

LHH

The new ROI:
**A Return on
Individuals**



Lee Hecht Harrison

“If companies decide to reskill and redeploy instead of laying off and rehiring, they could save up to \$136,000 per employee.”

“Future-Proofing the Workforce”

The Adecco Group and The Boston Consulting Group

A perfect storm is dramatically changing the world of work, from technological revolution to new social and regulatory dynamics, demographic shifts, changing perceptions toward corporations, and the things you just can't predict.

The Fourth Industrial Revolution and the proliferation of new disruptive technologies threaten jobs. In many countries, the coronavirus pandemic has created a health and economic crisis, driving increased unemployment rates and further exacerbating skilled labor shortages. Generational differences are changing perceptions toward corporations and the employee-employer relationship.

While many articles and studies look at the trends and changes that are impacting companies, most overlook the essential component that will largely determine any organization's fate over this and future years: people.



People

Notwithstanding the fear and uncertainty brought on by the trends and forces impacting the world of work, there should be little doubt that human capital is the world's most important resource. People—and how we invest in and develop them—will ultimately determine whether companies thrive or merely survive.

There is some evidence that this perspective—where investments in people are considered in the same context as investments in technology—is taking hold in some places in the world. Companies like IBM, PwC or Amazon are currently engaged in massive programs to up- and reskill their workforces. In far too many organizations, however, human capital is viewed as a commodity.

“The lack of attention paid to human capital creates a whole range of challenges,” said Ranjit de Sousa, President of LHH. “People are—quite literally—

the lifeblood of an economy. They are the innovators, the creators, the problem solvers, and the heavy lifters. If they are optimistic about their jobs and their lives, they can drive businesses to new heights and fuel entire economies with their buying decisions; if their outlook is pessimistic, they can bring those businesses and economies to their knees.”

The evolving world of work is changing expectations,

leaving companies and workers unprepared. The ripple effect is profound.

The Organisation for Economic Co-operation and Development (OECD) has reported that as many as 80 million adults in European countries have profound skill mismatches. This misalignment between available skills and required skills is costing businesses billions. According to the 2019 PwC Annual Global CEO Survey, 79%



of CEOs are worried about the availability of skills, up from 63% five years ago.

According to McKinsey & Company, U.S. executives expect 25% of their skilled workforce to be upended by new technology, while 32% of jobs in OECD countries will be radically transformed by technological progress.

“Towards a Reskilling Revolution,” a report published by the World Economic Forum in collaboration with The Boston Consulting Group, stated that more than one in four adults report a mismatch between their current skill sets and job requirements. Meanwhile, the Deloitte Global Millennial Survey reported that 49% of millennials say they would leave their current jobs for better roles.

The consequences of clinging to old strategies in an age of dramatic change can be devastating. What can companies do to maximize the full potential of their people, make talent decisions that support growth, and build a future-proof workforce that drives high organizational performance?

There’s an idea that is beginning to percolate to the top of the “people” discussion. The key to workforce transformation now is adaptability. We need to look at workers as more than a collection of current skills. The future-proofed worker will be the one who has a capacity to learn and apply new skills, embrace new mindsets, and assist in the creation of new cultures.

This will require investment and a new way of thinking about ROI—a Return on Individuals. This new strategic approach to talent focuses on helping companies reskill and re-energize the workforce they have today to fill current and future roles.

These investments can take various forms. It could involve enabling workers to take on new roles and career paths in an increasingly technology-driven world where automation will dominate, for example through reskilling, upskilling, or redeployment. In instances where individuals simply cannot meet the demands of new roles, it can take the form of a comprehensive transition program that will help them find purpose in a new job in another organization.

From replaceable to renewable— the new ROI and its business case

In traditional approaches to the execution of large-scale transformation, employers would often simply lay off workers with outdated skills or redundant roles and go out and hire new workers to fill new needs. That's no longer an option given the pronounced skills shortage pervasive across many industries. To keep a talent pipeline strong, employers need to start treating their employees as renewable, rather than replaceable, resources.

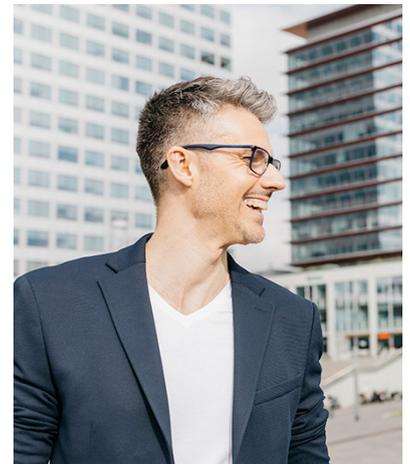
“Increasingly, organizations are trapped in a scenario where they desperately need workers with new skills but cannot find them on the open market,” said Alan Wild, former Vice President of Human Resources, Employee Relations and Engagement at IBM. “This has revealed perhaps the single greatest threat that

businesses face today: the inability to find the people with the skills needed to help them compete and grow. At a time when offering someone a career for life is no longer an option, employers need to demonstrate that they care about their employees' lifetime careers.”

