

The Great Reset

WHITEPAPER

How Leaders are Adapting to
Ongoing Disruptions

December 2021



Great Resignation or Great Reset?

Overview

The success of recent pandemic responses has proven that necessity can quickly lead to invention, adaptation, and new ways of working.

While pandemic-related restrictions are now being relaxed, many organisations face a new series of issues, which are often described as the great reset.

Disruptions to the workforce, supply chains, talent pools, and revenue/funding streams are now regular occurrences.

What approaches to strategy and organisation will help to weather these disruptions, and set ourselves up for future success?

The past two years have seen a considerable focus on workforce issues. The Government led public health response has clearly shifted thinking among many leaders, and reshaped resource allocation and priorities relating to workforce health and safety.

Workforce topics have taken up a lot of leadership attention, but other strategic issues are also at play. The disruption to business as usual has been widespread, simultaneously impacting most industry sectors. Those disruptions have manifested in many ways, primarily visible as capacity constraints, delays, increased pricing, and scaled back service delivery.

In essence, organisations have shifted the way they operate through necessity, and their customers are now used to a new set of prices, lead times, and service delivery.

In Australia, organisations that could not adapt were essentially forced to remain in hibernation for much of the pandemic. While those organisations were in hibernation, the world moved on, and their longer-term survival is still unclear.

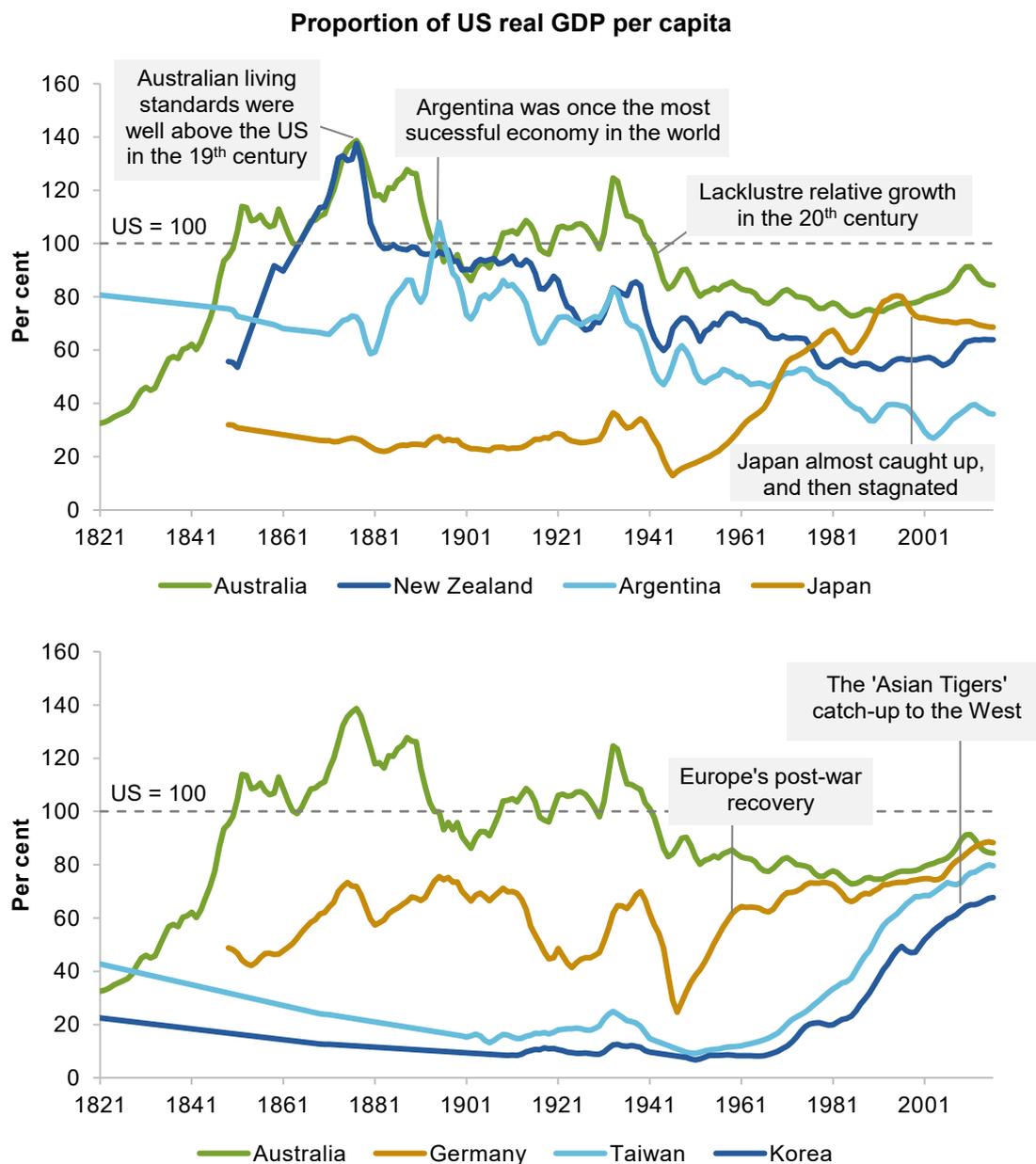
The second half of 2021 has seen a lot of media commentary about the “Great Resignation”, a narrative that predicts much higher levels of workforce attrition resulting from changing attitudes towards work.

