyal than anticipated, deciding to start new careers, enjoy new experiences, and create better work/life balance by leaving organizations, despite financial incentives. In some ways, older Baby Boomers may act like entry-level Millennial employees when it comes to workplace loyalty.

Organizations must decide how to retain knowledge from their increasingly frustrated Baby Boomer population, while not letting that effort focus so much on the execution of yesterday's business that they fail to adapt to the challenges and opportunities

that arise regularly from the fluctuating currents of the global economy. Further, organizations need to understand not just what the Boomers know, but how to integrate that knowledge across the workforce, a design challenge of the first order.

## Decline of Women in the Workforce

According to the U.S. Department of Labor, only about 43 percent of working-age women were in the U.S. workforce in 2004, up from 29 percent in 1950.<sup>3</sup> That number has slowly risen, but in the last recovery, the percentage of women between 25 and 54 in the workforce dropped from 74.9 in 2000 to 72.7 in June of 2008.<sup>4</sup> As we come out of the 2008–2010 recession, the percentages of working women approach parity with men, but the direction of future participation remains unclear.

Globally, up to 40 percent of the world's 2.3 billion paid workers are women, representing an increase of over 200 million in the past 10 years.<sup>5</sup> While many women continue to play a critical role in traditional sectors such as agricultural production, textile manufacture, and domestic service, they are quickly gaining parity with men in other occupations, such as those that require knowledge and information work skills.

The Organization for Economic Co-Operation and Development (OECD) and the United Nations are actively promoting opportunities for women in the global workforce through initiatives ranging from education, healthcare, family planning assistance, and vocational training to micro-credit, to foster the development of women-owned businesses in the developing world. Promoting economic empowerment and education for young women has, in fact, proved to be one of the most successful development strategies of the past 50 years.

The integration of women into the paid workforce, however, also correlates to declining fertility rates worldwide.<sup>6</sup> According to the (U.S.) National Center for Health Statistics, “a woman’s educational level is the best predictor for the number of children she will have.”<sup>7</sup> Many opinions exist about the cause-and-effect relationship, but a growing consensus see the social and economic demands of professional employment creating unprecedented pressure on all aspects of traditional family life—particularly areas such as child-rearing that typically require the extensive participation of women.

This fact, perhaps combined with strong education on population control, has combined to create the declining workforces seen in many economies across Europe, and the shifting population growth, as well as future markets, to Africa, the Middle East, and Asia, where populations continue to rise. It is unclear at this time if these statistical trends will hold for those populations, but the number of young people who already live in those populations will create a profound shift in the global economic balance over the coming decades.

The apparent conflict between the macro- and micro-economic benefits of integrating women fully into the professional workforce and the continued existence of the traditional family structure is at the center of many of the world's most bitter social, political, and religious divisions. That is because the current assumptions and structures of work, especially information work, almost demand a trade-off between attention to professional responsibilities and attention to domestic responsibilities. A 2004 study by the Center for Work-Life showed, for example, that 43 percent of the women it surveyed left the workforce at some point in their careers to raise children. Of these, only 74 percent who sought re-employment successfully found jobs, and only 40 percent of those were full-time.<sup>8</sup>

Several developments in the technology and sociology of information work may help to diffuse this growing problem. Today communication and collaboration tools are reducing the need for workers to be physically present at the office and are enabling workers to shape the patterns of their professional life around the contours of home and family to a greater extent than has been possible before. New innovations in information work technology will further automate many of the routine interactions of many jobs (notifying colleagues and supervisors, finding and presenting information, managing documents) and will provide smarter, simpler ways to organize and prioritize tasks and information. Available technology has also eliminated the need to pursue work that is geographically centered, which will open new opportunities for skilled female workers in a globally-sourced talent pool.

