eBay: The China Challenge Part I
The Institute of Management Services is the primary body in the UK concerned with the promotion, practice and development of the range of methodologies and techniques for the improvement of productivity and quality, known collectively as ‘Management Services’. This embraces the disciplines of industrial engineering, work study, organisation and methods, systems analysis, and a wide range of management information and control techniques as illustrated in our Body of Knowledge.

The Institute acts as the qualifying body for the Management Services profession in the UK, focusing developments in practice and knowledge and acting as a forum for information exchange. This in turn enables our members who work under a variety of job titles across the whole of the UK economy, to make a more effective contribution to the well-being of their own organisation and to the nation’s economy as a whole.

In addition to creating and upholding professional standards for the practice of management services through the adoption of a code of ethics and the provision of a system of qualifying examinations, the Institute of Management Services collaborates with national and international professional bodies in similar fields.

The Institute is a member of, or represented on, a number of other bodies including the World Confederation of Productivity Science, the European Federation of Productivity Services, and the European Institute of Industrial Engineers.

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Is it not amazing how priorities can quickly change? In my last Chairman's column, the discussion was all about Brexit and the implications that the pending trade talks with the EU would have on the UK economy. For almost four years, the whole Brexit debate dominated the headlines to the extent that the general public was fed up with the subject and just wanted the politicians to get on with it.

My column also outlined the opportunities that Brexit would provide for Institute members and the productivity profession as a whole. These opportunities would result from a surge of investment by UK firms after years of stagnation because of the uncertainty surrounding Brexit. This, in conjunction with a drive to raise productivity growth, which had been in decline for the previous five years, would also boost demand for the productivity professional.

Then along comes the Coronavirus (COVID-19) the consequences of which have been devastating, and the whole Brexit debate and its significance, have disappeared.

The first case of Coronavirus was recorded on 31 December 2019, at the office of the World Health Organization in Wuhan, China. It is thought to have started in a ‘wet market’ in the city which sold both dead and live animals including fish and birds.

Having been in Chengdu China, for the World Productivity Congress in November 2019, which I reported on in the last edition of the Journal, I can testify that the conditions in these markets leave a lot to be desired in terms of hygiene and cleanliness.

The spread of the virus has been nothing short of staggering. From a few isolated cases in China, to a global pandemic within a matter of weeks!

No longer are we talking about aspirational matters and looking to the future, it’s about the ‘NOW’ and how best to survive!

It reminds me of the various motivational theories and, in particular, Maslow’s Hierarchy of Needs. We are no longer striving for levels 4 and 5 of Maslow’s hierarchy: Esteem Needs and Self Actualisation but have reverted to levels 1, 2 and 3.

1. Physiological Needs: Food, shelter, air and water (for the survival and maintenance of human life);
2. Safety Needs: Economic security and protection from physical danger (or viruses); and,
3. Social Needs: As social beings we need social interaction, companionship and belongingness. These factors are now everyone’s priority.

Of course, the spread of the Coronavirus has triggered all sorts of conspiracy theories. One of these theories was that the virus was not the result of cross-contamination of animals, but was really a biological weapon developed by the Chinese that was released into the atmosphere by accident. This conspiracy stems from a book entitled The Eyes of Darkness written by American author Dean Koontz in 1981, in which he cites a virus called ‘Wuhan – 400’. A deadly virus developed by the Chinese in a laboratory in Wuhan to take over the world. A prediction perhaps? Certainly quite a coincidence!

Having been an analyst for longer than I care to remember, I am always interested in the statistics behind these phenomena. In terms of the Coronavirus, the World Health Organization did a study of 56,000 patients which basically fell into the 80/20 Pareto Principle. Their results showed that 80% of the patients developed mild symptoms (fever, cough and could develop pneumonia) and, of the remaining 20%, 14% developed severe symptoms (difficulty in breathing and sharpness of breath), and 6% became critically ill and could die.

So is there light at the end of the tunnel? Certainly everyone agrees we will get through this, but they also agree that life will not be quite the same. We will find new ways of working as a consequence of our experiences, and businesses will endeavour to get back up and running as quickly as possible. This is likely to increase demand for the productivity professional and certainly the Institute’s education provider who, like most organisations experienced a downturn in demand for courses during the lockdown, anticipates an increase in demand for training post-Coronavirus from organisations looking to boost their productivity in order to quickly re-establish their profitability.

So the message for everyone is take care, stay safe and things will get better!

Dr Andrew Muir
Chairman

“The spread of the virus has been nothing short of staggering. From a few isolated cases in China, to a global pandemic within a matter of weeks!”
Obituary: John Davies

It is with much sadness that we report the death of John Davies, a long standing member of the Institute. John was a kind and unassuming man who will be greatly missed by his many friends in the Institute.

John was a long standing Fellow of the Institute and over many years played an active role in the management of the Institute. At the time of his death, he was an elected member of the Institute’s Council of Management and also Secretary to the Institute’s East Midlands Region, a position he had held for many years.

John’s working career consisted of employment with the National Coal Board as a Junior Manager and later as a Senior Method Study Engineer. He then became a lecturer in higher education at several Midlands universities and colleges, teaching subjects such as quality, ergonomics, planning, engineering design and project management.

It is not surprising considering John’s background in further education, that for many years he was actively involved in the Institute’s education system and was one of the Institute’s examiners for its practical examinations. John was a keen advocate of continuing education and himself held four degrees, including a MSc in Manufacturing, he was also a Chartered Engineer.

John was a kind and thoughtful man who always had the best interests of the Institute at heart, and over many years did much to ensure that the Institute’s education programme became acknowledged as the key education resource for the teaching of productivity techniques.

It was my pleasure to have worked with John over many years and to have had him as a friend, and on behalf of all Institute members and the many students he taught in further education, I send our heartfelt condolences to his family.

David Blanchflower

Institute Notice

Institute members are advised that during the Coronavirus pandemic, the Institute has taken the decision to close its Lichfield office until the government advise it is safe to resume normal activities.

If required, members may still contact the Institute by either email admin@ims-productivity.com or by telephone on 07917 031 866

Members are also advised that the Institute’s Council of Management are currently giving consideration as to how the 2020 AGM will be held if Government restrictions on the holding of formal meetings continue into the Autumn. One option would be to hold a virtual meeting using the internet in the Autumn. Members are asked to visit the Institute’s website: www.ims-productivity.com on a regular basis, as details of the formal notice of the AGM will be available later in the year.

Scottish Region

The Coronavirus (COVID-19)

Something to share in these trying times.

We fell asleep in one world, and woke up in another. Suddenly Disney is out of magic, Paris is no longer romantic, New York doesn’t stand up anymore, the Chinese wall is no longer a fortress, and Mecca is empty.

Hugs and kisses suddenly become weapons, and not visiting parents and friends become an act of love.

Suddenly you realise that power, beauty and money are worthless, and can’t get you the oxygen you’re fighting for.

The world continues its life and it is beautiful. It only puts humans in cages. I think it’s sending us a message:

“You are not necessary. The air, water and sky are fine. When you come back, remember that you are my guests. Not my master!”

Andrew Muir
Scottish Secretary
Congratulations to the students who were awarded the Management Services Certificate in 2019

Michal Michalewicz AMS
Liam Hough AMS
George Dunhill AMS
Lauren Nicholson AMS
Todd Burton AMS
Justyna Jastrzebska AMS
David Howell AMS
Oliver Pritchett AMS
Tracey Wilks AMS
Paul Cartridge AMS
Alan Lindon AMS
Laura Taylor AMS
Waseem Ali AMS
Sidney Bigman Molomo AMS
Sam Simon Chimbombi AMS
Maemo Ntshwene AMS
Lebogang Ntsimako AMS
Craig Smith AMS
Kevin McLeod AMS
Keonethohe Moroka AMS
Tom Webb AMS
Paul Halliday AMS
Gary Creaser AMS
Susana Maria Oliveira Jesus AMS
Dining Irma Djauhari AMS
Pariwat Kareekrin AMS
Samantha Wood AMS
Vladimir Skolnik AMS
Mathew Durkan AMS
Colin Adderley AMS
Katarzyna Kalinowska AMS
Chris Severn AMS
Kelvin Roberts AMS
Sri Wahyuni AMS
Fatmawati Fajrin AMS
Karthick Kamalakkannan AMS
Rizky Sutomo AMS
Ita Purnamasari AMS
Kasiphat Sathirakamonthorn AMS
Jesse Xu AMS
Mantana Chanthanam AMS
Trang Dang AMS
Joao Costa AMS
Nam Nguyen AMS
Jose Borges AMS
Alex Riddick MMS
Martin Abele AMS
Chris Evans AMS
Neil Murray AMS
Sheena Daus AMS
Nursambudi AMS
Ma Lanlan AMS
Amrish Parikh AMS
Gareth Plackett AMS
Ross Cooper AMS
Aaron Carruthers AMS
Oliver Dyks AMS

West Midlands Region

The West Midlands Region Board sends its best wishes to all its members and their families during these difficult and challenging times.

The Region Board had organised events for the Spring of 2020 and a newsletter giving details was ready for dispatch to Region members but then the Government advice was issued to try and limit and control the spread of the Coronavirus, and as a consequence the West Midlands Region plans have been put on hold.

We will be in touch with Region members when the Coronavirus crisis has subsided.

The West Midlands Region Board for 2020:
Region Chair – John Hopkinson, Region Treasurer – Julian Cutler, Region Secretary – Steve Cullen, Membership Development – Robert Haysom.
Executive Members – Bill Acres, Kirpal Singh Pooni, Paul Sample

The Institute’s CPD Programme

If Institute members are seeking to enhance their career prospects, they should consider continuing professional development (CPD) which is used by many professionals to develop new skills and knowledge throughout their career. CPD has become crucial in terms of career progression.

CPD is a proactive and conscious form of learning which uses various methods to help individuals either learn new skills or develop existing ones.

As the name suggests, it is an ongoing learning process. It is also a self-driven form of learning, with the individual deciding their own additional training needs. Participation in CPD offers numerous benefits to both the individual and their employer.

For you as a professional, it helps to ensure your skills and knowledge are up to date, and the professional standard of your Institute registrations and qualifications are maintained.

For your employer, it ensures that the company standards are both high and consistent.

Your employer will see that you are actively dedicated to the job role and value your commitment to the role. Whether you’re looking for a promotion, or you’re hoping to gain employment with a prestigious company, CPD can really help.

It enables you to stand out from the crowd, with research showing that those who have undertaken CPD, have a significantly higher chance of gaining a promotion or moving on to a different area within their chosen field. Practically anything which can further your knowledge and skills is classed as CPD.

Details of the Institute’s continuing professional development (CPD) programme can be found on the website www.ims-productivity.com by clicking on the home page ‘Education’ tab then clicking on CPD tab on drop down menu.
The author Allison Cerra has more than 15 years' experience in the telecommunications industry, working in both the service provider and equipment vendor categories. Unlike most cybersecurity books that are very technical, the author has produced a very readable text that offers a practical, non-technical guide which will meet the needs of company boards, managers and employees. Many books discuss the technical underpinnings and complexities of cybersecurity but this book explores the topic in non-technical terms, step-by-step procedures and outlines an action plan for integrating proven security habits into everyday business situations. Recognising that an organisation's security is only as strong as its weakest link, this book offers strategies for employees at every level. The book offers clear guidance on how to identify weaknesses, assess possible threats and implement effective policies to address these factors.

The Cybersecurity Playbook is an invaluable guide to identifying security gaps, getting buy-in from the top, promoting effective daily security routines, and safeguarding vital resources. Strong cybersecurity is no longer the sole responsibility of IT departments, but that of every executive, manager, and employee.

Explaining her reason for writing the book, Allison states: “I know that cybersecurity is now too important to be left exclusively in the hands of IT. And, I am idealistic to envision a workplace where sound cybersecurity practice becomes so routine, that all employees regularly do their part to collectively improve the defences of their organisation”.

Title: The Motive
Author: Patrick Lencioni
Publisher: John Wiley & Sons (2020)
ISBN: 10: 1119600456
Pages: 174
The author Patrick Lencioni has written many books that focus on how leaders can build teams and lead organisations. In The Motive he places the emphasis on helping leaders understand the importance of why they are leading in the first place.

Just as in many of his books, Patrick explains the concept using a fable, which makes it easy to understand and also an enjoyable read. In the book, he thrusts the reader into a day-long conversation between rival Chief Executive Officers (CEOs).

The basic theme of the book depicts two CEOs discussing the role of leadership. The book explores the fact that there are only two motives that drive people to become a leader. The first being that they want to serve others and do whatever is necessary to bring about something good for the people they lead. They believe that serving others is the only valid motivation for leadership.

The second reason people choose to be a leader is that they want to be rewarded. They see leadership as the prize for years of hard work and are drawn to the trappings of attention, status, power and money.

The book explores in some detail, the five situations or responsibilities that the reward-cantered leaders delegate, abdicate or avoid, which cause the greatest problems for the people they lead.

This is a short but very informative publication which can be read in two or three hours, that will enable the reader recognise their own bad practices or omissions, and bring about a mindset shift that will make them a better leader.