The “Great Reset” is essentially a recognition that there has already been a major worldwide reset in response to the initial pandemic. The question is whether there will be a second major reset as leaders chart a course through current circumstances, or whether there will be a snap back to old ways of working.

Trend One - The Opportunity to Reshape Workforce

According to multiple studies carried out by the Australian Productivity Commission, Australian productivity growth consistently lags other major economies, and has done so for more than 10 years. This has coincided with very low rates of workforce mobility between different parts of the country. Australia also has a long track record of very low levels of investment in research and development, compounding the impact.

This indicates that across the economy, there are many untapped opportunities for business process improvement, automation, and innovation, to increase Australian productivity to world class levels.



Source: Productivity Commission, estimates based on Bolt et al. (2018).

Australian organisations have typically been reliant on the available workforce near their key office localities, in a so-called war for talent. Many organisations have typically dealt with capacity constraints by increasing the size of their workforce, rather than investing in more efficient ways of working, or improving the skills of an existing workforce.

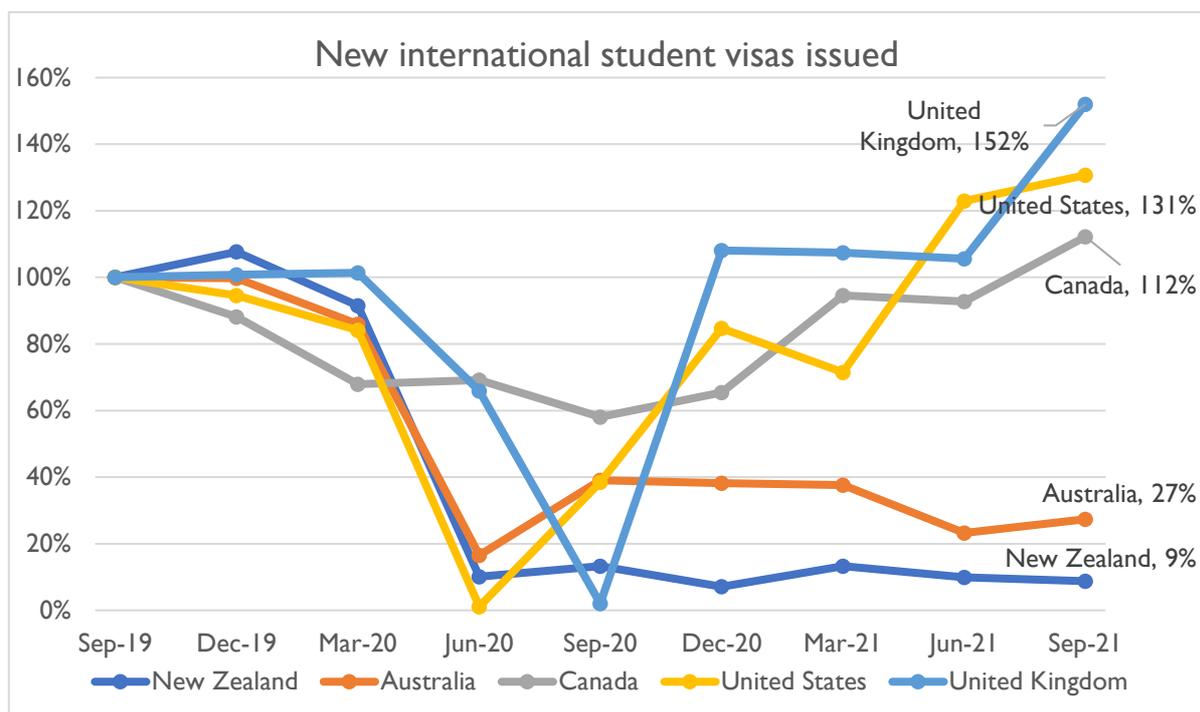
This has led to workforce strategies that are effectively based around bidding wars, building elaborate programs to attract talent from competitors, fly in fly out, and efforts to encourage relocations. At the same time, most organisations reduced their investment in training programs and capability development.

Pandemic related restrictions have clearly also disrupted many workforce strategies, particularly relating to recruitment. Nevertheless, many organisations have achieved stable or improved productivity during recent work from home arrangements.

Organisations which have actively built their model around migrant workforces and international students, such as hospitality, healthcare, and agriculture, are faced with ongoing disruptions, and uncertainty over the long-term sustainability of their workforce model.

“Many of our staff are migrants working on temporary visas, or are students. We are using this situation as an opportunity to slim down our strategic actions, and focus on what really matters. This means focusing on implementing the recommendations from the Aged Care Royal Commission, being a good employer and employer of choice, and being very customer centric. This is how we retain people. We call it the reinvigoration.”

