



Harvard Business Review

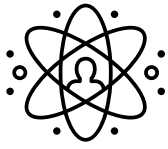
REPRINT R1903H
PUBLISHED IN HBR
MAY-JUNE 2019

ARTICLE MANAGING PEOPLE

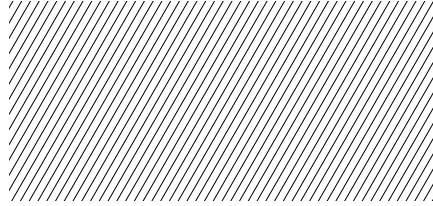
Your Workforce Is More Adaptable Than You Think

Employees are eager to embrace retraining—and companies need to seize this as a competitive opportunity.

*by Joseph B. Fuller, Judith K. Wallenstein, Manjari Raman,
and Alice de Chalendar*



MANAGING PEOPLE



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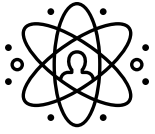
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Many managers have little faith in their employees' ability to survive the twists and turns of a rapidly evolving economy.

“The majority of people in disappearing jobs do not realize what is coming,” the head of strategy at a top German bank recently told us. “My call center workers are neither able nor willing to change.”

This kind of thinking is common, but it’s wrong, as we learned after surveying thousands of employees around the world. In 2018, in an attempt to understand the various forces shaping the nature of work, Harvard Business School’s Project on Managing the Future of Work and the Boston Consulting Group’s Henderson Institute came together to conduct a survey spanning 11 countries—Brazil, China, France, Germany, India, Indonesia, Japan, Spain, Sweden, the United Kingdom, and the United States—gathering responses from 1,000 workers in each. In it we focused solely on the people most vulnerable to changing dynamics: lower-income and middle-skills workers. The majority of them were earning less than the average household income in their countries, and all of them had no more than two years of postsecondary education. In each of eight countries—Brazil, China, France, Germany, India, Japan, the United Kingdom, and the United States—we then surveyed at least 800 business leaders (whose companies differed from those of the workers we surveyed). In total we gathered responses from 11,000 workers and 6,500 business leaders.

What we learned was fascinating: The two groups perceived the future in significantly different ways. Given the complexity of the changes that companies are confronting today and the speed with which they need to make decisions,

IDEA IN BRIEF

THE PROBLEM

As they try to build a workforce in a climate of perpetual disruption, business leaders worry that their employees can’t—or just won’t—adapt to the big changes that lie ahead. How can companies find people with the skills they will need?

WHAT THE RESEARCH SHOWS

Harvard Business School and the BCG Henderson Institute surveyed thousands of business leaders and workers around the world and discovered an important gap in perceptions: Workers are far more willing and able to embrace change than their employers assume.

THE SOLUTION

This gap represents an opportunity. Companies need to start thinking of their employees as a reserve of talent and energy that can be tapped by providing smart on-the-job skills training and career development.

The Forces Shaping the Future of Work

this gap in perceptions has serious and far-reaching consequences for managers and employees alike.

Predictably, business leaders feel anxious as they struggle to marshal and mobilize the workforce of tomorrow. In a climate of perpetual disruption, how can they find and hire employees who have the skills their companies need? And what should they do with people whose skills have become obsolete? The CEO of one multinational company told us he was so tormented by that last question that he had to seek counsel from his priest.

The workers, however, didn't share that sense of anxiety. Instead, they focused more on the opportunities and benefits that the future holds for them, and they revealed themselves to be much more eager to embrace change and learn new skills than their employers gave them credit for.

The Nature of the Gap

When executives today consider the forces that are changing how work is done, they tend to think mostly about disruptive *technologies*. But that's too narrow a focus. A remarkably broad set of forces is transforming the nature of work, and companies need to take them all into account.

In our research we've identified 17 forces of disruption, which we group into six basic categories. (See the sidebar "The Forces Shaping the Future of Work.") Our surveys explored the attitudes that business leaders and workers had toward each of them. In their responses, we were able to discern three notable differences in the ways that the two groups think about the future of work.

The first is that *workers seem to recognize more clearly than leaders do that their organizations are contending with multiple forces of disruption, each of which will affect how companies work differently*. When asked to rate the impact that each of the 17 forces would have on their work lives, using a 100-point scale, the employees rated the force with the strongest impact 15 points higher than the force with the weakest impact. In comparison, there was only a nine-point spread between the forces rated the strongest and the weakest by managers.