If you have not yet read any of Lencioni’s books, this is a good one with which to start.
The Coronavirus has resulted in millions of people in the UK working from home, as companies seek to continue operations amid the global pandemic. Whilst home working may be saving particular industries from certain doom, it may not be a positive move for workers and productivity. Nicholas Bloom, an economics professor at Stanford University, has written extensively about working from home. He conducted a two-year study of a major Chinese travel company that found working from home made employees more productive and less likely to quit. It was found that they were 13% more productive. Professor Bloom is not however, convinced that those working from home because of the Coronavirus will be as productive. In the China study those working from home were volunteers; in the UK those working from home are being forced to do it. The China study also found that many of the home workers felt lonely and isolated. Those wishing to read the China study report ‘Does Working From Home Work – Evidence From a Chinese Experiment’ can do so at: https://www.gsb.stanford.edu/gsb-cmis/gsb-cmis-download-auth/364391

Employee Ownership Boosts Productivity

A new paper published by Ownership at Work and Grant Thornton UK LLP, investigates an emerging model of leadership that puts power in the hands of employees. Authored by eminent business and management writer, Stefan Stern, the paper is based on a series of interviews with the leaders of ten employee owned businesses.

Currently turning over a combined £30bn plus annually, employee owned organisations demonstrate exceptional productivity, performance and employee engagement.

The paper concludes that shared ownership, and what it takes to lead employee shareholders, are the critical ingredient in this sector’s impressive performance. This dynamic is also behind the growing number of business owners considering employee ownership as a succession option on retirement, the paper finds.

Key themes include:
• Where the business owners are also the workers, effective leadership needs to empower and embolden employees, making accountability in employee owned organisations a two-way street.
• Employee responsibility and accountability will drive superior performance. The challenge for the leader is how to create and foster this.
• Employee ownership is not leadership by committee. Leaders should deploy greater transparency and a greater level of consulting and listening, but clear lines need to be drawn between what gets decided by consultation and what is led from the top.

Justin Rix, Partner and Head of People Advisory at Grant Thornton UK LLP, said: “As business advisers, we are seeing increasingly more organisations moving towards a culture of employee ownership”.

Chair of Ownership at Work, Ann Tyler said: “The key ingredient, the paper confirms, is the ownership stake employees have in the business. With UK productivity still lagging, this paper has huge implications for policymakers”.

The full report can be seen at: https://bit.ly/2VOI1PR
The introduction of a minimum wage in 2015 resulted in workers from small businesses moving to larger, more productive companies which helped increase overall productivity at the expense of smaller organisations, new research by University College London and Nuremberg’s Institute for Employment Research has found. The introduction of the minimum wage policy resulted in a 6.7% increase in wages for workers who had previously been paid below the minimum, reducing inequality but in so doing not affecting employment rates. It was found that approximately 25% of the wage increases were directly related to workers moving to larger companies which paid higher wages. The downside of the introduction of a minimum wage has been that some smaller companies have ceased trading, which has resulted in reduced competition and less choice for consumers.

Christian Dustman the lead researcher, indicated that some evidence indicated that the introduction of the minimum wage had brought about increased productivity.

The Impact On Work-Life Balance

New research from software firm Automation Anywhere, indicates that manually doing repetitive tasks that could potentially be automated is impacting work-life balance. The robotic process automation company, which develops software for businesses, conducted the study with OnePoll and interviewed more than 10,000 office employees in 11 countries in 2019.

The research indicated that almost half of people surveyed globally feel that digital admin tasks often prevent them from leaving the office at a reasonable time, with that number rising to 63% for workers in the UK.

Overall, it found women to be more impacted by this type of admin work around the world, with women spending more than three hours each day on repetitive, manual tasks, while men spend around 2.8 hours on the same.

Workers who took part in the survey said that without these tasks they would feel more able to carry out their main job, to improve productivity levels in their teams and to learn new skills.

Automation Anywhere’s Chief Strategy Officer, Stephen DeWitt, said that “freeing workers” from menial tasks will be central to the work of the future. “Worker productivity and morale are negatively impacted by the volume of repetitive manual business processes that characterise their workday,” he said.

“Freeing workers to focus on higher value tasks is the fundamental promise of a digital workforce. Companies embracing this immediately derive a competitive edge in worker productivity, and a huge boost in the ability to attract and retain their valuable talent.”

Further details of the report can be seen at: https://www.automationanywhere.com/company/press-room/global-research-reveals-world-s-most-hated-office-tasks

Germany’s Minimum Wage Boosts Productivity

The introduction of a minimum wage in 2015 resulted in workers from small businesses moving to larger, more productive companies which helped increase overall productivity at the expense of smaller organisations, new research by University College London and Nuremberg’s Institute for Employment Research has found.

The introduction of the minimum wage policy resulted in a 6.7% increase in wages for workers who had previously been paid below the minimum, reducing inequality but in so doing not affecting employment rates. It was found that approximately 25% of the wage increases were directly related to workers moving to larger companies which paid higher wages.

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Christian Dustman the lead researcher, indicated that some evidence indicated that the introduction of the minimum wage had brought about increased productivity.

Wondering how to reduce costs, increase capacity or improve response?

For help to address your productivity challenges, why not involve Scott-Grant. Our independent, objective and cost-effective help is valued in every business sector.

At Scott-Grant you’re at the home of knowledge and expertise in improving productivity.
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Is Workplace Monitoring an Acceptable Way to Increase Productivity?

Early in 2020, Barclays Bank introduced an electronic monitoring system which was designed to track the time employees spent at their desks and send warnings to those spending too long on breaks. Following objections from staff, the bank took the decision to cease using the tracking system to monitor staff.

In addition to sparking unease within the bank, it attracted criticism from privacy campaigners and HR professionals. Silkie Carlo, Director of Privacy campaign group Big Brother Watch, said: “intrusive monitoring” deprived staff of privacy in the workplace.

Edward Houghton, Head of Research at Chartered Institute of Personnel and Development, questioned whether it was ever appropriate to use what he described as a “Big Brother” approach to workplace monitoring. “Technologies like this may actually cause more harm than good,” he said. “They can... create mistrust or low levels of trust for employees – employees can feel like they’re being watched and not trusted to do their own work effectively.”

The tracking system software was developed by Sapience which claims to have developed a system that creates unprecedented transparency within companies. They also indicate that employers are using the software to obtain the data and insights on employee workflow to help them improve productivity.

Autonomous Haulage Systems

Global mining giant Rio Tinto is said to have increased productivity by 34% through the use of autonomous (AHS) trucks. Rio Tinto has been testing and implementing autonomous technology for over ten years, and after a decade of using massive driverless trucks, the company is now integrating autonomous trains into its operations.

The Autonomous Haulage System (AHS) is a comprehensive fleet management system for mines and consists of self-drive trucks in which human drivers are never required. The trucks contain sensors and software to control, navigate and drive the truck. The trucks are centrally controlled through a wireless network that integrates on-board vehicle controllers, high-precision global positioning, obstacle detection and avoidance systems.

Rio Tinto, which is responsible for up to 40% of Australia’s iron ore production, has gradually expanded its AHS truck fleet from five in 2008 and plans to have 150 trucks by 2020.

Mining companies across the globe are increasingly embracing automation in their quest to boost efficiency and productivity.
Home Working – the ‘New Norm?’

Home working has become the new norm for many and the sharp, sudden shift from well-worn routines to new ways of working has brought its fair share of cultural, technical and behavioural challenges. UK workers aren’t exempt from this, with new research suggesting many lack motivation, are struggling to switch off and grappling with loneliness amid the continued lockdown.

Two separate studies published by tech companies have illustrated the difficulties many of us have faced as a result of the COVID-19 pandemic. A survey of more than 2000 UK workers by Slack, indicated that 55% said they felt their productivity and motivation had slipped while working from home. On average, Slack’s study found that UK workers were clocking in 48 minutes later than usual, while 36% said they were taking more breaks than they did in the office.

The study also found that employees working from home missed the interaction with fellow work colleagues, with 84% indicating they missed communicating with colleagues. Some 25% of UK workers reported feeling lonely when working remotely.

Positive Environmental Impact Of Lockdown

Coronavirus lockdowns across Europe have reduced levels of some of the most harmful air pollutants by almost half, resulting in 11,000 fewer deaths from air pollution, according to a new study. The Centre for Research on Energy and Clean Air (CREA) says levels of nitrogen dioxide (NO₂) dropped by 40% in April and particulate matter in the atmosphere was reduced by 10% during the same period.

The absence of traffic has been a major factor, but so too has a sharp drop in demand for electricity, which has led to many coal-fired power stations being taken offline. In total, coal burning to generate electricity dropped by 37%. Oil consumption declined by almost a third.

The United Kingdom (UK) generated no electricity from coal for two weeks in April, while Portugal used no coal for the whole month, CREA noted. Sweden decommissioned its last coal-fired power station two years ahead of schedule, swiftly followed by Austria, which also went coal-free.

Set against the terrible death toll caused by COVID-19, the number of lives saved is small but researchers say the figures provide a glimpse of what life could be like in a future that is less dependent on fossil fuels.

They predict that the pollution holiday generated by COVID-19 restrictions will also result in 1.3 million fewer working days lost to respiratory illnesses, 6000 fewer new cases of asthma in children, and almost 2000 less emergency hospital visits due to asthma attacks.

Social Distancing and Productivity

The UK has fallen into a significant recession, with data for March showing a record drop in national output of 6%. It is forecast that the economic outlook for the UK is that it faces the worst downturn since the Great Depression due to COVID-19.

The shape of the recovery is highly uncertain. It depends on the course of the pandemic and how the economy adapts to a new normal which includes remote working and social distancing. A requirement exists for the government to support technology to raise productivity, and for businesses to change their norms of working in order to improve the growth rate of the economy. Also, some parts of the UK will be more affected than others, so there will be a need for other government policies to ensure that the new normal will not badly impact productivity and livelihoods.

The International Monetary Fund (IMF) forecasts UK growth to return by 2021. When the lockdown is largely lifted, economic activity is expected to rebound. In China, which has exited lockdown, industrial production rebounded in April and grew by 3.9% year-on-year after declining by 13.5% earlier in the year.
Create a Platform for Continuous Organisational Innovation, Improvement and Change

By Dr James Pepitone and Dr Mark Kunze.

Current organisational change-management models disappoint. Consider this human-science informed approach to change that executives, managers, and frontline workers can own together.

Top-down organisational change programs have a long history of not working. Bottom-up change, while potentially more engaging for some workers, typically fares even worse because of widespread lack of genuine management support for the approach.

Why then do universities keep teaching these methods, consultants keep proposing them, and leaders keep relying on them? Since repeated use of a method that does not work appears to defy common sense, we set out on a research initiative to understand why it persists, and here is what we learned.

Lacking any better approach

Organisation designs conceived for the 2nd and 3rd Industrial Eras were expected to operate with performance and control that was machine-like, from 1870 to 1959, and computer-like, from 1960 to 2019. Organisational change methods personified these same metaphors.

Consider briefly what is involved to change a machine’s performance. Stop the machine. Replace the restricting component. Reassemble the machine. Coax it to restart. Then tinker until it is once again running, potentially at the desired level. If unsatisfied, the machine may require reengineering (i.e., radical change) or replacement.

Changing a computer’s performance begins by troubleshooting current performance shortfalls. The improvement solution may call for operator training, uploading new code, or swapping-out components. Then reboot to see what happens. Try another solution and again reboot. Possibly call tech support or a knowledgeable friend. Or simply junk the thing and get a new one.

Finally, consider what is involved to change a human being’s
performance. After all, an organisation is foremost a group of human beings with the same purpose, and whose nature is substantially more complex, self-managing, and creative than nonliving machines and computers.

Imagine that the leader of your organisation wants to make changes to improve the organisation's performance. How would you want them to do it to you?

Putting aside what you have been taught and experienced in the past regarding organisational change, go ahead and create what you think will be a winning design for an organisational change initiative that targets you and your collaborators at work. What principles, process steps, and practices will fully engage you to pay attention, to not just adopt but also champion, and to successfully implement organisational changes?

You are not alone if you find this challenging. Our research indicates that the reason educators, consultants, executives, and other well-intended experts continue using organisational change methods based on outdated metaphors is because they do not know of a better alternative. And, if they did know one, they would try it.

The respondents in our research were largely in agreement that the 30% probability of success estimated for today’s approach to organisational change, low as it is, is still better than not trying. Especially the executives and consultants said they routinely make investments with even poorer odds. Such are the risks associated with creative ventures.

Furthermore, most respondents were quick to point out that the worst aspect of the 70% failure rate associated with organisational change is not the stakeholders’ dashed hopes, the leader’s loss of face, or any other stigma. Rather, what is obscene is the associated waste of people’s time and talent and risks to their livelihood, depletion of the organisation’s financial resources, and lost potential of competing opportunities. They think of these as excessive costs for failed organisational change initiatives.

In other words, what is more important to improving the effectiveness of organisational change is not to increase the probability of success. This probability is determined more by the inherent risk of new ventures than by anything the leader can control. Rather, what is more important is to lessen the disruption to stakeholders, lower the organisation’s investment of employees’ time and talent, reduce the expenditure of financial resources, and give up fewer competing opportunities. And if there is a way to do this, they want to know about it.

If you share this thinking and seek a lower cost, more effective, and faster 21st-century approach for driving and managing organisational change, you might be interested in learning more about the experience of X-Corp (a pseudonym) and its experimentation with a new approach to organisational change that is designed with the new cross-disciplinary applied human science of humaneering.

