




cutting through complexity

SHIFTING EMPLOYEE MOTIVATIONS

**BY DAVID FAIRS
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A photograph of a woman with long brown hair, wearing a patterned top, holding a baby in her arms. The baby is wearing a white shirt and is looking towards the camera. The background is a soft, out-of-focus green field. The image is partially obscured by a white diagonal shape that contains text.

THE DAYS OF EMPLOYEE MOTIVATION BEING BASED ON POSITION AND PAY ONLY ARE BEHIND US. CAREER EXPECTATIONS ARE BEING BALANCED BY FACTORS OTHER THAN PROMOTION AND MONEY. AN INCREASING NUMBER OF TALENTED WORKERS ARE BEING DRIVEN BY A DESIRE FOR NEW SKILLS AND EXPERIENCES THAN BY THE TRADITIONAL DEFINITIONS OF SUCCESS BASED ON SALARY AND POSITION.

Employers need to wake up to this new reality and its impact on their ability to recruit – and retain – the talent they need. What I see as the future structure of organisations, with fewer employees at the core being supported by a growing network of virtual workers, will add to this challenge.

The contrast between these increasingly different employee groups will prove a severe test of the social contract, as the very forces that create the divergence between motivations will lead to greater inequality and resulting societal tensions. Business will ignore this at its peril.

ENOUGH REWARD

People's motivations vary through the different stages of their careers. Newer entrants to the job market are generally grateful for the security of a good job.

But there comes a point when these workers become more confident about their worth. Their fear of being jobless is overtaken by a realisation that they are in a stronger position to face the world. I believe that at this stage, money stops being their main motivation and they become more interested in acquiring the skills and varied experience that their employers can offer.

Don't get me wrong – there will always be a group of people who are very ambitious and motivated, and who want to get to the top. But I believe there will also be an increase in the number of talented workers who will measure career success differently from their predecessors, and who have very different expectations of their employers.

A World of Work Onepoll survey carried out for KPMG indicates we are seeing the start of this trend. While 48% of Baby Boomers interviewed say they are content to earn 'enough' rather than constantly striving for more, that figure rises to 58% for Generation Y.¹ Promotion, power and pay rises are secondary objectives to this upcoming group. Their primary goal is to develop their skills base while maintaining a work-life balance.

This shift is borne out by discussions with focus groups held with our younger employees. I was most surprised by how the newest graduates put a premium on job stability, although perhaps this is not so surprising given the competition for professional jobs at present. But these same young employees had a very good idea of what would make them leave their jobs – and it wasn't money. A better work-life balance was one factor, experiences and learning opportunities another. "The biggest job killer for me would be if I were to stop learning," one stated frankly.

Today's senior management will, like me, have worked with the idea that we had to continue to move onwards and upwards; that if we stopped doing this our careers would be over. The idea that you might be content to stay still at some point was completely alien to us. But it's not strange to those who are coming up behind us.

If you think this is a problem for the medium-term, then think again. Our focus groups, motivated and talented people in their 20s who are developing important skills, are already having the conversation with their partners on the topics of 'enough' – enough reward, enough challenge, and enough time for their family lives and personal interests.

THE CORE OF THE MATTER

How will this play out in organisations? Well, I believe that, in the future, successful organisations will be more dispersed and have fewer core employees, with this core supported by a larger, virtual and networked workforce. This is already starting to happen in knowledge industries such as IT and business services and I believe that others will follow in time.

Those at the centre of this nano-corporate structure will drive the organisation and earn substantial rewards. They will also be the ones charged with maintaining the organisation's network of diverse individuals, who will often work in virtual teams, while managing each individual's varied and changing needs.

The challenge of keeping the majority networked workforce engaged will fall, I believe, to a new breed of senior leader, one who understands the importance of corporate charisma to a business. In fact, I think that this corporate charisma will be just as vital to an organisation's long-term success as its products and services. Without it, the bonds holding the networked staff to the nano-corporate will dissolve.

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**David Fairs, Partner,
KPMG in the UK**

¹ Generational tensions may surface in the workplace as employees postpone retirement, says KPMG, Press release.



These new leaders will have to paint a picture of their organisation's vision, values and purpose that is compelling to new generations of workers. We are starting to see this today, as management teams begin to think beyond their fiscal duty to shareholders and consider the broader legacy of their business; their impact on the environment and the communities in which they operate.

