

The adaptable business

Future skills and cultural forces.



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Executive summary

'Business efficiency' can be impacted by various effects, e.g. economic up- or down-turns, monopolistic market settings, or major investments or divestments. So, this is embedded in a network of external and internal factors. The Adaptable Business study identified a major impact factor on business/organisational efficiency, which is technology.

"Constantly, I hear today from different customers either you're being disrupted. You're afraid of being disrupted. You have an opportunity to be the disruptor."

Steve Miranda,
Oracle MBX Las Vegas,
February 2019

["Our customers \(including you\) are facing some very real challenges – staying ahead of changing expectations, building adaptable organisations, and realising the potential of the latest innovations."](#) Steve Miranda, Executive Vice President, Oracle Applications Product Development.

The study explains the How, Why and Where organisations need to focus to unfold the power of technology. In this we evidence how technology can have an overall impact on 'organisational performance' (productivity) of 27%, which is a huge effect. One significant factor to achieve this is to impact 'business efficiency'.

But 'technology' is just a word. With the study we dived deeper and were able to identify seven enabling dimensions (catalysts for technology) which are statistically robust and create a causal model to explain a stunning finding: technology in itself does not do the job, but it is the prerequisite to add the seven factors which together will have a massive 64% impact on 'business efficiency', and an overall big impact on 'organisational performance' of 27%.

This is a unique finding and an important angle on what you need to do today, to secure your tomorrow.

The model and the quantification of the seven factors are already a major achievement. Yet, models are abstract by definition and it is important to understand that 'the model' is based on real data, real insights, and real issues within today's businesses.

It can be applied in two ways. Either you back up your executive dialogue for an HR, ERP, CX initiative, to explain why it needs to be considered, or you take the processes that you designed and question whether these play well into the seven factors.

Whichever route you take, modern technology, when enabled by the seven factors, creates a unique relative advantage for your business!

There is a big difference between assuming and knowing. Many people will point you in different directions when it comes to digitalisation. This study was established to isolate the driving forces for the efficiency of the business as precise as possible. All factors are statistically significant and robust.



Otto Beisheim School of Management is an internationally oriented and mainly privately financed Business School based in Vallendar and Duesseldorf.

Founded in 1984, WHU is now one of the most renowned German Business Schools with an exceptional national and international reputation.

WHU stands for 'Excellence in Management Education' and pursues this goal in its three core areas of activity: academic programmes, research, and transfer in the field of general management. This excellent standard has been certified by accreditations from AACSB, EQUIS and FIBAA as well as through leading positions in national and international rankings.

In addition, WHU is the only private business school in Germany which is a member of the German Research Association (DFG). WHU students profit from a large network of partner universities, companies and alumni.

In September 2018 we engaged a leading market research organisation to collect responses for the provided questionnaire using a global panel of middle to senior managers in organisations with at least 250 full-time equivalent employees. Responses were collected from 23 countries across all continents with translated versions of the questionnaire.

To ensure accurate translations, professional translators were engaged with specific subject matter expertise and their responses translated back into English to verify accuracy. Respondents were screened to ensure adequate knowledge of Business Intelligence in their respective organisations, and that they were engaged in a full-time position at only one organisation.

The data was analysed using Covariance Based Structural Equation Modelling (CB-SEM) which is the preferred methodology given the large sample size. Estimation and calculations were performed using AMOS and SPSS.

The final results are fully analysed in this report.

Key findings

The impact of technology on the efficiency of the business is too big to be ignored. However, the true power of technology is only unleashed through seven dimensions in your organisation.

These 'seven factors' have been isolated as the catalysts of technology. Yet, these factors are interdependent with each other and with technology. Even more, some displays of the factors in reality couldn't become reality without modern technology, e.g. instant feedback tools or ad hoc analysis.

Organisations are not taking full advantage of the insights and visibility at their hands, and still show a tendency to rely upon past experience as opposed to evidence.

In terms of skills the organisation in the digital age demands the attitude and softer skills, such as collaboration, as opposed to more traditional hard job-related skills.

Organisations are aware that they need to change, and yet they still struggle to step out of their usual routines in managing. Evidence-based decision making is the key to evaluate initiatives on their effectiveness and help question existing status quos.

In half of the markets surveyed 20% or more of employees stated they were concerned that machines will replace them in their roles – highlighting the need for organisations to put emphasis on encouraging employees to learn what it takes to stay relevant and enable them to work flexibly.

Adaptable businesses and the productivity paradox



Adaptable businesses and the productivity paradox – Introduction

Everything we do in business needs to contribute to the bottom line, the organisational performance. If it doesn't, no matter how good an initiative is, it is set up for failure, as the organisation will not be run sustainably. Organisational performance is heavily impacted by the efficiency of the business and this is strongly related to technology. So, as technology evolves, businesses need to adapt too.

Every long-term successful organisation is able to adapt to change, quickly responding to new information or feedback and then acting accordingly. But if adaptability is so critical, how can we cement it into our organisations for the long term? And how can we use it to stay one step ahead of the competition?

Technology is frequently cited as an 'enabler'. New tools can allow us to move faster, and do things better, often at a lower cost than before. But is technology alone enough to realise these advantages? Or does it need to be supported by certain behaviours and mindsets to unlock its full potential?

We knew there was a link between technological maturity and the performance of an organisation. Working with the WHU Otto Beisheim School of Management, and after surveying over 850 HR directors and 5,600 employees worldwide on the full breadth of issues surrounding business efficiency, we now have evidence that quantifies the relationship between technology and business efficiency, and the impact of business efficiency on overall organisational performance.

We also knew that technology delivers a business advantage, but this advantage can be supercharged if it's supported with the right blend of attitudes, abilities, and actions. And we've uncovered the seven critical attributes that can do this.

Adaptable businesses and the productivity paradox – The productivity paradox

The true benefits of certain technologies often ‘jump’ at us from isolated pockets of innovation (e.g. the use of Bots for FAQs), but in reality this means that organisations rarely maximise their full potential. The study opens the ‘black box’ that identifies the key enablers of technology and thus can help to understand, and resolve, how organisations can close the gap of the productivity paradox.

In 2017, Deloitte published a report titled *Understanding the Productivity Paradox*¹. The headline finding was that despite technology progressing continually from the 1990s onwards, productivity had remained about the same or actually decreased. In fact, world productivity growth more than halved between 2006 and 2016, dropping from 3.9% to 1.8%² – and this despite significant technological improvements in this time.

Technology evolves constantly, thus creating an increasing gap. The survey showed that whilst the speed of change is often overrated its effect is often underrated, and once it is there it is irreversible. As a logical consequence, organisations need to permanently adapt. This is demanding a marathon-like change culture, rather than a sprint.

To continually create this certain set of attitudes, assets, processes, etc., what we call a ‘dynamic capability’ in science, it takes everybody to work

together on a common set of priorities. And this set of priorities needs to be as complete as possible to guide organisations the right way through the complexity of the digitally initiated changes.

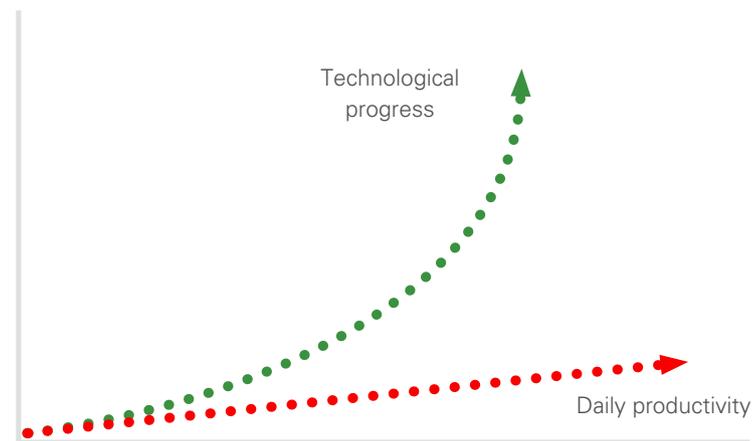
In addition we found that while many organisations have some technologies in place, they may not have the culture, skills, or behaviours to take full advantage of them. And in addition, the technologies that they have may also not be optimised, with legacy systems that aren’t integrated and working together.

In many organisations, the ability to analyse data and turn it into useful insight – whether through advanced tools or training – could be missing. And without this, managers and employees may have limited insights, and workflows across areas like learning and performance could be fragmented.

Data in the HR department:

- Less than half of HR directors (44%) report their data is integrated, enabling realtime reporting and analysis [Fig.10](#).
- Only 10% believe they have complete integration of data, and 44% feel strongly that they lack this [Fig.10](#).
- 45% believe data in their systems is contradictory, and only 6% disagree with this [Fig.11](#).
- Only a third of HR directors (35%) are at all confident that their employees have a basic understanding of data analysis methods – but not everyone needs to be a data scientist, rather they need the ability to interpret the findings your data scientists discover [Fig.12](#).

Fig.1 The productivity paradox



Source: Deloitte, 2017 *Understanding the Productivity Paradox*

¹ <https://www2.deloitte.com/insights/us/en/economy/behind-the-numbers/decoding-declining-stagnant-productivity-growth.html#endnote-1>

² OECD - https://www.oecd-ilibrary.org/employment/data/oecd-productivity-statistics/gdp-per-capita-and-productivity-growth_data-00685-en

The Adaptable Organisation Model



The Adaptable Organisation Model – The model

Whilst technology is an essential component of any business, it is only the start and the key component of the digital journey towards success.

We have been able to open the black box on how technology affects business efficiency, and business efficiency does affect the overall organisational performance. And even more, we are able to isolate the catalytic factors for technology, meaning the impact of technology can be magnified by a factor of 14 when technology is used most effectively; in other words, when it meets the right attitudes, abilities, and actions.

From our research, we found that technology on its own contributes a 4.6% boost to business efficiency.

But when it's combined with seven critical factors, this impact rockets to 64%. And this increased business efficiency can deliver a huge 42% advantage to organisation performance.

For example, if you would simply add blockchain technology to an organisation's existing infrastructure, it will probably have a limited impact. But, if there is additionally a clear vision for its application (e.g. entrepreneurial culture) or senior coverage (e.g. participative leadership), backed by evidence

(e.g. data-driven decision making) and people are willing to understand (e.g. learning culture), etc., then the probability is that this technology will be far more impactful.

Therefore purchasing new technology is a starting point, but this technology needs to be used.

Seven other factors influence performance

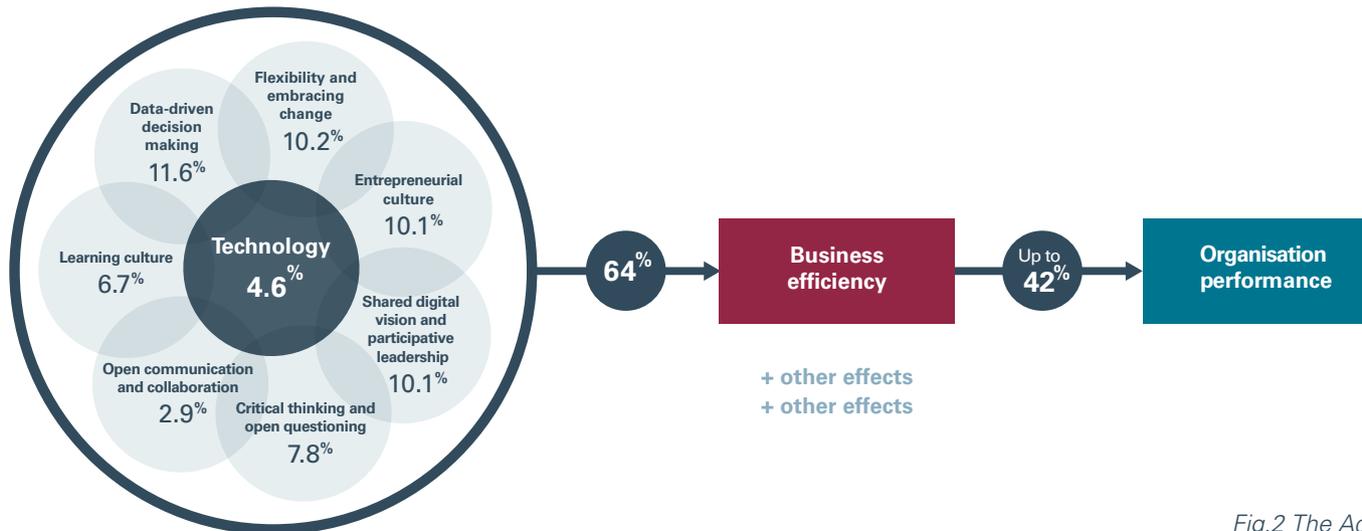


Fig.2 The Adaptable Organisation Model

The Adaptable Organisation Model – The seven factors

To build a full scientific study, we gathered insights from almost 6,500 professionals around the globe, composed of 850 HR decision makers and 5,600 employees of all levels, from executives, management to individual contributors. All industries are well displayed and the data is evenly distributed across Europe, the Middle East, the USA and Asia-Pacific.