In fact, the leaders seemed unable or unwilling to think in differentiated ways about the forces' potential for disruption. When asked about each force, roughly a third

ACCELERATING TECHNOLOGICAL CHANGE

- *New technologies that replace human labor, threatening employment (such as driverless trucks)*
- *New technologies that augment or supplement human labor (for example, robots in health care)*
- *Sudden technology-based shifts in customer needs that result in new business models, new ways of working, or faster product innovation*
- *Technology-enabled opportunities to monetize free services (such as Amazon web services) or underutilized assets (such as personal consumption data)*

GROWING DEMAND FOR SKILLS

- *General increase in the skills, technical knowledge, and formal education required to perform work*
- *Growing shortage of workers with the skills for rapidly evolving jobs*

CHANGING EMPLOYEE EXPECTATIONS

- *Increased popularity of flexible, self-directed forms of work that allow better work-life balance*
- *More widespread desire for work with a purpose and opportunities to influence the way it is delivered (for example, greater team autonomy)*

SHIFTING LABOR DEMOGRAPHICS

- *Need to increase workforce participation of under-represented populations (such as elderly workers, women, immigrants, and rural workers)*

TRANSITIONING WORK MODELS

- *Rise of remote work*
- *Growth of contingent forms of work (such as on-call workers, temp workers, and contractors)*
- *Freelancing and labor-sharing platforms that provide access to talent*
- *Delivery of work through complex partner ecosystems (involving multiple industries, geographies, and organizations of different sizes), rather than within a single organization*

EVOLVING BUSINESS ENVIRONMENT

- *New regulation aimed at controlling technology use (for example, "robot taxes")*
- *Regulatory changes that affect wage levels, either directly (such as minimum wages or Social Security entitlements) or indirectly (such as more public income assistance or universal basic income)*
- *Regulatory shifts affecting cross-border flow of goods, services, and capital*
- *Greater economic and political volatility as members of society feel left behind*



workers felt that advances such as automation and artificial intelligence would have a positive impact on their future. In fact, they felt that way about two-thirds of the forces. What concerned them most were the forces that might allow *other workers*—temporary, freelance, outsourced—to take their jobs.

When asked why they had a positive outlook, workers most commonly cited two reasons: the prospect of better wages and the prospect of more interesting and meaningful jobs. Both automation and technology, they felt, heralded opportunity on those fronts—by contributing to the emergence of more-flexible and self-directed forms of work, by creating alternative ways to earn income, and by making it possible to avoid tasks that were “dirty, dangerous, or dull.”

of them described it as having a significant impact on their organization today; close to half projected that it would have a significant impact in the future; and about a fifth claimed it would have no impact at all. That’s a troubling level of uniformity, and it suggests that most leaders haven’t yet figured out which forces of change they should make a priority.

Interestingly, workers appeared to be more aware of the opportunities and challenges of several of the forces. Notably, workers focused on the growing importance of the gig economy, and they ranked “freelancing and labor-sharing platforms” as the third most significant of all 17 forces. Business leaders, however, ranked that force as the least significant.

The second difference that emerged from our survey was this: *Workers seem to be more adaptive and optimistic about the future than their leaders recognize.*

The conventional wisdom, of course, is that workers fear that technology will make their jobs obsolete. But our survey revealed that to be a misconception. A majority of the

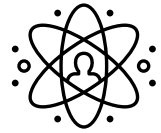
In every country workers described themselves as more willing to prepare for the workplace of the future than managers believed them to be (in Japan, though, the percentages were nearly equal). Yet when asked what was holding workers back, managers chose answers that blamed employees, rather than themselves. Their most common response was that workers feared significant change. The idea that workers might lack the support they needed from employers was only their fifth-most-popular response.

That brings us to our third finding: *Workers are seeking more support and guidance to prepare themselves for future employment than management is providing.*

In every country except France and Japan, significant majorities of workers reported that they—and not their government or their employer—were responsible for equipping themselves to meet the needs of a rapidly evolving workplace. That held true across age groups and for both men and women. But workers also felt that they had serious obstacles to overcome: a lack of knowledge



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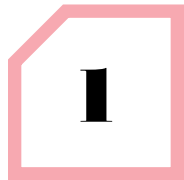
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about their options; a lack of time to prepare for the future; high training costs; the impact that taking time off for training would have on wages; and, in particular, insufficient support from their employers. All are barriers that management can and should help workers get past.