### Experimenting with a fully human approach to organisational innovation, improvement, and change

X-Corp, a huge multinational business spanning several industries and most regions of the world, first started experimenting with humaneering technology about six years ago, and in that time methodologically applied humaneering’s principles to transform the corporate organisational culture and many of its operations to welcome change. Most notable among the experiments with humaneering that accelerated the organisation’s comfort with change is the organisation’s success with HTI’s Humaneering Innovation Lab initiative, first implemented at the corporate level and now operating in divisions, business units, and operations of the business.

The CEO first learned about the Humaneering Technology Initiative (HTI) while at a Harvard Business School programme. X-Corp was under severe competitive pressure in several of its businesses at that time, and the CEO was determined and fast-acting to have his organisation test this new technology for designing and managing human work. Specifically, he wanted any X-Corp executive or manager with an interest to have access to humaneering with technical support and financial resources to conduct a valid scientific evaluation.

At the time X-Corp’s initiative was launched, the organisation was suffering from the inability to find and hire enough qualified professionals across a range of engineering and other technical specialties. The situation was so dire that leadership had been forced to scale back their strategic plans until the initiatives currently underway could bear fruit. Among the current initiatives were endowments for the expansion of universities, sponsorship of apprenticeships, and proctored local and online self-directed skill-development, but these investments would not be paying off for several years.

What the company lacked were initiatives that could provide fast relief. This meant trying new ideas, experimenting, and placing smaller bets that, if they paid off, could have a big effect. Even though the CEO had just heard of humaneering less than a month before, it sounded promising enough to try. The investment and risk were small, and if it did work as represented, the payoff would be substantial, and potentially strategic.

I (James) presented to several senior executives (not the CEO) and included discussion and examples of the Humaneering Innovation Lab as just one of the approaches we were trying with exceptionally large companies with widely dispersed operations. Subsequently, upon hearing this idea, the CEO imagined that if humaneering could somehow increase the current productivity level of the company’s thousands of talented professionals and myriad of people-dependent operations, it would extend the company’s operations capacity and reduce the need for as many new-hires.

The CFO who was asked by the CEO to champion this programme, explained at an HTI conference online: “What began as a small bet to assess humaneering’s potential to improve the typical workforce issues – recruiting, hiring, engagement, performance, productivity and turnover – resulted in substantial improvements to all of these metrics. Our efforts then naturally evolved into much more than any of us could...”

In a nod to transparency, the Lab is open to all visitors and soon became a popular stop for anyone visiting the company’s headquarters.
imagine. Furthermore, it has shown us how to maximise the value contribution of knowledge workers and, probably most surprising for many of us, it has revealed a perfect strategic role for HR in the more challenging VUCA (volatility, uncertainty, complexity and ambiguity) years ahead.”

He drafted a cross-functional team of volunteers to repurpose two adjoining conference rooms and a kitchen, all within the corporate headquarters office building, into a facility they named the Work Design Innovation Lab. Once operational, the Lab was staffed as needed by licensed humaneers from HTI and, as called for, company staff from finance, HR, IT, engineering, maintenance, and others.

The facility was outfitted on one wall to showcase science-based principles and practices for the design and management of human work. Another wall questioned the remaining usefulness of Industrial Era design and management methods, and debunked an assortment of popular management myths and misinformation.

These display walls, an expansive white board on another wall, and a room decorated with comfortable modern furniture for planning and casual conversation, supported the facility’s objective of face-to-face diagnosis and design discussions with executives, directors, managers and supervisors, and anyone else who wandered in. In a nod to transparency, the room was open to all visitors and soon became a popular stop for anyone visiting the company’s headquarters.

A comparable virtual facility was created online and staffed from the physical Lab to facilitate similar experiences across the entire global organisation. In time, introductory and educational programmes were offered at both the physical and online Labs.

As the initial Lab’s programme unfolded, corporate HR raised its hand at every opportunity to take on additional responsibility. A few other functions sought to limit their involvement initially, and HR was there the most to make the programme easier for everyone to implement and more effective for the owners capitalising on the service.

HR also surprised the other functions with its flexibility on policies that were creating barriers, friction, or hardship; with its willingness to put employee-created customer value first; and with its unrestrained support for operations owners and their efforts to enable employees to perform at their best.

HR’s outsized contribution to the programme did not pass unnoticed or unrewarded. There was no surprise when two years later the CFO passed responsibility for this initiative to the CHRO.

**How it worked**
The explicit objective for the Lab was to attract and support the ‘owner’ of any people-dependent operation with fresh thinking about improved performance possibilities for their unit that could be achieved by redesigning (or designing seriously for the first time) the human side of their operation. For the owners who showed interest, the staff would design with them one or more performance improving alternatives and execute one or more non-destructive experiments to reveal preliminarily the impact on the targeted operation’s metrics.

With the Lab setup, curious organisation members could simply drop by, either on-site or online, to learn more about humaneering and the company’s objectives for it. Managers could make an appointment to obtain assistance with a specific challenge or opportunity and show up with nothing more than a complaint or
Humaneering closes the science-practice gap on the human side of business operations, simplifying the management of human work and increasing the yield on human capital.

Modern Management (1880-?)
- Based on advances in engineering and military science

21st Century Management
- Based on advances across all scientific disciplines

The collective impact of hundreds of initiatives, with each stressing that attention be paid to developing the Knowledge Work productivity of employees in all jobs, is resulting in the fundamental redesign of numerous roles. Even a 5% shift of worker time and effort from Manual Tasks to Knowledge Work can increase the employee’s productivity by 20%, 40% or even more.

**Impressive achievement and astonishing outcomes**

The most recent regular monthly online meeting of all the Lab champions revealed numerous developments that had emerged from the network of Labs. I (James) participated in the meeting, and even I was surprised and impressed at how much the Lab directors and their teams had been able to accomplish, far beyond the CEO’s initial objectives for the initiative. Here are the six accomplishments that the Lab champions agreed would have the greatest strategic impact on the business (approximately in order of their emergence).

1. **Humaneering opens vast potential for organisational innovation and improvement**

   Though largely unaware of what was missing from their toolkit, organisation leaders and managers throughout the 20th century relied on an unvetted collection of undisciplined ‘best practices’ to guide their thinking about how to best manage people and their work. Whatever these best practices achieved left substantial potential undeveloped. Humaneering inevitably reveals many opportunities to rethink and resolve challenges and to create and exploit new economic value (ie both efficiencies and growth).

2. **Humaneering meets Drucker’s challenge of raising the productivity of knowledge work**

   The primary focus and control by management of human work performance has been the disciplined completion of standardised Manual Tasks. This was once appropriate as this was the dominant form of human work. Beginning in the 1960s, the balance of human work shifted to Knowledge Work, and yet scholar-suggested insights and methods about Knowledge Work were not widely adopted by managers.

   As a result, few organisations were able to tap this new rich source of economic value creation. Though Knowledge Work was prominent in the executive suite, few managers were willing to transfer these methods to lower level employees performing Knowledge Work. As a result, all human work continued to be managed with methods conceived in the late 19th century for managing uneducated immigrants transitioning to the industrial workforce. At great opportunity cost, this management approach remains dominant still today.

   The collective impact of hundreds of initiatives, with each stressing that attention be paid to developing the Knowledge Work productivity of employees in all jobs, is resulting in the fundamental redesign of numerous roles. Even a 5% shift of worker time and effort from Manual Tasks to Knowledge Work can increase the employee’s productivity by 20%, 40% or even more.

3. **Designing human work reduces dramatically the current reliance on direct management**

   Design, in virtually any application, typically improves performance, lowers cost, simplifies use, enhances versatility, and exploits available technology. Design anticipates, prepares, and prevents. Design manifests control without actively controlling. This should make you wonder why most organisations do not make more effort to design human work rather than try to manage it real time.
There is a satisfactory, though still costly, explanation. There has been no technology for the human side of work. All that we have had is engineering, and its principle source, physical nature, and principle focus, physical machinery, and physical materials. Without a balancing understanding of human nature, the result is inevitably no design or over-engineering.

4. The Lab is a fantastic crucible and centrepiece for leadership development
Proposal owners, who are typically managers, generally express appreciation for the Lab’s support in preparing them for this competition, and remark afterwards about how much they learn in the process. According to the Lab champions, the Lab’s cross-functional staff educates and trains managers how to ‘engage their employees to develop areas for improvement, and how to’ propose and execute a successful ‘organisational change’ initiative.

Staff members analyse and frame the opportunities. They advocate for their clients. They find eager sponsors and create a compelling case for any needed financial capital. Plus, they do not get discouraged, when first attempts fail, and support the heavy lifting of implementation until the initiative is completed and considered successful.

At the request of prior participants in the company’s corporate-level leadership development programme, the Lab has become the place where participants get real-world experience and develop greater acumen for leadership.

5. The ‘Shark Tank’ regimen democratises change sponsorship and capital budgeting
It is customary among most management teams to feel that the boss favours some team members over others. Using a non-zero-sum competitive approach of presenting ideas for investment consideration – like the television show in the US, Shark Tank – has created a new level of transparency in the organisation. With executives from other areas evaluating the proposals for potential sponsorship and financial support, this ‘out-group’ feeling is removed or greatly lessened.

6. Lab-developed change initiatives achieve their objectives and receive eager support
The Humaneering Innovation Labs at X-Corp have evolved into an incomparable platform for successful organisational innovation, improvement, and change.

A limited number of employee representatives attend the event to answer questions and otherwise speak on behalf of the manager’s proposal. Subsequent employee surveys and focus groups attribute this approach with substantially increasing employee engagement in their work and trust in management, metrics that previously seemed impossible to increase. Incidents of grieving or resistance to the proposed changes are virtually non-existent.

The Labs performed equally well for all initiatives, and success was not limited to change initiatives dominated by humaneering considerations. The Lab champions attribute this effectiveness to not just any one factor, but to everything the Lab can do to support the operation owner and her organisation.

Though the new applied human science, humaneering, remains in development, it is now available free in beta form for application experiments large and small. This program is managed by HTI and equips pioneering company leaders to experiment with humaneering prior to its yet unscheduled public release. X-Corp is one example of how selected companies are capitalizing on humaneering’s availability now to distance themselves from their competitors by mastering organisational change for human beings for the 21st century.

Footnote 1: https://en.wikipedia.org/wiki/Shark_Tank

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eBay: The China Challenge Part I

This two part feature analyses eBay’s disastrous foray into China. In part I, the authors, David Parker, George Downie and Yinhoo Song, explore the company’s initial expansion across the Western world into the East.

When domestic growth slows down, one answer for firms is to increase sales through international expansion, especially in a growing or increasingly sophisticated market such as China. With a well-lined purse and growing ambition to become ‘the World’s favourite destination for discovering great value and unique selection’, eBay, after achieving envious success in other parts of the world, marched towards China in the hope to further establish dominance in the global customer-to-customer (C2C) online auction market. However, what followed in the three years while eBay was in China would forever haunt eBay executives.

The story of eBay’s failure in China lies in its failure to learn from the lessons of commercial history. Simply stated, senior management exhibited a level of hubris, not uncommon in large organisations. A lack of understanding of the unique nature of the Chinese market, coupled with the unfounded conviction that a strong, successful Western/Oceania brand and business model would morph immutably to yet another automatic success proved catastrophic.

Arguably, poor strategic planning, exemplified by being too slow/reluctant to adjusting their business model and market strategy, and thereby adapt to the nuances of the Chinese market, clearly fuelled the failure. This attitude demonstrated by senior management is recognised in the strategy literature as structural inertia theory, where organisations are often resistant to change because established highly reproducible behaviours have previously delivered business stability.

In this article, we explore eBay’s journey into China.
Many businesses knock on the door of China or other developing countries, with ambition and high hopes of capturing a piece of the emerging, massive, market opportunities. Sadly, in many cases it is appropriate to cite George Santayana’s famous quote, “Those who cannot remember the past are condemned to repeat it.” Indeed, economic history is littered with examples of companies who have sought to transfer business strategies that work well in developed countries without applying the three fundamental questions of corporate strategy: is it suitable, is it feasible, and is it appropriate?

Cultural differences aside, as developing economies open-up to the rest of the world, there is a never-ending list of business protocols that are fundamentally different and, therefore, hinder progress.

It goes without saying, or should do, that it is always in the entrants’ best interests to know as much as possible about doing business in the target market. It is also safe to say that there is never a simple formula to adequately prepare for transnational development, although many have promulgated models. The transactional cost model, the international product lifecycle model and the network model have all been proposed as the template for internationalisation. Perhaps the most famous however, is the Uppsala model.

The Uppsala Model, named after the Swedish university where it was formalised, has its theoretical base in the behavioural theory of the firm (Cyert & March, 1963; Aharoni, 1966). It was proposed by Johanson and Vahlne and was initially developed based on case studies of Swedish manufacturers. The behavioural theory describes the internationalisation of the firm as a process in which the firm gradually increases its international involvement, which is expressed in the Uppsala Model through ‘psychic distance’ and the ‘establishment chain’.

Masayoshi Son kicked eBay out of Japan. I have the same chance in China. Jack Ma, former CEO, Alibaba Group.
Like most other constructs/variants, the Uppsala Model does not, however, fully explain firms’ internationalisation process and behaviour. All business people know that each business is unique, but it a truism that all businesses, services or otherwise, need to address three basic issues when seeking to internationalise:

- Marketing, eg which countries/regions, which segments, what strategy, how to enter - with intermediaries or directly?
- Sourcing, eg talent: local or parachuted in?
- Investment and control – structure: joint venture, global partner, acquisition?