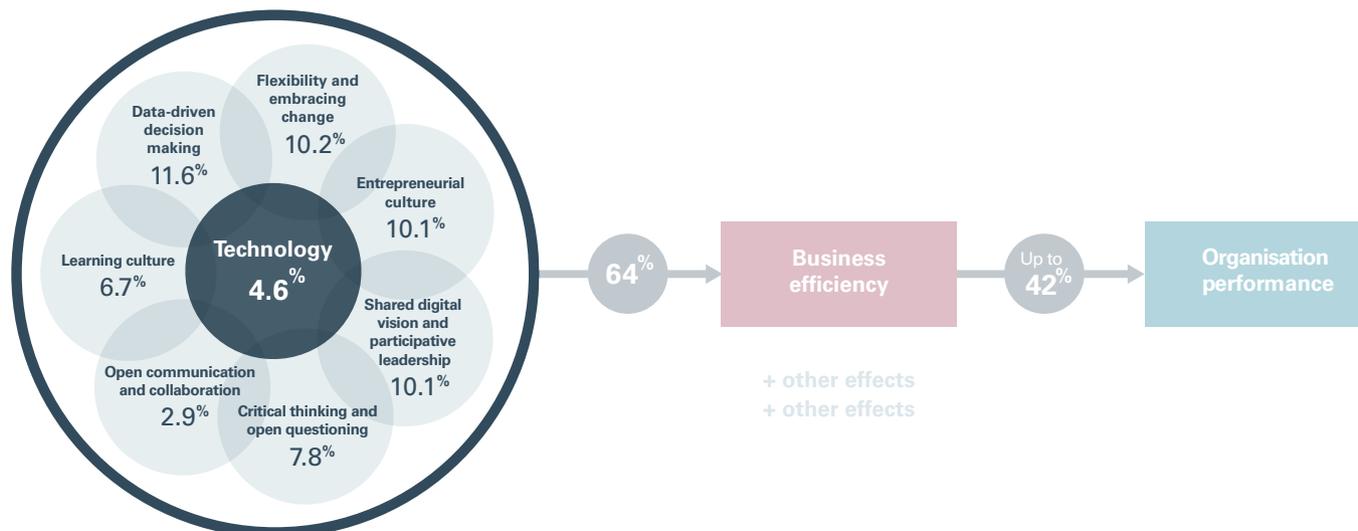
The importance of business efficiency on organisation performance has been discussed on numerous occasions, but never has been proven nor quantified in its effects. This study reveals that the independent impact of technology is quite limited.

It is what technology enables us to do, and which the 'seven key factors' foster the ideal conditions for, which is to turn technology adoption into meaningful business efficiency.

Each of these factors has a measurable impact on the effectiveness of technology, but they are most powerful when in concert.

Our intention is that through this study, Oracle and WHU can offer some insight into how you can assess your current strategic initiative in its importance by how well it plays into the seven factors. And/or you can turn it around and reflect your current processes on how well they support the factors.

- 1 Flexibility and embracing change
- 2 Learning culture
- 3 Data-driven decision making
- 4 Open communication and collaboration
- 5 Shared digital vision and participative leadership
- 6 Entrepreneurial culture
- 7 Critical thinking and open questioning



The seven factors

Skills for the future

What skills and attitudes are most needed to secure a digital future?

“Men are approaching the future backwards.”

Wolfgang Menzel,
German Literate

Skills for the future – Introduction

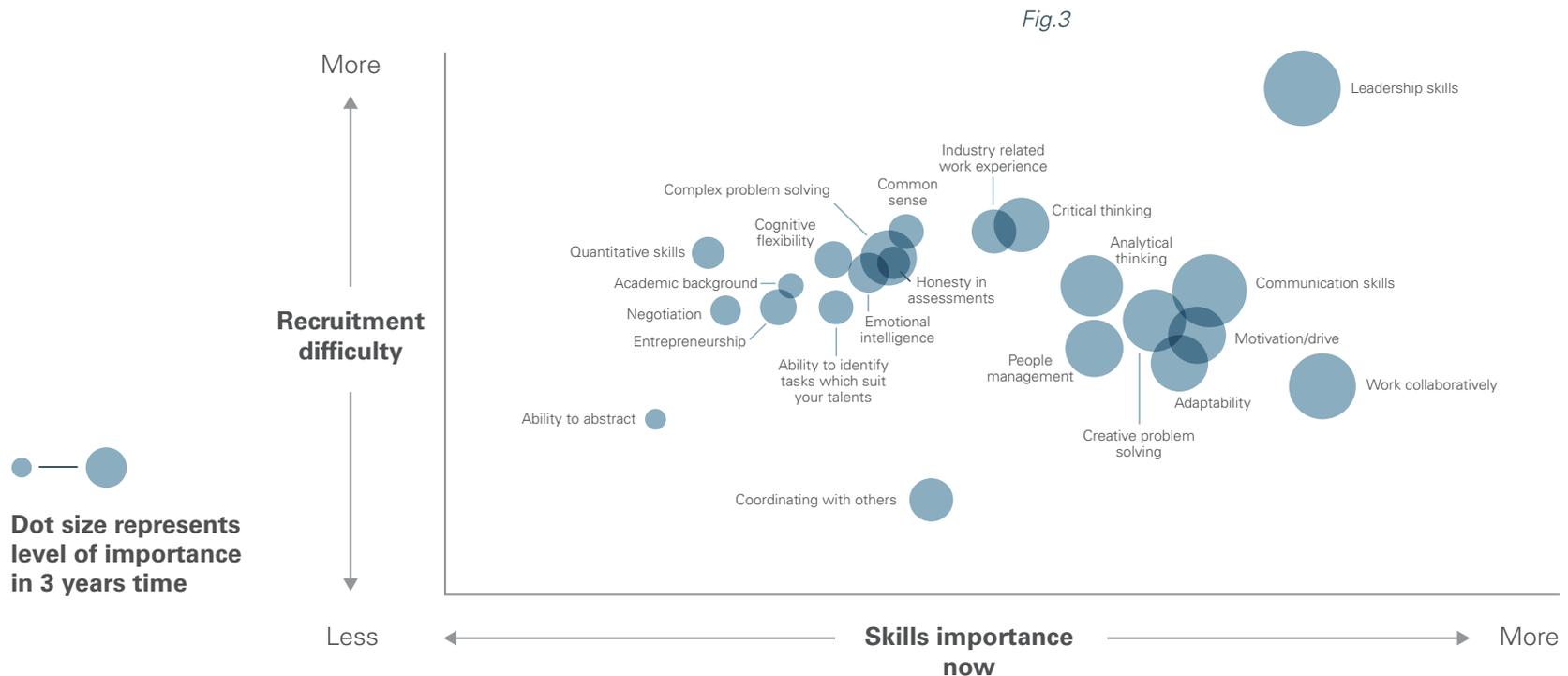
We know that digitalisation is inevitable – it is happening now and with no return. Some impacts of technology cast their shadows already ahead, e.g. self-driving cars. Others are a little bit less obvious, e.g. the effects of increasing longevity. But what are the skills, attitudes and personality traits needed to best prepare your organisation for this future?

HR decision makers are looking for a complex blend of skills to support their organisation right now, and in the future. While they feel leadership is the most important skill – and the hardest to recruit – we also found they're placing a big emphasis on communication and working collaboratively. So rather than looking for more technological skills, HR executives see the need of a blend of soft skills as the best preparation for the nearer future. Attitude is more important than skills.

And, perhaps reflecting a recognition that there's significant change on the horizon, these are followed by

skills like analytical thinking, adaptability, and creative problem solving, which businesses report are harder to recruit but are expected to be critical to future needs.

But while finding the right skills is important, we can't ignore the underlying forces that support skills being used effectively, and on an ongoing basis. A key factor in organisational adaptability is having an environment that allows for skills to be learned, developed, and deployed. And we've found two key elements that can contribute to this environment, **Flexibility and embracing change** and **Learning culture**.



Skills for the future – Factor 1: Flexibility and embracing change

Change is certain, but the nature of change isn't. It can be fast or slow, short- or long-term, obvious or disguised. Technology is evolving at an increasing pace but often its effects take time to be felt. But once there, these effects are irreversible. And **going through change can be an uncomfortable process**, for individuals and organisations alike.

Thankfully, many organisations are aware of this challenge, and are exploring ways to become more flexible and open to change. Yet it seems to be challenging for organisations to step out of old routines. So, the question is, do organisations see these changes as opportunities or threats?

More than half of HR directors report their organisation emphasises agility, in both their people and the organisation as a whole – only 3% say this isn't the case [Fig.15](#). And managers are trialling new ways of working, with new team structures tested on a regular basis according to 38% of HR directors and 30% of employees [Fig.16](#). Meanwhile, half of HR directors (49%) strongly agree that new technologies have been openly embraced, as do 42% of employees [Fig.17](#).

Our model demonstrates that flexibility and embracing change has a significant effect on business efficiency. However, less than half of HR directors and only 42% of employees feel their organisations don't openly embrace new technologies. And without a willingness to openly embrace new technologies, these organisations could struggle to adapt at the same pace as their competition.

If we look to remote working as a simple indicator of current organisational flexibility, we are not seeing the desire for ambition for flexible working happening in reality. So although flexibility has been hyped for well over a decade now, only 36% of HR directors plan to allow remote working within the next three years [Fig.18](#).

Organisations should embrace flexibility as a concept and, where possible, keep an open mind on how and where their employees work – otherwise a large number of organisations could miss out on the benefits of freeing their people to work from anywhere at any time. In addition, this may also require being flexible about contractual hours, including considerations around part-time and job sharing for some roles – enabling employment to work for your talent.

And from the perspective of the employee – we exist in a world where roles are in constant evolution, and employees have a fear of staying relevant. **Employees must be helped to develop the skills and attitudes to stay relevant** for future jobs, generating an environment where people are self-motivated to build new skills. This is even more true when we consider innovation in its broadest sense as the generation of new ideas, which means questioning existing norms. This touches two other factors of our model: **participative leadership** style (to be open to discuss new ideas) and **data-driven decision making** (to back up new initiatives with data).

Free up and empower your people to be happier, more productive and stay relevant, as your business should remain relevant, too.

Skills for the future – Factor 2: Learning culture

With the constant challenge of being an adaptable organisation, **employees and management will need to continually develop and learn**. But many organisations may not be matching their ambitions for learning and development with a culture (or with action) that enables them.

Job satisfaction, employee engagement, market relevance, and change management are all supposed to be supported by programmes that should positively impact how employees perceive themselves as contributors to the overall business case. But to stay relevant, learning must be supporting the realisation of initiatives which makes the role of learning and improvement critical to any organisation.

And as every employee is different, personalised learning programmes should be a focus, to help each individual progress in their particular role now and prepare for their future needs. This is especially important now, as we found 37% are very concerned about staying relevant in the job market with new skills, and only 16% feel enabled to close this gap [Fig.23](#).

Thankfully, personalised learning looks like to become the norm, with 53% of organisations planning to be able to target their employees with development and training opportunities within the next three years [Fig.24](#).

Later on we will touch on Factor 6: **Entrepreneurial culture**. Now, think of an idea you might have and how to realise it in your organisations. You will need to win various stakeholders over for your quest, you need to back your initiative with reasonable data and most likely you will need to intensify your capability in these areas. Organisations who want their employees to bring in their good ideas, need to be prepared for these individual demands of learning/insight/understanding.

And, as the change is constant, this will be ongoing. This change in culture, here learning culture, will be a marathon rather than a sprint.

- Half of HR directors strongly agree that their organisation's basic values include 'learning as the key to improvement' [Fig.19](#), but just as many report their organisation's culture is one that does not make employee learning a top priority [Fig.20](#).
- Only 36% of employees definitely agree that development and promotion opportunities are available to all staff, while less than half of HR directors (48%) feel the same way [Fig.21](#).
- Almost a third of employees (31%) are very concerned they won't have opportunities to learn and prosper in the future – and less than a quarter (22%) aren't concerned at all [Fig.22](#).

Vision and values

Building a culture
for adaptability.

*"More dangerous than ignorance,
it is the illusion of knowledge."*

Stephen Hawking

Adaptability depends on a variety of organisational behaviours and values, clearly defined and driven from the very top of the organisation. We need to question the existing and step out of established routines, initiate the new with good arguments and sense. The key to this is evidence.