Sandra Hills, Chief Executive Officer at Benetas

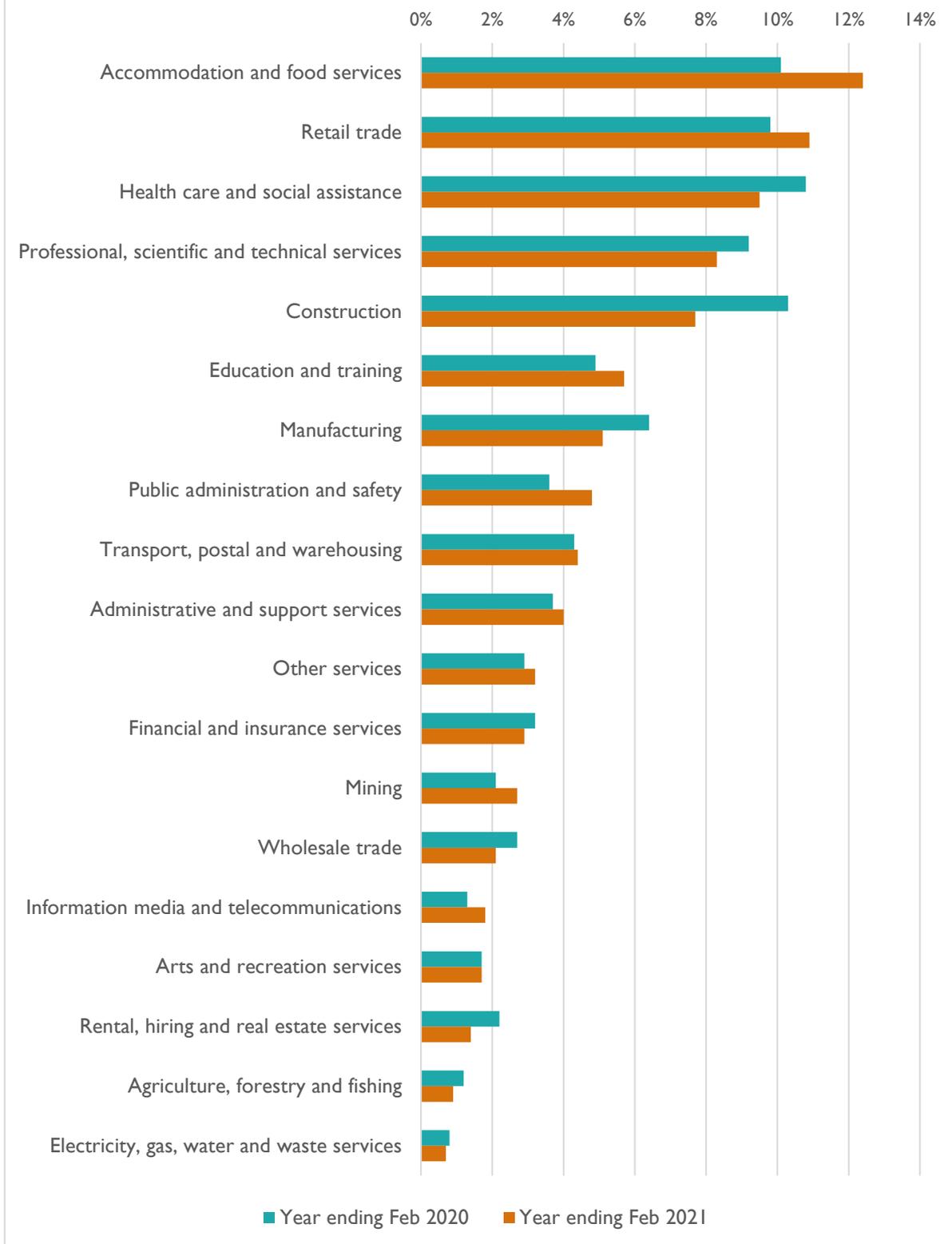


Source – Mitchell Institute, 2021

According to LinkedIn, "job hopping" is already on the rise, with a significant jump in the number of people shifting employment compared to pre-COVID.

Emergency response measures have significantly increased demand for some services, overstretching some essential workers, and generating large amounts of additional work hours for particular front-line skills.

% Australian workforce who changed jobs



Source: ABS Job Mobility Report February 2021

“For years prior to COVID, the challenge within the public sector was that we always tended to outsource everything. We outsourced our thinking, we outsourced our management.

During the COVID period, we didn't have that luxury. We have had to rely on people upskilling, and learning to do more ourselves, with less outsourcing.”

Amanda Fairley, Executive Director at NSW Department of Planning, Industry and Environment

Financial institution Hiver carried out a survey of Australian essential workers across education, emergency services, and healthcare in September 2021. Approximately 19% of respondents indicated that they were actively considering changing job as a result of the pandemic. In addition, 65% indicated that it was difficult to look after their own mental health and wellbeing. This indicates a significant risk of increased workforce attrition for these essential frontline workforce professions, further compounding capacity and service delivery gaps.

Victoria is the Australian state that was most severely impacted by Covid-19 restrictions, with the highest number of days spent in lockdown. This is likely to have impacted workforce perceptions, potentially leading to higher future rates of attrition.

In other countries, businesses have already seen higher than usual attrition rates. In the United States, the US Bureau of Labour Statistics reported that 4.2 million Americans voluntarily left their jobs in October 2021. Employment and job vacancies have correspondingly been very strong, with a net employment gain of 5.7 million people for the year to October 2021.