With this in mind, we consider the lessons to be learned from eBay’s unsuccessful foray into China: what might they have done differently? Is the potential Chinese market still worth the pain, or do India, South America, Vietnam, and Africa make better prospects? What is the underlying strategy that companies should employ when developing high risk opportunities?

**Background: The early days**

The organisation Auctionweb, or as we now know it today, eBay Incorporated, was originally founded on Monday, the 4 September 1995 by Pierre Omidyar, a 28-year-old French-born software engineer living in California. The purpose of the software was to help his wife create a website for organising online sales and trades of Pez dispensers (the adult breath-mint dispensers). It has been said that the site attracted only a few visitors in the first 24 hours, but quickly became well-liked as sellers came to list all sorts of products; and, moreover, buyers actually purchased them. It appeared to have captured the zeitgeist: in fact, one of the first items Pierre himself listed for $15 was a broken laser pointer, which eventually got sold even though Pierre had explicitly mentioned the defect.

The website started free-of-charge, until the fees charged by Pierre’s internet provider forced him, in turn, to charge users to pay a small amount for listing items for sale. He had no clue
at that time just how successful his site was going to be, but by the time the payroll numbered 30 employees, the fees collected from users quickly exceeded Pierre’s salary, which allowed him to work on the site exclusively. He developed the platform to incorporate feedback facilities; letting buyers and sellers rate each other to enhance the security and satisfaction of the selling and buying processes.

In 1997, Auctionweb was renamed eBay, short for Echo Bay, which was the name of Pierre’s consulting firm. Business increased rapidly after eBay removed restrictions limiting listings to mere collectibles. Almost anything could be put up for sale on eBay, as long as the sale of those items was not prohibited by law.

In March 1998, Meg Whitman joined the company as president and CEO. eBay’s first public offering in 1998 made her and Pierre both billionaires. The company had only expected its shares to trade for $18, but market expectations skyrocketed the price to $53.50 within 24 hours, signalling the excitement that eBay generated within the tech industry.

In the year ending 31 December 1997, eBay had a net revenue of $41.4 million, this number increased more than twofold to $86.1 million by the end of 1998.

**eBay’s business model**

The move from rare collectibles open category listings started to appeal to an eclectic audience. The business model was, of its time, novel in that it did not hold physical inventory and relied only on charging commissions for transactions on its websites. First, sellers were charged a small fee, depending on their choice of opening bid to list their item for sale, and then a commission fee when listed items were sold. It was perhaps the first, well-designed, technically globalised person-to-person (P2P) trading platform, invading the traditional domain of auction houses (such as Sotheby’s), garage sales and flea markets. The site facilitated easy exploration for buyers and enabled sellers to immediately list an item for sale within minutes of registering.

**Purchase protection and expansion**

One of the hallmarks of eBay’s success was its consistent dedication to providing quality customer service. A good example of this was offering buyer protection if purchases were not delivered or turned out to be not as described, with compensation up to $500.

Additional fraud prevention measures also went down well with both customers and regulators. It also provided online tutorials to help users recognise fraudulent activity such as phishing emails that aim to steal user data and made reporting of suspect activities straightforward, demonstrating a commitment to honest, trustworthy business processes. Its feedback system was particularly important in embedding these as perceived brand characteristics.

Despite a web-based service being ‘global’ by definition, potential customers often perceived it as an essentially American marketplace. The potential appetite was certainly growing beyond the United States, prompting eBay to expand overseas and setting up offices in several international locations. In this way, they did initially seem to be following a modified form of the traditional Uppsala approach discussed previously. It focused on acquisitions in order to expand its market share and sharpen its competitive edge.

**Initial success leading to market expansion**

With a massive cash injection following a stock exchange listing, the company increased efforts to establish an overseas brand presence. 1999 saw it launching dedicated sites in Germany, the UK and Australia. Its German setup was established through the acquisition of an existing auction site for $47 million. The UK was launched by direct investment in a new platform, while the company chose to collaborate with a local company in Australia for its third overseas base. Once again, we see a clear raft of strategic choices made, all of them successfully addressing the three key questions and choosing one of the six ‘classic’ modes of entry. Rapid expansion followed into Japan, Canada and France,
eBay exiting Japan with significant loss of face on the international stage.

eBay becoming the market leader in five of its six overseas markets. Within two years of its first overseas launch, eBay’s operations covered 17 countries. By 2004, eBay had $3.3 billion annual revenue and overseas sales eclipsing its US business.

One of the key elements of eBay’s success in their early attempts at market entry was undoubtedly a savvy choice of entry mode, appropriate to the characteristics of the market. They had, however also been lucky in terms of choosing initial target markets with a short ‘psychic distance’. This concept was identified in the original Uppsala model as mentioned above. It is defined as the distance between the home market and a given foreign market, resulting from the perception of both cultural and business differences. Such differences may include cultural, language, religion, education, legislation, politics, market structure/regulation, tax, business practices and so on. In entering European markets for example, psychic distance was low, and thus success easier to achieve.

**Early set-backs and lessons learned**

Not all its international forays were successful. Japan did not embrace eBay with open arms like other countries. It withdrew from the market in 2002; in terms of market-share it was only ranked a distant fourth on the list of online person-to-person (P2P) websites. It failed to resolve the major issue of cultural differences between its business model and the Japanese way of life. A number of strategic errors can be identified:

- **Late to the party.** By the time it launched in Japan, competitors already had a foothold, eg Yahoo Japan had already been around for nearly half a year and had secured a sizeable number of users.
- **The business model was ‘culturally misaligned’ on a number of issues**
  - eBay charged sellers fees; their main competitor’s was free to use.
  - The company had not factored in the low level of credit card use in Japan at the time; bank transfers or cash-on-delivery payment methods being the norm.
  - The choice of a 60-year-old Japanese-American from Hawaii as Japan’s CEO rather than a local, did not sit well.

Added to this, following the global eBay method of simply relying on word-of-mouth between auction users meant that eBay Japan’s small customer base had little voice, and as a result what advertising strategy there was failed to deliver.

This perhaps arrogant adherence to previous winning formulas without contextualising, resulted in significant losses. eBay exited from Japan with significant loss of face on the international stage. At that time, Japan was ranked globally as the second-largest internet market; eBay had effectively lost out on securing its Asian base.

Read part II in the Autumn issue of Management Services Journal. References are available from the editor at editorial@msjournal.org.uk

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Is Robotic Process Automation a Dead End in Financial Services?

By Cliff Moyce.

If you are considering using robotic process automation (RPA) to help administer financial products, use caution, warns Cliff Moyce, who outlines four sets of risks:

1. **Reification:** You may be reifying a back-office processing and technology model that is old-fashioned, bordering on obsolete – a model that has known issues of cost, time and quality, and that can harm customer satisfaction, profitability and competitiveness. Specifically, you risk locking yourself into the company-centric model of the 1980s and ‘90s in which customers send paper or electronic documents to you for processing (or part-processing) on desktop computers and terminals. This lock-in, however, may be more imaginary than real, i.e. buyers of RPA feel pressured to remain with their current ways of working due to sunk-costs.

2. **Resilience:** RPA that replicates human actions on a screen-based user interface (UI) can be incredibly...
brittle. Tiny changes to the screen can be enough to stop processing completely (which is not the case with humans). RPA that works through application programming interfaces (APIs) is more predictable and controllable, but the same risks and issues apply in both cases, ie any changes to processing software that are not reflected in the RPA may cause processing problems.

3. Efficiency: As a result of No. 2, the effort, time and cost of making changes to processing and administration systems are increased by the need to consider and mitigate for possible impacts on the RPA system (including making changes to the RPA).

4. Change: Appetite for change can reduce due to the increased effort, time and cost needed to make changes to processing and administration systems. This can act as a brake on innovation by making the business case for change less attractive.

Regardless of whether RPA is being applied to a UI or an API, it will always suffer from further committing the organisation to an old-fashioned process mode that is slow, expensive and increasingly unattractive to customers. This is because customers – and agents that act for customers, such as wealth managers – have quickly become used to working with fully digital products in their personal and professional lives (Uber, Amazon, eBay etc). These digital products and services are distinctive by being customer-centric, omni-channel (ie work in a consistent manner on smartphone/tablet/laptop/desktop), and fully automated. They are based on mobile technologies and smartphone apps. They have little or no need for keystrokes by humans or ‘robots’ inside the supplier (eg a pension company) to action enquiries, requests, orders, applications, changes, payments and so on.

If you think that the same cannot be done in your particular bank or insurance company, then look at the world of e-commerce (Amazon, Jingdong, eBay, etc) before you look at Fintech competitors. Consumer e-commerce is an industry that didn’t exist in a meaningful way 25 years ago. After various attempts in the business-to-business (b2b) world to achieve automated electronic processing of orders, invoices and fund transfers, it was the arrival of the internet and mobile technology that really created what we now call ‘digitalisation’. From there, the Lean process thinking of e-commerce firms (b2c and b2b) drove the design assumptions that underpin modern digitalisation. These design assumptions include:

1. Putting all necessary information and self-service functionality in the hands of customers to afford them maximum utility (ability to achieve desired outcomes);
2. Keystrokes will not happen inside the supplier for order processing purposes (as processing will be fully automated and triggered by customers);
3. Keystrokes will only happen in the company for resolving a small (and reducing) amount of customer service enquiries. The majority of enquiries will be resolved automatically (eg with ‘chatbots’);
4. New technologies such as AI, Cloud, and Big Data will be deployed to ensure full automation at scale, continuous development and deployment (again, largely automated), and maximum customer satisfaction.

This type of design is why billions of orders in e-commerce require zero keystrokes in their fulfilment. Ditto modern ride-hailing apps such as Uber. It is the same set of assumptions that underpins Fintech, Insurtech, Regtech and LegalTech.

Before writing off RPA completely, we need to address the arrival of ‘intelligent RPA’, ‘cognitive RPA’ and ‘cognitive automation’. To be clear, these approaches do not solve the problems of RPA listed previously (reification, resilience, efficiency and change). Instead, they attempt to solve another problem, ie RPA is limited in how much improvement to productivity it can offer by working best when processing is straightforward, standardised and repetitive. Where some degree of intelligent comprehension and decision-making is required, RPA tools are of little use – for example, in customer service environments where issues are raised in natural language via written or typed requests. Cognitive RPA uses AI approaches such as natural language processing to decide such things as the person/team who should resolve the query and (possibly) which action should be taken. These tools still assume an old-fashioned centralised processing environment but can be beneficial in some digital environments.

In summary, RPA risks ‘putting lipstick on a pig’ when there are better alternatives available. Full digitalisation and automation should always be considered as an alternative to using RPA. Perhaps RPA working with UIs or APIs will be the best option in individual situations, but increasingly this will be the exception rather than the rule (if it was ever the rule). Financial services organisations need to be bolder and move more quickly toward being fully digital. Moving away from an outdated corporate operating model built around an inflexible, old-fashioned technology such as RPA will never be easy, but it is essential if the organisation and its clients are to achieve the best possible outcomes.

About the Author
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The COVID-19 pandemic has impacted a global economy that was already stuttering. Growth was slowing in a range of countries, exacerbated by trade disputes, critical negotiations and growing indebtedness. The global pandemic has posed an existential threat to many business sectors and enterprises of all sizes, exacerbated by continuing uncertainties over its duration, future mutations and the effectiveness of Government and public responses. It presents national Governments, corporate boards, the professions and others with formidable challenges. Many of these require collective responses. Decisions have often had to be taken quickly and without the benefit of lengthy analyses of the relative merits of different options. Where and how could management services practitioners assist with responses to economic shocks?

The contexts in which many practitioners work have changed. Traditional governance and management arrangements sometimes struggle to deal with fast moving and disruptive shocks to economic and social systems. A pandemic can expose the vulnerability and lack of resilience and flexibility of many business models, Lean operation, and extended and international supply chains, when countries and some companies prioritise safeguarding their own interests. With the focus on COVID-19, will other threats...
such as global warming be overlooked and put on the back burner? Is the pandemic a wake-up call? Could this be an opportunity to rethink business models, direction, purpose and priorities, and accelerate transition to a more sustainable development path?

Entrepreneurs, corporate boards and public, private and voluntary organisations have reacted to the spread of COVID-19 and its impacts upon those they serve and to Government actions. In some countries and for periods, new measures have been announced on a daily basis. Responsible boards follow official advice, but they should also do more when necessary to protect the interests of their stakeholders, particularly those who are especially vulnerable and disproportionately affected. In the midst of a pandemic, overnight people can lose their livelihoods and/or jobs, and companies can lose their customer base, or be forced or ordered to cease or transform their operations.

Enforced and serious reflection
What should management services practitioners working from home and/or self-isolating be thinking about and reflecting upon? Will previous practices return and former requirements remain if and when the pandemic finally passes? Will behaviours, preferences and priorities revert or move in new directions? Might operations and processes that one has analysed and sought to improve or re-design have been replaced by unfamiliar digitally driven alternatives and new business models and services? Will people whose work one studied have been replaced by algorithms and automated fulfilment systems? With hindsight, how resilient and flexible were we in the face of adversity? Could we quickly vary or switch production?

Prior to the pandemic there were sustainability, environmental and climate change concerns, and new technologies and business models to consider. Many countries were experiencing a slowdown of economic growth as consumers faced uncertainty, a credit crunch and falling house prices, and pulled in their horns. Businesses postponed investments and initiatives that required the tools and techniques of practitioners because of economic, political and other unpredictability. Certain sectors, markets and countries were on the brink of recession.