Leadership teams dictate and demonstrate how a company runs but also how it feels to work there, guiding everything from core values to business strategy to day-to-day behaviours. Finding leaders that can do this is far from easy.

But the values they embody and vision they bring are critical to building an adaptable organisation which is able to create sustainable, not easy to copy, competitive advantages. It is from the leadership team that hierarchies within organisations can be broken down, and a more open and collaborative environment can be built, ensuring each individual can contribute their full value in a culture and take control of their future within the organisation. Innovation begins to happen and the organisation adapts.

By requiring each department and each individual to support investment requests (can also be the funding of a new idea) with data it will increase its ability to come to more profound decisions. Especially the more forward-reaching, innovative, non-establishment the initiatives are, the more important is the need to have as many intelligent opinions at the table as possible. Evidence definitely is one and thus a key to break up the status quo with reliable arguments rather than just being rebellious.

Vision and values – Factor 3: Data-driven decision making

In an age of endless data, we have the power to test our assumptions, back up our instincts, and strengthen our decision making. **Intuition used to be all we had, but now we can harness data for compelling insights that guide our objectives and strategies.** We have a chance to better understand, and to know what effects our organisations (and to what degree), removing false assumptions, and deliver better forward-reaching decisions.

And these insights can enable faster, more well-founded decisions, individual and effective learning, with more precision whilst adapting to change.

Data-driven decision making was the single largest factor within the Adaptable Organisation Model that contributes towards superior performance. While most of us embrace data as our guide for decision making, hierarchy still seems to play a significant role in many organisations.

Less than half of respondents said that data use in decision making is standard, yet it is one of the most important elements to facilitate innovative ideas and projects by the backing of data, and to reflect on your existing processes.

In fact, 41% of HR leaders and 36% of employees strongly agree that seniority and experience are the typical basis for decisions in their organisation [Fig.30](#). This is concerning, especially as only 48% of HR directors and 38% of employees report that it's standard practice to incorporate available data within any decision-making process [Fig.31](#).

It may be that data is being used more and more, as part of the process, but final decisions still come down to the decision maker's seniority and experience. With less than half of respondents saying that data use in decision making is standard, it seems there's plenty of room for improvement. And this goes not just for big decisions from individual leaders, but day-to-day decisions, made across and between teams.

Leaders need to demonstrate both the right skills and behaviours in this area – demonstrating both the skills and the mindset to be led by evidence that acts as a critical aid to improving the quality and speed of decision making.

Vision and values – Factor 4: Open communication and collaboration

Innovation is a magical word in these days of digital change. Not only product related, but the need for small and major steps made for the better of the organisation. Projects initiated and re-integrated in the core business. But how to unleash new ideas if you do not listen or ask?

We are approaching a high communication era: we will speak to objects, and devices will give us advice etc. Results of an interview or an ad hoc smart idea – directly captured with your smartwatch. In various dimensions we encountered a different perception of HR professionals and the employees: but not so in regard to 'open communication and collaboration'. Communication skills and the ability to work collaboratively are considered two of the most important capabilities to recruit and are seen as being mission critical.

It may seem obvious that more communication leads to greater sharing of ideas, a better work environment, etc. Yet, 51% say that they 'better keep their cards to themselves'. Individuals and organisations seem not to be aligned. This is a first hint why our next factor **Shared digital vision** is of significance as well.

Furthermore, all forms of a **Participative leadership** style are based on open communication: three-way, bottom-up, top-down and sideways as well as on peer level. And it has never been more easy for technology to give everybody the means to do so. If all this communication, collaboration and networking were to be run by integrated systems then organisations would capture its true value for the future.

Vision and values – Factor 4: Open communication and collaboration (cont.)

Collaboration has various aspects as well. On the one hand it is about splitting up the work in terms of capacity and on the other hand it is creating new ways to contribute. Thinking about the first, it was interesting to get the proof in our study that one third of HR professionals stated that their HR systems lack simple data in terms of transparency in age, location, willingness to relocate, etc. Individuals say that they miss the possibility to reflect their capabilities in the system, thus do not 'get seen', do not 'have the possibility to shine'. It looks like the internal market places lack efficiency and effectiveness with negative effects on business efficiency.

Another aspect is that in today's world we are able to create true flexibility in the workplace, not just the ability to work collaboratively, across international borders and time zones, but also in the consideration of how roles best work for individuals: examples of this include creating the opportunity for staff to self-select their shifts, or to consider full-time roles as two part-time jobs. If we are able to work jointly and internationally on tasks with only a few hours overlapping each day, then it is feasible to do the above as well.

Last but not least, open communication and collaboration is addressing the point that we need to follow where the knowledge exists. It is less important where you are located and when you contribute. What matters is the impact on an initiative. The same applies to an increasing longevity. We will need to have new norms on how we organise and enable work when people will all live and work longer, requiring new career models and more possibilities for lateral moves.

One third of HR professionals stated that their HR systems lack simple data in terms of transparency in age, location, willingness to relocate, etc.

All of this requires an increased transparency of skills, attitudes, personality traits, competencies and/or aspirations to come to a better allocation of resources within organisations, and constructively provide opportunities to all employees in all areas of responsibility or hierarchy.

Vision and values – Factor 4: Open communication and collaboration (cont.)

Silos still clearly exist in many companies, as **only 37% of employees agree that people within their organisation communicate openly across different teams** – and less than half of HR directors (46%) say the same [Fig.32](#).

Even within the same team, there could be improvements: only 40% of employees strongly agree that people communicate openly and share information freely within their teams [Fig.33](#).

This could be down to a certain amount of bureaucracy and process left within most organisations. Only 31% of HR directors and 25% of employees are sure they have very little formal bureaucracy within their company – and one in five employees says this definitely isn't true [Fig.34](#).

Alongside this bureaucratic hangover, it also appears there isn't an environment that encourages ideas and contributions from all levels. Only a third of employees (32%) say that managers create a meritocratic environment, where contributions are valued based on their quality – rather than seniority, and roughly one in eight (12%) say this is only encouraged by a minority of managers [Fig.35](#).

Organisations need to get to a situation where the dominant practice is where the best insight from data and evidence wins, rather than the most senior person's intuition.

From what we see, many newer, and more agile, organisations have a flatter structure, with less hierarchy. With fewer levels of review and approval to get through, people do not get stuck with administration, frustrated and burn their energy in the wrong places, and therefore they contribute more value. But this begins with a leadership team that leads by example, being open, visible, and encouraging. And it's how they can build engagement with, and participation in, a shared vision – across all levels.

Only a third of employees say that managers create a meritocratic environment. Yet technology can so easily increase transparency.

Vision and values – Factor 5: Shared digital vision and participative leadership

Organisations have a clear mission: to be successful. Thus they need dynamic capabilities to stay ahead of the competition and therefore it needs everyone in the organisation to work together to a common set of priorities. We believe that **this is a bottom-up movement before the background of a top-down shared vision with buy-in from everyone, at every level.**

It seems there's an established digital vision in place for most companies, as only 20% of employees feel their organisation doesn't have a well-defined digital strategy, and only 24% of HR directors agree with this [Fig.36](#). But this is still a considerable proportion for a modern business. And while some don't have a strategy in place, the bigger issue may be that strategies aren't complete, aren't agreed, or aren't being effectively communicated.

Less than a third of employees (32%) say for sure that their organisation has total agreement on its digital vision, across all levels, functions, and divisions – and a further 60% aren't really sure if there is or not [Fig.37](#).

Add to this that only 39% of HR directors definitely agree their organisation has this digital clarity, and it seems that even those in senior positions aren't certain.

This is interesting, as we might assume that a similar logic applies to the overall strategy as to individual initiatives: even if the idea is good it needs backing in plausibility (facts, data) to achieve the needed buy-in by the stakeholders. It is less a question of the missing vision and more about evidence and credibility. In the factors before we have already been addressing various mismatches or contradictions in what is aimed for and how people act. The same seems to apply here.

Once the vision is formulated, the support required to 'get people behind it' is a participative leadership style. This is true in two ways. On the one hand we need to pull out the strategic projects/initiatives from the vision, and then split them even more granularly to make them understandable and actionable. And on the other hand we need to be open for new aspects raised bottom-up which contribute to the vision.

But what happens if we ignite the innovation sparkle amongst our employees, set them out with a new sense of commitment and sense of ownership, to unleash their entrepreneurial power, yet on the other hand we kill this movement when it comes to career progress? [Fig.35](#) indicates that we still do have a tendency to promote more on seniority. This can lead us in a bias if we are not sensitive to this point as an organisation and create an according culture which emphasises meritocracy.

Again, we see the interdependency of the factors. **Shared digital vision and participative leadership** is overlapping with e.g. **Entrepreneurial culture, Data-driven decision making** and **Open communication and collaboration**.

If leaders can communicate openly, and collaborate, then it's easier for employees to see and understand a shared digital vision, appreciate the role they play, thus helping to encourage participation from top to bottom. And participation at all levels is critical if an organisation truly aspires to become adaptable.

Vision and values – Factor 6: Entrepreneurial culture

Adaptability depends on fast, informed decisions, and that relies on being able to assess risks versus rewards. In short, **we need to act like entrepreneurs**. And we need our teams to feel, think, and act the same way, if they're going to deliver the innovation required for an adaptable organisation. Additionally **we need to question the established norms, discuss the uniqueness of our value propositions and think long-term**. We need to be brave, too.

This means removing barriers to contribution and helping staff to feel safe and empowered to question norms, trial new ideas, and sometimes fail, in order to learn and improve. It may also necessitate teaching them the basics of ROI, of justifying their ideas under terms of inputs and outcomes and not primarily under 'budgets given'. The big difference between budget-oriented thinking and entrepreneurial acting is the argumentation of ROI rather than costs, as well as the questioning of the contribution of the outcomes to the overall vision.

But while almost half of HR directors (44%) feel they have a culture that tolerates failure and acknowledges people learn from their mistakes, only a third of employees (34%) report this is the case, meaning two thirds are wary of acting aligned or driving their own ideas [Fig.38](#).

In fact, many report their organisation simply does not boast an entrepreneurial culture. Over two-thirds of employees (69%) say they don't work in a 'dynamic and entrepreneurial place' where people take risks – or they're unsure one way or the other. And 61% of HR directors say the same [Fig.39](#).

Vision and values – Factor 6: Entrepreneurial culture (cont.)

And, as stated previously, we need to be careful not to restrict the rare quality of entrepreneurship by continuing to act with past traditions – such as valuing seniority over evidence. This could easily lead to employees keeping their good ideas, extra energy or sense of ownership for themselves rather than contributing it.

Managers are arguably the best placed to encourage entrepreneurship at ground level. But there's a wider issue that could be contributing to a lack of entrepreneurship – and one that HR teams can help to address: We found employees aren't convinced they can take their destiny into their own hands. Good ideas need internal sponsors, as every initiative does in an organisation.

Thus the initiative leader needs the support and education to be able to back up the business case with evidence, and be provided with the learning and development needed to bridge any experience gap – and here individual learning comes into play. And the business case needs to contribute to the vision, and in particular the factors highlighted in this study all pointing to the direction of increasing overall business efficiency.

Long-term survival and prosperity will be derived from entrepreneurial thinking which needs to be lived and breathed at all levels of the organisation.

An entrepreneurial culture shouldn't just enable innovation and progress, it should actively encourage it. Employees should know that not only are they free to try out new ideas and build their skill sets, but that they are expected to do so.

Are employees encouraged to:

- Broaden their skills within current roles?
52% of HR directors say yes BUT only 41% of employees agree [Fig.40](#).
- Broaden their experience by trying new roles?
47% of HR directors say yes BUT only 38% of employees agree [Fig.41](#).
- Take ownership of their careers?
51% of HR directors say yes BUT only 40% of employees agree [Fig.42](#).

Being human

The importance of critical thinking, and enabling employees to adapt with the organisation.

"If you are doing something like you have been doing it for the last ten years, chances are high that you are doing something wrong."

Charles F. Kettering, Scientist and Philosopher



Being human – Factor 7: Critical thinking and open questioning

A lot, if not all, information is now permanently available at our fingertips. But not all information is quality information. And information itself is not insight or good conclusions. **Every organisation relies on the ability to objectively reflect, methodically examine and ask the right questions.** Nowhere is this more true than adaptability, where decisions and assumptions should be tested continuously, to make sure organisations are on the right road.

This means that we do not necessarily need more tech skills for a tech world, but more intelligent questioning skills, combinatorial and analytical skills in a world where information can be of varying degrees of quality and availability.

