



Why Now?

A Thought Piece from the Work Design Collaborative
By Charlie Grantham and Jim Ware
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The present economic climate doesn't seem like the time to begin planning and testing new models of corporate infrastructure. Human resources are recovering from massive layoffs, and in some cases continuing to shed resources. Information technology is rapidly becoming a commodity and many of the more routine services are being outsourced. Facilities vacancy rates are running at 20% or higher. So why should a prudent company allocate precious time and energy to developing a way to integrate these resources, make their firms "employers of choice" and enhance the quality of the work experience?

Business Cycles Haven't Gone Away

The short answer is that business cycles haven't gone away and now is the time for smart companies to prepare for the inevitable challenges of the future. However, our experience of these cycles has changed, they have become more volatile. So, when we move out of a concentration phase into the next expansion, companies can't afford to make the same strategic asset management mistakes they did during the last cycle. During the last cycle we behaved like we were still in the industrial age. We looked at the past for guidance, thought things were predictable, budgeted for quarterly performance and felt everything would continue in a straight line. The next business cycle won't be anything like that.

Aspect of Time	Industrial Age	Internet Age
<i>Direction</i>	Linear	Cyclic
<i>Scale</i>	Quarters	Days
<i>Sequencing</i>	Serial	Parallel
<i>Pace</i>	Predictable norms	Situational
<i>Salience</i>	Past	Future

To be sustainable through the next cycle companies must become far more agile than they have been. They will need to know how to operate as a real-time enterprise with cycles measured in days, running parallel operations, and constantly focused on the future, not the past.

Companies must learn how to staff up (and down) more efficiently and make more or their costs variable. They will need to learn how to partner with others for technology support; and they will need to learn how to move from having a desk and workspace for everyone to having just what they need, when and where they need it. Further, they will need to learn how to integrate these assets and develop a robust way of measuring the return on investment they achieve when they embrace new ways of organizing to work.



"OUR NEXT SPEAKER WOULD LIKE TO SHARE HIS COMPANY'S EXPERIENCES WITH IGNORING NEW TECHNOLOGIES."

Human Assets Are Critical

The most precious of a firm's strategic assets is human capital. Right now, in the current period of economic concentration, there *appears* to be an excess of talent. Unemployment rates are hovering around an historic low of less than 6% in a static business climate. But what will happen when we enter the next phase of the business cycle? Will unemployment go to 4%? 3%? Unemployment was 4.2% at the height of the "dot.com" craze (February 2000) and that was probably the lower limit for the kind of creative talent that will be in high demand in the future. While it will likely be a long time before there is another cycle as explosive as the dot-com boom, it is not difficult to believe that there could be a similar expansion led by a different sector such as biotechnology.

By 2007 we believe there will actually be a net shortage of creative talent in the United States of close to 10 million people! This shortage will be caused by a combination of growth in labor demand and a tremendous slowdown in the development of new talent. The demographic bubble has burst, and we will soon begin to feel the dramatic impact of lower birthrates in almost all developed countries, a trend that began about fifteen years ago.

Now, put yourself in the shoes of a CEO in that future environment. If your firm is not the "talent magnet," or "employer of choice" you won't be able to compete for your most precious resource – talent. You can have the financial capital, you can have the best product, you can have the right channels; but without the people resources you need, you will be doomed. And if you wait until that talent demand

equation is inverted you will be about eighteen months behind the curve. With the current and continuing shortening of the business cycle, imagine what your competitors can do to you in eighteen months – especially when they have the talent and you don't. It's an ugly, ugly picture. Growth through acquisition? Doubtful. The rapid deflation of the equities market has left most companies with little trading equity for an acquisition strategy to succeed again.

Now look at where the talent is. It's global, and that means there is an even higher premium on integrating your work support infrastructure, which uses information technology to connect work and workers across the globe. Off-shore salaries range anywhere from 10% to 20% of US equivalents, and predictions are that the pool of capable off-shore talent will grow from about 588,000 jobs today to 3.3 million by 2015, if not sooner.

That's more than a *400 percent increase*. And it isn't just back-office tech workers either. *Business Week* predicts a 670% increase in management positions (to 288,000) and a 470% increase in virtual office support (to 1.7 million).¹ The point is that the talent needed by US-based companies for growth will NOT be located in the places where those companies currently have a physical presence. They have to begin now to integrate their work support infrastructure in new and innovative ways if they want to remain competitive. Why now? Because that integration won't happen overnight, and the clock is already ticking.

And Business is Getting More Complicated

The companies that thrive in this new world of work will plan ahead for several cycles, not just one. There are long waves of change like the overall life cycle of a product as well as shorter waves of change like product enhancements. You need to learn how to operate both within and across these entangled cycles. In order to achieve business sustainability, you need to extend your planning beyond just one cycle to achieve a longer-term, multi-cycled perspective.

History shows that this kind of organizational change process takes anywhere from 18 to 30 months to go from planning, testing, revising to rolling out large-scale programs. Some of this time scale can sometimes be compressed, but a minimum scope of two years is very reasonable. So the time to act is *now* in anticipation of renewed volatility in business cycles and an increased requirement to become much more agile.

¹ *Business Week*, "Is your job next?" P. Engardino, A. Bernstein and M. Kripalani, p. 50-60, February 3, 2003.

Now is the time to act. And not just act to improve operational efficiencies (although that can't be neglected), but to integrate the management of all your strategic assets with the overall business strategy that encompasses what customers you serve, what you do for them, where you do it, and when.

About the Work Design Collaborative

The Work Design Collaborative is an applied research and development consortium. The Collaborative is widely recognized as the leading source of knowledge and expertise related to the future of work. The Collaborative produces and distributes management tools, surveys, benchmark databases, white papers and technical reports, conferences and workshops, newsletters, books and articles, and public presentations on the changing nature of work. Our consortium is composed of senior business, IT, HR, and facilities executives, as well as smaller technology companies and service providers selling into these markets.

Direct inquiries to either Charles Grantham at +1 928 771 9138, or charlie@thefutureofwork.net or. James Ware +1 510 558 1434, or jim@thefutureofwork.net