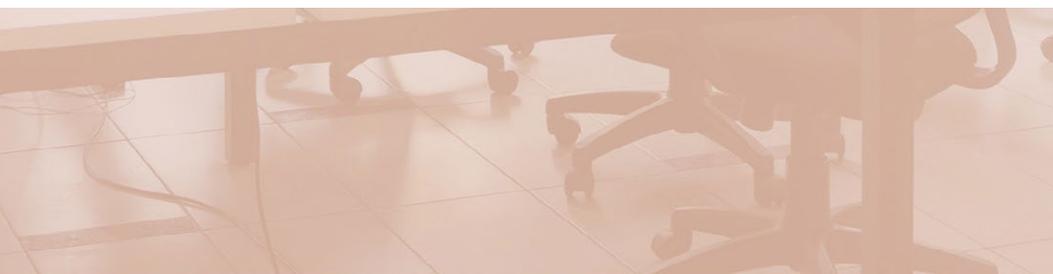




**ECONOMIST
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The magnetic workplace

Keys to unlock sustainable growth for businesses



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About this report

The magnetic workplace barometer is a report from Economist Impact, sponsored by Kyocera Document Solutions. It explores what qualities the workplace of the future must have to ensure employee retention and drive sustainable business growth and productivity.

The issue of attracting and retaining talent has arrived at a critical juncture as organisations continue to grapple with the pandemic's transformative impacts on the office space and work models. This is more than just a question of operations, with organisations forced to consider aspects like establishing and cultivating workforce culture; issues of diversity, inclusion and gender equality; and growing demand for more flexible and adaptable working options.

To meet these challenges, companies must find a way to not only keep the world-class talent they have, but also unlock their full potential. In doing so, organisations have an opportunity to reap the rewards of a "magnetic workplace": a concept that reimagines the office as a space that employees are not forced to be in but are actively attracted to. Magnetic workplaces are not only appealing places to work—but they are also effective at enhancing individuals' talents and collaborative partnership.

To understand how organisations can build a magnetic workplace of their own, Economist Impact formulated a barometer that measures how confident companies across various geographies, industries and sizes are that they have established a magnetic workplace. The barometer considers various qualities organised around three pillars: productivity and infrastructure; employee engagement; and culture.

Each pillar is further broken down into several key elements:

- **Productivity and infrastructure:** technology and productivity;
- **Employee engagement:** autonomy and empowerment, skilling and professional development, and management; and
- **Culture:** diversity and inclusion, organisation values, and wellbeing.

The barometer draws on a survey of 250 business executives from Australia, Germany, Japan, the UK and the US to quantify the confidence in their workplace's attractiveness for employees now and in five years' time. It is built on the back of extensive desk research

and conversations with experts in the field. We would like to thank the following executives and experts for contributing their time and insights

- Darcy Marie Boles, remote-first work consultant at Shift with Darcy Marie
- Lauren Howe, assistant professor of management, University of Zürich
- Clemens Philippi, CEO, MSIG Asia
- Bhushan Sethi, joint global leader of people and organisation at PwC and adjunct professor, NYU Stern School of Business
- Darren Thayre, head of innovation, Global Strategic Initiatives, Google
- Howard Yu, LEGO professor of management and innovation, IMD Business School
- Andrew Davis, head of future workplace strategy and growth, Fujitsu
- Brittnee Bond, founder, Remote Work Consultant
- Darren Murph, head of remote, GitLab

Our 2021 report, *A changed workplace after covid-19*, revealed how remote work and work-from-home (WFH) models would become the norm in the post-pandemic era. While it was clear that technology has a pivotal role in enabling productivity gains, the human element is proving just as important. A workforce that feels supported and satisfied will produce their best work, and that entails companies refocusing to meet everyone's unique needs for the collective good.

The 2022 report considers how experimenting with people-centric strategies, such as workplace flexibility, employee engagement and an identifiable culture, can help companies establish sustainable business growth. As evidenced by the barometer and survey results, forming a magnetic workplace will be crucial to the next step in organisations' evolutions.

This report was written by Shivaji Bagchi and Siddharth Poddar and edited by Naka Kondo. The development of the Magnetic Workplace Barometer framework was led by Sumer Sharma and Bilge Arslan.