Still only 48% of HR directors say the use of evidence and analytics in decision making is part of the culture and even less – 37% – of employees agree [Fig.43](#). This means many HR teams are not understanding their talent landscape or are unable to predict future needs, shortages and requirements, at a point in time when organisations need to be taking an objective, evidence-based approach to decision making; there's still room for improvement when it comes to critical reflection.

Only a third of employees (34%) say the people within their organisation definitely aren't afraid to reflect critically on assumptions about how they operate, while 42% of HR directors say the same [Fig.44](#).

Perhaps this isn't a surprise, given how HR directors report how difficult it is to recruit for critical thinking ability. What is surprising is how many organisations aren't equipping their employees with the tools that make critical thought easier. The 'old' corporate world often favoured 'sticking to the processes' – behaviours. Less questioning but therefore less efficient execution. The 'new' corporate world needs to break with this. And our study proves by the isolation of **Critical thinking and open questioning** that this needs to be a significant break. And this requirement to continually challenge the business, both broadly and continuously, looks like being a significant challenge for all organisations.

Being human – Factor 7: Critical thinking and open questioning (cont.)

As a logical consequence of this unstable future collaborative and evidence-based thinking, if you want to create a reasonable outlook for your organisation, you need to add as many quality points of view as possible. We can easily see that other factors e.g. **Data-driven decision making**, **Learning culture** and **Shared digital vision and participative leadership** can be supporting this need.

To maximise the impact of this approach, organisations need to be enabling group collaboration and networking, where people can openly and easily question assumptions together, and of one another. But the majority of organisations still lack the most basic tools for the kind of efficient, collaborative work that underpins critical thinking and sharing at an organisational and cultural level.

A surprising 61% of employees and 55% of HR leaders say that their organisation doesn't provide tools that enable people to collaborate remotely [Fig.45](#). And 56% of employees say their organisation doesn't even provide networking tools that allow people to communicate remotely [Fig.46](#).

With different teams often in different locations, and some teams even split across several offices, all working remotely, all barriers to communication and collaboration need to be removed to give people more freedom as to where and when they work, to foster their constructive thinking for the business. This is mission critical for securing your business.

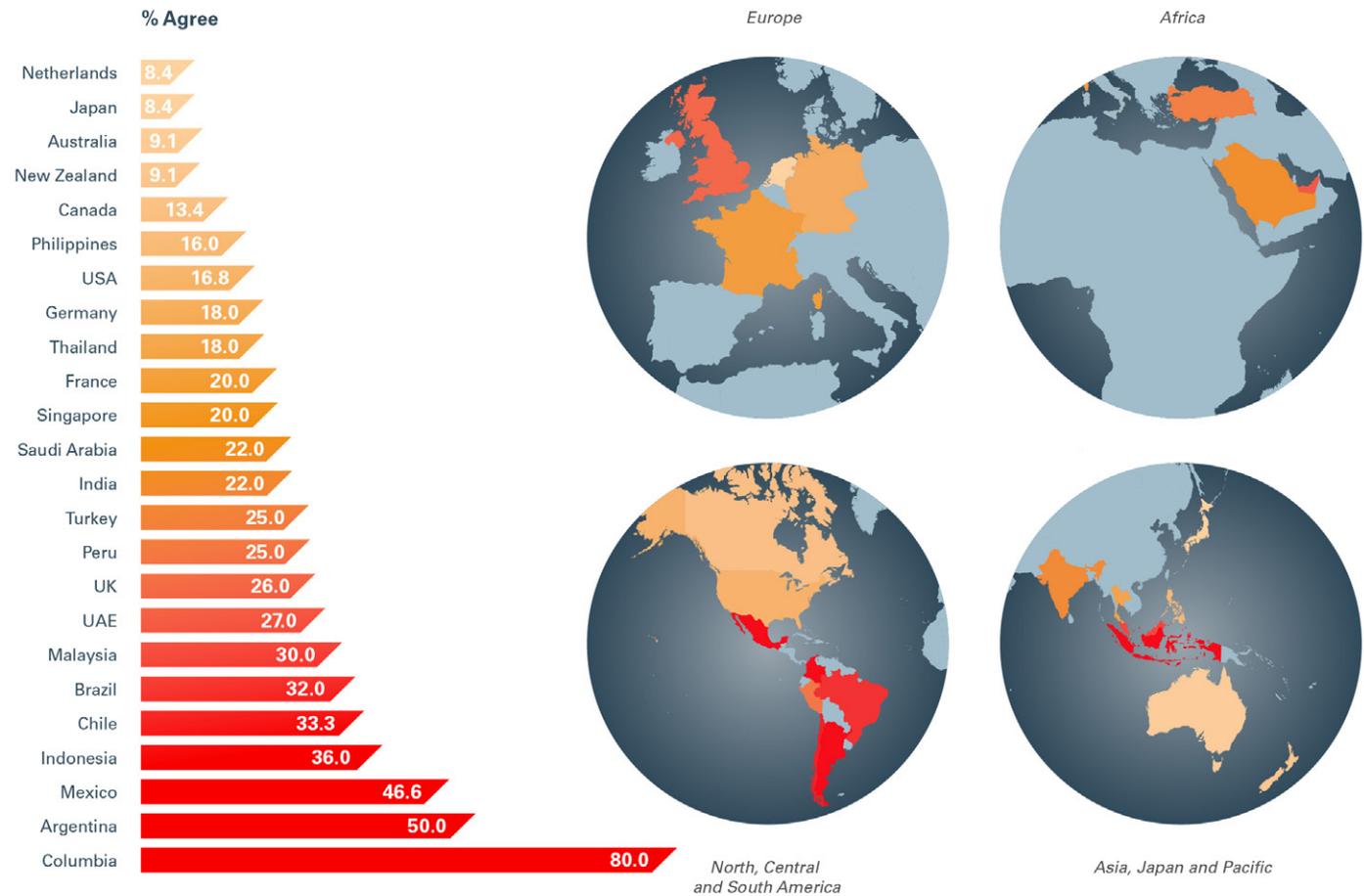
Being human – HR transformation

In order to be our adaptable best, we need to be connected to our colleagues, with access to data that can drive better decisions. Then **if we can automate certain elements of work – removing manual, repetitive tasks – we can be freed to react to changes quickly and effectively.**

Overall, HR departments are on their way to transformation, implementing the tools that will equip them and their organisations for the future. But they aren't there quite yet. Half of HR directors report that they're in the early or middle stages of moving to the cloud, and only 9% have already moved. So there's still some way to go, and there will be plenty of organisational changes that need to happen alongside this evolution.

Fig.4

Please indicate if you strongly agree that we have completed the transfer of our processes to the cloud



Human capital management: The big picture

DETERMINE TARGET MARKET
OUTLINE KEY MESSAGE
PRODUCT POSITIONING
↳ WHERE TO ADVERTISE
↳ PROMOTIONS
↳ SELECT MEDIA

Human capital management: The big picture – Future needs

What do all these changes mean for the agile Human Capital function. As business and people is just two sides of the same coin, each of these seven factors are either wholly or partially the responsibility of the HR department, who must take the lead for both sourcing the talent the organisation requires, and putting in place the cultural conditions that enable this talent to thrive.

As in any area of business, growth and competitive advantage begin with the right people. The search for talent is constant, and many of the challenges businesses face are common across the globe.

Of course the availability of talent is just a question about the here and now – organisations need to be able to look to the future and see the pipeline of skills that will take them forward in coming years. And again we see a picture of concern – with over 50% of respondents in some developing markets such as India, Brazil and Chile reporting their concern.

However, even more mature economies such as UK, Germany and USA saw 30% or more respondents agree with this question – demonstrating that both the clarity of skills required in the future, and the availability of talent to match future roles, is now very much a grey area for many.

Fig.5

I am concerned about the future availability of the next generation coming into the workforce



Human capital management: The big picture – Future needs (cont.)

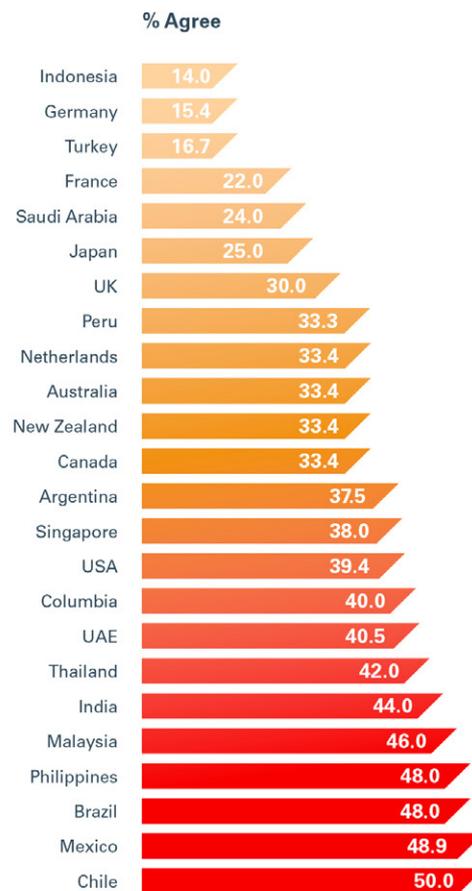
Against this backdrop of expected talent shortages, **competition for the talent that's out there will be fierce – and many are concerned they may not be able to compete.** Once again, this is most noticeable in South America and India, but also Central America and South East Asia. Even a third of organisations in the Netherlands have this worry, as do 30% of UK companies.

The war for talent continues – it is only the locations and the reason for the conflict that changes. In all but a handful of countries, 30% or more of CHROs are reporting concerns in their ability to compete for the talent that is available. The solution lies in the workplace culture that turns employees into advocates for your organisation and your employer brand.

And talent will be able to identify successful business models. No talent will join a sinking ship. Either your organisation is in the upwards spiral or the downwards. Successful organisations will be the ones which are able to adapt by using technology and the seven factors to create competitive advantages. Various very positive and constructive aspects come along with the seven factors; this should be attractive environments for talents.

Fig.6

I am concerned about our ability to compete for the next generation of talent



Human capital management: The big picture – Future needs (cont.)

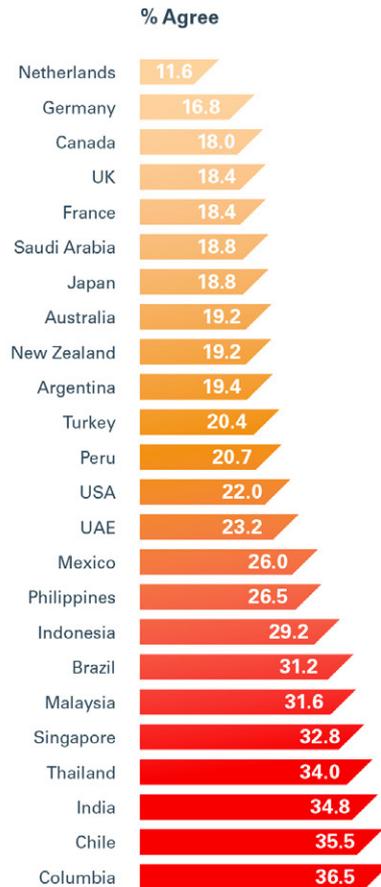
And **the familiar concern about losing jobs to machines is still present**, with almost a quarter of employees (24%) worldwide saying they’re definitely worried about this. But once more, **it’s developing markets that show the most concern**, particularly India (35%), Thailand (34%) and Singapore (33%) – and Chilean employees top the international table, with 36% worried about the security of their roles.

In these markets, broadly speaking, manufacturing is being transformed by new production technologies and automation, which could account for much of the worry. But these economies are also less stable than others, creating additional uncertainty of what the future may hold.

While certainty will never be possible, HR professionals are determined to track the skills, attitudes, personality traits, processes and assets needed to best support the adaptability of the organisation.

Fig.7

I am concerned that machines will replace me in my job



Human capital management: The big picture – Future needs (cont.)

Identifying skills gaps is already on the agenda, but planning for skills is less developed, and even less executed upon. 45% of HR directors reporting they do this and put in place recruitment strategies to deal with these gaps [Fig. 13](#) and 42% say they build a pipeline of external talent in advance of their recruitment needs [Fig. 14](#).

But there's a long way to go when it comes to truly planning ahead. Far less than half of HR leaders are confident in their ability to forecast future skills requirements in the short, medium, or long term. And medium-term planning seems to cause the most concern, with fewer HR directors confident in their ability to forecast needs over 3-5 years than over 6-10 years.

The ability to actually recruit for these future requirements follows a similar pattern: While HR directors can focus their recruitment efforts for the skills they need now, and feel confident they can adapt their recruitment for the long term, the medium term is more challenging. The medium term may be the pinch point between having clarity of future skills needed, and the pace at which recruitment processes can be adapted to these new requirements.