What Employers Can Do to Help

The gap in perspectives is a problem because it leads managers to underestimate employees' ambitions and underinvest in their skills. But it also shows that there's a vast reserve of talent and energy companies can tap into to ready themselves for the future: their workers.

The challenge is figuring out how best to do that. We've identified five important ways to get started.



1 Don't just set up training programs—create a learning culture.

IF COMPANIES TODAY engage in training, they tend to do it at specific times (when onboarding new hires, for example), to prepare workers for particular jobs (like selling and servicing certain products), or when adopting new technologies. That worked well in an era when the pace of technological change was relatively slow. But advances are happening so quickly and with such complexity today that companies need to shift to a continuous-learning model—one that repeatedly enhances employees' skills and makes formal training broadly available. Firms also need to expand their portfolio of tactics beyond online and off-line courses to include learning on the job through project staffing and team rotations. Such an approach can help companies rethink traditional entry-level barriers (among them, educational credentials) and draw from a wider talent pool.

Consider what happens at Expeditors, a *Fortune* 500 company that provides global logistics and freight-forwarding

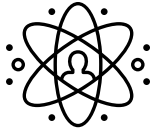
services in more than 100 countries. In vetting job candidates, Expeditors has long relied on a “hire for attitude, train for skill” approach. Educational degrees are appreciated but not seen as critical for success in most roles. Instead, for all positions, from the lowest level right up to the C-suite, the company focuses on temperament and cultural fit. Once on staff, employees join an intensive program in which every member of the organization, no matter how junior or senior, undertakes 52 hours of incremental learning a year. This practice supports the company's promote-from-within culture. Expeditors' efforts seem to be working: Turnover is low (which means substantial savings in hiring, training, and onboarding costs); retention is high (a third of the company's 17,000 employees have worked at the company for 10 years or more); most senior leaders in the company have risen through the ranks; and several current vice presidents and senior vice presidents, along with the current and former CEOs, got their jobs despite having no college degree.



2 Engage employees in the transition instead of herding them through it.

AS COMPANIES TRANSFORM themselves, they often find it a challenge to attract and retain the type of talent they need. To succeed, they have to offer employees pathways to professional and personal improvement—and must engage them in the process of change, rather than merely inform them that change is coming.

That's what ING Netherlands did in 2014, when it decided to reinvent itself. The bank's goal was ambitious: to turn itself into an agile institution almost overnight. The company's current CEO, Vincent van den Boogert, recalls that the company's leaders began by explaining the *why* and the *what* of the transformation to all employees. Mobile and digital technologies were dramatically altering the market, they told everybody, and if ING wanted to meet the expectations of customers, improve operations, and deploy new technological capabilities, it would have to become faster, leaner,



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and more flexible. To do that, they said, the company planned to make investments that would reduce costs and improve service. But it would also eliminate a significant number of jobs—at least a quarter of the total workforce.

Then came the *how*. Rather than letting the ax fall on select employees—a process that creates psychological trauma throughout a company—ING decided that almost everybody at the company, regardless of tenure or seniority, would be required to resign. After that, anybody who felt his or her attitude, capabilities, and skills would be a good fit at the “new” bank could apply to be rehired. That included Van den Boogert himself. Employees who did not get rehired would be supported by a program that would help them find jobs outside ING.

None of this made the company’s transformation easy, of course. But according to Van den Boogert, the inclusive approach adopted by management significantly minimized the pain that employees felt during the transition, and it immediately set the new, smaller bank on the path to success. The employees who rejoined ING actively embraced its new mission, felt less survivor’s remorse, and devoted themselves with excitement to the job of transformation. “When you talk about the *why*, *what*, and *how* at the same time,” Van den Boogert told us, “people are going to challenge the *why* to prevent the *how*. But in this case, everyone had already been inspired by the *why* and *what*.”

3

Look beyond the “spot market” for talent.

MOST SUCCESSFUL COMPANIES have adopted increasingly aggressive strategies for finding critical high-skilled talent. Now they must expand that approach to include a wider range of employees. AT&T recognized that need in 2013, while developing its Workforce 2020 strategy, which focused on how the company would make the transition from a hardware-centric to a software-centric network.

The company had undergone a major transformation once before, in 1917, when it launched plans to use

mechanical switchboards rather than human operators. But it carried that transformation out over the course of five decades! The Workforce 2020 transformation was much more complex and had to happen on a much faster timeline.