At lower levels of activity and confidence, a shock can put pressure on corporate budgets, margins and profits. The pandemic has compounded problems being experienced by many businesses, complicated the situation for policy makers and massively increased debt. Some economic growth is needed to cope with challenges such as supporting an aging population. During a recovery phase, future priorities may need to change to put more stress upon considerations such as resilience, flexibility, speed of response, multi-tasking and transformation of activities and processes such as the development, approval, production and distribution of a new vaccine. Rigour and thought may still be required. Many management services practitioners will already be aware of the potential impact of digital technologies on work and productivity (Vial, 2019). Creative practitioners with a forte for designing new and better alternatives rather than improving existing ones should be in demand.

Some consequences of previous growth
Continuous rapid growth can lead to overheating and inflation. It can put pressure on resources, the environment and public services, and lead to complacency, a reluctance to consider alternatives and a lack of challenge. Even marginal businesses may be busy if more desirable providers from a customer perspective are unable to keep up with increasing demand. When the going is good, some directors may be tempted to postpone difficult decisions or devote less attention to containing costs or improving productivity. Even though resources might be available to improve or replace them, the priority might be to work an existing production system harder.

In developing countries, an expanding economy can lift people out of poverty, but uncontrolled growth can also strain fragile eco-systems and lead to increased pollution, waste and carbon emissions. Faster growth in a large country such as China, can utilise scarce natural capital that is required to improve the conditions of people elsewhere. Are there limits to growth, and in relation to sustainability and global warming, have we already exceeded them (UNEP, 2019)? Is nature fighting back? The dramatic downturn in economic activity due to COVID-19 has revealed the inflexibility of many operations. Initially, distribution and other systems struggled to cope with sudden changes in demand. Practitioners can help to design more resilient, flexible and sustainable alternatives.

Practitioners can also move into new areas. Must there be a trade-off between growth and environmental quality? Was the rapid expansion of cities and urbanisation prior to COVID-19 sustainable? Many management services professionals have experience of redesigning layouts and flows, planning, human behaviour, and reducing waste and increasing efficiency. Their approaches, tools, techniques and rigorous analyses could support the development of more sustainable patterns of urban living. They could become valued members of multi-disciplinary task-forces, project groups and/or consultancy teams commissioned by city authorities and public and business leaders to design and build simpler, healthier, more fulfilling and less stressful and harmful alternatives to current urban models.

Impacts of a severe economic recession
The COVID-19 pandemic has triggered widespread recession. Its impacts and responses to it might prove game-changing. How could the measures deployed be improved to cope with future crises? What steps should public leaders and corporate boards take to review purpose and priorities, transition to more sustainable business and service paradigms, and improve future positioning by containing costs, increasing responsiveness,
resilience and flexibility, and enhancing community, organisational and collective ability to survive further shocks? Some companies use practical and affordable ways of speeding up responses, and capturing and sharing insights and superior approaches in ways that improve performance, while also benefiting people, organisations and the planet (Coulson-Thomas, 2012a & b, 2013).

Unexpected recessions have implications for public revenues and meeting spending commitments. Actions to tackle problems that could have been funded by higher levels of growth may need to be postponed. Government responses to pandemics such as bailouts and other support to people and organisations can lead to sudden and unplanned increases in public debt that break traditional fiscal rules and provide a further challenge for future generations. Reduced budgets can lead to cuts and delays in areas like maintenance that increase future costs. Windows of opportunity may be foregone or missed. In a recovery phase it may be too late to reactivate old plans.

Prior to the pandemic, technological developments threatened many jobs, while uncertain economic prospects deterred business start-ups and initiatives to create new ones. Economic slowdowns can impact on living standards. If an economy grows more slowly than population, many people can become poorer. Total output and output per head, may be insufficient to fund investments to reduce harmful emissions and improve productivity and the quality of life. COVID-19 has resulted in unprecedented levels of Government intervention and support, as well as reduced living standards. It has also led to increased volunteering and cooperation. High levels of debt may limit funding for rebuilding and the recognition and reward of public spiritedness. Expectations, priorities and practices may need to change.

Differing board and corporate responses
Where boards have discretion, economic slowdown, recession and shocks can lead to differing corporate reactions. Past experience of responses to tough times gives some clues as to what we might expect (Coulson-Thomas, 2020). Costs may be cut to balance the books, with insufficient thought given to recovery and longer-term consequences and implications. Rapid retrenchment can strain relationships. Some stakeholders may feel they bear an unfair share of the cost of adjusting to a lower level of activity. Some countries and sectors may be impacted more than others. If growth creates expectations of continued progress, slowdown can lead to social and political unrest. The Russian revolution in 1917 occurred when economic slowdown followed a period of growth. Will allowances be made for COVID-19?

Certain people gain from an economic recession. Receivers, liquidators and bailiffs may benefit from the misfortunes of others. There may be increased demand for information and guidance. Economic recessions and shocks can create
opportunities as well as challenges. They sometimes stimulate creativity, innovation and a fresh impetus to the search for new income streams and business practices. They can encourage collaboration in the face of common problems. Adversity can break down barriers and result in new and more local connections. A slowdown can release the bandwidth to explore alternatives and, if some funds are available, undertake urgent maintenance and repairs.

A sudden shock can present different challenges and opportunities. There may be more pressure to act quickly, grasp nettles and make tough choices. Some people might be tempted to continue as before in the hope that market conditions return to a previous situation or trend. There may also be less time for detailed analysis and consultation with stakeholders, or for those who are inconvenienced to make alternative arrangements, or to secure support for a change of direction. During crises, less scope for consideration can result in more knee jerk reactions. In order to move quickly, a smaller and tighter group may need to be involved in decision-making. To join a core team, practitioners may have to tolerate greater uncertainty.

Revealing board reactions
How boards react to a pandemic or an economic downturn can be very revealing. It might alert Environmental, Social and Governance (ESG) investors to responsible boards worth supporting. How a company responds in comparison with others could be a source of competitive advantage. It is sometimes easier to differentiate in hard times. Benign trading conditions can paper over the cracks of relative deficiencies. If used wisely, recessions provide a pause for reflection and positive steps to secure competitive advantage and transition to less damaging and more sustainable and inclusive business models and patterns of development that put greater emphasis upon the quality of life. A shock might force such a change. Boards that treated stakeholders fairly in tough times may secure their support.

Practitioners could aim to add value in the areas a board might consider first, for example: looking at new and emerging needs; alternative sources of supply and/or means of operation and/or delivery; how to increase productivity to produce more sustainable value from fewer scarce inputs; and considering the relationship with and welfare of stakeholders and looking for ways of benefitting them and/or working with them to reduce harm and/or increase social and/or environmental benefits in particular situations. Consideration could be given to the ‘new leadership’ required to support people during transition and/or transformation following a review of corporate purpose and priorities (Coulson-Thomas, 2012a and b and 2013).

The dilemma for many corporate boards in a recession is reconciling the need for short term savings, with the desire to build longer term capabilities to address certain shared challenges and transition to a more sustainable business model. In crises, boards should ideally both address immediate issues and also think longer-term about implications, consequences and possibilities. In periods of adversity, it is often easier to distinguish between ‘winners’ such as top-quartile performers and ‘losers’ such as those in the bottom quartile of performance. The winners or those most likely to succeed often behave very differently from losers who may trap themselves in a descending spiral of decline (Coulson-Thomas, 2007 and 2009).

Differing responses of ‘winners’ and ‘losers’
Let us start with losers. In tough market conditions these directors and boards tend to batten down the hatches and cut costs. They rush to lay people off. New initiatives are avoided or put on ice. Their focus is largely internal as they manage re-structuring and redundancies. Losers are more likely to be selfish, negative and primarily concerned with impacts upon themselves. Events are regarded largely as problems. When losers cut costs, it tends to be done hurriedly and across the board. When the axe falls they may not know whether a critical success factor or overhead is being taken out. Headcount culls also often fail to distinguish between high and low performers. Hence valuable knowledge and experience can be lost.

In contrast, winners are more positive, proactive and balanced in their approach. They are more likely to consider impacts upon others and the environment, and see opportunities to help others to cope. There may be economies to be made, but their emphasis is upon improving efficiency, productivity and performance rather than cost reduction per se. They may also be more open to ideas, alternatives and possibilities. They may look for ways of increasing benefits by doing more with less. They may be willing to consider new ways of measuring, accounting for and reporting performance and assessing success and value.

More successful boards may invest to increase flexibility and resilience, secure an advantage or higher return, or deliver more socially responsible outcomes. They seek opportunities to re-position and be better equipped to capitalise upon a resurgence of economic activity. They are more likely to recognise that customers and others may also be impacted. They look for business opportunities to help them adapt. Supporting people through hard times can help to build loyalty and trust. Winners assess trade-offs and opportunities to redeploy expenditures to improve overall

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effectiveness or change direction. They are more likely to identify and protect high performers and areas that are strategic. They capture significant know how and the superior approaches of ‘superstars’ to reduce the impact of a loss of key personnel.

**Raising fundamental questions**
A pandemic and economic shock might be game-changing. During a crisis one needs to ensure that dealing with immediate issues does not drive out longer-term thinking and fundamental questions. A recession can reduce negative consequences of unrestrained and irresponsible growth, such as the loss of biodiversity and natural capital, increased pollution, greater environmental degradation and further production of greenhouse gases that contribute to global warming. Might restoring rapid economic growth with a past development model be neither desirable nor sustainable?

Much depends upon the situation at the point when slowdown occurs. A shock could be used as a warning sign of the scale of readjustment needed if more stakeholders decide that activities such as burning fossil fuels are no longer acceptable. If plant is coming to the end of its natural life, lower demand may strengthen the case for a more sustainable development path. Scaling back might provide an opportunity to cull certain damaging activities. In a recession the economic case for them may be weakened. To what extent might production of a lower level of output with a different mix of activities, as some areas decline more than others, be less damaging and more sustainable?

The consequences for global warming of higher rates of growth with current consumer priorities, approaches to production and business models could be serious. More widespread aping of the lifestyles of the wealthy in developed countries could endanger our futures and further alienate younger generations. Might dealing with the impact of COVID-19 use funds that could have been invested in innovation and transition to more sustainable approaches, models and ways of life? Alternatively, might the pandemic highlight the importance of communities and increase the allure of simpler, healthier and more fulfilling lifestyles?

**Longer-term considerations**
Management services professionals may need to switch attention from the analysis and improvement of ‘what is’ to the design, scoping and planning of ‘what could or should be’. Negative consequences of bounce-back growth could be addressed by adopting less damaging business models or innovation in methods of production. Business leaders could work towards a more caring, collaborative, resilient and responsible form of capitalism. As expectations, requirements and priorities of stakeholders, the public, Governments and regulators change, boards should review corporate purpose, their responsibilities and priorities, the strategic direction they set and to whom and for what they feel accountable.

How directors react to a recession might help CEOs, board chairs, practitioners, consultants, investors and other stakeholders to: assess corporate capability to deal with events such as a pandemic, a scientific or technological revolution, or radically different Government policies or business models; and identify the help and support that might be needed. How quickly do boards respond? Are they overly concerned with protecting existing activities, interests and investments? Where do customers, employees and other stakeholders and sustainable development
Unexpected recessions have implications for public revenues and meeting spending commitments. Actions to tackle problems that could have been funded by higher levels of growth may need to be postponed.

Considerations feature in their deliberations? Do they consider longer-term implications and possibilities? Are they prepared to change direction? Will practitioners rise to the challenge of helping them to adapt, change, transition and transform?

Supporting renewal and recovery
A global pandemic provides an opportunity for public, commercial, professional and voluntary organisations to respond, re-boot, re-purpose and re-engage with their stakeholders and the communities, societies and sectors in which they operate. Some professionals may get in the way of what needs to be done. Others may catch the moment and earn the trust and respect of the concerned, excluded, exposed, worried and vulnerable. Supporting a collective response to COVID-19, pursuing social as well as economic aims and working to ensure a more sustainable and inclusive future could make people more aware of the role that caring capitalism could play. Management services practitioners should be open-minded, flexible and willing to adapt their approaches, tools and techniques to new situations and imperatives as they apply themselves to supporting and enabling responsible and sustainable recovery.

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About the Author
Professor Colin Coulson-Thomas is President of the Institute of Management Services and an experienced chairman, consultant and vision holder of successful transformation programmes. He holds a portfolio of international leadership roles and has advised directors and boards in over 40 countries. Details of his most recent books and reports can be found on: https://www.adaptation.ltd/policy-publications/
We live in a global economy where knowledge is used to produce economic and collective benefit for firms, consumers and the wider stakeholder and business community. The acquisition of knowledge represents a significant investment for many firms, and so the larger the organisation the more knowledge is deployed to meet its business and strategic objectives. Whilst organisations may have similar business objectives, they also have many differences depending on the nature of their business and the markets they engage with. All markets are differentiated by scale, size and tangibility. Peter Drucker argued that only two things matter in business: creating a customer and being innovative – the rest is just window dressing.