Executive summary

It's become a cliché to say that digitalisation spiked over the course of the pandemic as businesses turned to tech to ensure operational continuity, but it's a cliché simply because it's true. As noted in our 2021 report, the health crisis helped catalyse a global experiment with remote work and WFH models—to varying degrees of success—that has only solidified with time.

Technological infrastructure has become core to how organisations today are thinking about their workforce's productivity and efficiency. This is evident in the examples set by major firms such as Apple and Amazon, which are trailblazing digital-first work models and rethinking the purpose of their office space.¹

Digital tools can only ever be half of the equation. Companies cannot afford to ignore the human element as they pursue long-term business continuity and higher productivity. By combining the productivity-boosting powers of technology with a human-centric approach, companies end up with a truly magnetic workplace.

A magnetic workplace is a reimagination of the office as more than just a physical space, but as a value centre that helps individuals achieve their maximum potential. A magnetic workplace helps employees

produce their best work by ensuring that they feel supported and satisfied, leading to improvements in worker retainment and skills development.

Our survey and research offer various suggestions and examples of key steps that organisations can take to establish a magnetic workplace. However, a few aspects stand out:

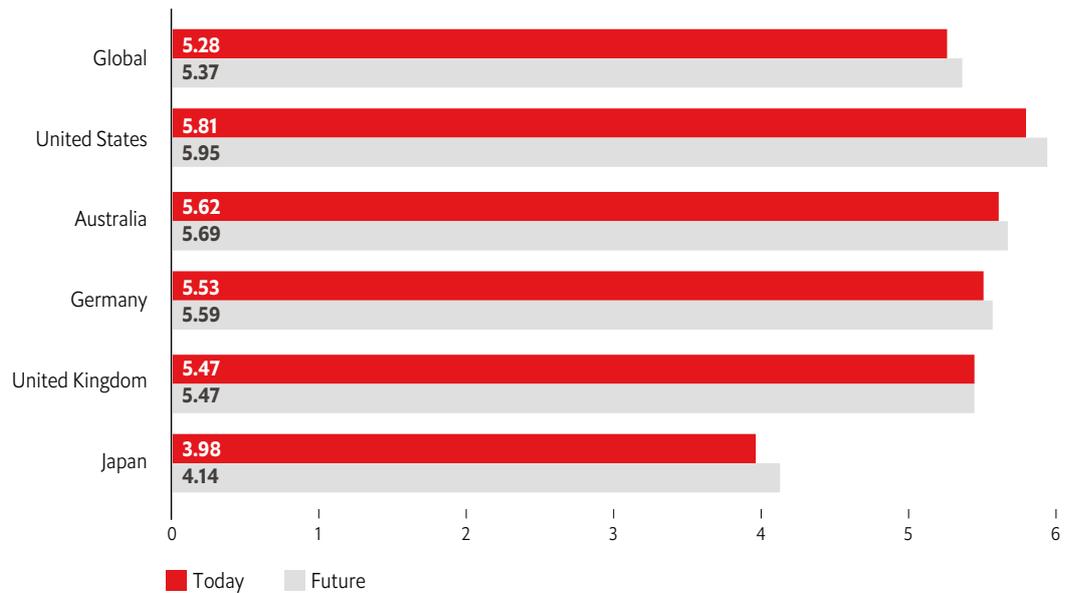
- **Technology-powered collaboration.** Digital collaboration tools can not only enable more flexible and remote work, but also help to break down information silos within companies, leading to better teamwork and productivity. Globally, companies are confident about the future of “productivity and infrastructure” - with their confidence increasing from 5.26 today to 5.34 in the future.²
- **Flexible working hours and models.** By enabling more flexibility through remote or hybrid work models, companies can create the necessary environment for higher productivity, as workers have more say in choosing when and how they produce their best work. Currently, employees' confidence level in terms of the availability of flexible working arrangements is 5.35 and is expected to stand at 5.41 after five years.

