The unpredictable future of work

Experts in helping companies around the world transform their workforces and accelerate performance, Lee Hecht Harrison is one of the leading firms that supports the Brightline Initiative (a coalition led by the Project Management Institute together with leading global organizations dedicated to helping executives bridge the expensive and unproductive gap between strategy design and delivery). Both organizations were present at the Singularity University Global Summit, held in San Francisco last August.

There we spoke with Claudio García, Executive Vice President of Strategy and Corporate Development at Lee Hecht Harrison, about the global reach of technology within Human Resources and about one of the most debated and unpredictable issues: *what will the future of work look like?*

FEDERICO FERNÁNDEZ DE SANTOS: Your company is one of the participants in this coalition called Brightline Initiative. Why are you supporting this initiative and what are your contributions to it from the human resources point of view?

CLAUDIO GARCÍA: Organizations are essentially a human creation. As something created by people, organizations suffer their same problems: they are unstable and full of vulnerabilities, but also have strengths and capabilities... At Lee Hecht Harrison, we have accumulated a significant amount of experience supporting our clients in their workforce transformations, impacting more than 350,000 people per year. Clearly, this is a significant asset which allows us to understand the human side of transformation. We wanted to share these insights, which is why we decided to join Brightline.

Organizations frequently spend a tremendous amount of time discussing strategies, processes and their respective

> **We collaborate with Brightline to apply our understanding of human nature and support discussions around how to bridge the gap between strategy design and execution**

designs. It's hard to figure out what lies behind that. Making decisions together is a human dynamic susceptible to failure, as is everything in life. Bringing our knowledge of human nature to this discussion would help in developing a better understanding of the human component in Brightline's main goal: bridging the gap between strategy design and execution.

F.F.S.: In a recent event at the MIT Sloan Business School, speakers from Tokyo University explained how they tried to obtain empirical data in the interaction between people inside teams. Human Resources is accelerating their technological approach in employee evaluation. In what other areas is technology transforming the realm of Human Resources?

C.G.: Studies in this area are originating from multiple points. Today, the amount of data that can be collected about people is tremendous. There are a couple of organizations that have already been investing for a long time in monitoring people's performance and using technology to assess them. This data can be used by artificial intelligence, machine learning and other kinds of instruments to predict human behavior. That can also accelerate growth in the field of behavioral sciences, which is relatively newer.

Psychology started at the end of the 19th century and continued to grow throughout the 20th with a limited amount of data. As a result, most of the theories come from limited experiments and observations. Today we have so much information that the possibility of accurately predicting human behavior in certain contexts is much more precise.

For example, for a long time, marketing has been using the tremendous amount of data gathered from what people buy, consume, and use in order to increase sales and create new products. What we are seeing on the people management

side is that the recollection of data, from the performance and behavior of people inside organizations, allows us to develop intelligence about them. Obviously, there are limitations and, if we look at the history of marketing, we can easily understand those. Marketing has improved by recognizing that many behaviors change continuously. Human nature is unpredictable, given that it changes over time and according to different contexts. Different stimuli provoke different reactions. Today we are seeing new habits arising as new technologies affect the way people interact with others and with the world. As people change, organizations need to know how to keep up. Technology today cannot predict the future. It can only be related to behaviors and standards captured in past and present events. Therefore, there are clear opportunities in understanding human behavior and its limitations and accepting that the latter is a critical point to navigate in a human, unpredictable world.

F.F.S.: When speaking of the gap between strategy and implementation, one of the toughest problems that we can encounter lies in management. You can always acquire a company or a start-up, but management culture continues to be "linear" and based on the same principles as in the past, even though we now live in an environment of unpredictability. This is one of the dangers that people in Brightline speak of. Do you agree?

C.G.: When we talk about strategy and execution, one of the main reasons why transformation fails is because the predominant management models continue to try to create certainty in their frameworks. We are seeing that a lot of companies today are conscious of this risk and are starting to manage uncertainty at the portfolio level. A big corporation can invest in different business lines and can acknowledge different possibilities for the future. They can acquire, do joint ventures, spinoffs, sell

> "Some business models and organizations don't have the capability to survive, because they can't reinvent themselves"

assets, and other things in order to, in some way, manage uncertainty. Some decisions may succeed, others may not, but at the end, the final results, if well managed, can be positive and they will continue to thrive. Somehow asset-management and venture capitals all work well in this world of possibilities and failures.