The rewards will be substantial for organisations whose management teams can create and communicate this picture. But there will be a real challenge in sustaining this over long periods, particularly when a leader leaves, taking a large element of corporate charisma with them.

GROWING INEQUALITY

The combination of the idea of 'enough' and the shrinking of core corporate structures will, I believe, lead to an increase in societal inequality. There will be enormous demand for talented and skilled workers, especially those who can understand and communicate corporate charisma – but an increasingly large swathe of society will find that they don't have the skills or talent to compete.

This will not be a problem for those at the top. Talented people will always have a job and be in high demand. Some higher mid-level jobs will stay, as the increasing complexity of the world of business and regulation will always require some human input.

However, I fear the advance of smart machines in the latest wave of the IT revolution² means that many more middle-ranking jobs will disappear. People who can't – or who don't want to – climb the career ladder may end up providing services that need a human touch. And rewards will become more skewed to the top than they are today. We can already see the trend: FTSE 100 chief executives' pay has risen from 47 times the average earnings of employees in 1998 to 120 times in 2013³.

The contrast is between a richly remunerated elite and the growing legions of workers who are content to say 'enough' as their priorities change. The resulting unequal distribution of income will be exacerbated by the increasing numbers of people who are left out of the workforce altogether – not to mention the increase in generations in work as the Baby Boomers, and those behind them, continue in paid employment past the rising retirement age, either from choice or necessity.

The pressure will come for management teams to say what they are doing for people who cannot get a job, and to address the growing inequality of pay for those who work. There has to be some value in employment, so creating non-jobs is not the answer. But this is a serious question that can only be addressed through thoughtful dialogue between business, government and society.

² Technology: Rise of the replicants, FT, March 3, 2014.

³ EU eyes new rules over executive pay, FT, March 8, 2014.

“THE CHALLENGE OF MAINTAINING
A MOTIVATED NETWORK WILL FALL
ON A NEW BRAND OF SENIOR
MANAGER.”

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I believe the next generation of employees will expect companies to take a greater role in this – not for altruistic reasons, but as part of hard-headed business decision making. One of our focus group members encapsulated the general group feeling: “There is a perception that social mobility is declining, but firms are playing more of a role to try to close this gap. This is a responsibility for the firm as well as for the individual, from a sustainability perspective as well as a social one.”

MANAGING MOTIVATIONS AND THEIR CONSEQUENCES

Today’s younger employees entered the workforce with very clear ideas of what they want from their careers. Their motivations are very different from those of senior people currently in charge. Some more enlightened management teams are starting to become aware of these shifting expectations and the impact on future operations. But most have their head in the sand.

Management teams will have to embrace the diversity of their workforce and get to know their employees well enough to understand what motivates them; to understand their concept of ‘enough’; to know what they are prepared to do and what they expect in return.

Don’t fall into the trap of thinking that this can help cap expenses. The new generation might focus on more than monetary rewards, but they have a very strong sense of fairness. They want to feel that they are being rewarded for what they achieve, and that their reward should show respect for the contribution they make. If they feel they are being treated unfairly, they will walk.

This changing bundle of motivations will be evidenced in a growing virtual network of employees, which supports a small but strong core. The challenge of maintaining a motivated network will fall on a new brand of senior manager, who will be charged with painting a credible yet adaptable picture of their company’s purpose – a purpose which is compelling enough to inspire a new generation of workers while keeping the existing workforce happy.

Technology will be the big enabler, but it will also act as a destroyer – of jobs and opportunities for those with little to offer in the next phase of the IT revolution.

Pay gaps will widen, and this generation’s innate sense of fairness will lead to unrest at the unequal reward structures that result. The most successful companies will be under pressure to address the inequalities, either unilaterally or working with government. This new role may sit uncomfortably with many business leaders of today, but those of tomorrow will need to face up to the challenge.

ARE YOU PREPARED?

If your organisation's management team already has a good understanding of what motivates its employees as a group and as individuals, then they are a step ahead in facing the potential challenges of dealing with a workforce that could soon encompass five generations of workers.

Other things to consider will be whether and how easily your business could be transformed into a nano-corporate structure with a small core driving the organisation and a mass of employees working as a virtual network – and what would be needed for that to happen in an effective way.

Finally, there are the social implications of rising inequality as automation creeps higher up the food chain, creating potentially an underclass of long-term unemployed. Would the leadership in your business play a role in trying to address this?

These are big questions for companies to mull over as we sit on the precipice of unprecedented changes to the UK employment landscape.





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