To get started, AT&T undertook a systematic audit of its quarter of a million employees to catalog their current skills and compare those with the skills it expected to need during and after its revamp. Ultimately, the company identified 100,000 employees whose jobs were likely to disappear, and several areas in which it would face skills and competency shortages. Armed with those insights, the company launched an ambitious, multiyear \$1 billion initiative to develop an internal talent pipeline instead of simply playing the “spot market” for talent. In short, to meet its evolving needs, AT&T decided to make retraining available to its existing workforce. Since then, its employees have taken nearly 3 million online courses designed to help them acquire skills for new jobs in fields such as application development and cloud computing.

Already, this effort has yielded some unexpected benefits. The company now hires far fewer contractors to meet its needs for technical skills, for example. “We’re shifting to employees,” one of the company’s top executives told CNBC this past March, “because we’re starting to see the talent inside.”

4

Collaborate to deepen the talent pool.

IN A FAST-EVOLVING environment, competing for talent doesn’t work. It simply leads to a tragedy of the commons. Individual companies try to grab the biggest share of the skilled labor available, and these self-interested attempts just end up creating a shortage for all.

To avoid that problem, companies will have to fundamentally change their outlook and work together to ensure that the talent pool is constantly refreshed and updated. That will mean teaming up with other companies in the same industry or region to identify relevant skills, invest in developing curricula, and provide on-the-job training. It will also require forging new relationships for developing talent by,



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for instance, engaging with entrepreneurs and technology developers, partnering with educational institutions, and collaborating with policy makers.

U.S. utilities companies have already begun doing this. In 2006 they joined forces to establish the Center for Energy Workforce Development. The mission of the center, which has no physical office and is staffed primarily by former employees from member companies, is to figure out what jobs and skills the industry will need most as its older workers retire—and then how best to create a pipeline to meet those needs. “We’re used to working together in this industry,” Ann Randazzo, the center’s executive director, told us. “When there’s a storm, everybody gets in their trucks. Even if we compete in certain areas, including for workers, we’ve all got to work together to build this pipeline, or there just aren’t going to be enough people.”

The center quickly determined that three of the industry’s most critical middle-skills jobs—linemen, field operators, and energy technicians—would be hit hard by the retirement of workers in the near future. Together, those three jobs make up almost 40% of a typical utility’s workforce. To make sure they wouldn’t go unfilled, CEWD implemented a two-pronged strategy. It created detailed tool kits, curricula, and training materials for all three jobs, which it made available free to utility companies; and it launched a grassroots movement to reach out to next-generation workers and promote careers in the industry.

CEWD believes in connecting with promising talent early—very early. To that end, it has been working with hundreds of elementary, middle, and high schools to create materials and programs that introduce students to the benefits of working in the industry. These include a sense of larger purpose (delivering critical services to customers); stability (no offshoring of jobs, little technological displacement); the use of automation and technology to make jobs less physically taxing and more intellectually engaging; and, last but not least, surprisingly high wages. Describing the program to us, Randazzo said, “You’re *growing* a workforce. We had to start from scratch to get students in the lower grades to understand what they need to do and to really be able to grow that all the way through high school to community colleges and universities. And it’s not a one-and-done. We have to continually nurture it.”



Find ways to manage chronic uncertainty.

IN TODAY’S WORLD, managers know that if they don’t swiftly identify and respond to shifts, their companies will be left behind. So how can firms best prepare?

The office-furniture manufacturer Steelcase has come up with some intriguing ideas. One is its Strategic Workforce Architecture and Transformation (SWAT) team, which tracks emerging trends and conducts real-time experiments in how to respond to them. The team has launched an internal platform called Loop, for example, where employees can volunteer to work on projects outside their own functions. This benefits both the company and its employees: As new needs arise, the company can quickly locate workers within its ranks who have the motivation and skills to meet them, and workers can gain experience and develop new capabilities in ways that their current jobs simply don’t allow.

Employees at Steelcase have embraced Loop, and its success illustrates an idea that came through very clearly in our survey results. As Jill Dark, the director of the SWAT team, put it to us, “If you give people the opportunity to learn something new or to show their craft, they will give you their best work. The magic is in providing the opportunity.”

That’s a lesson that all managers should heed. ☺

HBR Reprint R1903H

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