With most organisations not yet confident in their ability to forecast their organisation's people-related requirements – or recruit for them – the need for more flexibility is underlined. And with it, the need to recruit or develop agile talent that's flexible and adaptable to change. In other words, recruiting for broad capabilities, such as critical thinking, communication, and leadership, rather than specific skill sets for specific roles.

Fig.8 In your opinion, how well is your organisation able to forecast its future skills requirements?

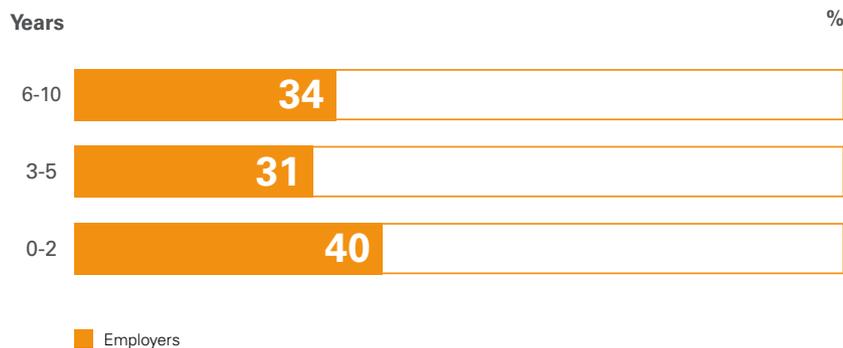
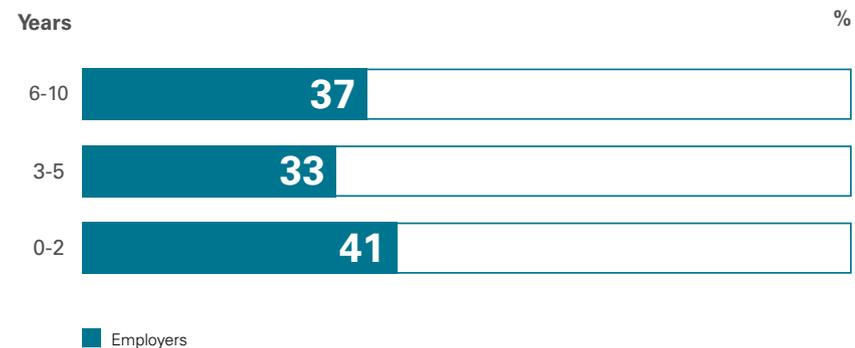


Fig.9 In your opinion, how well is your organisation able to align your recruiting demands to its forecasted skills requirements?



Human capital management: The big picture – Future needs (cont.)

Looking just three years into the future, we can see significant change in recruitment. First, we can expect more automation, as HR executives look to make recruitment faster and more efficient. 43% are intending to have automated processes that trigger recruitment before there are vacancies [Fig.25](#) – and 49% are aiming for automated onboarding processes so new joiners can be productive quickly [Fig.26](#).

But the need for adaptability is set to trigger a change in what recruiters are looking for too, not just how they're looking, when, or where. Almost half of HR directors (47%) strongly agree that they'll be recruiting for skills and experience – rather than specific jobs – to make sure their organisation is prepared for as-yet-unknown roles [Fig.27](#). In fact, only 6% say that they definitely won't be doing this, suggesting this could become the default approach. And when it comes to filling talent gaps, most companies will be pragmatic and predictive. Nearly half of HR directors (45%) confirm they'll go wherever the talent is, such as new markets [Fig.28](#), and the same number (45%) say they'll be able to identify people who are at risk of leaving in advance [Fig.29](#).

With smarter tools and shifting priorities, recruitment is set to change dramatically, but HR directors are already thinking ahead and embracing the idea of adaptability. And while they plan for change within their own function, there are several more factors throughout the organisation that can foster adaptability.

Concluding thoughts

In order to be our adaptable best, we need to be connected to our colleagues, with access to data that can drive better decisions. Then if we can automate certain elements of work – removing manual, repetitive tasks – we can be free to react to changes, or even shape the changes, quickly and effectively.

Whilst some of the findings in this study have been surprising, the core hypothesis that the successful organisation of the future is an adaptable organisation has been proven. But besides having created another abstract theoretical model, we see concrete areas of implementation:

- 1. Drive the key stakeholders' dialogue with evidence. Either you are looking for buy-in for an initiative or ask the question "Quo vadis?", you now have proof which elements play together and can argue accordingly.**
- 2. You can turn this approach upside down and ask whether your existing processes support the seven factors to secure the wellbeing of your organisation.**

You can never have enough quality opinions or arguments at the table. With isolating these very important dimensions we should have added a variety of these.

Technology will make the difference between failure and success. Its impact on business efficiency in combination with the seven factors is so overwhelming that there is no way around. The recipe for future success lies in a combination of technology and the right attitudes, abilities, and actions within your employees. Then technology can augment us, transforming our capabilities – and those of our organisation – so we can achieve more.

Create your tomorrow, today!

We hope you enjoyed our findings! All the best of success,

Joachim, Will, Oscar and Richard



"We become victor instead of victim."

Charlene Li, Innovator and Bestseller Author,
Oracle MBX Las Vegas, February 2019

Appendix

The complete set of charts for the data analysed in this research.

Fig.10 – Data integration

Data are scattered everywhere across disparate systems

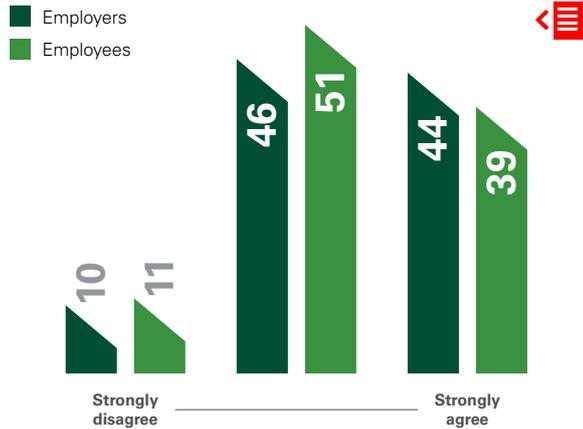


Fig.11 – Data contradictions

Data in the systems are contradictory

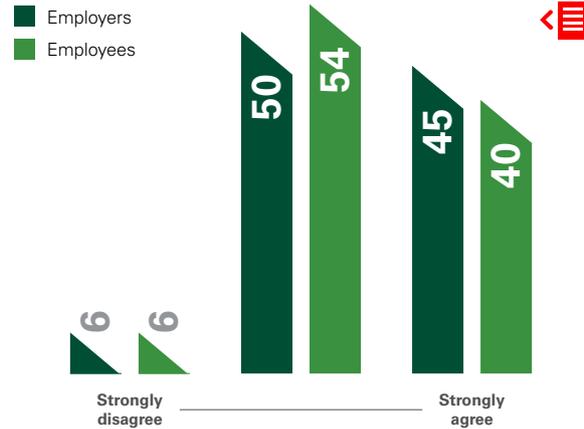


Fig.12 – Understanding data analysis

Our decision makers have a basic understanding of the underlying methods of data analysis

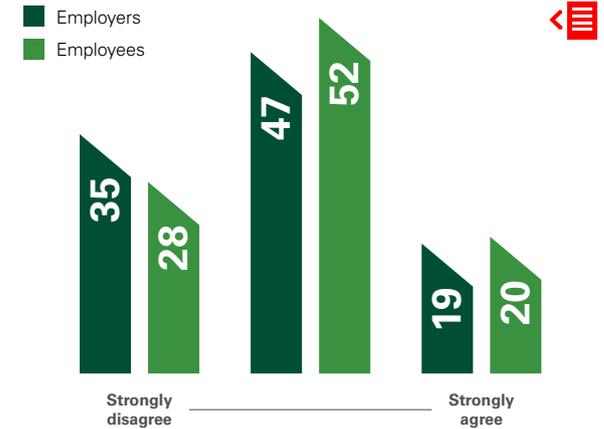


Fig.13 – Identifying talent/skills gaps

We identify the skills gaps we will have in advance and put in place recruitment strategies



Fig.14 – Building talent pipelines

We build a pipeline of external talent in advance of our recruitment needs

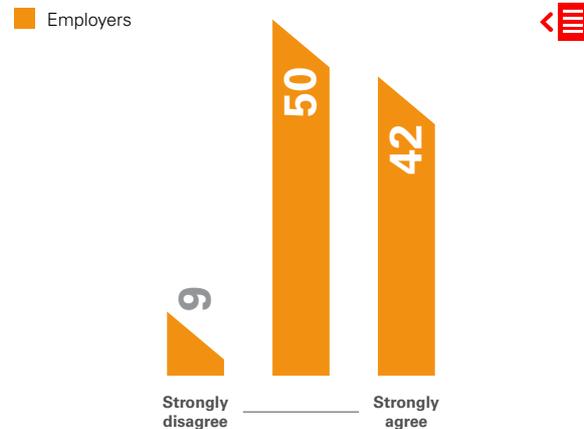


Fig.15 – Agility of our organisation

My organisation emphasises agility in our people



Fig.16 – New team structures

The managers in my organisation... continuously experiment with different forms of team structure

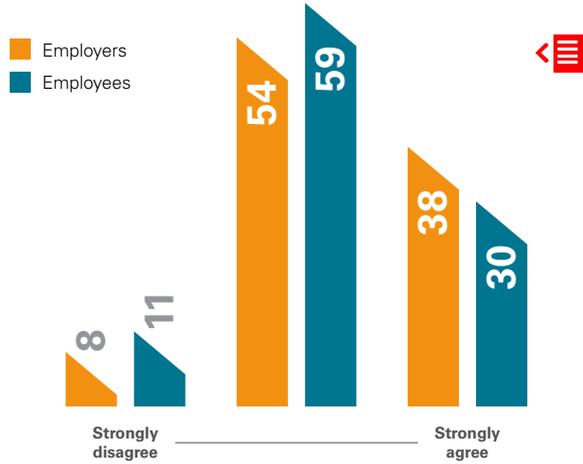


Fig.17 – Embrace new technologies

We have openly embraced new technologies

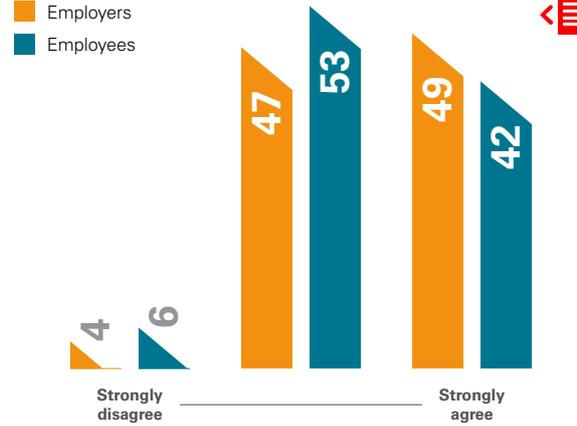


Fig.18 – Remote working policy (+3 years)

My organisation plans to implement a policy to allow remote working within the next 3 years

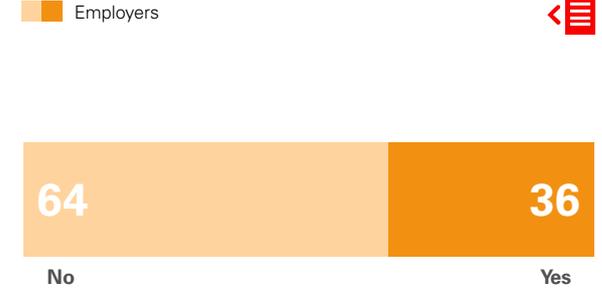


Fig.19 – Learning key to improvement

Our organisation's basic values include learning as the key to improvement

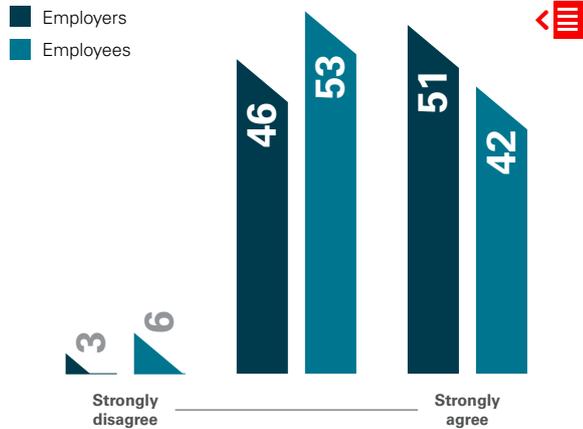


Fig.20 – Our culture regarding learning

Our culture is one that does not make employee learning a top priority

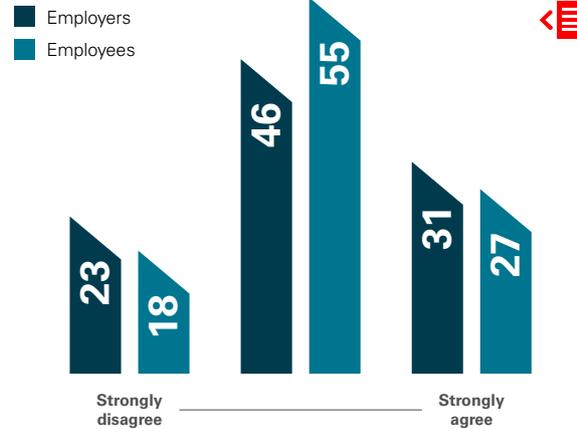


Fig.21 – Development and promotion

We ensure development and promotion opportunities are available to the full and diverse range of staff