If layoffs are not the answer, then how can we make human capital fully renewable?

Investing in people provides a significantly higher ROI than the inefficient and costly talent management strategies of the past. After all, investing in people means companies can avoid several visible and invisible costs:

- ▶ Severance or transition support to the departing employee;



- ▶ Recruitment costs for the new employee, including a potential time lag;
- ▶ Loss of productivity during hiring and onboarding;
- ▶ Damage to the employer brand and, ultimately, its ability to hire the right talent for the best price.

Further, a wide swath of studies performed in economies all over the world has shown that large-scale layoffs erode job satisfaction and productivity of so-called “survivors.” That leads to significant increases in voluntary separations within a year of major layoffs. There have even been studies that found a correlation between layoffs and declining stock prices. But more importantly, a recent study by The Adecco Group and The Boston Consulting Group, “Future-Proofing the Workforce,” estimated companies can save up to \$136,000 per employee through investing in reskilling and redeploying rather than laying off and rehiring externally. By redirecting their budgets, businesses can extract additional value for their stakeholders and their workforce.

By investing sustainably in their people and people strategy, a large financial services firm has made the following difference for their business:

- ▶ Inverted their investments in outplacement and development (from 70% outplacement and 30% development to 30 and 70% respectively);
- ▶ Gained 15-20m USD annual ROI from employee engagement, retention and internal mobility;
- ▶ Saved an estimated 3-5m USD annually in severance and recruitment costs;
- ▶ Made the list of Fortune’s “100 Best Companies to Work For.”

For those organizations that embrace the new ROI, the benefits will go beyond just the ability to meet future skill needs. Organizations that emphasize the renewable side of their workforce will find that they have higher engagement, productivity, and profitability because workers know their futures are being safeguarded. These organizations

will also find that they become employers of choice for new generations of talent that value corporate social responsibility and career growth opportunities over things like salary.

The future belongs to organizations that are in the position to re-energize the workforce through a relentless process of mobilizing, enabling, and skilling that will help individuals keep pace with changes in the nature of work and, therefore, unleash their full human potential.

Taking a longer-term view is the essence of the Return on Individuals; it’s a deliberate, methodical effort to grow your business by enabling your employees to fill future roles, either within your organization or somewhere else.

This means abandoning inefficient and costly talent management strategies that lean on a “fire and hire” approach and adopting talent enablement strategies that support movement away from a replaceable workforce to one that is renewable.

The path to a renewable workforce

What we're talking about is the creation of an entirely new talent ecosystem built from three distinct HR disciplines—hiring, learning, and restructuring—on a foundation of workforce analytics. The path to this new ecosystem will involve six distinct stages of planning:

- 1. Visualize.** Consider not only organizational design, but also future skill needs. To execute on future business plans and strategies, what kinds of people do you need, and where are you going to find them?
- 2. Assess.** Before looking outside your organization, you need to take a hard look inside. This will involve assessing skills and adaptability of current employees. You need to know who is fit for the future and who is too far off-track to contribute to the future state of the organization.

- 3. Commit.** A workforce transformation needs support from leaders and employees if it is to be successful. It is important to share the details of the future-proofing strategy to earn trust and combat the “hold-on-to-what-I-have” mentality that many employees demonstrate in the face of profound change. Ensure that workers understand that a future-proof workforce is one in which there is a lot of choice. The watchword is transparency.



- 4. Execute.** When it comes to implementing the future-proofing strategy, ensure that continuous learning, reskilling, and creative exit options are prominently featured. An internal labor economy, where employees can apply and train for different jobs in different parts of the same company, is essential. We need to introduce new approaches to reskilling to produce rapid results. However, it's essential that poor performers are not allowed to contaminate a high-performing culture; workers who cannot adapt may still need to be separated. Here the watchword is consistency.
- 5. Rethink.** No organization is going to get future-proofing right the first time. It will be necessary to review and analyze all aspects of future-proofing to ensure that you are getting the correct outcomes. Be prepared to enhance efforts to promote internal movement with proactive job matching and intensive skill intervention. An objective review of existing policies and practices will help you find gaps that need to be filled and repaired.
- 6. Improve.** This will be an iterative and evolving process. Having analyzed what's working and what's not, look for both quick wins and longer-term plays that will improve upon what you've implemented. Measure employee engagement and alumni sentiment as well. In a culture where career management and skills development are actively promoted, those individuals who voluntarily or involuntarily leave are more likely to do so with positive sentiment toward the organization. The return on your investment in individuals will compound over time as you continue to reinvest in additional areas of development, and internal mobility will create new opportunities for your employees to expand their skillsets and move into new roles.