The increasingly collaborative nature of information work will also increase the relative value of intuitive, persuasive, diplomatic, and integrative skills, which align to gender roles traditionally assigned or ascribed to women. This book most emphatically

takes no position on whether women or men are better suited to any particular occupation or skill set by dint of their gender. The point here is that growing recognition and value for skills traditionally identified with women may reduce the perceived disparity (and rewards) between “men’s work” and “women’s work,” thereby reducing some of the cultural tensions associated with women in the workforce.

### Millennial Attitudes toward Work

Despite the overall decline in fertility rates, 1990 saw the highest number of live births in the United States since the waning years of the baby boom, and the cohort produced in the 1990 to 2000 period is the largest in 30 years.<sup>9</sup> The Millennial generation has grown up surrounded by digital interactive media—video games, the Internet, instant messaging, and a cornucopia of entertainment options. Their perceptions are shaped to a large degree by these experiences, which they will carry with them into the workplace.

Sociologists who have studied the emerging generation identify some characteristics common across Millennials from different regional, economic, and ethnic backgrounds:

- Special: feeling of being vital to the nation and to their parents’ sense of purpose
- Sheltered: kid safety rules, lockdowns of public schools, sweeping national youth safety movement
- Confident: high levels of trust and optimism
- Team-oriented: classroom emphasis on group learning, school uniforms, tighter peer bonds
- Achievement-oriented: accountability and higher school standards
- Under pressure: expectations to excel in many different areas
- Conventional: social rules can help; comfortable with parents’ values<sup>10</sup>

They will likely demonstrate technological sophistication, “street smarts,” a penchant for collaboration, and positive aspirations in the workplace. But they may require greater supervision and positive reinforcement by management than older workers.<sup>11</sup>

Millennials in the workforce will be motivated by the opportunity to work with other bright and creative people, gain personal recognition for their work, and make a positive social impact.<sup>12</sup> The values, highly nurtured upbringing, social conscience, and sophistication of Millennials promise to make them extraordinary contributors in the workplace, provided that organizations take the necessary steps to accommodate their particular needs and expectations.

Millennials also have higher expectations with respect to technology. For the most talented and productive new workers, constant access to information and colleagues is a baseline assumption. Organizations can harness the enthusiasm and fresh thinking of younger workers by making investments in information and communication systems and practices that align with their high level of skills and expectations.

Perhaps the most important facet is that the Millennials hold a set of social expectations expressed as a lower need to strive toward greater responsibility at work, and a willingness to give up some level of pay and benefits to retain a more flexible, socially-oriented lifestyle. This tendency will result in high turnover rates for Millennials. This trend, combined with the aging of the baby boom generation, will create an increased need for organizations to manage the intellectual assets of their workforce so they can quickly bring in new talent, learn from that talent, and capture that knowledge before they depart. At the same time, these younger workers are capturing important knowledge from their older co-workers that will need to be transferred to new workers in new ways, as long-term mentoring is unlikely to be a model over the next several decades.<sup>13</sup>

### **Expectations Set by Consumer Technology**

Walk into almost any office, even in many retail stores, and it isn't hard to find workers wearing headphones listening to their favorite music, a podcast, or an audio book. Consumer technology, from media players to Web 2.0 applications, has penetrated the workplace, and workers have no intention of allowing such technology to retreat.

Studies, such as the one conducted by ClearSwift, report that 87 percent of office employees access a Web 2.0 site of some kind during the week, and 63 percent one or more times during the day. With 50 percent of the respondents reporting that they were *entitled*

to access to Web 2.0 Internet content from their work computer for *personal* reasons<sup>14</sup>.

Today much of this technology is introduced by workers, despite, not because of, an organization's IT policy. Technology is a critical component of workplace design, and by leaving information gathering and social interactions purely to the emergent whims of employees, a company may create sub-optimal, uneven, even isolating work experiences.

There is nothing wrong with learning from employees and adapting to the latest trends in communication, in addition organizations can't afford to ignore this phenomenon and let it just happen. That does not imply draconian restrictions as some organizations have attempted (only to find that employees restricted at their PC turn to even more personal devices, like phones, to continue to orchestrate their personal relationships on "company time.") What is suggested is that a portion of the organization, with representations from information technology, human resources, operations, and labor work together to understand the issues and exposures, the opportunities and the benefits presented by consumer technology.

