2022: The Year Ahead

(And the end of normal as we know it.)

The human psyche is like a rubber band; it's malleable to a point, but ultimately it wants to snap back to form. Since the onset of the pandemic, leaders and workers have been trying to find their way back to the contours of familiarity. In the early months of lockdowns, talk focused on returning to the old normal, a.k.a. pre-COVID. Eventually, sentiment evolved into trying to make sense of the new normal. When even the everyday proved too slippery to grasp, we turned our focus toward anticipating the next normal. If anything, 2022 may be when the idea of normal finally goes out the window for good.

Think of it kind of like the five stages of grief, beginning with denial and culminating in acceptance. With the New Year, there's a collective recognition that disruption is the only reliable constant of the future. From climate change and geopolitical instability to new business models and new applications of tech, leaders can no longer trust seasonality or other historic predictive measures. Indeed, many firms have abandoned long-term planning altogether. And while there is still a necessary mourning, with acceptance comes agency—and renewed elasticity. Dare we even say hope? "As we let go of one way of working, it opens space to create another," says Paul Lambert, a Korn Ferry senior client partner and the firm's head of European workplace transformation and planning services.

The focus now is on enterprise leadership, a concept that places performance and transformation in symbiosis. The enterprising executive doesn't lead top-down but horizontally, across the broader enterprise and ecosystem. This profile, which was once considered radical, is now mandatory. Companies and individuals have to learn to conform to a constantly and rapidly changing environment. As one expert put it, the enemy is no longer the competition. It is circumstance.

Though we threw our crystal ball out the window with our outdated notions of normal, Briefings has conferred with Korn Ferry's top experts to identify and better understand the prevailing sentiments sweeping through and reshaping the business landscape—with nary a mention of any new normal.

Reinvention

The flipside to disruption? Reinvention. Much of the past two years was about survival. But now a number of factors—including the market slowdown, talent shortages, shifting consumer demands, digital acceleration, and climate change—are forcing leaders to do some soul-searching. "Change has been extreme and not optional over the last two years," says Elise Freedman, leader of Korn Ferry's Organizational Strategy and Workforce Transformation practice. "Now, it's time for organizations to get intentional." Considering that mid- and senior-level workers are leaving jobs at even higher rates than entry-level employees, that notion seems to be true on a personal level as much as an organizational one.

For many, 2021 was the year climate change became real. Regardless of moral conviction, leaders are coming to terms with the likelihood that ambitious emissions regulations are not a faraway fortuity. They're coming—and sooner rather than later. Sustainability will need to be approached as aggressively and systematically as digitization. Expect the circular economy to boom and net zero to become a baseline rather than an ambition.

Generally, in the past, it has taken a decade or longer for game-changing technologies to evolve from novelties to productivity drivers. The COVID crisis sped up that transition, and now is when firms will really begin to lean into artificial intelligence, digitization, and mass personalization. It is the dawn of the bionic operating era. “If you’re not on the forefront, you’re liable to get disrupted,” says Dustin Ogden, a senior client partner in Korn Ferry’s global Industrial practice. Big firms have launched massive programs to help develop digital skills and technologies for the bionic workforce of the future. Expect smaller players to do the same.

> <u>The Leader’s Takeaway:</u> Now is the time to rethink everything.

Scarcity

There is true scarcity and there is perceived scarcity. And while it’s true that according to recent reports, there were nearly 11 million unfilled jobs in the United States and ongoing supply-chain bottlenecks, many of the shortages that firms are facing are a reflection of outdated management practices and misaligned value propositions. “We can’t be just-in-time anymore,” says Cheryl D ’Cruz-Young, a Korn Ferry senior client partner who works with chief sustainability officers and chief procurement officers worldwide. That goes for materials as well as skills.

Nearly 70 percent of employers say they’re having difficulty filling roles, according to recent surveys. But experts say it isn’t necessarily due to a lack of people willing to work. It’s partly a skills mismatch, with the discrepancy even more acute when it comes to highly specialized roles such as data analysts, software engineers, and healthcare professionals. Yet as it now stands, only 40 percent of the firms offer development programs. Leaders will need to upskill the existing workforce and find creative solutions to fill gaps, whether through digitization or tapping into new labor pools, such as older employees. At the same time, employers will likely have to bump up pay, offer flexible scheduling, and figure out how to tap into intrinsic motivators.

The demand for materials and ways to move them is just as unprecedented—and stubborn. Delays and rising costs are likely to continue mounting until companies can implement systemic changes to the supply chain, whether that’s sourcing different components, building buffer stockpiles, or rethinking transportation systems. Even then, a COVID outbreak or wildfire may cause a new bottleneck. And that’s where reinvention and flexibility come in.

> <u>The Leader’s Takeaway:</u> Be proactive. Instead of responding to shortages, seek out opportunities to innovate.

Accountability

It’s been the question on managers’ and leaders’ minds since the pandemic forced millions of workers into their homes: Are people really working? It’s why, according to one recent survey, 78 percent of firms are using software to measure employee productivity in the office and anywhere else.