An ecosystem of players to make a difference: government, corporation, and the individual

The challenge presented by the immediate future is clear—but so too are the solutions. Human capital has long been viewed as a cost and not an investment. If we begin to change that view and consider the strategic importance of embracing the idea of a new ROI—a Return on Individuals—we can unleash the as-yet untapped potential of our most important resource: our people.



The role of public institutions

Policymakers around the world are looking for effective ways to incentivize employers to invest in updating their employees' skills.

Some nations have made tremendous progress, but most still need a complete re-think of their approaches. Bettina Schaller, Director of Public Affairs at The Adecco Group, comments: "You cannot just provide money and hope that the problem will solve itself; this is a challenge that requires broad and focused stewardship so that the right economic results are created."

This means that governments should take a comprehensive approach to reskilling and

upskilling, which requires that they consider education policy, employment and social affairs, the digital economy, finance, and even migration and integration policies as moving parts of the same equation. Governments can play a pivotal role in bringing about this change in creating the appropriate environment.

More concretely, public institutions should:

- ▶ Introduce differentiated tax treatment between lay off costs and reskilling investments, and reconsider aspects of severance to the benefit of reskilling funding;

- ▶ Dare to embrace innovative financing mechanisms. As set out in The Adecco Group's 2019 report, "Rethinking Workforce Investment," there are many options that would incentivize companies to invest in people;
- ▶ Promote the creation of personal skilling accounts and the provision of lifelong guidance for individuals to invest longer term in their employability.

The role of corporations

It's time for organizations to view—and treat—their employees in a completely different way. In 2019, U.S. CEOs released a completely reimagined Business Roundtable Statement on the Purpose of a Corporation. Their new vision calls for individual companies to step up, commit to taking a broader, more holistic view of corporate purpose, and focus on creating long-term value for more than just investors, but to consider a return on value for employees, communities and customers. Corporations play a critical role in fostering the mindset and materializing the commitment into investments.

Beyond the six planning steps towards a renewable workforce, businesses should:

- ▶ Consider sustainable workforce practices as investments in their performance and competitiveness;
- ▶ Provide, promote and support mechanisms for employees to understand the gap (assessment), to guide them towards the opportunities (coaching) and to support them in closing the gap (development, skilling) to their full potential.

The role of the individual

At the individual level, it's critical for any worker to examine their career paths and their current skillsets, identify gaps and barriers to progress, and to be aware of the changes that will impact their jobs as well as new opportunities in high growth fields. The role of individuals in taking active, personal ownership of career management and the development of new skills—including taking advantage of any upskilling, reskilling, and development opportunities offered by their employer—is the ultimate guarantee of a renewable future.

Concretely, individuals should:

- ▶ Consider their career as a marathon—and make a longer-term investment in “career fitness” that includes multiple milestones, regular practice and multi-faceted focus on technical and behavioral skills;
- ▶ Invest time, seek out expert guidance and stay up-to-date on the state of the workforce, at all stages of your career. Engage your manager and formulate your own individual development plan with your employer.

What does the future look like?

With the support and buy-in of representatives of governments, businesses, and civic society who step up and put the New ROI—a Return on Individuals—at the center of their agendas, we'll see more organizations and employees find success in a constantly evolving global economy.





About LHH

In today's marketplace, organizations are discovering the need to turn their attention inward to find their future talent. At Lee Hecht Harrison (LHH), we help companies see the possibilities in their people. Through assessments, coaching, upskilling and transitioning, companies can realize the untapped potential within their own workforce, resulting in increased productivity, morale, and brand affinity.

A division of The Adecco Group – the world's leading HR solutions partner – LHH's 4,000 coaches and colleagues work with more than 7,000 organizations in over 60 countries around the world. We make a difference to everyone we work with, and we do it on a global scale. We have the local expertise, global infrastructure, and industry-leading technology to manage the complexity of critical workforce initiatives and the challenges of transformation. It's why 60% of the Fortune 500 companies choose to work with us.