

# Sir Alan Parker

**THE EMPLOYEE “FACTOR” IS NOW ON BOARDROOM TABLES AND IN EXECUTIVE** thinking in a way it never has been before. Are we entering a whole new era that is rebalancing people power in business? Where, for example, employees can dictate when and how they come into work? Are employees now able to mold the values—and sometimes even the actions—of their employers? Do employees have a whole new type of leverage and voice?

At Brunswick, we are increasingly seeing the leadership teams of our clients taking the views and likely actions of their people as a primary factor in their decisions. This is evident particularly on major issues from wars to politics. Employees’ perspectives land on the desks of CEOs and leadership teams, not just HR departments.

Whatever business you are in, the war for talent is taking on a new tenor. As always, if your competitors have better people you have a problem. However remarkable your business operations are, the company that attracts the best people, and then retains and develops them, is the team to bet on. But today core elements of the employee-employer contract appear to be fundamentally changing.

In the last few years, all over the world, new challenges have been brought into questions of employee relations. For many business leaders, these new models are often confusing or even contradictory.

Since at Brunswick, we are lucky enough to work all over the world with companies in every sector, we thought we should devote this edition of the *Review* to sharing some of what we are seeing and learning about the underlying drivers of these new trends.

As a critical issues advisory firm, it has long been our belief that societal issues become business issues. This awareness could transform the role of business in our society—that, in turn, would create a new, much more complex context for business leaders to navigate.

We are seeing now how business is moving from being a purely financial exercise with one key stakeholder community in the capital markets to a less narrow view, where business and enterprise play a more central role in society. Businesses are required to create wealth in many different forms for a much more varied universe of stakeholders. Let’s be clear: It is not that the requirement for financial performance is less important; it is that other stakeholders and their issues are becoming more important. Employees, a stakeholder group with perspectives on the critical issues in the world, exemplify this shift powerfully.

COVID acted as a massive accelerant on social issues and appears to have inspired many to not only fundamentally rethink the role of business in society, but also the role of business in their own lives—to reexamine their relationships to work and to employers. The labor shortages from “The Great Resignation” are the clearest sign that this is not just a next-gen issue.

Leadership teams are dealing with more extremely difficult external issues: wars and geopolitics, supply chains, inflation and AI, to name a few. And their responses are being calibrated with, and accounting for, a whole new human dimension of employee perspectives. Humans are obviously tricky creatures—and all of a sudden everyone has voice.

Social media has given the billions of people on the planet connected to the internet a platform to speak up and be heard. And as

they do, what is clear everywhere is that many people identify not as employees first, but as citizens first, with a right to speak out on many issues.

At Brunswick, we do not believe we are going to see a return to the old working model of employee relations for many industries. Our core proposition is that this is not a temporary change but a profound one, and it presages a new type of contract or relationship with employees. As ever with such changes, the folk who can grasp the scale and nature of it are most likely to be those best able to formulate positive ways to adapt and use it.

In this edition there are some inspiring and thought-provoking pieces. The thinking and direct action of Laxman Narasimhan at Starbucks and Rob Fauber at Moody's give great insights into how they are walking toward these new challenges creatively and seeing opportunity in them. Katy George, with the powerhouse of data and insights that McKinsey has, is fascinating on the power of teamwork and purpose. Her insights are hugely informative and show that there is no simple playbook. One size certainly does not fit all.

Throughout this edition, how employees are looking for "purpose" emerges as a hot issue. But the significance of purpose in lifting performance is not a new thought; it has been a massive driver of human behavior forever. Surely military leaders throughout history have never doubted that a sense of purpose is something that motivates troops, something that people would sacrifice a lot for. Shakespeare's famous Saint Crispin's Day speech is, in essence, King Henry V reminding his soldiers of what they are fighting for. I have no doubt that if we could have heard the Springboks' Captain Siya Kolisi in the locker room before he led South Africa out to their fourth Rugby World Cup victory, we would have heard the same call to a shared cause. Leaders in all situations know that purpose motivates higher achievement.

In the context of business, there certainly seems to have been an over-indexation by some organizations in recent years on the importance of money in the overall motivation and rewards package—so much so that the rise of purpose feels like a new wave. Yet in many ways, it is simply the rediscovery of a reality that leaders in all situations have always known.

We are now awash with research that shows a sense of purpose as being a big driver of performance and motivation. A study by Betterup Labs showed that not only were workers more productive and yielded 9% more than their counterparts if they had a strong sense of purpose, interestingly, they were also prepared to sacrifice, on average, 21% of their lifetime earnings for a job that gave them such a sense of purpose. It is sometimes useful to see it quantified in this way.