In creating new and innovative products or services, firms are placing new and acquired knowledge at the core of their business strategies. One reason for this is the ongoing mobility and migration of human talent between organisations, especially between firms who operate within global markets. Again, according to Peter Drucker, the true measure of a firm is its reputation in the market. The globalisation of international business places pressure on the firms to compete at the highest level. So, in global markets, knowledge is perceived to
In creating new and innovative products or services, firms are placing new and acquired knowledge at the core of their business strategies.

have a relationship with economic growth, productivity, and profitability. In this sense, the rationale for globalisation is to bind markets, performance and profitability into a seamless entity. With this in mind, the aim of this paper is to explore the link between innovation and knowledge transfer between firms and the wider global economy.

Orientation to resources

Adam Smith's influential book, The Wealth of Nations (1776) provided the model for classical economics. Smith changed the import, export model of business, and created the concept of what we know today as gross domestic product (GDP). By selling products, or services which consumers want to buy firms in turn, receive revenues, which in turn generate profits. Smith noted that an individual would invest his wealth in the enterprise most likely to earn the highest return for an acceptable level of risk. Two hundred and fifty years on Adam Smith's writings still influence management and economic scholars.

With this in mind, the aim of this paper is to explore the link between innovation and knowledge transfer between firms and the wider global economy.

 Orientation to knowledge

RBV theory claims that not all resources are of equal importance in terms of achieving competitive advantage and superior performance. It is widely acknowledged that tangible resources (physical assets) have a greater value than intangible assets (such as intellectual property) this is owed to the way organisations account for trading activities and the way balance sheets are constructed to meet regulatory requirements (Botten and McManus: 1999).

In operational conditions, tangible assets are generally easy to duplicate by competitors and many claim that tangible assets are a relatively weak source of competitive advantage and economic benefit. On the other hand, it could be argued that intangible assets are a more significant source of competitive advantage than tangible assets because of the barriers to duplication. Galbreath (2005) confirms that intangibles such as intellectual property (which include trademarks, patents, copyright, registered designs, brand names, licenses) contribute more significantly to a firm's success than do tangible assets.

It could be argued that the rise in the knowledge economy is being fuelled by advances in technology which is underpinned by innovation (patents, registered designs and copyright objects) and alternative business models. Think of Netflix which operates as an Internet subscription services company, which provides subscription service streaming movies and TV episodes over the Internet or Facebook, the social networking company, which allows people to communicate with their family, friends, and co-workers, who provide news feed, messages, and mobile apps. There business activities involve the exchange of knowledge and information. To support their business models takes powerful computing infrastructure and connections. More importantly, it takes people; people with the skills and knowledge to make the business work and transform it into an innovative and knowledge environment.

Within many organisations, knowledge is hard to attach to any one person. For example, tacit knowledge is often difficult to document and involves a lot of human interpretation. Whereas explicit knowledge is easily transferred, taught and learned. Organisations tend to build their knowledge transfer strategies and structures on explicit knowledge. Explicit knowledge has its origins in organisational learning theory, which views the organisation as a learning entity. A decidedly learning orientation has been found to be positively related to organisational performance, in terms of new product development, improvement in market share, and innovativeness. This is consistent with management opinion that learning plays a vital role, between commercial orientation, innovation and knowledge learning and the degree of international engagement and commitment.
Knowledge transfer
How an organisation uses knowledge defines its strategy in terms of its knowledge focus. In the context of knowledge, knowledge management is a structure for designing an organisation’s processes, so that the organisation can use what it knows to learn and to create value for its customers and shareholders. Within the literature, there is an abundance of definitions on knowledge management but there is no consensus on a definition of knowledge. It should be noted that the term ‘knowledge’ creates an ambiguity in its self. Most theories on knowledge management offer a relative definition some more useful than others. The definition offered by Dalkir is considered useful:

‘Knowledge management is the deliberate and systematic coordination of an organisation’s people, technology, processes, and organisational structure in order to add value through reuse and innovation. This coordination is achieved through creating, sharing, and applying knowledge as well as through feeding the valuable lessons learned and best practices into corporate memory in order to foster continued organisational learning’ (Dalkir, p3).

Knowledge management is the cornerstone of creating, sharing, and applying knowledge. Knowledge transfer has lead to some of the biggest innovations we know today. For example, the invention of the Smartphone can be traced to IBM back in 1992 (well before Steve Jobs and his Apple team realised the Iphone in 2007) and even further back when the first touch screen was invented in the 1960s by Eric Johnson, a radar engineer working at a government research centre in the UK. What this suggests is that innovation is sometimes incremental and knowledge transfer at times will have a long incubation period. The unique feature of this innovation is that its origin is international, as demonstrated by the commitment of specific individual ideas over time.

Organisational knowledge derived from multiple individual sources is greater than the sum of its parts. The role that knowledge transfer plays within organisations is highly dependent on its culture and the momentum of the market. Dalkir (p. 51) suggests that organisations need to put knowledge enablers in place that will stimulate the development of individual knowledge, group sharing of knowledge, and organisational retention of valuable knowledge-based content.

In terms of organisation culture, firms which demonstrate an entrepreneurial orientation towards business and customers have a greater chance of exploiting opportunities in the market place. In this perspective, a firm’s entrepreneurial direction reflects the firm’s overall innovativeness and proactiveness in the pursuit of global markets. Firms with superior knowledge, are often able to coordinate and combine their resources and capabilities in new and distinctive ways, providing more value for consumers than can their competitors. Knowledge-based competitive advantage is sustainable because the more a firm already knows, the more it can learn. It could be that learning opportunities for an organisation that already has a knowledge advantage may be more valuable than for competitors having similar learning opportunities but starting off knowing less.

The role that knowledge transfer plays within organisations is highly dependent on its culture and the momentum of the market.
As previously implied, the goal for many organisations is the pursuit of profit. Without profits, organisations cannot easily invest in new projects, products or research and development or hire new talent to generate fresh business ideas. The dispersal of new knowledge within firms is normally facilitated using a push system. That is, pushed from the centre outwards to subordinate departments or business units. Knowledge pushed out from the centre is typically codified in some way (usually online) and held within central repositories or databases. All knowledge repositories reflect three basic components of architecture, structure and content (Figure 1).

**Reversed knowledge transfer**

As firms grow, they come to rely more on knowledge content and physical networks linked to suppliers, customers, collaborators and partners. Within mainstream strategic management, collaborations often highlight the nature of networks to improve their access to resources and knowledge. Unlike many small and medium enterprises (SMEs), larger firms and MNCs will have more resources at their disposal and are generally more able to fund joint projects within their subsidiaries, and between subsidiaries and their stakeholders which lead to new and acquired knowledge. Whilst this is to be expected, it does illustrate the importance of a firm’s capacity to assimilate knowledge and its ability to develop external networks. In this sense, these firms create their own markets, where buying and selling relationships are accompanied by significant flows of knowledge.

Knowledge takes many different forms, for large firm’s access to expertise and competitor information is highly prized. The extent to which reverse knowledge transfer can benefit the organisation is a critical question for many CEOs. Reverse knowledge transfer tends to favour larger organisations, mainly because they have the means to support joint ventures or alliances. Barriers to knowledge diffusion between MNC subsidiaries and their HQ may take several forms. For example, differences in culture, vision, goals, quality of infrastructure and the robustness of decision-making are but a few.

The reverse transfer of knowledge between subsidiaries and MNC’s HQ is an ongoing research topic by scholars who have an interest in international business. Millar and Choi (2009), define reverse knowledge transfer as:

![Figure 1: Structured Knowledge Repository](image-url)
Reverse knowledge and technology transfer is the process of transfer of explicit or tacit knowledge from an MNC’s subsidiary to its headquarters (p390).

A key point here is that transfer is a two-way process which relies on deep motivation to accommodate the bigger goals of the organisation and being willing or able to transmit the knowledge. This presents a challenge to the envisaged process of learning about local conditions by establishing a subsidiary, which will gather and transmit back knowledge. Again, this presents issues in relation to an individual’s willingness to share information and knowledge. To overcome these barriers to knowledge transfer, MNCs should pay attention to informal mechanisms for knowledge transfer. For example, through focus groups, special interest groups, conferences, social networks and project groups etc. Organisational theory seems to support the notion that access to knowledge from subsidiaries is often sought by HQ tapping into sub-networks arising from particular informal systems of values and strong social ties. In this sense, subsidiaries interact with their closest network of local companies and institutions in order to learn about customers and technologies and, therefore capture the local knowledge.

From a subsidiary perspective, the reverse transfer of knowledge gives visibility to subsidiaries that could leverage their strategic position in the multinational network. In this sense, MNCs gain competitive advantage from their relationships by accessing the resources of their partners. This means that a MNC’s potential competitive advantage is dependent on what resources its subsidiaries are able to share. According to some researchers for instance Arthur (1989), not all strategic knowledge networks are stable. As firms become increasingly familiar with each other, knowledge, negative network effects may emerge, locking firms into the network and stifling the creation of new knowledge and innovation.

Knowledge impact on innovation
As suggested, the role of external knowledge sources has led to ‘innovation’ being conceived as a systemic process resulting from both formal and informal means. This includes for example, universities; research labs and joint ventures or alliances. Innovation results from two main sources, the first is internal research and development (R&D) that draws on the firm’s accumulated knowledge, the second is the imitating of innovations of other firms.

It could be argued that the rise in the knowledge economy is being fuelled by advances in technology which is underpinned by innovation (patents, registered designs and copyright objects) and alternative business models.
Various attempts have been made to define innovation. The economist Joseph Schumpeter suggests Innovation is:

The commercial or industrial application of something new, a new product, process or method of production; a new market or sources of supply; a new form of commercial business or financial organisation.

Schumpeter also points out the discovery and realization of creative responses is the characteristic functions of the entrepreneur: ‘the doing of new things or the doing of things already being done in a new and innovation way’ (Schumpeter: 1947). The point here is that the innovator (produces ideas) and entrepreneur (gets things done) which may not embody anything that is scientifically new. Whilst different in nature they often change the industry or market. Getting new things done is not only a distinct process but it is a process that produces consequences that are an essential (or unnecessary) part of a firm’s reality. Therefore, what are these consequences? Successful companies often tend to stay static because the cost of trying new things is too great.

The ability of a subsidiary firm to transfer knowledge is dependent on the complexity and type of knowledge being transferred. Arguably, the rate of reverse knowledge transfer from subsidiaries to its parent (MNC) must be in line with the parent’s capability to absorb any such knowledge which suggests that the lower the subsidiary knowledge complexity, the greater chance of successful transfer. Failure to transfer knowledge will have both cost and competitive implications for the subsidiary and parent organisation. Scores of MNCs operate on a global scale, so access to knowledge is vital to their ongoing innovation strategies and survival. Although MNCs will have access to labour resources, no firm has infinite access and for numerous organisations, the cost of sourcing new talent and knowledge is considered one of the most significant barriers, followed by the fitness or quality of knowledge in the firm’s sphere of operations and the appropriateness or quality of knowledge available globally.

From a broader perspective, it is clearly in the interest of organisations to operate within an economy that offers an opportunity to develop sustainable products and services. It is equally clear that, on a global basis, growing and sustainable businesses will provide the best opportunities for expanding markets. Many CEOs have demonstrated that pursuing sustainable innovation strategies makes good business. Successful companies often tend to stay static because the cost of trying new things is too great.

From a broader perspective, it is clearly in the interest of organisations to operate within an economy that offers an opportunity to develop sustainable products and services. It is equally clear that, on a global basis, growing and sustainable businesses will provide the best opportunities for expanding markets. Many CEOs have demonstrated that pursuing sustainable innovation strategies makes good business.

Conclusion

Like all things in business, organisations that fail to plan for the future put their capital, profits, and customers at risk. Innovation is a construct of many elements and as such, it is important to draw up plans for its management and market transfer. Translating innovation and knowledge transfer strategies into operational terms, is a major undertaking that will affect the entire organisation. It involves changing the corporate culture and employee attitudes, defining responsibilities and accountability, and establishing organisational structures, information reporting systems and operational practices. Getting the strategy right will help to significantly increase performance by improving processes, business models and customer retention.

References


About the Author

Dr John McManus is a strategist, researcher, author, advisor, speaker and teacher, and throughout his academic career and writings, he has brought strategy concepts to bear on many of the most demanding problems facing emerging economies, including global and national competition and firm strategy. Dr McManus research is widely cited and his papers have received international recognition and awards.

Besieged by the hype about the brave new world of Artificial Intelligence (AI) and big data, can the notion of the data value-chain still provide useful insights for those in the C-Suite facing cash hungry divisions clamouring for IT funding to forge new data-driven business designs?

Ian Herbert and Chris Holland from The School of Economics and Business at Loughborough University ask Kshitij Jain, Head of UK and European Analytics at EXL Service (a NASDAQ listed global provider of analytics and digital transformation services), some tough questions about how a new approach to data management could be adopted to lead business design change through artificial intelligence (AI) in the insurance sector.

Ian: In the course of our inquiry into next generation insurance services, we have heard a lot about how AI will change the landscape of insurance operations. The puzzle for us is that the overall pace of change seems slow. For example, Bohn (2018) notes that, in contrast to banking, the insurance industry ‘… faces a slow-motion parade of promise, possibilities, prematurity, and pared-down expectations.’ (p.76). Other research indicates that new business models are emerging in insurance, which suggests an increase in the adoption of AI and digital transformation (Holland 2019).

Yet, when we challenge top management, there’s often what seems like a defensive mindset along the lines of ‘You should have seen things here a few years ago! What we are doing now is really quite radical. It takes a long time to change the way people think. We want to take people along with us on our journey.’

