



## **Above the Clouds – A guide to trends changing the way we work**

*Inspiring study published by the EFQM*

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By Hervé Legenvre & Melissa Rancourt

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Work in Europe has changed profoundly over the past years; the future will probably be no different. Trends varying from globalization and increasing interconnectivity to a re-appraisal of the workplace and work-life balance will exert their influence. A guide to trends changing the way Europeans work should present solid insights in a range of issues and developments from a broad spectrum of perspectives, and must contain signposts serving as a guide through all the challenges and shifting paradigms. *Above the Clouds* does just that.

The European Foundation for Quality Management (EFQM) conducted a two-year study on trends that will impact the world of work over the coming decade. The project consisted of trend-spotting analysis, expert investigations, collecting CEOs and executives' views, augmented by outspoken comments from citizens, Europeans mostly.

Instead of certainties carved in stone, the study offers a comprehensive insight into the world of work, helping readers to think things through, to raise awareness and to prepare for the required flexibility to meet tomorrow's challenges. An interesting mix of perspectives, business, academic and from the general public, on a rich variety of issues covering leadership, globalization, outsourcing, risk management, tele-working, technology developments and life-work balance. *Above the clouds* discusses fourteen different but interrelated trends. This paper gives a foretaste.

### Leadership

As from the second half of the nineties, CEOs developed into celebrities on the back of economic progress, globalisation, deregulation, technological advances and short-term oriented shareholders applauding quarter-to-quarter profits and rising dividends. Then came the confidence crisis. Corporate irregularities and scandals cost shareholders and employees dear, not to speak of the reputation damage which echoes through until today. It's only logical that these events have sparked a discussion on leadership. Do we indeed witness the end of big ego leadership? Even Jack Welch said it; 'The era of command and control is over.'

### Humble?

But can humble leaders take tough decisions? There are sufficient examples of corporations where so-called soft leadership works. Companies where listening, sharing, co-operation work, where all employees are shareholders, resulting in mutual respect and good business results. Also, there are various examples of companies where leadership can hardly be labelled as soft, but where employee interaction is highly valued. Take Philips, IBM or DSM. These organizations all engage in internal, large-scale strategy dialogues via the internet, engaging thousands of employees in crafting and further detailing strategies, extracting hundreds of good ideas from all over the world. Good leaders make their employees excel.

### No mean feet

There is no evidence that being nice implies more efficiency or better results. It even doesn't imply more appreciation by staff. Leaders face a multi-

faceted task. They have to define strategy in the context of numerous developments and constraints. They serve as the organization's architect, to translate strategy into action and to shape the organization's culture. And they must mobilize the energy of various constituencies with not always the same expectations and mind-set. Leaders face uncertainty and resistance, isolation as a consequence of their position, requiring self-confidence and tough calls. Humility can be an asset to a leader, but managing uncertainty and setting out specific lines of action requires a solid ego. Now that the leadership cult era is over, leaders must rise to the occasion of working in a faster, globalizing world with Sarbanes-Oxly and other tight regulations defining the rules of the game, in a fish bowl scrutinized by shareholders, stakeholders, politicians, civilians and pressure groups. Not to speak of ever-increasing competition, shorter product life cycles and decreasing predictability on many fronts.

#### Shareholder democracy

Whatever changes the future may have in store, successful CEOs need to demonstrate the strongest of leadership skills. One of the more recent developments is the rise of shareholder democracy. After the corporate mishaps of the past years, more than 40 countries now have codes to improve shareholders' rights. Some claim that corporate scandals have arisen from leaders trying to please their shareholders too much. Others argue that shareholders do not contribute that much. In 15 out of the last 20 years, companies have spend more on share buybacks than shareholders have invested in new equity.

#### Responsible governance

Historically, corporate governance has been of a neo-classical nature, with a focus on shareholders and financial performance. Can this approach do justice to the current and future reality of governance challenges? More and more, business has to be redefined as an integrated entity within society, taking stakeholders' interests and long-term value creation into consideration. Moreover, responsible governance will move beyond the profit sector and also become a challenge for organizations such as institutional investors, state-owned enterprises, governmental organizations and NGOs, whose impact is expanding quickly.

#### Outsourcing

The outsourcing of production to low-wage countries dates back to the eighties, driven by large companies in the western world seeking for third-party outfits. The second wave of outsourcing is now on in the services sector, with finance and ICT as the frontrunners. India, China, Malaysia, the Philippines and South-Africa are the most prominent economies running for

a slice of the outsourcing pie. In Europe and the US, the public mood is gloomy on these developments, especially now that outsourcing is expanding into knowledge and services. Some fear the developed world may lose its competitive edge; it may develop into an unwelcome boomerang of globalization and contribute to increasing protectionism. Will outsourcing end up as a zero-sum game?