¹ International Business Times. Why Apple is giving workers \$1,000 to stay at home. <https://www.ibtimes.com/why-apple-giving-workers-1000-stay-home-3359246>

² The barometer is scored on a scale of 1 to 7, with 1 being “not at all confident” and 7 being “very confident”

- More autonomy for all.** When employees can set the terms of how and when they work, they produce better outcomes and report higher job satisfaction. Empowering them to set professional goals and work scopes can instil a stronger sense of ownership and improve retention. Currently, employees’ confidence level in terms of shaping their role is 5.34 and is expected to grow to 5.44 in five years’ time.
 - Accessible opportunities for professional development.** The advent of more sophisticated technology is driving the need for more digital literacy among workers, as well as the development of key soft skills. At present, employees’ confidence level in terms of developing existing skills and acquiring new skills is 5.33. Its anticipated score in five years’ time is 5.41.
 - Responsive, well-trained managers.** Managers stand at the frontline of any company’s leadership, serving as the lynchpins of employee satisfaction. Globally, the confidence level for management leadership training stands at 5.28 and is expected to reach 5.40 in five years’ time.
 - Commitment to workforce diversity and wellbeing.** Employees increasingly want to work with companies that share their values and care about their overall wellbeing. Globally, the confidence level for diversity and inclusion, organisation values, and employee wellbeing is currently 5.29. In five years this is set to grow to 5.39.
- In our barometer, the US, Australia, Germany and the UK are all upbeat about the prospects of a transformed future workplace. However,

Exhibit 1a: Japan scores poorly on the barometer
Magnetic workplace barometer scores by country - today vs the future



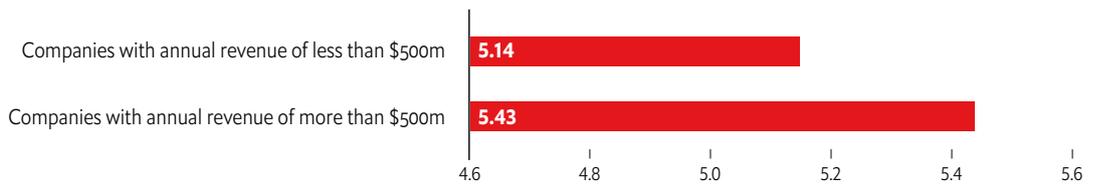
Source: Economist Impact

unsurprisingly, Japan performs poorly on the barometer owing to a strong and rigid workplace culture.³ Our survey also finds that larger companies are faring better because of having greater resources to put into transforming their workplaces. The retail, media and information technology, and financials and insurance industries will

also cope better in the workplace of the future. While technologies such as virtual reality will help teams bridge physical distances and raise productivity, companies must pair these investments with a focus on human-centric policies that consider individual employees' needs and limitations.

Exhibit 1b: Larger companies perform better overall

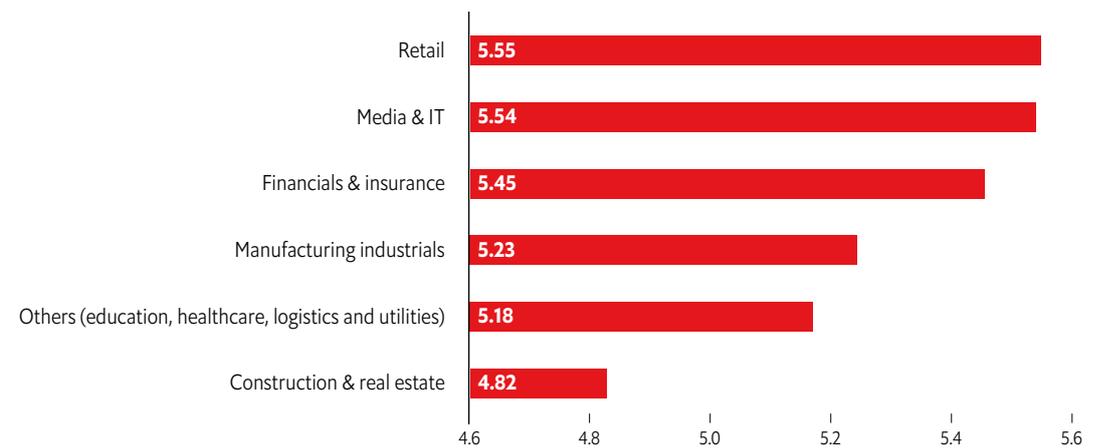
Magnetic workplace barometer scores, by company size - today



Source: Economist Impact

Exhibit 1c: The construction and real estate industry trails others

Magnetic workplace barometer scores, by industry - today



Source: Economist Impact

³ BBC. How the Japanese are putting an end to extreme work weeks. <https://www.bbc.com/worklife/article/20200114-how-the-japanese-are-putting-an-end-to-death-from-overwork>

Pillar 1: Productivity and infrastructure

The first pillar of the barometer assesses the extent to which organisations can enhance and measure their workforces’ productivity and efficiency through digital tools and infrastructure.