While the factors impacting the US workforce are not the same in Australia, with many US workers depending on their employer for health insurance, the perception of a reduced health threat has allowed many people in the US workforce to seriously consider alternative employment. This has coincided with extremely low basic pay rates and insecure work for hospitality and retail sector roles, leading to a dramatic increase in attrition.

Essentially, the balance of power in some markets appears to have shifted from the employer to the employee. Market rates for wages have lifted due to labour market constraints and limited workforce mobility, so existing workforces now can demand higher wages and more flexibility in the way they work.

Questions to consider

- Does workforce location matter? In what situations?
- Should I be building current workforce capability, or bidding for additional talent at market rate?
- How has our attrition changed over recent years?
- How would I build my operations / delivery team if I started from a blank sheet today?
- How sustainable are current work practices and workforce strategies?
- Have recent workforce adjustments been tolerated, not embraced?
- How much appetite remains for further change?

Going forward, the current disruptions and constraints associated with attracting talent are not likely to resolve any time soon. This means that leaders will need to re-examine their strategies, as workforce models that worked in the past are unlikely to be viable.

“We made a call early in 2020 to move to a hybrid workforce model as a permanent shift. We decided to make it possible for every feasible role. We have had some staff who have asked to relocate outside of Sydney, and now we have the ability to recruit roles nationally. It means we are able to tap into a broader talent pool, which is serving us well in a tight market for skills.”

Alan Kirkland, Chief Executive Officer at Choice

Leaders should work quickly to identify new service delivery models, opportunities for business process improvement, and focus on enhancing the productivity and capability of their workforce, rather than placing their bets purely on recruitment.

Trend Two - Remote working is eroding trust and resilience

A recent study by the Centre for Transformative Work Design found that Australian leaders have trust issues relating to remote work. Approximately 60 percent of supervisors doubted that remote workers performed as well, or were as motivated, as those in the office.

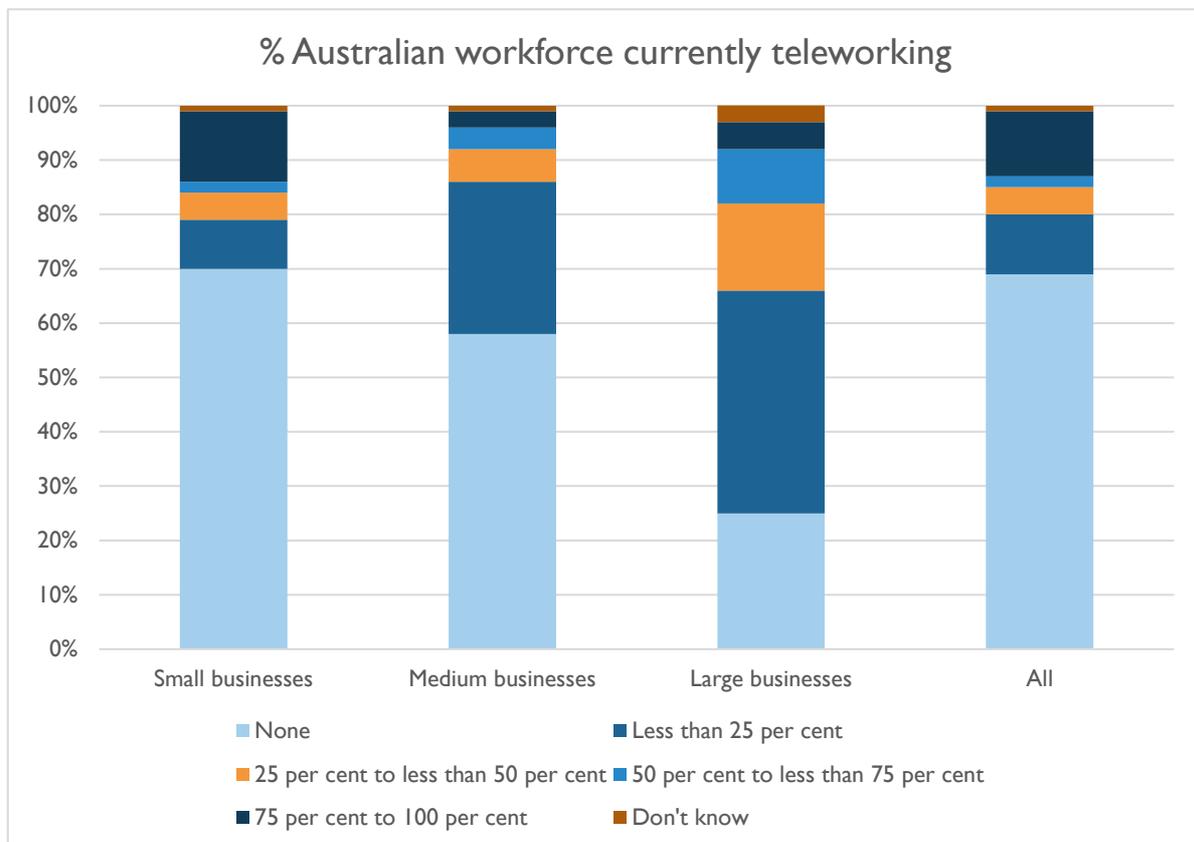
“Hybrid and remote work places greater demands on managers. Leaders have to work out how they will create cohesive teams, be very clear on performance expectations, keep an eye on performance, and make sure people feel like the team is working well, with work divided up equitably.”