Yet at Brunswick we might caution against making a push for purpose too transactional. Talking purpose can become reductive; taken to absurd levels it ends up as poor corporate speak—advertising slogans that do not connect with anyone. That is why we often find that a practical and authentic lens through which to work with clients on the question of defining purpose is to consider how they see their contribution to the world, or to a particular group

of stakeholders. It helps to answer the questions employees are increasingly asking their employers: "Who are you? What are you asking me to work for? What does that mean for me?"

Having a strong sense of purpose has become a major factor for businesses in recruiting and motivating their employees; it is also now a central component of a compelling Employee Value Proposition. Financial security has always been at the top of the Employer Value Proposition list but, in this uncertain world, promises of security are not gaining credibility. Personal development has certainly gone up the rankings and is seen both as a driver of advancement internally and also a way to become more marketable externally. The opportunity for reskilling is likely to also keep advancing as some areas of technology quicken the pace at which certain skills are becoming obsolete.

"When will people come fully back to work?" is a question we are hearing less of now. There is a greater acceptance that flexibility and remote working are increasingly standard. Risks to productivity are largely limited to particular types of work and sectors.

While flexibility has been taken up eagerly by many employees, increasingly there are also more recognizing the "discount effect" of being away from colleagues and an office environment for longer periods of time. It is becoming clearer that though levels of flexibility are highly valued by many employees, and that some work can be done very effectively at home without the stress and cost of commutes, performing those tasks is often only part of the job.

Very good recent research now indicates that spending 50%+ of your time in person with colleagues is hugely beneficial for both the individual and the organization. There is no doubt that the learning and professional development benefits of working a significant portion of your time with your colleagues are measurable. Most employers see a benefit in seeing people at work and the about-turn of a number of the bigger tech companies in asking for a return to the office has been rapid.

We describe Brunswick as a relationship business and those relationships begin with colleagues inside our firm. So, while technology provides plenty of remote-working benefits, we also recognize a lot of benefits from being together in person. It is much more difficult for young people or new joiners to build deeper, stronger relationships if they are only working on screens. In our experience, if you are going to do outstanding work, you have to genuinely care for the people you work with and work for. That is hard to achieve on Zoom or Teams.

I have been privileged to be around leadership teams and boardrooms for many years and one extraordinarily fast and profound change I see is around employee health: It was never on the boardroom agenda before, let alone employee well-being or mental health. COVID changed all that. Proper care for employees' welfare is now a given. It has all happened fast and naturally, but it is difficult to overstate how far from that we were just a few years ago.

We are seeing our clients each looking at and watching what others are doing and adapting these different elements of their Employee Value Proposition. But, in aggregate, something much

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bigger is taking place. We see a fundamental rebalancing of the age-old scales comparing labor and capital. For decades we have seen capital achieve significant, even spectacular returns. On the other hand, there have been very poor returns in real wages in the US, Europe and the UK.

The expression “essential workers” that we began to use during COVID gave a new social status to many people with low-wage jobs who are now asking for their contribution to be reevaluated. This has certainly contributed to the recent strikes and labor disputes all over the world.

Meanwhile, the science fiction of artificial intelligence has become a clear reality and the impact on jobs, employees and society as a whole is a subject many great minds are grappling with. As a result, one thing we know for sure is that we will all have to engage more effectively with more of the people in our organizations.

In fact, to deal with whatever changes may come, one essential element for success will be building a stronger, more resilient culture. For culture to flourish it has to come from the top and we are seeing significantly more demand for more effective and engaging leadership programs. Whatever the elements and mix of Employee Value Propositions are evolving toward, the importance of direct engagement by leadership is only increasing.

At Brunswick we often say that it is not what you say that matters most, it is what you do. The action you take is what defines us more than any words. Employees are looking to understand who their leaders are by what they stand for and have a much greater expectation that leadership should define the values of the

organization by actions, not just policies or messages. Great leadership now means that you have to see the issues as your key stakeholders see them, and be able to talk about those issues as they do. Those abilities have never been more important for a leader looking to make wise decisions—and employees have never been a more important or influential stakeholder group.

Historically, most companies have poured resources and innovation into understanding and creating deeper relationships with their customers. Those efforts have delivered huge commercial benefits. It may be that the same level of creativity and imagination now needs to be directed toward reinventing our relationships with our employees.

At Brunswick, we are lucky enough to work with some outstanding examples of leadership using just that sort of imagination and innovation to deliver great results. It would be a shame to ignore all that potential and to settle for the old market model—even if we were able to. There is clearly an opportunity to put a lot more innovation to work to power up these internal communities and deliver much higher performance, with greater rewards than ever. Could it be the answer to finally moving the decades long problem of declining productivity in the OECD?

As ever, I would love to hear back from anyone interested, as this is just one of the great critical issues we tussle with to try and bring the best available support to our clients. I hope you enjoy reading this *Brunswick Review*. ♦

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