But accountability in the postpandemic era means a lot more than monitoring the keystrokes of remote workers. Indeed, leaders may well be spending the new year building up a culture of effective remote work. That involves everything from establishing clear expectations and deadlines, frequent check-ins, and feedback, to actively recruiting candidates who are particularly self-disciplined and collaborative.

Increased accountability is hitting the C-suite, too. The custom of prioritizing investors and short-term profitability above all else may be over. Stakeholders are increasingly pressuring corporate leaders to hire and develop workers from underrepresented groups, pay all workers equitably, take social stands, and combat climate change. These outside groups are creating new entities and standards to hold corporate leaders' feet to the fire. Companies not making progress on those goals may find themselves losing out on employees, sales, and, yes, profits.

> The Leader's Takeaway: Top corporate chiefs should focus on creating a culture of accountability for workers, but also for themselves.

Sustainability

The US alone spent $525 billion on climate-based disasters over the last five years. Companies around the world can no longer afford to ignore the impacts of increasing numbers of fires, hurricanes, and floods coming from climate change. Sustainability isn't just a matter of putting beehives on rooftops, either. It's retrofitting warehouses and workplaces to handle rising temperatures and building new facilities away from flood-prone areas.

But that's just the "doing less bad" part of sustainability. Sustainability, experts say, can also be about "doing more good," creating more business. Last year saw a flurry of firms reimagining how their businesses operate—and even what products they sell—to incorporate sustainability. Shell, for instance, outlined to investors its goals of building an electric-vehicle charging business as a part of monetizing its "energy-transition" strategy.

Indeed, sustainability, if done authentically, may be key to future growth. A recent study revealed that 66 percent of global consumers were willing to pay more for environmentally sustainable products—and among millennials, that number jumped to 72 percent.

> The Leader's Takeaway: Climate change is here. The only way leaders can assure that their organizations survive—and thrive—is to ramp up their own efforts around sustainability.

Vitality

Corporations are beginning to take a more holistic approach to wellness. Rather than see health as solely the purview of human resources and EAPs, there is a growing awareness that equity, sustainability, and purpose are as integral to well-being as nutrition and fitness are. In this way, executives are adopting a more Eastern view, seeing the individual employee as part of a larger interdependent ecosystem, which can be either corrosive or regenerative. "There is a focus on stronger and better integration of work and personal," Freedman says.

After nearly two years of the pandemic, many employees up and down the corporate ladder are emotionally exhausted. Leaders risk a crisis if they don't address it head-on either by being empathetic or understanding that employees might not be at their productive best or by offering tangible benefits such as increased coverage for counseling and paid time off. According to the World Health Organization, depression and anxiety cost the global economy an estimated $1 trillion in lost productivity annually, and that was before the pandemic. “Mental health is climbing on the human resources agenda, and it’s something HR will have to tackle,” says Dan Kaplan, a senior client partner in Korn Ferry’s Chief Human Resources Officers practice. “It’s part of caring for the whole employee, the culture, and the safety of the workforce.”

> The Leader’s Takeaway: You’re only as strong as your ecosystem.

Inclusivity

At this point, being diverse is a business imperative. Multiple studies have shown that companies with ethnically diverse executive teams are about 70 percent more likely to capture new markets than their less diverse peers and generate nearly 40 percent more in revenue from innovative products and services.

But companies have struggled for decades to diversify their workforces and leadership, and many still don’t have much to show for it. Women still make up only about 12 percent of top leadership roles at big publicly traded organizations, and Black and Latinx people even less. Even firms that have diversified their top ranks find it difficult to sustain the efforts after their first recruit’s leave. For 2022 to be any different, experts say leaders themselves need to pivot and become more inclusive. Yes, inclusion means vocally championing efforts to add more women, people of color, and other underrepresented groups into the organization. But it also means CEOs tying bonus money to the company’s ability to develop minority talent. It also means being open to new ideas, giving employees permission to challenge the status quo, and actively nurturing minority-owned businesses to help them become full-fledged suppliers and partners. “Inclusion is considerably harder than diversifying the workforce,” says Andrés Tapia, Korn Ferry’s global strategist for diversity, equity, and inclusion.

> The Leader’s Takeaway: Top bosses need to use their power forcefully to turn the corner on diversity and inclusion.

Flexibility

The landscape will continue to shift rapidly, whether that has to do with vaccine mandates, new world orders, or extreme weather disruptions. In the prepandemic era, there was an idea that organizations and executives needed to be more agile, able to move quickly and easily. The evolution of agility is flexibility, which includes the ability to conform to changing circumstances.

Experts are trying to figure out whether it’s safe—or even necessary—to have workers return to the office en masse. With only about 35 percent of people going into a central location even part-time, executives will have to stay open-minded about how work gets done, particularly across geographies. What may work for employees in San Francisco may not work in Scranton, let alone Shenzhen or Stuttgart.

Flexibility is being built into supply chains, too. “Look at the flexible design of your distribution network,” says Tom Wrobleski, Korn Ferry’s coleader of supply-chain talent optimization. “It needs to be able to withstand jolts.” He’s referring to raw-material sources, storage facilities, and manufacturing. And, he adds, flexibility runs parallel to creativity, which may be a new requisite skill set for supply chain managers.