Alan Kirkland, Chief Executive Officer at Choice

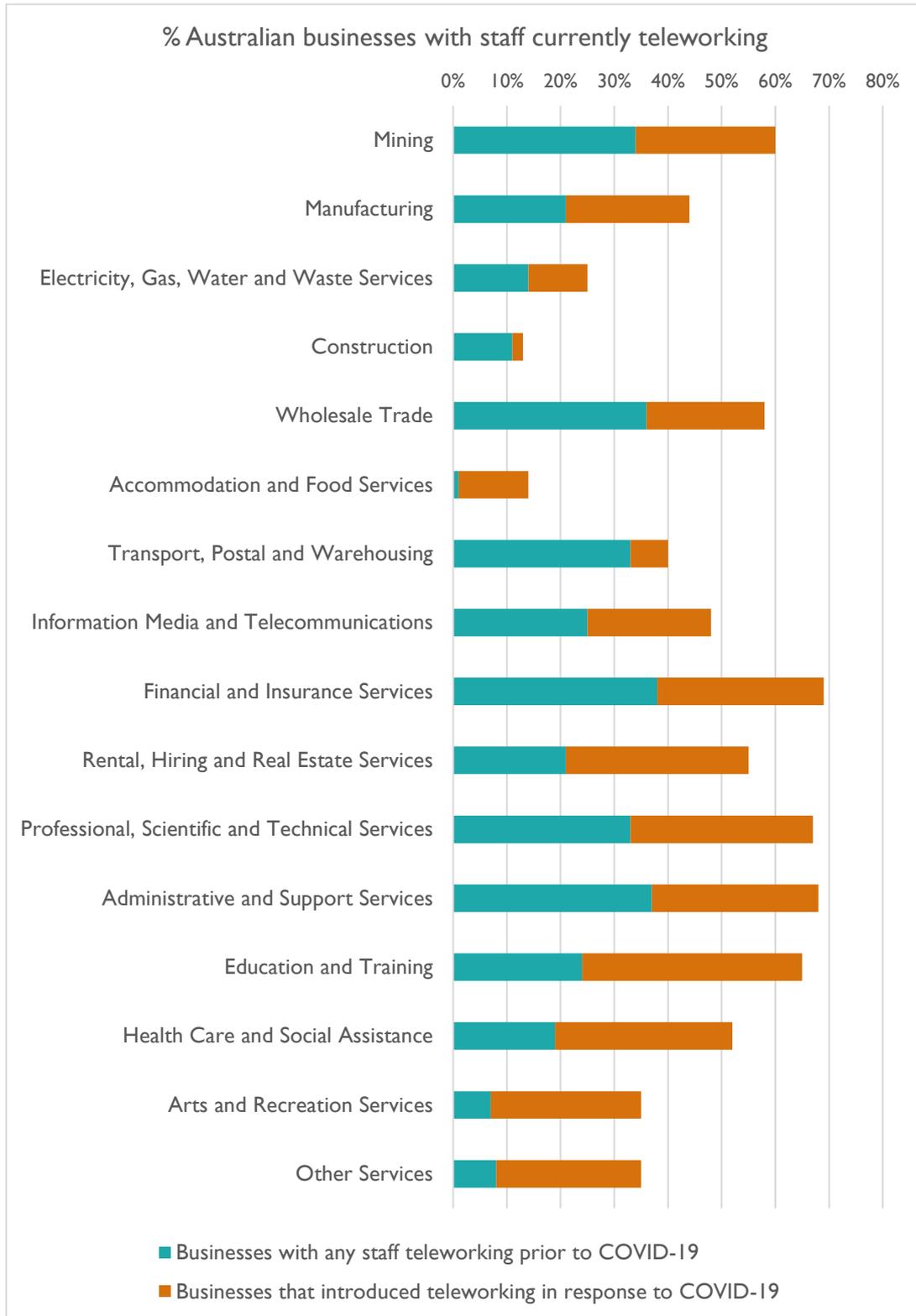
The physical separation of colleagues clearly has an impact on teamwork, and the effects of a long bout of remote work may linger. Research studies of remote workers and their managers suggest that trust is eroding most amongst those working remotely for long periods.

A study of more than 5,400 workers conducted by Ward van Zoonen of Erasmus University found that workforce trust amongst colleagues measurably falls the longer remote work conditions continue without regular physical meetings.