Concern for people is laudable of course, but our business school colleagues have heard similar, well intentioned,
As consultants working across the industry, we see many applications of digital technology which seek to extract greater value from higher-level activities, such as risk evaluation and market pricing.

observations from high street retailers for many years. So, our question is 'how do you see things developing in insurance?' Specifically, will fundamental change only happen if and when the digital giants, such as Amazon and Alibaba, choose to enter the market? And at that point, will it be too late for the incumbent firms to change?

Kshitij: Well, those are big questions. What I would say is that insurance is different from retailing physical goods in several respects, not least the intangible and future-oriented nature of the product. In retail insurance most business is now transacted through, or at least benchmarked against the various comparison web sites. Whereas, in wholesale markets, personal reputation and industry connections are still important differentiators. Also, bear in mind the highly regulated nature of the insurance industry.

As consultants working across the industry, we see many applications of digital technology which seek to extract greater value from higher-level activities, such as risk evaluation and market pricing. However, this can be difficult to achieve in practice, if the underlying data set hasn’t been fully digitised and sufficiently conformed.

I think this is the most significant difference with other financial services. For example, banking has frequent transaction volumes per customer which enables ‘easy’ cost savings in order to recoup the upfront investment costs and thus, mitigate the risks for the C-suite that are inherent in the first wave of digitalisation. This in turn provides the core data set that allows for greater effectiveness in both automating higher-level activities and informing management decision-making. What’s often forgotten is that the first wave of digitalisation, even if relatively low-level, can be important in catalysing fundamental change in the organisation’s culture. We also hear a lot about the need to ‘think digital’ but people assume that can be encapsulated in a slick slide deck on a management away-day!

That having been said, there are also many aspects of insurance that are similar to other sectors of the economy and I don’t think that the industry can afford to be complacent. One aspect I would highlight is the increasingly global nature of the landscape.

Chris: I was half expecting you to say ‘industry’ just then.

Kshitij: I could have done, but I deliberately used the term ‘landscape’ because I think the insurance industry has to see itself within a broader field of developments in information technology and systems. Put simply, it needs to think more generally about what it offers people, and in exchange for what? Especially, how it formulates myriad prices based on judgements about what it already knows.

Ian: Please explain that. It sounds so simple that I’m getting suspicious.

Kshitij: Well, you shouldn’t be. The reason that we are talking today is that I read your recent article on how a knowledge management approach can be used to reshape the way people think about the data journey that they are on.

You explained how AI and machine learning (ML), along with Robotic Process Automation (RPA), can in combination change both the modus operandi of a firm and its business model. However, it is difficult to achieve this by focusing on ambitious transformative technology alone. The reality is more prosaic: real change starts by cleaning and curating the firm’s underlying data sets and building a robust implementation framework before embarking on an AI-led transformation journey.

As consultants to the financial services industry, we strongly believe that to harness the potential of new technology, top management needs to view AI and machine learning not as an IT project but as a set of tools with the potential to reconfigure the firm’s data value-chain.

Ian: I think we used the term ‘data centric’ to refer to a new approach to thinking about data in business. What is different about the data value-chain?

Kshitij: A ‘data-centric’ orientation is a useful enough term to approach to thinking about data in business. What is different about the data value-chain?

Kshitij: A ‘data-centric’ orientation is a useful enough term to galvanise everyone around the value of data in supporting an AI strategy. But data also ‘flows’ across the business, it is dynamic. This needs to be understood otherwise, data-centric can easily lead to data for data’s sake.

Chris: But, the common view seems to be that more data is better?

Kshitij: Yes, I hear that too, usually from firms that are starting from a low base and have low maturity in the data management capability. What I’m referring to is the having the right data in terms of quality, volume and availability, but the real criterion is that the data needs to be rooted in business reality and focused on business outcomes.

Ian: So where does data come from?

Kshitij: Insights can be gleaned from four sources: 1) cross-product data, eg the effect of understanding, say, a customer’s claim history on their household insurance policy when quoting for a motor policy, 2) life-cycle or behavioural data - from a long-term relationship with a customer, 3) unstructured data within the firm – eg customer feedback and 4) external data.
Harnessing the ‘people power’ within an overall data value chain is a challenge for most firms, especially if the technology planning and implementation phases become an IT-led project, potentially out of sync with business resources and needs.

Ian: Please expand on what you mean by external data?

Kshitij: External data could be quite narrow and specific, for example, what is the crime rate in the customer’s postcode? Such things have been commonplace in risk evaluation for many years but that doesn’t mean, necessarily, that the right external data is always accessed and combined with internal data in a meaningful way. This is what I mean by looking across the whole data value-chain.

Chris: So how do you approach data strategy?

Kshitij: Well, that’s partly why I liked your article that explained how a high-level knowledge management approach could be helpful. You explain how knowledge can be viewed essentially as either tacit or explicit and that organisations need to use AI to augment their existing explicit knowledge with the right tacit knowledge from the people in the organisation, as it is codified and adds to the explicit data set. This leads to improved machine augmented decisions by human agents, leading to a virtuous cycle of knowledge, creation, capture, curation and application. Harnessing the ‘people power’ within an overall data value chain is a challenge for most firms, especially if the technology planning and implementation phases become an IT-led project, potentially out of sync with business resources and needs.

Ian: Please explain what you mean by the data value-chain.

Kshitij: The diagram above shows data as a process between business product lines and business needs.

1. Insurance business processes are the core processes within an insurance firm and are typically managed on a range of legacy information systems. They provide the core transactional data about the product, customers, claims history and risk models.

2. The data platform (increasingly cloud based) integrates the internal transactional data with a range of external data to capture all relevant insurance data in a single, accessible location. This is the raw material for analytics.
3. Data management, governance and quality modules are the systems that manage the rules to refine, curate and prepare the data so that it is suitable to be used by sophisticated analytical engines.

4. The analytical engines, including AI and machine learning algorithms, provide insights into the data for specific business use cases, eg for risk modelling and pricing.

5. The business use cases combine appropriate technology such as Natural Language Processing (NLP) and machine learning with relevant business problems such as image recognition for automated claims handling or using IoT sensor data to provide insights into emerging risks in property insurance.

6. Business value is realised through a combination of outcomes such as more accurate predictions of events occurring and the expected magnitude of claims, increased understanding of risk models, improved operational performance and ease of use of complex systems.

Ian: You haven’t talked much about AI and machine learning?

Kshitij: That’s correct. I prefer to use the term machine learning, but whatever you call this collection of new technologies, they can easily dominate the agenda. I was being careful not to convey that impression as we are no longer viewing AI as the critical ‘clever’ bit in the overall data strategy.

Chris: Forgive me but that sounds a bit radical.

Kshitij: OK, I can’t deny that AI is important, of course it is. However, I would increasingly regard AI, and within that I would also include sophisticated statistical algorithms, as providing the brute force processing power of data analytics. Indeed, at EXL we employ over 4500 data engineers and data scientists. It is a key part of our business, although much of the software that underpins the data interrogation routines is becoming commoditised, for example, as ‘off-the-shelf’ sub-routines. For example, in Python, there is a range of standard machine learning algorithms for clustering, regression and deep learning.

Sure, there will always be refinements to the analytics methodologies and techniques, but the ‘real’ prize is ensuring that the algorithms are applied to pristine data, model output is embedded in the business processes and they stand regulatory scrutiny directed at explainability and removing bias.

Chris: do you think insurance will catch up with other sectors in financial services?

Kshitij: I think it’s going to be an interesting journey and potentially a somewhat uneven one in terms of the different business lines within insurance. Whilst it might be easy to predict that the large retail firms will get further down their respective digital journeys faster than the wholesale markets, it’s difficult to be prescriptive. There may be any number of inflection points that drive change.

I don’t think we should be too pessimistic though. There are often advantages to starting late. For example, banking tended to go down the large Hadoop-based data lake route early and the multimillion $ business cases haven’t quite played out. We are seeing that insurance firms have learnt from that experience and migrating straight to emerging cloud alternatives.

There again, the biggest struggle we are observing is not so much within the Data management, IT and Data science teams, but within Compliance and Information security functions in terms of their readiness to deal with this change.

Ian: Many thanks for sharing your thoughts with us.

References and further reading


About the research
The discussion above draws on an ESRC (ES/S010416/1) financed research project into the adoption of artificial intelligence and other technologies in the insurance sector - Technology Driven Change and Next Generation Insurance Services. The project can be followed at www.techngi.uk and on Twitter at www.twitter.com/techngi.

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Unknown Unknowns: Managing Change in Uncertain Times

Who would have thought that Donald Rumsfeld’s oft quoted statement on managing ‘unknown unknowns would have become a popular mantra in today’s chaotic times. Here, Philip Atkinson and Daniel Burger offer some tools and methodologies that may give us back a semblance of control in the organisations of today which will, through ‘self-renewal, reinvention and resilience,’ become robust organisations for tomorrow.

When this pandemic is over, things will change for business and organisations, but no one can be sure how things will evolve. What we have to be sure of is developing the mindset and strategies to cope with the changes that are taking place in the economy and how business is transacted. Many are asking what to do. We have no answers until we can prioritise the questions that have to be posed for individual organisations.

The article does not provide a prescriptive blueprint of how to manage these changes. It does, however, explore some of the methodologies that may help in managing change to create confidence and certainty for the future. Brief reference will be made to the current state of our economy as we face a climate of ‘fast-breaking news stories’ with situations and position changing hourly. What we think we think we know today is being clouded by inaccurate claims, dubious statistics and fake news. This creates unnecessary anxiety and tension, and confuses what we thought we knew yesterday, with what we learn from the reality of our tomorrows.

Rumours, gossip and public or private announcements from crucial individuals, politicians, institutions, public and scientific bodies, and both serious and red tops media are contradictory. Who knows how things will evolve?

We want to be clear that, although this article was written in May 2020, we want to ensure that the content is still relevant to you whenever you read it. It is essential to outline some of the
fundamental changes that may be taking place in the broader economy and business environment to prepare to deal with them once things return to some form of order.

Later, we will be talking about some of the tools or methodologies that will help support this transition of self-renewal and they include:

- Leadership
- The Knowledge Matrix
- Developing the Vision to KPI of implementation
- Managing Emotional Resilience

Initially, let us look at some reasonably loose predictions of how things could evolve. The shock and impact of the virus and the subsequent lockdowns will have a devastating effect on all sectors of the economy. It will take years before we can assess the real impact directly and indirectly on how we do business. What we are aware of is that a return to normality in short to medium terms is less than guaranteed.

Reality and personal uncertainty
The world will be an entirely different place with pessimism replacing optimism, lockdown, social distancing, straining welfare and health care systems, business failure, potential large-scale unemployment, redeployment of labour and restructuring in all sectors of the economy.

Emotionally it is not a good time. Individuals and their families are reacting in a myriad of ways, generally with positive intent. Compliance with social distancing has been a relative success and better than anticipated. People and their families will be much more risk-averse, with social distancing becoming the norm at work and with a shift in family values as to what is most significant to us in our lives.

As most of us will be worrying about our futures, our careers and how we will manage our lives and our incomes, we can imagine that stress and tension are going to become dominant traits within our country and in society.

Leadership in decision-making
Now, like never before, we need strong leadership to enable us to meet the challenges ahead. The problem is, we are going through a chaotic and unpredictable process of change, and we do not have any form of a road map. We have no way of knowing whether or not what we are doing is right. At the same time as not knowing what to do, indecision will not support us in shaping a future for self or the organisation.

Organisationally, until you make vital decisions, nothing happens
In major upheavals, we need fast-flowing factual and accurate information, we need collaboration and debate, but most importantly, we need to make decisions. We cannot procrastinate. We have to make the most informed choice we can in the time available.

Strangely, we find that many organisations are not so great at making decisions at any level. Many can make short term tactical decisions, but the decision-making required today will determine whether the organisation will survive in the future. Decision making has to engage with core constituencies and stakeholders. The ‘decision-making’ process can and should become much more robust.

Decisions vs prevarication
For those leading our organisations the pressure will be intense. They will need courage to make difficult and unpopular decisions at times. They will not take all their stakeholders with them, but organisational decision-making should enter a new era of collaboration where it may have been less so in the past. Decision making as a process is key to moving forward. It is a vital process which must have direction and accountability using RACI.

Engagement does not happen by accident. It can be a quick and clean process by adhering to the RACI model and can radically speed up slow-moving bureaucracies or those more used to working in stable business environments.

RACI: Speeding up decision-making

| Responsible | Those who are responsible for undertaking and completing the work. It includes a variety of people at different levels and functions who have to coordinate and complete the task |
| Accountable | Those who are ultimately accountable for the task or activity. The buck stops here |
| Consulted | Those who have to provide input, data or opinion which is central to the task |
| Informed | Those who need to be informed of progress, decisions taken and task completion. It may include data and process flow |

RACI improves decision-making at strategic, functional, tactical and operational levels. It is an amazingly simple tool and one that can be shared quickly, identifying blockages and challenges in vital change projects.
Leadership will determine the degree to which you will succeed or fail
Strategies available for influencing and forming a strongly focused performance culture require concentrating almost entirely on the leadership within the business. In post 2020+, we have to rethink our capability to operate in a highly unpredictable and hostile environment. It is valid for all sectors which have some extremely challenging decisions to take to structure their organisation for the most significant change they have ever witnessed.