Many readers will remember that in the early 1980s there was a consumer phenomenon that took place, one that eventually disrupted the burgeoning infrastructure of centralized computing. That consumer device was the personal computer (PC). I lived through that struggle between mainframes and local access to computing power that first lost hold as even the smallest computers started creating financial models more sophisticated and resilient than their mainframe counterparts. PCs weren't designed into the environment, they fought their way in like weeds, and like weeds of some invasive species, they eventually became so entrenched that they couldn't be removed. A similar invasion has taken place with cellular phones, instant messaging, and social computing. Rather than ignore emergent technology, organizations need to proactively engage with it so it can be incorporated into the workplace experience rather than, at least early on, becoming a source of negative tension to the experience.

## **The Benefits Retreat**

One way or another, workers are paying more for healthcare. They are taking larger, and in many cases, completely independent roles, in their pensions. In countries with socialized services, this comes in

the form of higher taxes. In the United States and other countries with mostly private plays (or delayed social nets) the increased contributions to healthcare come directly in the form of higher payroll deductions (or lower benefits) and from self-managed retirement funds.

According to a Kaiser Foundation study in 2007, healthcare premiums rose 6.1 percent for employers, double the rate of inflation—and workers were paying \$1,400 more in annual premiums than they were in 2000.<sup>15</sup>

A March 22, 2006 article from CFO magazine begins with the following paragraph:

Most companies would probably freeze their defined benefit pension plans if the costs start eating large chunks out of corporate cash flow, a new survey of 109 senior finance executives finds.<sup>16</sup>

The combination of retreats in healthcare and in pension programs means that even full-time employees increasingly feel like contract workers, further eroding their loyalty, and any leverage a company may have in keeping them.

### **Profuse Technology and the Data Deluge**

I use profuse rather than ubiquitous to give a sense of not just availability, but a sense of swimming in technology. Ubiquity is about it being everywhere, but with a sense of constrained choice still being imposed. When we want it, it will be available to us. Profuseness is more appropriate to the technology future we will face, with computers embedded in everything from watches to home appliances, and with petabytes of available information on every topic known to humankind instantly, and simultaneously accessible.

For the workplace, that will mean a deluge of data. Not just e-mail, but operational data, often without context or relationships. Raw, streaming, never-ending data.

Much unstructured information will require human filters despite the availability of search engines and subscription services to discover and feed information to workers. People will need to provide the pattern recognition required to make sense of the incoming streams. In other words, people will need to make sense of what



is going on in the world, which is nothing new, but the available information from which they need to filter information relevant to the business has increased dramatically, as has the scope of concern. Global markets force many formerly regional organizations to understand international dynamics, from politics to energy, and at a level of depth previously unprecedented outside of certain industries.

Understanding what information is needed to make a decision or to understand a problem becomes a design issue. It will be insufficient to just let people figure out what is needed. Teams, entire organizations, will need to design multi-layered data gathering mechanisms. They will need to figure out what is critical, operationally as well as internally. In addition to what is important in their market, to their customers. What is happening in the legislative spaces that regulate their industry, internationally—and they will have to create feedback loops that ensure the data they need to make sense of their world still makes sense when the world changes.

## Life-Long Learning

It is no longer sufficient to create work environments limited to the execution of a particular kind of work; they must also be conducive to learning.

I grew up in a factory. I saw my father teach people how to run machines. How to think about the spatial issues of turning a flat piece of metal into a louvered, punched, and bent cabinet for an automobile battery charger. Once people understood their domain, things didn't change much. Sometimes for years. The skills they acquired were leveraged over thousands of hours of work.