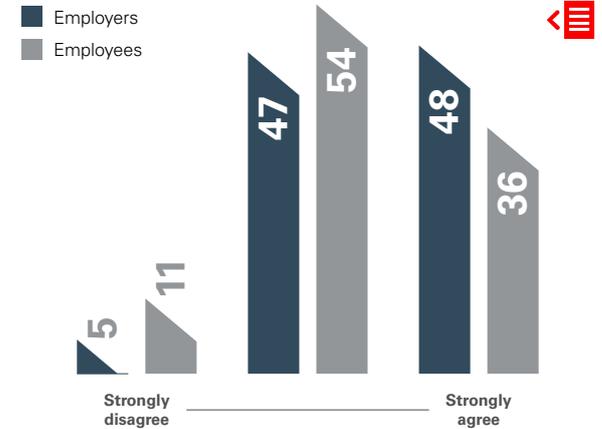


Fig.22 – Opportunity to learn and prosper

I am concerned that I will not have opportunities to learn and prosper in the future

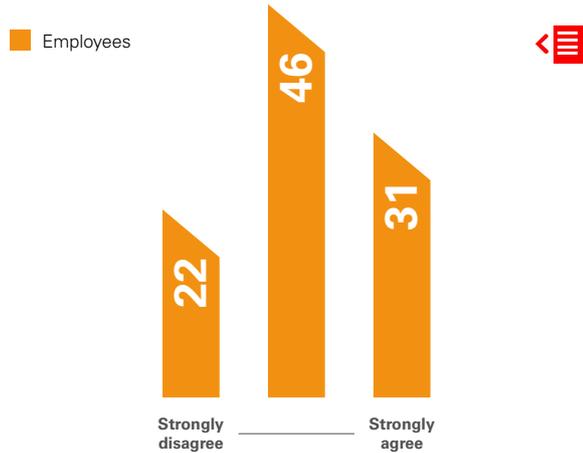


Fig.23 – Staying relevant

I am concerned about staying relevant in the job market with new skills

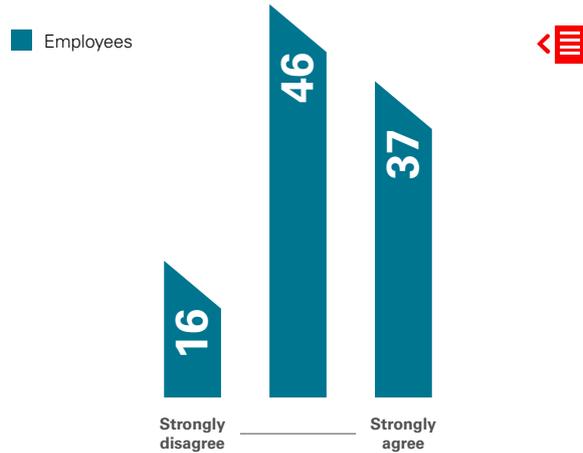


Fig.24 – Learning and development

Our employees will be targeted with learning and development opportunities based on their roles and experience



Fig.25 – Automated recruitment (+3 years)

Our processes will be automated to trigger the recruitment before we have vacancies

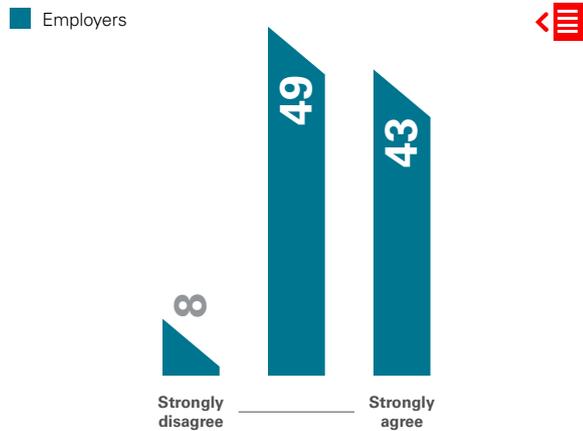


Fig.26 – Automated onboarding (+3 years)

Our onboarding processes will be automated to enable new joiners to be productive quickly

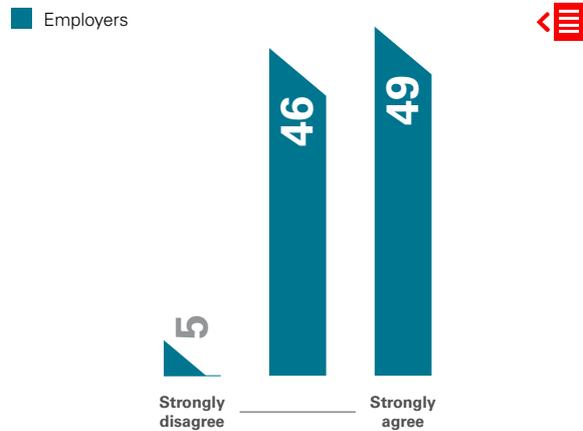


Fig.27 – Recruit for skills (+3 years)

We will recruit for skills/experience instead of for specific jobs (i.e. preparing for jobs unknown)



Fig.28 – Go where talent is (+3 years)

We will go to where talent is (new markets etc.)

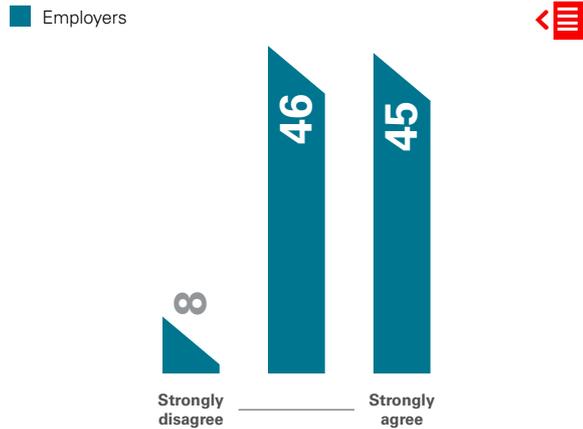


Fig.29 – Identify risk of leavers (+3 years)

We will be able to identify people at risk of leaving

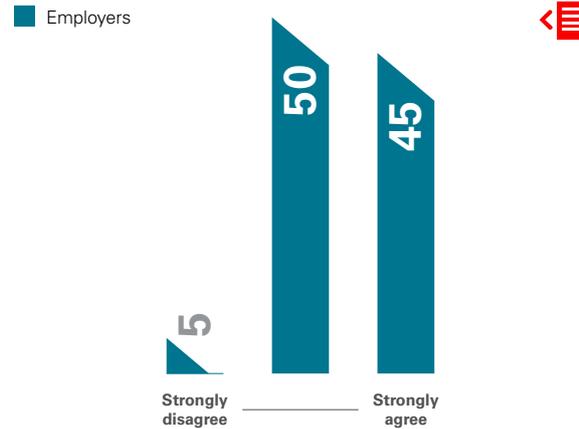


Fig.30 – Seniority/experience

Seniority and experience are the typical basis for decisions

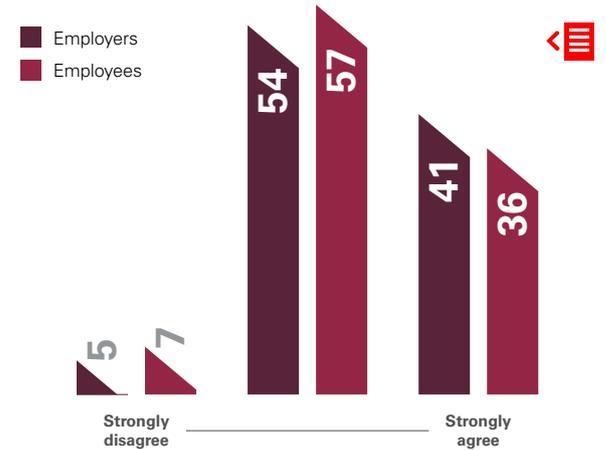


Fig.31 – Analytics applied in decisions

It's the policy to incorporate available data within any decision-making process

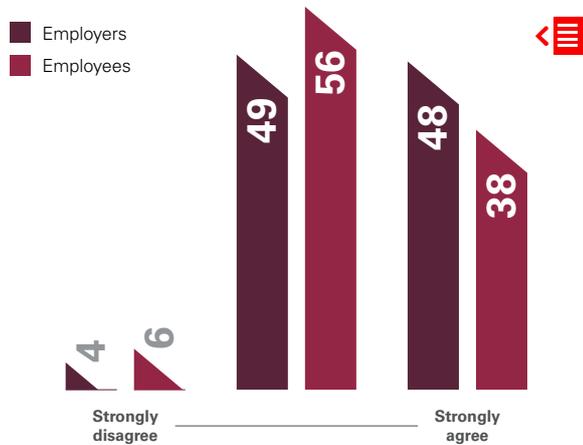


Fig.32 – Open communications

Our people... communicate openly, sharing data and information across departments and any organisational units

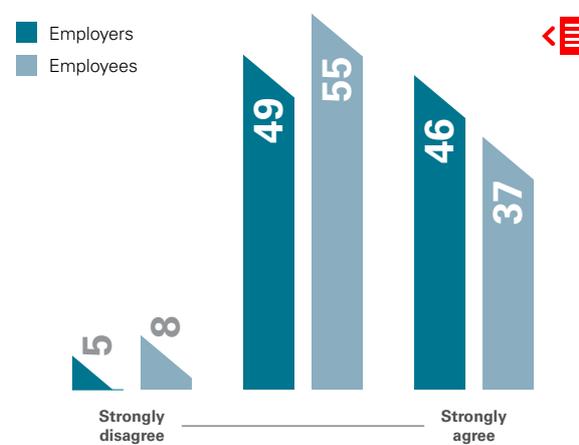


Fig.33 – Open comms between teams

Our people... communicate openly within their teams, sharing information freely within their teams

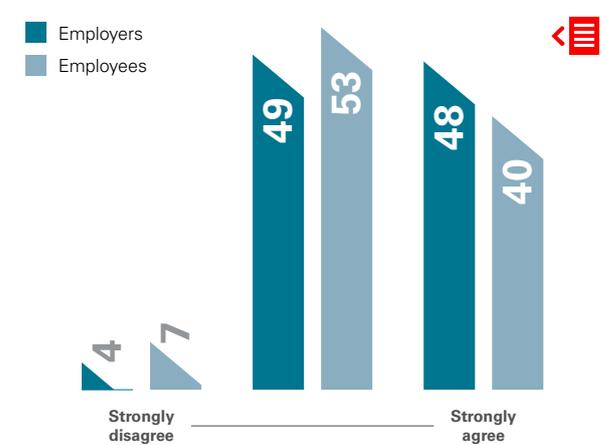


Fig.34 – Bureaucracy

We have very little formal bureaucracy

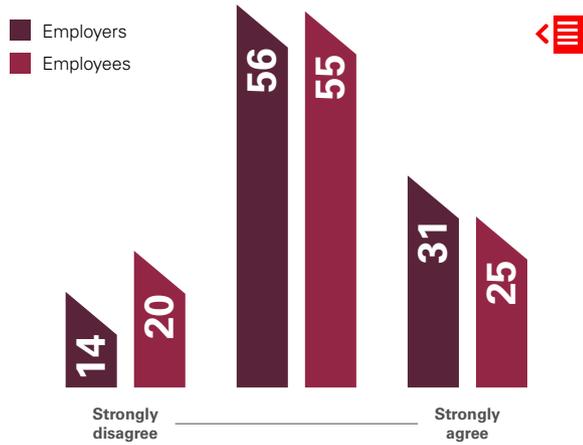


Fig.35 – Meritocratic culture

The managers in my organisation... create a meritocratic environment where an individual's contribution is valued based on quality, rather than seniority