Leadership is vital
Leadership is talked about a lot but practised infrequently. We know it is critical in challenging times because ‘without leadership, there is no change’. We can design and implement change programmes, but unless they are driven with a focus, determination and passionate commitment, they will not succeed and generate the outcomes required.

Leaders, not managers
Many staff need to see their role differently if they are going to make the necessary transition in the business. The biggest challenge is to turn the existing team ‘managing’ the business, towards leading and growing it.

- Leaders have vision and direction. Managers control and administer. Which of these will cause the needed changes to take place most successfully in your business?
- Managers tend to be short-term orientated. Leaders are future-oriented, independent, have strong opinions and make things happen.
- Knowing how the world is changing, who do you want leading the vast majority of your business, and providing demanding customers and end-users with the service required?
- Today’s organisations need staff with a transformational mindset and skills
- Determine what leadership style works for business organisations which adopt this approach
- Commit to your top 25% of people becoming masters of change and innovation.

The Knowledge Matrix
Donald Rumsfeld, (former US Secretary of Defense) introduced us to what we term the Knowledge Matrix at a Defense Department Briefing in February 2002.

<table>
<thead>
<tr>
<th>Known Unknowns</th>
<th>Unknown Unknowns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Things we are aware of and do not understand</td>
<td>Things which we are neither aware of nor understand</td>
</tr>
<tr>
<td>Known Knowns</td>
<td>Unknown Knowns</td>
</tr>
<tr>
<td>Things we are aware of and understand</td>
<td>Things that we understand but are not aware of its impact</td>
</tr>
</tbody>
</table>

This Matrix is useful for senior leadership teams to apply to strategic and critical operational decisions. Problems or challenges can easily be placed within this Matrix and shared.
with the leadership team. We have used a similar methodology to develop strategic direction for a variety of large organisations where service and operational delivery became a considerable challenge.

<table>
<thead>
<tr>
<th>Domain of Knowledge</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Known Knowns</td>
<td>Facts and requirements. No risk here – these can be managed</td>
</tr>
<tr>
<td>Unknown Knowns</td>
<td>Hidden facts. Untapped knowledge not available to you but accessible via others</td>
</tr>
<tr>
<td>Known Unknowns</td>
<td>Known risks. Classic risks are predominant. You can access the knowledge and assess the probability of occurrence</td>
</tr>
<tr>
<td>Unknown Unknowns</td>
<td>Unknown risks. You and others don’t know about it, so you must research it</td>
</tr>
</tbody>
</table>

**So as a business organisation…**
- What are your unknown unknowns that could impact your relevance and survival in the future?
- Would the areas you are focusing on be on other people’s radar?
- How much strategic thinking time are you giving to those three core quadrants that could provide significant threats and opportunities in the future?

This tool is useful for scenario planning and helps you plan a vision for your future organisation which you can use in the Vision-KPI Model below.

**Developing the Vision to KPI of implementation**
We need a structure upon which to implement any form of radical change such as organisations will be undertaking. It is a good idea to start with the ‘big picture’ and then work down through the organisation. We call this the V-KPI© model, and it has evolved since working with various organisations such as General Electric, Volkswagen Financial Services, Aviagen, CNH Global, GE Capital, Diageo, RSPB and others across all sectors.

The model is driven by understanding that every organisational or business goal must start with a vision or a picture of what it is you want to be, do or have. Success post-2020 will not be a matter of luck, accident or default but will be the result of purposeful leadership behaviour with strategic goals in mind.

| Why do it? | Defines your organisation’s vision, leadership, values and culture |
| What is it? | Prioritises CSFs, (Critical Success Factors) Goals and Objectives |
| How to do it? | Energising both culture and behaviours |
| Who does it? | Leads to the systems, structure, processes and people |

Organisations do not transform their operations by accident nor do they attract the best people and leaders by relying on the old ways. Consider the following:

**Vision and leadership**
Where are you currently as an organisation, and how are you going to get where you want to be? What is the gap you have to traverse between now and the future? Do you have the internal capability to manage that transition? As a business leader, you have to assess the degree of transformation that will take you from where you are currently, to your true potential, a journey of enduring and sustainable success in as short a time as possible. What is the ‘big picture’ you are determined to create? What will be your organisation’s core mission and how will it differ from today?

- What do we want to be, do and have? How has this changed from your pre 2020 role and ambitions?
- Are you still relevant to your service users, stakeholders and customers?
- What are your revised strategic goals?
- What are your core organisational goals, and how do they differ from pre-March 2020?

**Vision to KPI Model**
Vision and values: shaping a new future

Today, a major challenge for many organisation, is winning the hearts and minds of its people to focus on achieving a new vision. The purpose of any senior leadership team should be to communicate the intent of the organisation, the strategies to achieve its goals, and to create the culture where behaviours practised result in goal achievement being automatic and the norm.

Culture: focus, energy, alignment

It is a good idea to assess the health of any organisation by measuring the effectiveness of three fundamental concepts in organisational development: ‘focus, energy and alignment’. Every business needs a strong ‘focus’ and direction. This should be communicated to all staff and is probably the ‘raison d’etre’ of any manager’s or leader’s role in winning and motivating others to commit and engage with contributing positively to this corporate vision. A company without ‘focus’ will waste resources and cause confusion and ambiguity. As well as ‘focus’, an enterprise requires ‘energy’ – from a high calibre of leaders who are willing to develop innovative strategies to engage with staff at all levels. Finally, the organisation needs processes to ensure that the ‘alignment’ of directed ‘energies’ impacts directly on the speedy achievement of results for the business. Self-assess, on a scale of one to ten, how your organisation is doing. How well is the new ‘focus’ and direction shared across your organisation?

Immediate concerns post-2020+

A vital issue that an organisation needs to address is, are we currently fit for purpose? Are we still relevant as a business and to clients? Can you maintain your business model in delivering to your client or customer base, or do you need to transform your thinking? Are you providing value? Some organisations may only have to tweak one or two areas, but many will have to reinvent themselves completely.

A useful exercise to undertake is to use risk assessment or vulnerability analysis addressing where you are most at risk and then take action. It is a lengthy but straightforward exercise that requires input from the top two or three layers of management and engagement with people selected from diagonal slices of the organisation, Focus Groups as well as questionnaire analysis with customers, clients, suppliers and staff. It is a robust process, and we can see many organisations pursuing that route in the months and years ahead.

Characteristics of a strong vision for a business

- Intensely customer-focused at key touchpoints
- Challenging and stretching
- Inspirational and enthusing
- Encourages a passionate commitment to go beyond ‘business as usual’ (BAU)
- Emotionally bonding at a team level
- Simple to articulate, straightforward in communicating with others
Management Services Summer 2020

Strategies available for influencing and forming a strongly focused performance culture require concentrating almost entirely on the leadership within the business.

- Evolving and not frozen in time
- Provides a rationale or motivation for change and improvement

Values and culture
As a concept, organisational culture is much misunderstood in business transformation. Culture is just as vital as strategic thinking. There are some issues you may want to consider to shape your future:

- What culture would best represent how your business works? How can you create it?
- What core values drive your business re the customer, client and stakeholders?
- How can you guarantee that your core values drive specified behaviours?
- What do you need those cultural characteristics to be?
- What are the dominant leadership values, and how will they take you towards your overall vision and building the culture to support it?

Critical success factors (CSFs) – priorities, goals and strategies
Managing your CSFs is a vital aspect of organisational change. To what extent do your old CSFs and your current CSFs match? CSFs could differ quite markedly and seriously impact your structure, key roles and deployment of critical resources. They will be positively shaped by vision, strategic imperatives and the ambitions of the leadership team. CSFs are vital in supporting you in moving from your strategic aims to operational reality.

- Simply stated, what CSFs are crucial to projects and process improvement post 2020+?
- Do all staff understand how CSFs translate into priorities and the goal-setting process?
- How are CSFs for critical projects and processes measured and inform KPIs?

Behaviours and actions
Until behaviours change, nothing changes. All will have to behave differently if an organisation has to undergo massive organisational change. Decide what will be the core behaviours that drive the new, transformed, organisation and ensure they fit with the other logical levels within this Vision-KPI©. Translate the values you have articulated into core behaviours, and build these into your leadership and your performance management process.

- What core behaviours are critical to shaping your organisational renewal activity?
- What core behaviours are to be encouraged and which halted and abandoned as being too bureaucratic or slow to deliver results?
- What are you going to get people to start, stop and continue doing?

Structure, process and role
Strategy always determines the structure and how you deploy your resources. How much change can you take? What impact will changes have on the structure, the systems, job roles, core processes? Do core processes have to be redesigned completely?

- How can you ensure that your structure is sufficiently flexible to adapt to changes that arise or are imposed upon you by external factors?
- What processes, currently underperforming, put your business at risk?
- What core processes add value to the end-user, and are they delivering precisely to the client?

KPIs – key performance indicators
Individually and collectively, KPIs provides feedback indicating whether or not the organisation is moving closer to meeting customers’ needs and demands.

- Have you translated vision into KPIs for critical processes, tiers of management, functions, teams and people?
- Does the measurement of KPIs matter? How effective are they in feeding back to your business plan?
- How effective is your KPI process at improving actual performance?

Managing emotional resilience
We can commit to strategic thinking and apply Vision-KPI, but that does not guarantee that we will be successful when we introduce any changes to our operations. Are we managing the process well with our teams and our people? We have been ushered unwillingly into a new age where uncertainty is rife, and volatility in the market is the norm. As well as introducing needed organisational change, we have also to instil confidence,
engagement and compassion with staff.

In all honesty, most organisations do not have a good track record of managing change. Research in organisational development suggests that 90% of strategic and culture change initiatives fail to achieve their objectives. The success rate of new businesses blossoming from merger and acquisition activity is also pretty dismal. We have to commit and guarantee that if your organisation is currently at risk you install the required changes so it will prosper post 2020+.

Resistance and ownership for change
You may well have witnessed change initiatives being introduced into organisations, but seen little positive impact on performance, operating efficiencies and results. We are aware that change in our large institutions such as healthcare, government agencies and large conglomerates is often tricky. Sometimes, it is the scale and scope of the organisation that stands in the way, or the organisation does not have the capability or, an inability to manage any form of business transformation well. And yet ‘change’ will not go away. All state organisations, Government agencies and departments, Healthcare organisations and public services are going to have to confront their reality as do those in the commercial and the third sector. Organisations will need to develop an attitude and a methodology to master and drive change. In the worst-case scenario, a failure to do so will result in issues concerning business continuity or a less pessimistic state of poor implementation, failing performance and declining morale and motivation in people, and ultimately disappointment for customers.

Issues to be addressed
Any significant commitment to change must address a variety of questions. Here is a sample of some of the most probing questions which support the preparation for implementing change.

Attitudes to change
• What is the vision for change? Does the leadership team agree with it? How well is this shared with direct reports, middle managers and the whole organisation?
• What understanding do core constituents and stakeholders have about how to implement necessary changes?
• How will leadership build readiness and promote the acceptance of change?

Conditions
• How much change activity is successful and how well is it being controlled?
• How does the organisational infrastructure support employees in their engagement with change tools and techniques?
• What can HR and L&D do to better support line management in implementing change?

Resources
• Have clear signals been communicated throughout the business?
• What methodologies and frameworks exist to support the move towards the required change?
What skills are central to the implementation of change? How well are these practised amongst different levels of management?

Summary: The challenge to lead change
It is too early to say how things will change for our businesses and organisations as we are still working through the crisis. Who will commit and implement effectively? What separates them from those who will struggle? What is clear is that many organisations will struggle. Many may find their role and function has now become irrelevant in their marketplace. Many will have to take the strategic view and take a long hard look in the mirror to see whether they pass the ‘fit for purpose’ test. The brave ones will rise to the challenge.

Can they, and will they, use the same business model operating manual as they did in 2019? What has changed for them and their marketplace? How can they revitalise and renew themselves? What are the most significant changes they will have to endure, and do they have the capability to resource and manage that change?

For those who have to reinvent themselves completely, they should make use of the essential tools we have outlined.

Leadership – This is the engine that drives success. If you have poor leadership, then you cannot expect to break new ground. The quality of leadership will determine the ability to dive deep and change and drive the culture, which will power performance and survival.

The Knowledge Matrix – Using the Matrix will flesh out the most critical issues that need resolving. This process requires strong facilitation and unorthodox strategic thinking, which many organisations do not display currently.

Developing the Vision to KPI of implementation – Utilising the model supports creative thinking and disciplined implementation of change. It ensures that actions are logically and sequentially implemented. This model incorporates both rational thinking and using innovative tools for mapping out vision, values, leadership, culture and behaviours.

Managing emotional resilience – Finally, managing the welfare of people and teams is central in making change a reality.

It is vital to consider running a health check or organisational review throughout organisations to gauge where they are most at risk. To do so is a wise investment in the future, and a clear signal to your people and customers that you are continuing to provide good quality service for many years to come.
With the advent of life membership we are attracting new members. There are still people who are engaged in management services who are not members and we would like them to join the Institute.

We can use our ‘direct entry’ route to fast track this and information is available from IMS HQ.

We very much hope that our existing members will make potential members aware of this option.

• Actively promoting the IMS in your place of work
• Encourage colleagues at work as well as professional and social contacts to join the Institute
• Refer potential new members to the Journal as an example of what the IMS is about
• Remind potential members of the benefits of IMS membership, eg education system, regional structure, recognised professional qualification
• Up to the minute information via the IMS Journal and website professional support
• Undertaking contract/consultancy work

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