#### Global risk management

The world has become more interconnected than ever, with faster communications, more flexible workforces, faster transportation, and the availability of goods and services has expanded tremendously. Yet, the chances of negative developments have multiplied as well. An interlinked society is more vulnerable to SARS, financial crises, pc viruses, terrorism. Various disruptions of global supply chain relationships have had a negative across-the-board effect on stock prices, profitability and fuelled share price volatility. In the past, risks were possible to calculate and the product of social choice. Today, this risk logic seems suspended and still many businesses have not developed contingency plans, mostly because of the costs involved. That may prove unwise.

#### Reboot the workplace

It seems there has never been a wider generation gap. Cultural and technological change has brought a young generation that questions almost everything, a fast-living generation, savvy, challenging authority, pragmatic, self-sufficient, multi-tasking, not really brand loyal, tolerant and highly creative. Companies have to adapt their HR policies if they want to sustain the interest of this 'generation Y'. Remarkably, research has shown that a vast majority of young workers considers work a key element of their lives. The issue is that they practise it in other ways, no longer based on an ethos of duty but on the desire for individual development.

#### Ageism, workforce shrinkage and women

People are living longer. Combined with plummeting birth-rates, improved diets and declining fertility rates, a formidable problem is arising. The elderly will amount to 30% of global population by 2050. The ratio of the economically active population will fall dramatically, probably except the US. Financing this silver wave, coupled with losses of talent and knowledge and reduced growth of living standards will be significant challenges. What are the options? Work longer, safeguard the wealth of knowledge of older workers, continue labour contracts beyond the retirement age? Currently, workforces in Europe are gradually shrinking away and ageist strategies are of no help. Especially Europe has to take a position in this respect. Europe is the most prominent example of the age/employment paradox: life

expectancy has grown since the 50s while the labour participation of older workers has dropped by over 50%. Women in the workplace have increased over the years, but still lag behind men in terms of remuneration. The new international division of labour, accompanied by a relocation of manufacturing outside Europe and a rise in the services sector, predominantly law and medicine, has increased the number of women. But organizations have not yet come to terms with this feminisation process: equal opportunities still work better on paper than in practice. And conventions on working-time appear hard to change.

### Stress

Stress as an occupational health issue affects roughly one out of every three Europeans and costs at least € 20 billion annually. Stress directly impacts job satisfaction and commitment. Demands of the work environment too often exceed the ability of the individual to cope with them or control them. Globalization and increasing job insecurity is affecting the mental health of many Europeans, while a variety of stress management techniques seems to be fairly ill-conceived. Providing more resources, for example, may prove far more effective than yet another stress management course.

### Work-life balance

The dynamics of modern society entail new answers to blending work and personal life. Flexibility in retaining staff is an important challenge for companies, but individuals should also define their positions and attitudes. Thinking in contradictory terms – the more work, the less life – seems a dubious dead-end street. People should develop the capacities to develop one's life, professionally and personally, introducing e.g. the flexibility to choose when and where to work, thus reducing transportation costs and pollution but also bringing improvements to family life. And, talking about the quality of the workplace, is spirituality now indeed taking off? Research has shown that spirituality based training has a positive impact on productivity, market share and employee retention. Is spirituality just another management fad, or should we re-label this into a new route for personal development?

### Distinctive brands?

Products, services and their providers are becoming less distinctive by the day. It is no longer sustainable to just differentiate on aspects such as price, delivery and quality. Much has been written about the new experience economy. One thing is clear: companies can still and must improve on their market orientation. While a majority of customers derive their buying decisions from direct interaction with sales staff, it appears that companies dedicate a mere 10% of resources to make this happen. Research among 30

US companies indicates that board members spend about 10% of their time on discussing marketing and customers. Much more time is devoted to e.g. mergers & take-overs, of which it is commonly known that 80% of all M&A activities fall short of expectations. How can the paradox of increasing customer expectations and ever decreasing differentiation between products and services be resolved? Research has shown that customer satisfaction often is mediocre at best. Corporations tend to compete on price, coupled to short-term promotions that do nothing for brand equity. It is important to start thinking about categories, not brands. Customers buy solutions to their problems; the brand is not their focus of attention. And simplicity may be more important than sophistication. Customers' lives must not be further complicated with more choice and extra features.

While there is much more to be found in *Above the Clouds*, it is clear that corporations face an abundance of challenges, varying from the big issues of globalization, outsourcing and risk management to individual commitment at the workplace. Europe's world of work represents a complex web, but challenges turn into rewarding opportunities for organizations who demonstrate a strong willingness and ability to never stop learning and improving. Continuous improvement, self-assessment, good management practices and planning in uncertain times are major signposts on the route to excellence. Those who follow this route will recognize challenges as opportunities in disguise.

The EFQM Excellence Model is an effective framework for assessing organisations, a practical tool that can be used for self-assessments, benchmarking, identifying areas for improvement, for creating a common vocabulary and mind-set, and for developing organisations' management systems.

EFQM, established in 1989, is a non-profit organization with 700 members across the globe and serves as the primary source for organizations aiming to excel in their activities and markets. The EFQM, liaising with 25 national partner organizations, developed the most widely used business excellence model in Europe, implemented by 30,000 organizations, public and private, with 60% listed on the FT top 50 companies. More information: [www.efqm.org](http://www.efqm.org).