Adopt the right tech to promote a magnetic workplace

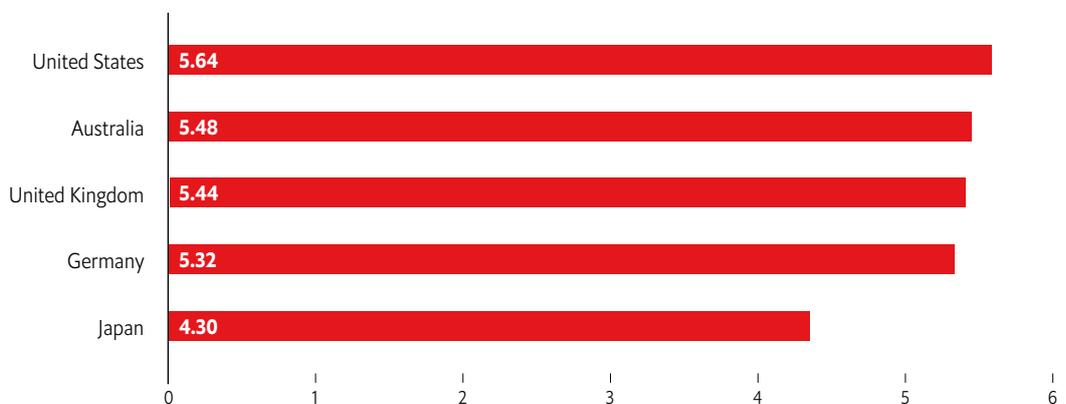
Online tools have enabled companies to make leaps in productivity, which is why a strong culture that fosters tech adoption is a key feature of a successful magnetic workplace. This culture isn’t

characterised by one-off digitalisation exercises, but a top-down strategy that also considers how to embrace technological innovation.

Our barometer measures the technology aspect of magnetic workplaces by looking at how firms are updating and adopting the latest digital tools; using digital software to facilitate collaboration and increase efficiency; and facilitating productivity with technology. Digital tools streamline existing business processes, thus reducing workforce burdens. Bhushan Sethi,

Exhibit 2: US companies most confident of their investments in digital technologies

Updating and adopting the latest digital tools - today



Source: Economist Impact

joint global leader of people and organisation at PwC and adjunct professor, NYU Stern School of Business, adds that modern tools empower workforces with more agency of choice and clear communication, all of which combine to reduce operational frictions.

Organisations from the US (5.64) and Australia (5.48) displayed much more confidence that their technology adoption strategies had kept pace with innovation. In particular, US organisations (5.92, compared with the global average of 5.33) demonstrated a strong sense of confidence that they were maximising the productivity opportunities offered by digital technologies.

In comparison, organisations in Japan appeared to be laggards in terms of digitalisation, reflecting long-standing trends in the nation.⁴ The barometer reveals that, generally, Japanese companies demonstrate less confidence in their ability to adopt and provide the latest digital tools. Nearly a quarter (24%) of Japanese respondents expressed a lack of confidence that their organisations have provided the necessary digital tools to enhance individuals' productivity.

According to Clemens Philippi, CEO at MSIG Asia, rapid and relevant technological adoption will be essential for facilitating a necessary mindset change that organisations will inevitably undergo as they move into a new digitalised culture.

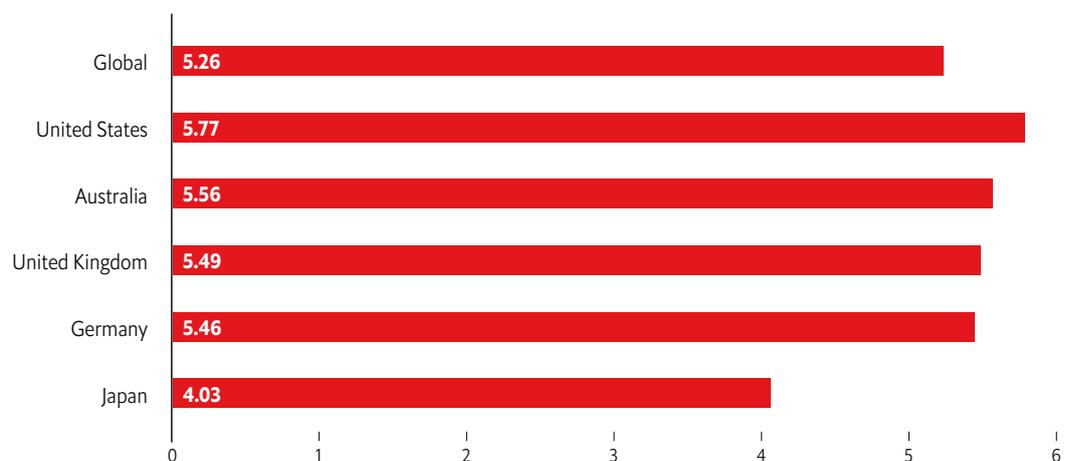
"The overarching topic is always culture. Everything else stems from culture. This mindset change brought about by technology is essential to move in alignment with the new digitised culture," he says.