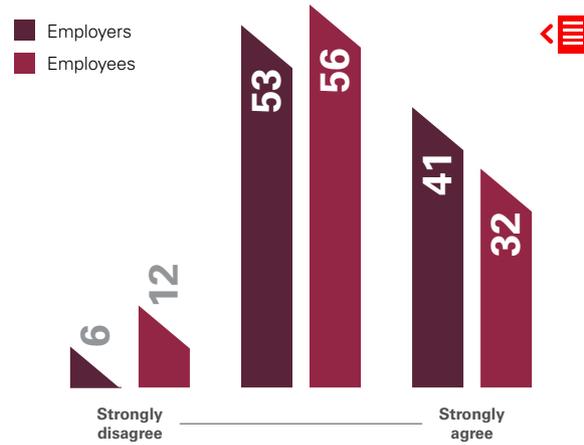


Fig.36 – Defined digital strategy

We do not have a well-defined digital strategy for the entire organisation

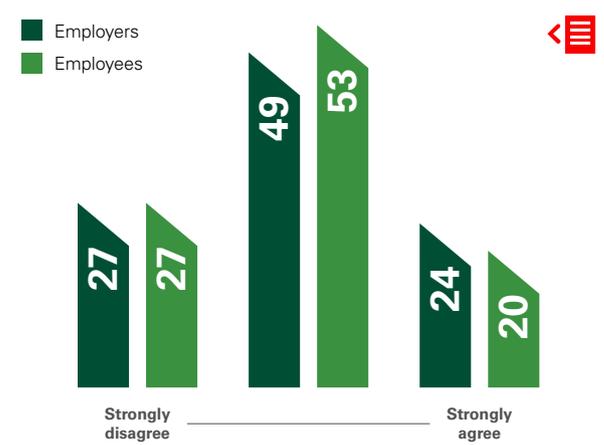


Fig.37 – Digital vision consensus

There is a total agreement on our digital vision across all levels, functions, and divisions

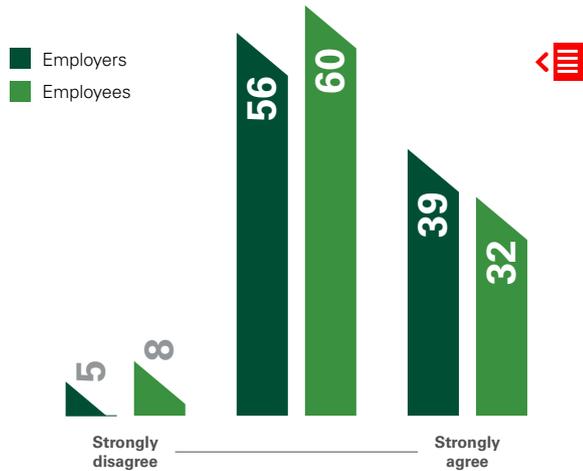


Fig.38 – Learning from mistakes

We tolerate failure and believe people can learn from their mistakes

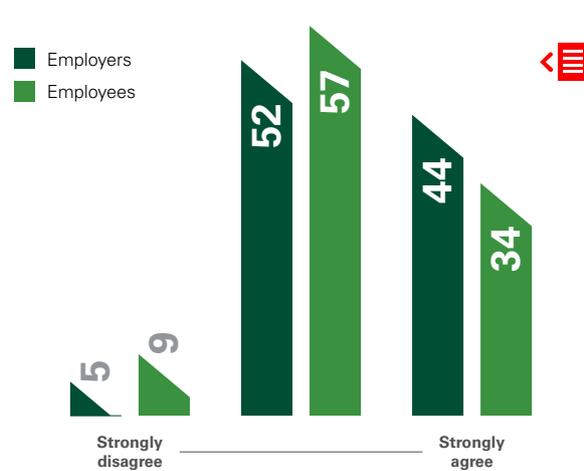


Fig.39 – Dynamic and entrepreneurial

People are willing to stick their necks out and take risks

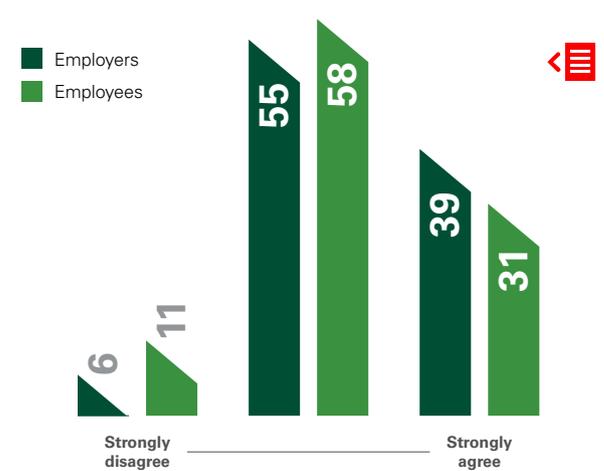


Fig.40 – Broaden skills

We are encouraged to broaden our skills set whilst in our current roles

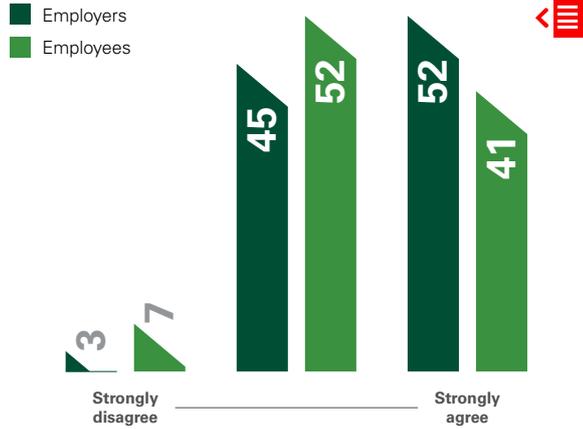


Fig.41 – Broaden experience

We are encouraged to broaden our experience by trying new roles

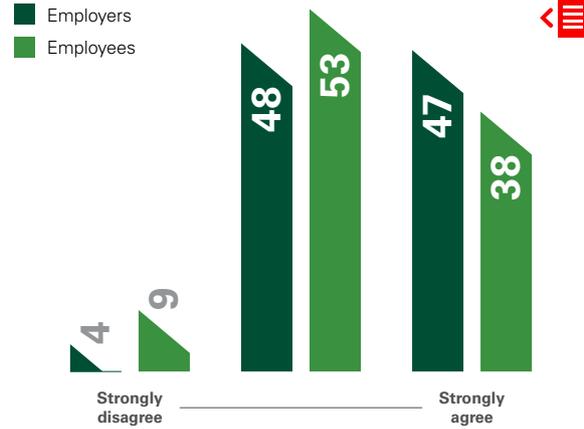


Fig.42 – Career ownership

We are encouraged to take ownership of our careers

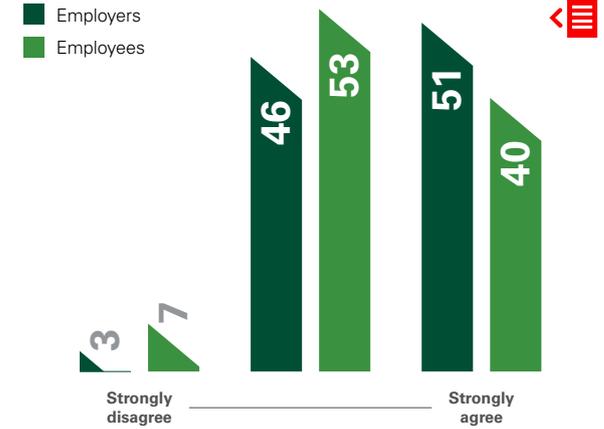


Fig.43 – Evidence/analytics decisions

The use of evidence and analytics in decision making is part of our culture

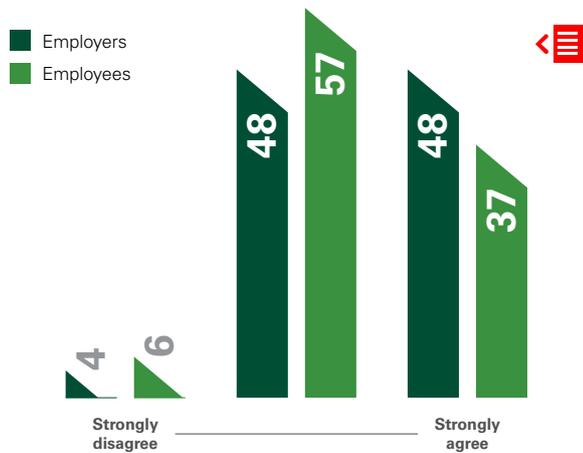


Fig.44 – Not afraid to be critical

We are not afraid to reflect critically on the shared assumptions we have about the way we operate



Fig.45 – Better collaborative tools

My organisation provides collaborative tools that enable people to collaborate remotely

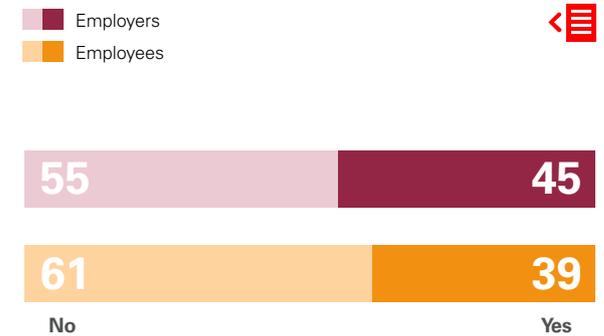


Fig.46 – Communicate remotely

My organisation provides networking tools that enable people to communicate remotely

Employers
Employees

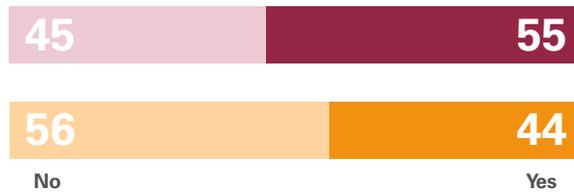


Fig.47 – Clear succession plans

We have a clear succession plan for key roles and a talent pool to draw from

Employers
Employees

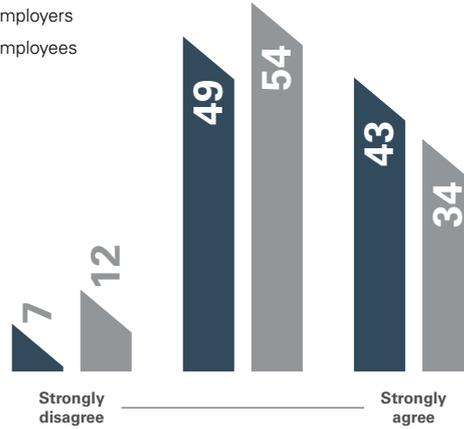


Fig.48 – Open minds valued

The managers in my organisation... place a high value on open-mindedness

Employers
Employees

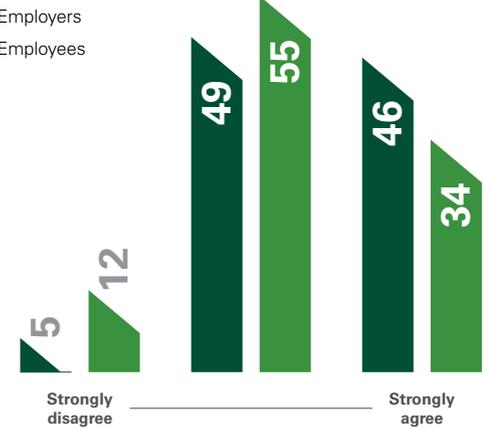


Fig.49 – Express views carefully

The best way to get ahead is to keep your cards close to yourself

Employers
Employees

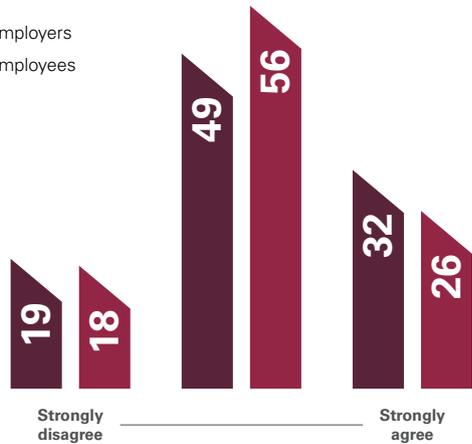


Fig.50 – Review vs actual performance

I am concerned that my performance review doesn't reflect my actual performance

Employees

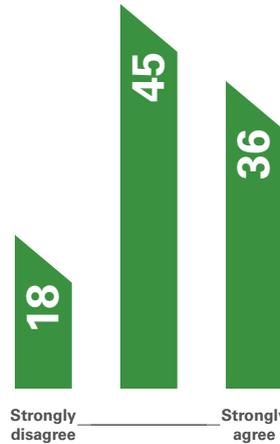


Fig.51 – Management recognition

I am concerned that my management is not recognising what I am capable of and doesn't try to understand it