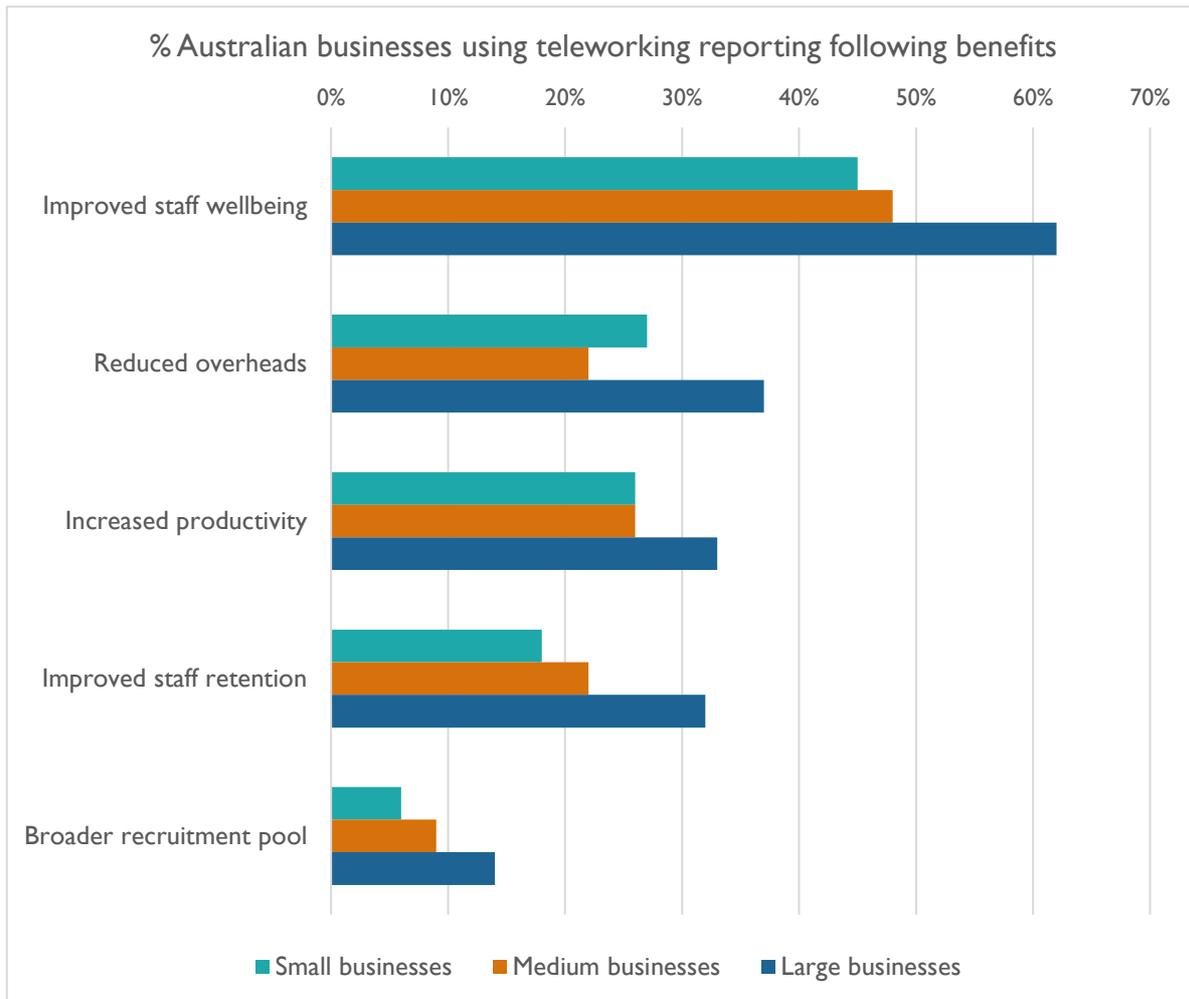
This lack of trust has also coincided with the rapid deployment of employee-surveillance tools, such as automated monitoring software.



Source: ABS Business Conditions and Sentiments, April 2021



Source: ABS *Business Conditions and Sentiments*, April 2021.



Source: ABS *Business Conditions and Sentiments*, April 2021.

Organisational and workforce resilience have also decreased during the pandemic response. This has led to many leaders focusing their attention on acknowledging the importance of developing, nurturing, and sustaining resilience for their direct report teams and wider workforce.

“It is about really starting to understand how members of the team need me to interact with them, whether it be through a phone call, or if it is in person. The responsibility is on me as the leader - not them - to actually make that happen. To make it how they need it to be.”

Building trust is also sometimes about being able to limit the communication and interactions. Respecting the fact that sometimes people are feeling overwhelmed with the volume of interactions and the expectations around that communication. It is important to make sure that people have time to disconnect. Trust is built when people see you making the effort to adapt to their preferred ways of working.”

Amanda Fairley, Executive Director at NSW Department of Planning, Industry and Environment

When attempting to boost resilience, leaders need to consider building strong personal connections with their managers and team members, to ensure they feel supported and equipped to work both individually, as well as together in virtual teams. Ensuring employees are connected to the purpose of the organisation also drives a sense of intrinsic motivation and resilience.

Consistent communication through regular all-staff meetings is important, combined with regular “kitchen chat” one-on-one sessions with team members.

“Even without COVID, managers in large organisations can easily lose sight of people, and many people don’t really understand how to effectively manage at scale. I advise management teams to consider building strong concentric circles of influence. Who are the 20 people in your workplace that you can reasonably focus on, who you will build a sound and robust relationship with? Then how does that 20 ripple out and build their 20 robust relationships? This is how you scale and don’t lose sight of people.”