A shift in mindset is a key component of the success of a digitalised magnetic workplace, which is why it is unsurprising that industries like media and IT (5.73), which are perceived as being more progressive and digitally native, are more confident in their ability to update and adopt the latest digital tools. Given how the internet has changed the media and IT landscape over the last decade, these firms have established a culture in which upgrading tech is the norm.

Despite the strong gains made by the edutech industry during the pandemic, educational organisations scored below average across all three sub-categories, especially with respect

Exhibit 3a: Japan trails in terms of productivity and infrastructure

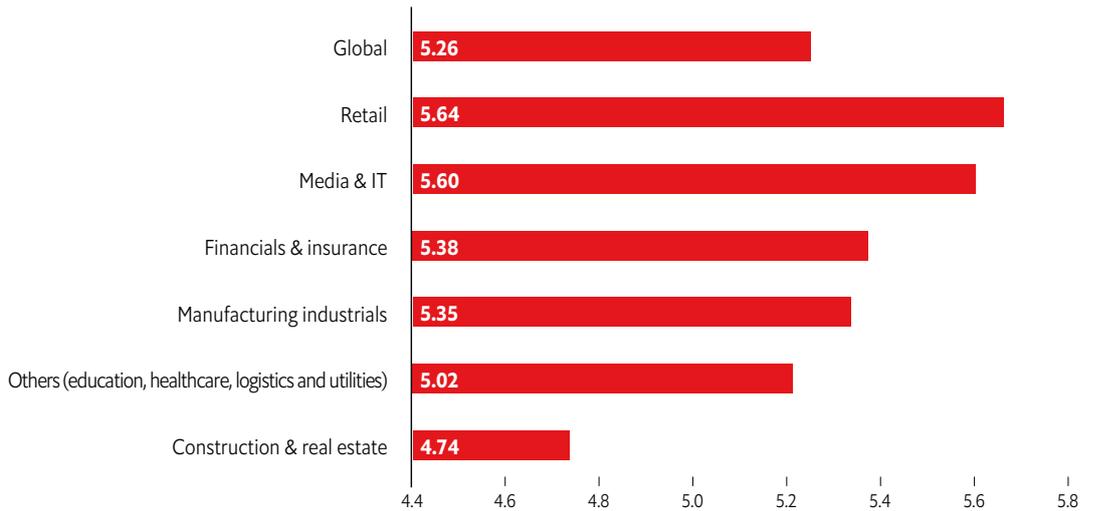
Overall productivity and infrastructure scores, by country - today



Source: Economist Impact

4 Forbes. Japan Needs A Digital Overhaul. <https://www.forbes.com/sites/servicenow/2021/10/08/japan-needs-a-digital-overhaul/>

Exhibit 3b: Retail, media and IT outshine other industries in terms of productivity and infrastructure
Overall productivity and infrastructure scores, by industry - today



Source: Economist Impact

to staying abreast of the latest digital tools and implementing technology infrastructure. Among surveyed respondents, nearly 3 out of 10 (28.6%) of education organisations lacked confidence that their organisations had provided the right infrastructure to facilitate productivity, despite the growth of the edutech industry.

Our survey backs up their comments, especially in light of growing demand from employees for more flexible work options and stiff competition in a digitalising economy.⁵ The majority of surveyed organisations (74.8%) express confidence that they have successfully provided the technology infrastructure needed to facilitate productivity, which includes not just internet connectivity but also secure systems. Increasingly, there have been examples of companies like Twitter and Basecamp that have allocated significant budgets to support remote workers, including help setting up functional

home offices or covering internet bills.⁶ “What I see a lot of teams doing now is even letting go of their office and using a co-working space for just a few days of a week that people want to actually work in [the] office together,” says Brittnee Bond, founder of Remote Collective.