However, when you analyze management practices from this perspective, you realize that almost all of them are based on linear concepts, with plans full of assumptions and hypotheses that are not even double-checked along the way. So, they don't add uncertainty in their core. Even the budget is a plan! In an unpredictable and uncertain world, these practices won't help an organization's long-term success. The old management theories can't support them in this context. Today strategy execution looks more like a learning journey. You may have to be constantly evolving and adapting. Today organizations face rapidly emerging needs. You need to create the capacity to adapt to these emerging needs if you want to create a new future. We can increasingly see the adoption of new management practices that are more aligned with principles those ideas, as Agile Development, which came from technology and now has been implemented in other areas.

It is interesting that most of today's transformations are inspired by big companies such as Google, Facebook, Amazon, Uber…but there's a huge difference between those companies and the rest. There are obviously some lessons and insights to be learned but corporations in traditional sectors can't lose $4 billion dollars in a year, for example, as Uber has been doing. Corporations can't invest and take risks in the same way that those 'dream' companies do. Most of these new companies are or were permeated with risk capital, which allows them to accomplish tremendous amounts of experimentation and failures. Amazon has invested billions in becoming a retail giant, all the while that their biggest income comes not from retail, but from cloud computing. This way of being, while logical in these new companies, is impossible in other "classic" organizations that have shareholders who require them to be profitable and meet quarterly forecasts, on a regular and predictable basis!

There is another aspect we can't ignore. The original business models of these new companies had nothing to do with what they became. In all these companies, their business model emerged while evolving. They tried thousands of different things

> " *Current management practices are based on plans full of hypotheses, that aren't even double-checked along the way and don't interact with uncertainty, which is a core element in our world* "

and kept only those few successful ones, discarding the rest and accumulating a great deal of knowledge from their failures. Since their birth, they had very big semi-structured intentions coupled with tremendous resources. They were capable of managing the uncertainty of the process, changing whenever necessary until they reached their goals.

Many insights can be derived from those companies, such as amazing user experiences and great technologies that

other organizations can take advantage of. But there's one big lesson they all have in common: companies need to try different things, from different approaches, in order to transform their businesses. There will be abundant failures, but this will stimulate learning and help make the most of those few things that are a success. Most management practices don't allow this room for error and, in classic management structures, one failure can get you fired. Therefore, fear reigns.

F.F.S.: Speaking recently with Ricardo Viana Vargas, you suggested that nobody was talking about organizations dying. Should we start talking about the death of organizations as something natural?

C.G.: We have to recognize that some business models and some organizations don't have the capability to survive. They can't reinvent themselves, and that needs to be accepted. An early exit can be healthy, while remaining can damage society. When organizations start losing money they negatively impact society. We need to start speaking about these situations, which are becoming more frequent nowadays.

F.F.S.: Change is accelerating. During this Singularity University Summit, they've talked about "how to accelerate acceleration". Amidst endless change, established cultures and organizations are often the barrier to a necessary adaptability. José Luis Álvarez, professor at INSEAD, told us that sometimes it is easier to destroy a company and rebuild it from scratch than to change its culture. In today's session, we have heard about the importance of forgetting what we have learned, in order to learn new things. From the Human Resources point of view, how hard it is to change cultures? And, are organizations conscious of the need to adapt their cultures? Is this change as painful as Ricardo Vargas tells us?

C.G.: It's very hard to fight human nature. Changing established habits, like those rooted in success and in company culture, is especially difficult. It's not that we can't change, but we aren't software. Once you implement new software, it starts working. With human nature, it takes time. We are continuously hearing about the changes that technologies will bring into our lives over the next decade, but this hasn't happened in the past to the extent that it was being predicted. Maybe those predictions for the future will not happen at the pace it's being promised. Why? Because those predictions are based on the implementation of technology itself and the human aspects aren't included in those predictions. It takes time for people to change.