Coralie Nichols, Chief Executive Officer at Ian and Shirley Norman Foundation

Questions to consider

- What is the right balance for my team of in-person and remote work?
- What mechanisms are in place to build and measure team trust?
- How much focus should I place on fostering stronger bonds between my team members?

Trend Three - Alternative workforce resourcing models

The public health response to the COVID-19 pandemic has highlighted the limitations of traditional workforce management and service delivery models.

Restrictions on workforce mobility caused by border closures, combined with poorly designed employment relations agreements which constrain an employer's ability to respond to shifting circumstances, have highlighted the necessity for many organisations to embrace more flexible workforce resourcing and service delivery models.

Service focused industry sectors have already started to shift to a wider use of third-party commissioning, procurement, and freelancer resourcing. This can be an attractive means of ramping up service delivery without being limited by workforce constraints, or unnecessarily disrupting operational business as usual.

"It starts with organisational values and purpose. It is really critical to be really clear about those. That includes measuring and rewarding the right behaviours. You have got to think about the rituals that bring the organisation to life, bring those values to life, and make an organisation special. When we bring new people in, we really focus on the induction process, and make sure new team members get the time to meet all of the other key people in the organisation. We also schedule virtual water cooler meetings each week, as well as 15-minute virtual stand-up meetings."

"There is still a role for face to face to help bring culture to life. We have decided to just absorb the travel costs for bringing together the team several times per year. We do this because it is much easier to do the virtual work when you have a foundation of relationships formed in-person."

Alan Kirkland, Chief Executive Officer at Choice

Newer online platforms are seeking to add more value to the traditional contractor and freelancer ecosystems, by helping to assemble teams of workers, rather than individuals.

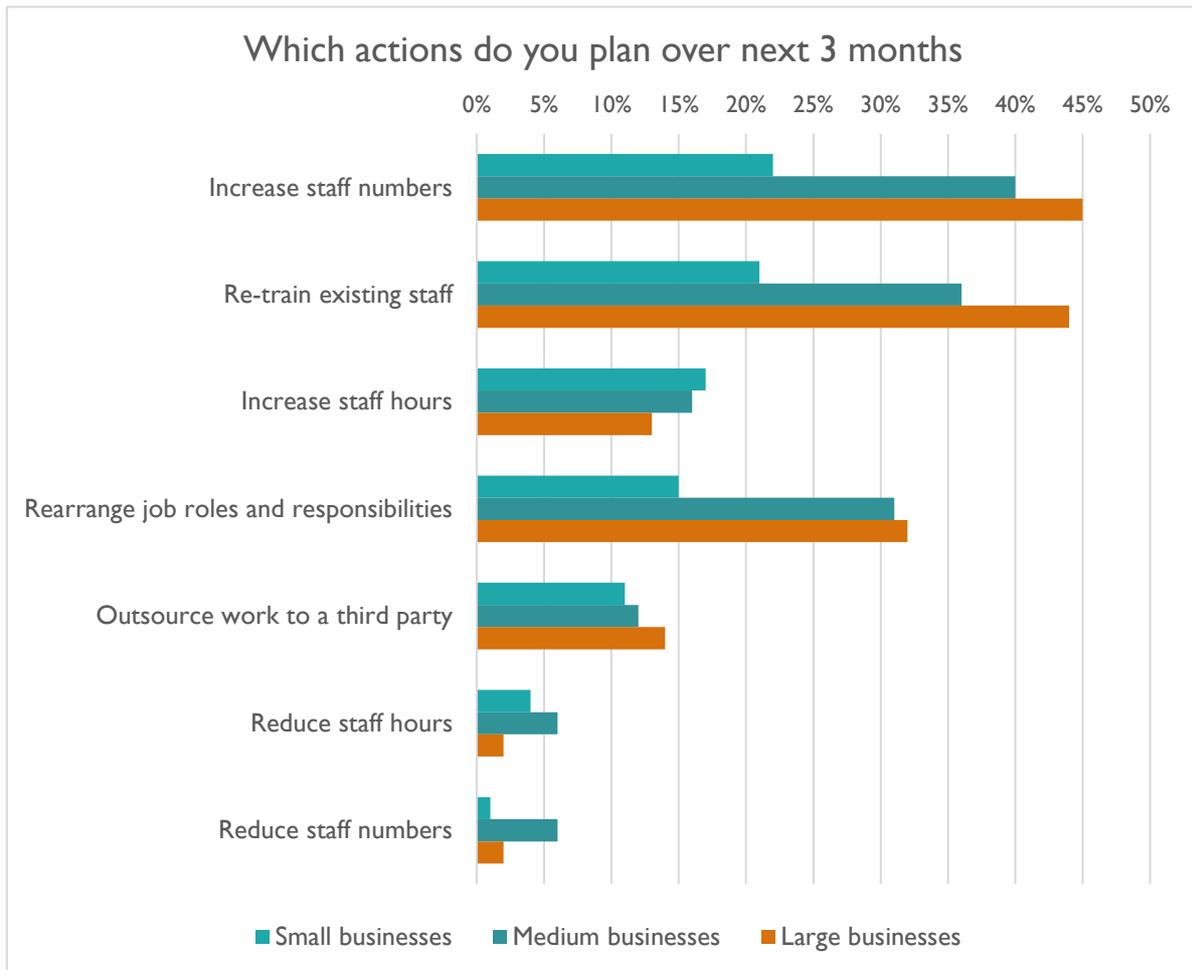
These platforms, such as Upwork, Catalant, and Toptal, claim to help organisations access a broader range of highly skilled and specialists, potentially located anywhere in the world. Whether this is considered suitable or not, these platforms are helping to shape workforce expectations, and build a larger pool of people willing to work under a different model.