Globally, tech spend has risen rapidly as organisations react to everything from the ongoing health crisis to geopolitical fallouts and supply chain disruptions. In 2022, global spending on IT is projected to reach US\$4.4trn growing at 4% per annum from US\$4.26trn in 2021,⁷ and IT budgets are expected to expand by 13% year-on-year in 2023 with 51% organisations planning on increasing their IT spend in 2023.⁸

While not all companies will invest in precisely the same types of technologies, remote communication and collaboration tools have become a staple of organisational digitalisation

5 World Economic Forum. Employers are giving workers the work from home days they want. <https://www.weforum.org/agenda/2022/07/work-from-home-employers-workers-work-life/>

6 CNBC. Working from home? You might be able to expense a new desk. <https://www.cnbc.com/2020/06/03/companies-are-paying-for-their-workers-home-offices.html>

7 The Edge Markets. Global IT spending to reach US\$4.4 trillion in 2022, says Gartner. <https://www.theedgemarkets.com/article/global-it-spending-reach-us44-trillion-2022-says-gartner>

8 SWZD. The 2022 State of IT. <https://swzd.com/resources/state-of-it/>

efforts. These tools make it easy for teams to connect with one another while opening companies up to untapped pools of skilled talent.

A magnetic workplace is not only characterised by its technology, but also a changed mindset that prioritises more efficient ways of working. As Darren Murph, head of remote at Gitlab, explains, adopting digitally mediated remote work models can accelerate organisational productivity by forcing teams to be more “intentional” about how their operations are run.

“Remote work is more durable and flexible by allowing individuals to be productive at their peak hours,” he says.

Mr Murph adds that digital tools can also break down information silos between teams and departments, leading to greater “awareness of information” that is a hallmark of a magnetic workplace. To explain, he gives the example of how technology can enable effective document management and information scaling in a

manufacturing company in order to introduce transparency and productivity across departments.

“Imagine you need to learn a new policy or gather new information to do your job better—because your colleagues have done a good job of documenting, it’s easier for you to retrieve information instead of having to tap someone on the shoulder or wait for them to come into the office,” he says.

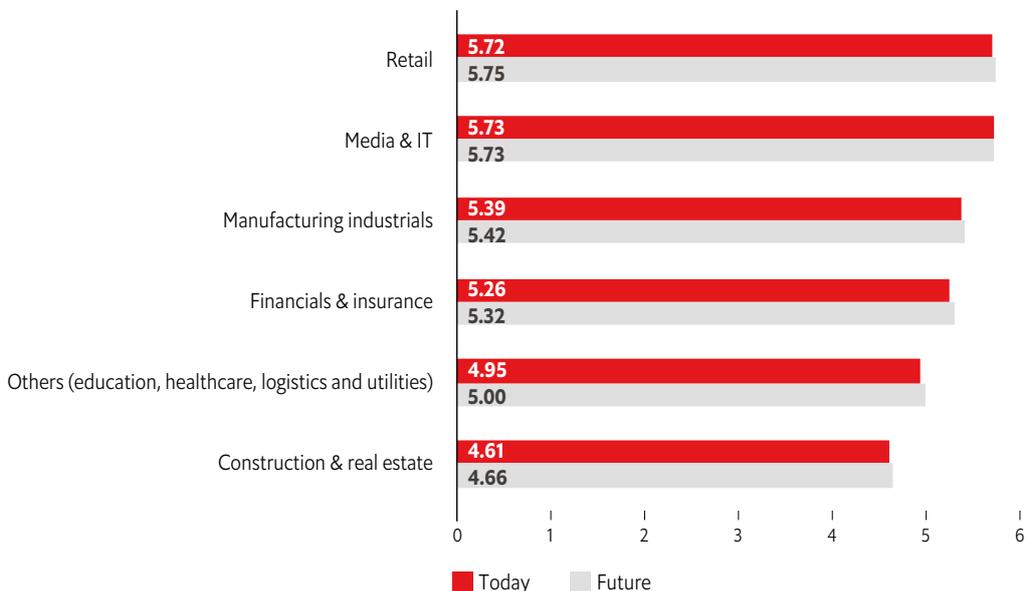
“When more people are aware of information, you can make productivity gains even in a combined hybrid-onsite operation.”