When you look at universities in the United States and in the European Union, the amount of innovation that comes from them is still huge. The US is light-years ahead of any other country in the world. We will probably tend towards an equilibrium in the future, in which the west loses some relevance to the east, but this does not mean that these countries will dominate the world's economy.

China's technological evolution has been impressive, but this is no guarantee of technological dominance. The majority of technological innovations still occur in the United States. Will they catch up? I believe we are going towards a more balanced world, but not necessarily one with a dominating East.

F.F.S.: One of the potential outcomes of this technological revolution is that a high percentage of society is left behind. Some weeks ago, in a pre-event of the Peter Drucker Forum, a study was presented regarding the amount of jobs that would be lost if cashiers were substituted by technology, as in the recent Amazon shop. They were talking to a tune of over 200,000 jobs lost only in France. Another example is the sewing bots that will return T-shirt manufacturing back to the US. Industry robotization is inverting the international outsourcing tendencies, relocating some industries back to the US. What is your point of view?

C.G.: Personally, I do not agree with these apocalyptical scenarios. Those negative visions usually come from technological environments where technology is seen as a people replacer. I believe that labor economists bring in a more realistic view around these topics. Labor is not only determined by technology, even though it has a major influence on it. Labor is also determined by the economic policy to which a country adheres, by the level of investment to which organizations commit themselves and by many other factors. History has shown us that these apocalyptical scenarios usually don't occur. We are obviously not in an easy situation, and there will be consequences to this current technological revolution, but a few recent examples support my point. In 2012 MIT professors Erik Brynjolfsson and Andrew McAfee wrote the book "The second Machine Age". At the same time, the professors Carl Benedikt Frey and Michael A. Osborne from Oxford University launched a paper called "The future of employment: How susceptible are jobs to computerization". The book and the paper launched a debate among other researchers as they predicted that robots would replace people and provoke a large unemployment crisis. They mentioned a

Coming back to what you asked, some companies will definitely fail due to their inability to change as fast as they need to. Change threatens people. Fear is a natural human reaction when confronted with change, which entails abandoning something known for an unknown thing. It definitely takes us out of our comfort zone. Companies really need to discuss and study what is actually viable and what can really be delivered, versus unrealistic strategies. This, by the way, is something that is being studied in the Brightline Initiative. Today when everybody speaks about exponential change, we can't forget that people, in general, aren't capable of exponential change.

F.F.S.: In your learning process, you have been able to live different educational experiences, from Brazil to Wharton and now you work in a multinational company, all of which gives you a global perspective. Do you agree with what some global strategists affirm regarding the fact that the center of the world, economically speaking, is shifting towards Southeast Asia?

C.G.: A lot needs to happen for this to become a reality, although you can definitely see emerging countries that are constantly gaining buying power and have a highly educated population. They obviously are gaining influence, but that doesn't mean that the United States and European countries will lose theirs.

> "We can't forget that people, in general, aren't capable of exponential change"

lot of trends aligned with their thesis but, as you can see today, the countries with the highest investment in automation and technology, such as the United States, Korea, Japan or Germany, are also countries with the lowest unemployment rate. Why is this happening instead?

It is true that more people are being laid off by organizations due to technology adoption, but every time a new technology appears, new jobs are also created. Evidently online sales growth hurts retail, with Toys'R'Us as a recent example, but toys are still being sold. Has anyone tried to find out how many new people are being employed delivering those toys sold online? And the amount of people dedicated to delivery will increase in volume, because it's not going to be possible to deliver toys via drones in New York, for example. Plus, you will need more storage and people managing that, as you can't fully automate distribution in cities due to increasing restrictions on transport, pollution, etc... That said, there is a chain reaction with new technologies and their implementation: new systems will need to be managed and improved. Even artificial intelligence, which is at its infancy, needs to be managed, maintained and coded. There are many new jobs arising, which is why countries like Germany or Korea can invest great amounts in innovation while still having very high employment. There are too many variables, apart from technology, that influence employment, which make it difficult to accuse it of destroying the labor market.