Many skills acquired years ago, even when applied, take on a sense of nostalgia, like filing cards in a library card catalog, taking shorthand, tracking tides with Tide Tables, or bending and punching sheet metal. Even if we still employ people to do some of these things, we know their days are numbered. The Internet has spawned a number of blogs, wikis, and websites that track skills we either no longer need to know, or once common skills that have become niche skills in the few remaining pockets where they can be applied (for a long list of skills at their state of obsolescence see <http://obsoleteskills.com/Skills/Skills>).

There are several important implications for the continuing shift in skills. First, organizations need to move beyond training to

a more open model of learning, which (second) includes the ability of people to act as sensors in anticipation of skills they will need. So rather than wait for the organization to figure out what they need, create, or contract for a course, workers drive the learning and take advantage of any learning channel available to them. And third, organizations need to create clear incentives for learning and reward structures that pay people for learning and for indentifying required learning.

### **Skilled Worker Shortages**

Different industries have different problems. The information technology (IT) industry is constantly on Capitol Hill in Washington, D.C., asking Congress for H1B visas that will allow more U.S. trained students to remain in the United States and apply their newly acquired skills here, rather than returning to their countries of origin. This phenomenon continued through the recession of 2008–2009 despite the American Recovery and Reinvestment Act, signed in February of 2009, which included a sub-bill, the Employ American Workers Act, aimed at curtailing the growth of foreign workers.

The manufacturing industry is worried that people don't want to join their ranks, but in recent reports, they are not tackling basic issues like revamping aging factories, creating training programs, or increasing pay.<sup>17</sup> There is debate about how severe worker shortages will be. Wharton's Peter Cappelli, Director of the Wharton Center for Human Resources, believes, "the study's projected shortage stems from managers who set overly high expectations for job candidates and who are unwilling to cough up higher salaries for so-called qualified workers."<sup>18</sup> As with many statistics, they may reflect the needs of the industry in their methods and conclusions more than they do the reality of the situation.

The reality is that globalization has created new pools of talent and has broken down the nationalistic barriers that once constrained companies to seek local talent. Although with the Internet, skilled workers anywhere can contribute, many don't know how. The industries most affected in the United States and Europe will be those that have a need for citizen-based talent, such as many public sector jobs, aerospace and defense, and some of the sciences. Jobs like IT, general science research, and energy may play to the national drum beat that calls for keeping jobs at home, but the demand for

profits and the continued ability to conduct labor arbitrage in emerging markets translate into more off shoring and the perception that jobs are scarce, as are skills. A survey of American workers by The Marlin Company in May of 2008<sup>19</sup> said 77.2 percent of workers felt unrepresented by the political system when it comes to workplace issues. Design issues for the workplace reach far beyond any physical manifestation of work.

Emerging economies do not share these issues, as they often have a younger demographic, but more likely, a more highly motivated population that sees education and the sciences as a way to increase their economic viability as well as their personal standard of living. They are the recipients of regional and national investments in economic growth, as well as investments by foreign countries to leverage international talent. The situation in emerging markets is not static. Asian markets are already seeing the demand for higher wages and the easy availability of employers driving skill shortages as workers move to improve their standing against global benchmarks. A January 2007 survey from *The Economist* reports that a *shortage of qualified staff* was the top business concern for Chinese employers.<sup>20</sup>

In terms of work experience, as with customers, the issue will be focused on retaining the most valuable. Workplace experiences create a reason to stay associated with a particular company. Critical knowledge of a business or industry cannot be outsourced because it defines the organization, its strategy, and ensures business continuity. Understanding which workers are most important, why, and how to retain them, will be a crucial design issue for organizations in the future.

## Overcoming Industrial Age Bias

One of the biggest problems facing businesses in the future is the evermore ethereal economics that track their performance. The idea of lifelong learning outlined above does not connect to industrial age views of scalable skills in repetitive functions. Although learning can be seen as an input, the cost of constantly trolling for new things to know with no clear connection back to the production process is new. In a way, it creates a potential for distributed innovation if the learning is incorporated into organizational goals and strategies. That potential, however, gets to the crux of the problem, because not only

does the search for knowledge not have legitimate ties to production economics, the association with innovation creates further vagueness in how to relate learning to outputs. In the industrial age, the majority of investments went into direct business operations, with the resulting output of a factory clearly tied to production. In the service sectors and other knowledge-based industries and roles, the connection between the work and the outcome is tenuous at best, often requiring new processes, such as surveys, to determine if the production work achieved its goal.