A recent survey of leaders conducted by the Harvard Business Review in 2021 indicated that the uptake of on-demand platforms and alternative workforce models has increased significantly during the recent pandemic restrictions. In the survey of US CXOs, approximately 50% of respondents indicated that their permanent full-time workforce would be much smaller in the future.

While this could be easily attributed to the perception that restrictions and the measures required would be temporary, and hence best

Questions to consider

- Are there parts of my organisation where other resourcing models make sense?
- What level of service delivery is my team normally achieving? How is it measured?
- What is truly BAU? Is that something that is unique? Or a commodity?



Source: ABS *Business Conditions and Sentiments*, June 2021.

dealt with on a temporary basis, many organisations are facing significant ongoing disruptions, and will need more flexibility in the future, not less.

Organisations that have a high proportion of short-term workforce can face significant challenges building a cohesive organisational culture. In this situation, it is important to carefully consider how to best foster teamwork and the desired culture. A systematic approach is important to effectively onboard new team members, build teams, monitor performance, and communicate desired values and outcomes.

In addition, on-demand talent sourcing and procurement-based service delivery models can impact workforce related governance and reporting, and interact in un-intended ways with existing workforce policies, training programs, and remuneration structures.

Trend Four - Customer service expectations are shifting rapidly

Online customer service delivery has rapidly grown in importance since 2020, primarily because of the public health restrictions.

For some organisations, it was simply a rebalancing of an existing service delivery mix. For many large Australian organisations, it was a forced transition, that has helped to highlight strategic gaps in their delivery models.

The rapid evolution and use of the Service NSW mobile phone app as a delivery platform for key government services has been a major component of the overall response to the pandemic. It has allowed the rapid deployment of new services and support programs, while helping to generate the data required to deliver more targeted responses.

Since 2020, it has become clear that expectations around what “good service” looks like have changed. Convenient online customer service, credit card transactions, and seamless home delivery logistics are now paramount considerations for most organisations. In addition to these table stakes, many organisations will need to now focus on weaving human interaction touchpoints back into their online customer service mix.

“During our pandemic response, we had well prepared systems and processes in place, and actually engaged third party surge capacity for our customer service team. People wanted 24/7 access to our team, and rapid answers to their questions. We have also ramped up our efforts to understand ongoing consumer engagement by seeking more regular feedback, to better understand how well we are communicating, preferred channels, and frequency.”

Sandra Hills, Chief Executive Officer at Benetas

In January 2021, Gartner published a report into the top trends in customer service delivery. Their key finding was that many large organisations are evolving their approach to customer service delivery, shifting from a cost of doing business focus, to a relationship focused profit centre. Gartner predict that by 2025, 40% of customer service organisations will be profit centres, focused on digital customer engagement.

Empowering customer service teams to overcome and resolve customer challenges will be important, and help to keep the focus on delivering a high-quality customer experience. Flexibility and autonomy will help build trust within both your team, and your customers.

Questions to consider

- What does “good service” look like now?
- What do we need to adjust to further streamline customer service interactions?
- Do we have the right portfolio / product mix? Stop, start, continue?

About SpencerMaurice

SpencerMaurice is a management consultancy that specialises in business strategy, transformation, performance, and organisational design. We help leaders to navigate through complex decisions, and unite organisations and stakeholders behind pragmatic plans of action.

Our engagements are led and delivered by seasoned consultants. Experts with a deep understanding of the sensitivities and complexities of working in situations where the path forward involves balancing strategic goals, customers, workforce, community stakeholders, and Government policy.

Working collaboratively is a fundamental principle of our consulting approach, and allows for leveraging of knowledge and insights, as well as skills transfer from SpencerMaurice to our client's team.

We use an agile resourcing model to build teams for our consulting engagements. For each project, we assemble a tailored team of experts based on our client's specific requirements. We regularly build blended teams which combine our direct employees, freelance and independent specialist consultants, and subject matter experts from other partner consulting firms.

We take this approach because we believe it adds value, and delivers the best possible outcomes for our clients.

We like to view the work we do with clients as a true partnership model.

- We are truly independent.
- We adopt a pragmatic, flexible approach.
- We use a relationship-based consulting style, underpinned with a digital-enabled approach.
- We want to work with you and your staff, not 'do things to you'.
- We measure our own success by the strength of our relationships, and the outcomes we have helped our clients to achieve.
- We solve complex organisational challenges and wicked problems.
- We don't just build a plan and start you on your journey. We handle strategy end-to-end, supporting you with seasoned experts you can trust.
- We challenge ourselves to innovate, while building sustainable long-term client partnerships.
- We have deep practical experience and board level insight, gained from working across a diverse range of client environments and engagements.

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