Even though there are consequences we need to pay attention to, reality contradicts the pessimists. What has happened over the last 30 years is that automation has destroyed jobs in the middle class, the motor of a country's economy. The majority of new jobs are one of two types: 1) Some well-paid ones that require very high social and analytical skills and 2) Many low paid ones. This represents a problem.

Today there are many people in the middle class who now have low paid jobs and such situations create other types of risks,

like political risks, urban violence, etc. People are unhappy and want to regain their status. One of the consequences is the contribution for the rise of populism all over the world. Even Brexit, and its consequences, derive from this situation. This doesn't only happen in developed countries, we can also see it in Brazil, India and other parts of the world.

The discussion around the future of work is being mismanaged. What people are trying to do is to define what is the work of the future, and then train people adequately for those jobs, but history has shown us, time and again, that it is practically impossible to predict all the jobs of the future. There are some areas, such as technology, where we can make predictions, but this will only amount to jobs for less than 2% of the global working population. Other areas such as health services will also create more jobs due to the aging of the population and the increase in average income but, again, that will be a small percentage of the whole active population. Historically we haven't been accurate in predicting the future because it is, by nature, emerging and unpredictable. We might have an idea of what we could need in the next three years, but that's just an idea. In big cities, we have new jobs surrounding taking care of older people and creating communities that make them feel alive. These jobs are for are experts in connecting different people within a specific age group, so that they can entertain themselves, make friends and have a better lifestyle; it's a new un-envisioned profession… and many more will soon arise.

Another example: in Silicon Valley, they lack (and are searching for) creative people capable of generating personalities for the new bots. Many of you have heard of the devices Amazon Alexa or GoogleHome. Many other companies are creating their own bots. The thing is, you just can't put "any" voice to interact with your customers; you need a voice with personality that gives the bot a character capable of interacting emotionally. Companies who are building these bots are hiring poets, actors, and playwrights who have the creative skills to develop a personality, a character. It's a new profession. Society should be more concerned about how to empower people to discover what these new jobs are. It's not just about training people to work with technology in order to develop solutions for things we don't know will exist, but about helping people become capable of leverage available technologies so they are able to create their own simple solutions to needs that may appear in the future.

> " There are too many variables, apart from technology, that impact employment to accuse it alone of destroying the labor market "

> **Companies in stable or growing economies are now creating more different jobs than in the past, breaking the concept that we live in a world where jobs are being destroyed**

F.F.S.: Even if we have a positive attitude, job descriptions won't be counter-balanced by job creations in the near future. We might be facing a decade of increasing joblessness. Lee Hecht Harrison is like a thermometer measuring ups and downs of the economic climate and job creation. What can we expect in the next months?

C.G.: Given that the economy has historically had a much bigger impact on job creation and destruction than technology, if the global economy remains stable, I would say we are going into an important period of job creation. The biggest problem is how to adapt people to those new jobs that are coming up. It's important we understand this dynamic in the creation of those new jobs. It's easy to know those that are coming from technology but not necessarily from other areas, and there are many other types of jobs in the economy.

Currently, companies in stable and growing economies are creating more different jobs than in the past, breaking the concept that we live in a world where jobs are being destroyed. It's surprising the predominance of the apocalyptical orientation in the press today, especially regarding technology, jobs and work environments.

F.F.S.: At a recent Cyber Security conference, we learned that it's one of the most demanded professions. Only in the US, more than half a million experts are needed... and you can't find well-trained experts!

C.G.: That's a great example; nobody predicted the future needs in cyber security so nobody trained people for it. Now, with a sense of urgency, different sectors are looking for people who have certain capabilities that make them adequate for this profile and then training them. As it happens, this type of work requires a very specific type of person. This situation has been aggravated by the Russian implication in US elections, the proliferation of hackers, of cybercrime... If a decade ago universities and organizations would have had an idea of the demand that would be generated, they would have started training more professionals long ago, all of which emphasizes the unpredictable nature of the future.

In cases like this, companies now have only two options: steal people from their competitors, inflating compensations and creating a bigger problem, or training people, which is more sustainable, although you will have to find people with competencies and capabilities that fit the profile, a very particular one indeed ●

> **In Silicon Valley, there aren't so many creative people, outside of technology, that are capable of generating personalities for the new bots**