Overcoming industrial age biases will require that organizations shift to a recognition of value for more intangible outcomes, rather than trying to straightjacket all investments in the cloak of productivity. They need to recognize the value of overall performance, sustainability, and business continuity. Businesses that invest in being more efficient, and not in other areas of knowledge, may find themselves highly enabled to do everything faster, including accelerating their own demise.

## Brand Equity

Brand equity has many dimensions, but nothing exemplifies it in the context of the workplace more than being named one of the best places to work. As the competition for talent goes global, creating a great work environment will be a strategic differentiator for attracting and retaining talent. Those environments don't just happen organically; they are designed around the tools of the workplace: space, practice, policy, and technology. Organizations that want to excel at attracting talent need to look beyond their products to the entirety of the company, the holistic view of the organization in the marketplace, and how that view permeates the organization. Those views are made not of marketing material, but emanate from the collective day-to-day efforts of employees, managers, and executives.

There are stark realities to being a great place to work, and one of those is the contrast with *professionally* run organizations (e.g., those managed by professional managers, who have attained MBAs, and those with blue chip experience). In *Good to Great*, Jim Collins takes on some of those assumptions.

"The professional managers finally rein in the mess. They create order out of chaos," he writes, "but they also kill the entrepreneurial

spirit.”<sup>21</sup> In his chapter, “A Culture of Discipline,” he outlines a sense of balance required to become a great company, ending with the final recommendation that “Stop doing” lists are more important than “to do” lists.<sup>22</sup>

Many of the ideas you will read in this book can contribute to your stop doing lists, as you will have a new context for how and why things fall outside of your design, and may therefore be superfluous to the outcome you are trying to accomplish.

## The Not Employees

Being the best place to work may no longer be a true metric. With what is becoming known as a *blended workforce*,<sup>23</sup> employee satisfaction may no longer be the best indicator of success. The metric may need to be inclusive of contractors, contingent staff, freelancers, outsourced employees, out-tasked employees, consultants, and other classes of workers who are involved in a company, perhaps even on a day-to-day basis, but who do not receive their paycheck from the company in which they spend their time. This idea has permeated many of the issues above because it is, in large part, how most organizations accomplish their goals in the post-core-competency management world.

I leave this point for last in this chapter as it goes to how broad the workplace experience needs to be. If the concentration is on employees, then the others working in the company may have suboptimal or negative experiences because they are purposefully designed out of the equation. They may get a sense that they don't matter, and therefore may not be motivated to contribute their best. It is false for organizations to consider that people who are paid by contract should be treated less humanely than those who are employed directly. Today's organizations are complex mixes of relationships that need to be managed, and the experience as a company of relationships needs to be consistent across the classes of workers. This is a new paradigm, and one that needs to be taken seriously when designing workplace experiences because the workplace is a virtual, ever-shifting environment with many different players, not just one of employees who may co-create an experience with their managers, but one in which all players want to experience positive things when they enter the environment.

Remember that some of your most important customers visit your place of business, even if it isn't a retail establishment. The way

employees and other workers behave, in public and in private, will be seen. The workplace experience is part of the customer experience.

### **The Combined Force of Driving Forces**

When you combine these forces, you can start to feel the shape of a workplace that is dramatically different than the one many of us experienced over our lives so far, and one that is even more distant from the ones that existed in the 1950s, 1960s, 1970s . . . well, you get the point.

Tomorrow's workplace will need to be one where the workers, be they employees or not, have been given sufficient social, technological, and economic attractions to continue to participate in the workplace we are responsible for—in a world of competitive pressures, our workplace needs to be competitive at all levels.

<http://www.pbookshop.com>