Employees

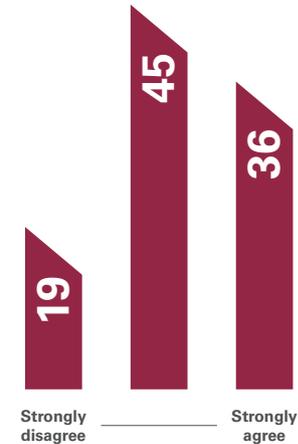


Fig.52 – Put in place learning solutions

We are able to predict the gaps in our workforce's skills and put in place learning solutions

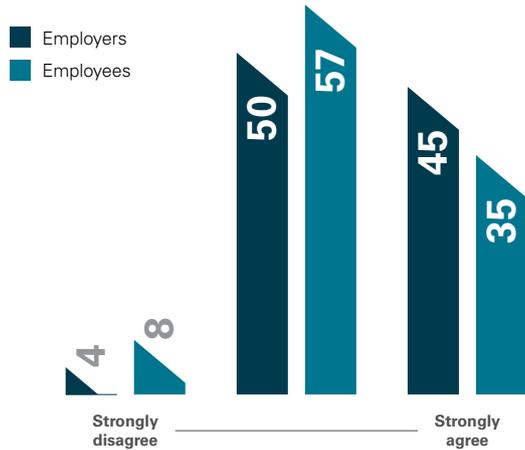


Fig.53 – Our culture – broaden skills

We are encouraged to broaden our skills set whilst in our current roles

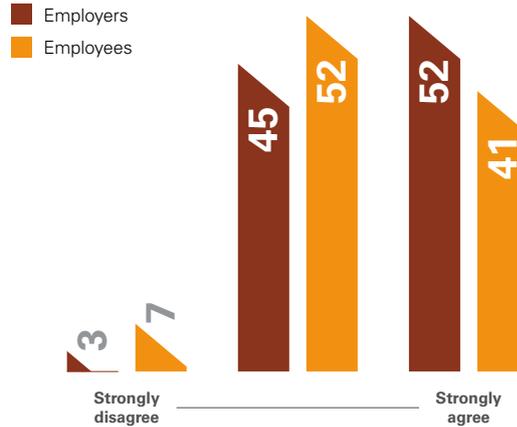


Fig.54 – Targeted learning opportunities

We are targeted with learning and development opportunities based on our roles and experience

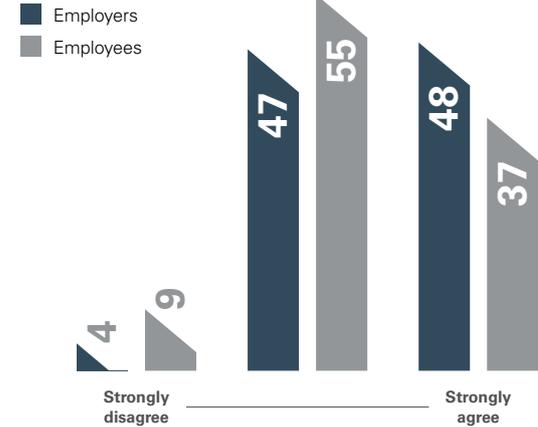


Fig.55 – Identified and promoted

We are identified and promoted as soon as we are ready

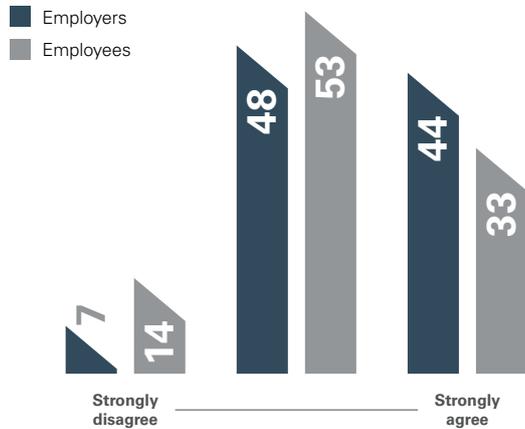


Fig.56 – Automated recruitment (current)

Our processes are automated to trigger the recruitment before we have vacancies

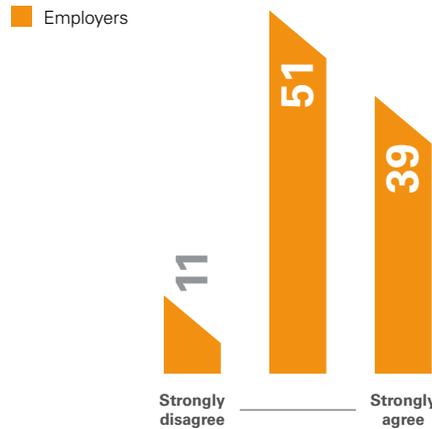


Fig.57 – Advance recruitment (+3 years)

We will be able to identify the skills gaps we will have in advance and put in place recruitment strategies

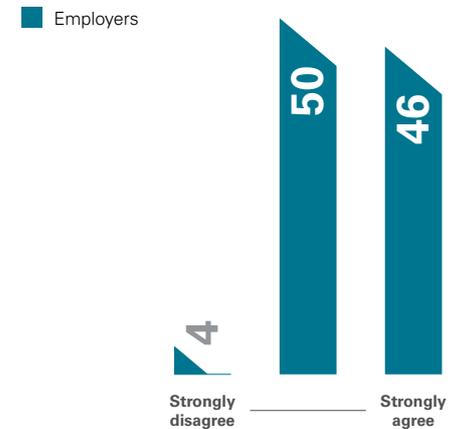


Fig.58 – Information readily available

All the data we need to support decision making is available

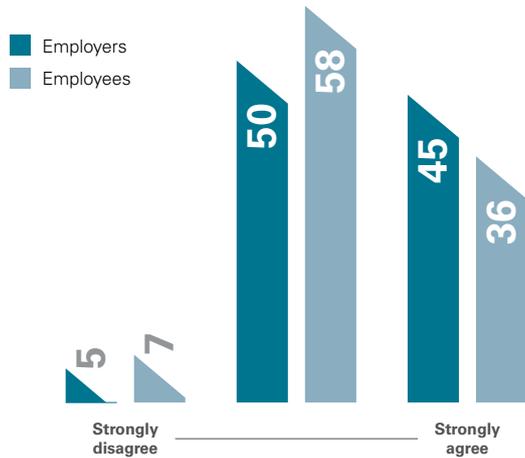


Fig.59 – Share info remotely (+3 years)

My organisation plans to provide collaborative tools that enable people to share work and innovate remotely within the next 3 years

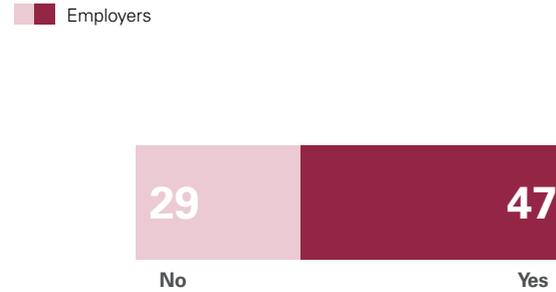


Fig.60 – Integrating new technology

We have had very few problems fitting information technologies within our culture

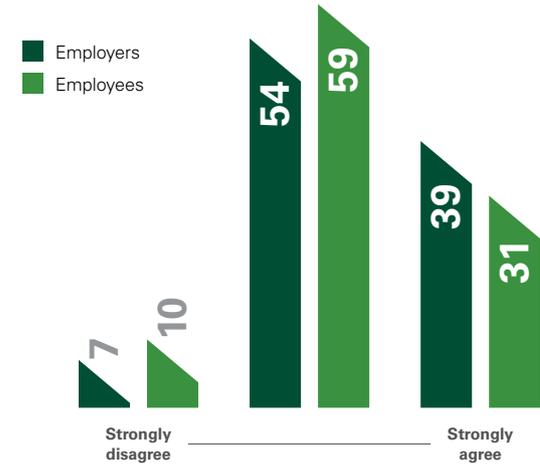


Fig.61 – Innovation not part of culture

An emphasis on constant innovation is not a part of our corporate culture

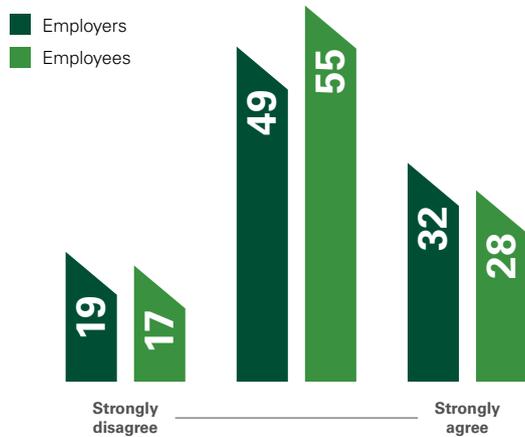


Fig.62 – Our culture values honesty

We honour honesty in our culture

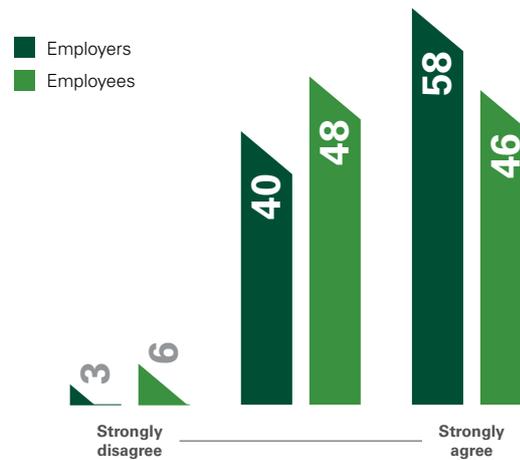
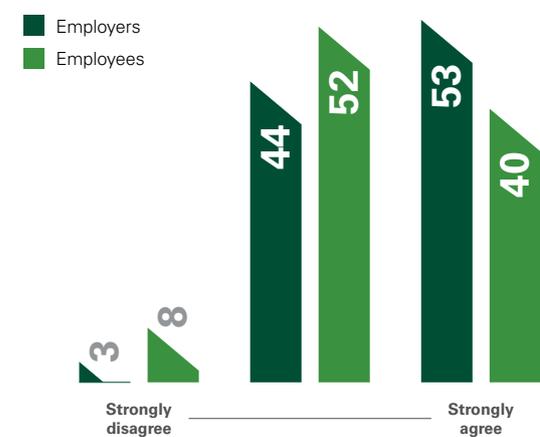


Fig.63 – Everybody's contribution valued

We encourage and value the contribution of every staff member



The team



Wilhelm Frost

Wilhelm is a research associate in the Department for Industrial Organization and Microeconomics at WHU – Otto Beisheim School of Management.

His research interests focus on the role of technology in competitive strategy and organisational performance, especially big data analytics and artificial intelligence.

Wilhelm joined WHU as a doctoral candidate and holds degrees from the London School of Economics and CEMS.



Joachim Skura

Joachim Skura is Strategy Director HCM Applications for Germany and Switzerland.

Prior to his engagement with Oracle he did work in HR consulting for almost 15 years. Additionally he did work “on the other side of the table” by running a recruiting function for one of Germany’s leading banks.

He is ambassador for a stronger integration of HR and Business, advocating that people need to be enabled and engaged and not administered.

Joachim is part of the Oracle EMEA HCM Thought Leadership Team based on his extensive background in Recruiting, People Development, Management Assessment and HR Organisation.



Oscar Lausegger

Within Oracle Western Europe Oscar Lausegger is Strategy Director HCM Applications with a focus for the Benelux.

In the last 20 years Oscar has experience within the HR domain by working at several big international players. His background also consists of several management positions within finance and outsourcing on HR and Payroll.

Oscar is a strong believer of HR enabling the business in strategic decision making by utilising the right combination of people, process and technology.

Based on Oscar’s background and expertise he is part of the Oracle EMEA HCM Thought Leadership Team.



Richard Cheeseman

Richard is a Marketing Director at Oracle, responsible for leading a range of the organisations research and thought leadership into digital transformation and innovation.

Prior to joining Oracle Richard had experience in human capital consulting and technology at a variety of global organisations and worked on numerous reward, talent and engagements, looking at what motivates and impacts employees and the wider world of work.

To learn how your HR department can transform to deliver the skills and culture required to enable your organisation to become adaptable, **why not take a tour of Oracle HCM Cloud today?**

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