It is no secret that data is the new oil, and the already-massive volumes of data companies have access to are set to continue increasing exponentially. It is critical that organisations use these data efficiently to both reduce workloads as well as enhance productivity.

However, not all companies will be able to implement this aspect of a magnetic workplace, given resource and cultural limitations. For

Exhibit 4: Most organisations across all industries have strong confidence that they will improve efforts to update and adopt the latest digital tools given enough time

Updating and adopting latest digital tools - today vs the future



Source: Economist Impact

instance, larger firms (those with annual revenue of more than US\$500m) were likelier to express more confidence in their technology infrastructure than their smaller counterparts. This result is naturally due to larger firms’ greater access to resources, which enables them to invest in more sophisticated and effective digital tools.

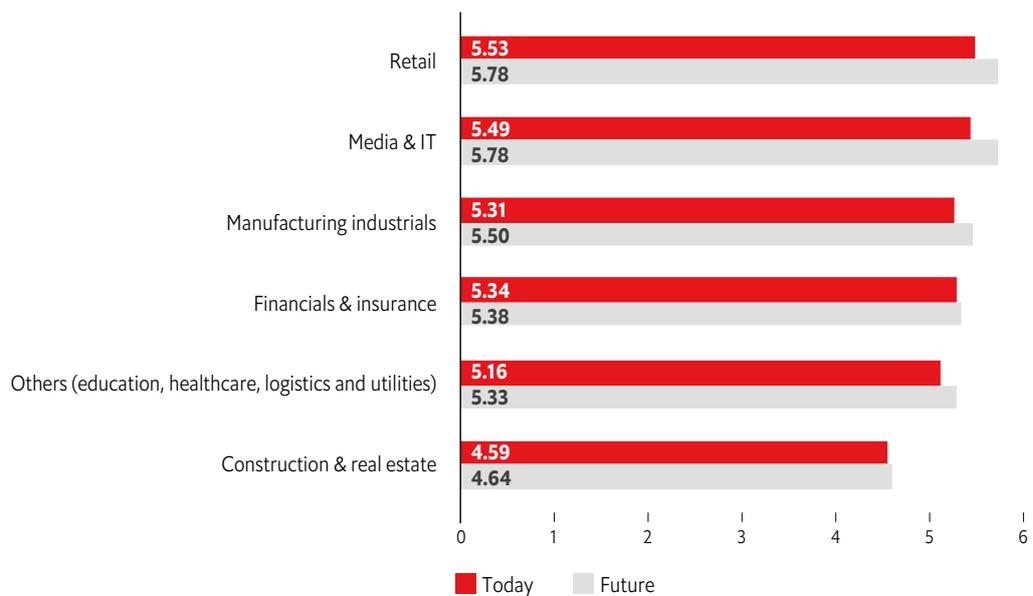
There are some signs that these realities could change given enough time. The majority of surveyed respondents (70.8%) say that within the next five years their organisations will successfully provide the tech infrastructure needed to facilitate greater productivity. Similarly, most organisations, regardless of geography, signalled confidence that they will see improvements in their efforts to update and adopt the latest digital tools within the next five years.

Assessment of productivity leaning more towards outcomes and value addition

In a truly magnetic workplace, technological infrastructure and productivity are linked in a symbiotic relationship. Therefore, as digital technologies transform business processes, a shift in how productivity is assessed will also be essential.

Prior to the pandemic, traditional performance management tended to prioritise performance ratings and depend on infrequent, irregular feedback based on annually set goals. The pandemic revealed the limitations of these approaches, and the changing nature of the workplace pushed a rethinking of how workers’ performances are defined.⁹

Exhibit 5: More organisations are changing their approach to performance management
 Assessment of productivity based on outcomes and value addition - today vs the future



Source: Economist Impact

9 Gallup. Performance Management Must Evolve. <https://www.gallup.com/workplace/318029/performance-management-evolve-survive-covid.aspx>

“As organisations’ workforces begin to decentralise away from the office space, there has been a concurrent shift in thinking around how productivity is measured and assessed,” says Darren Thayre, head of innovation for the Global Strategic Initiatives team at Google.

In a magnetic workplace, organisations should adopt a new approach to performance management—one that is more collaborative, agile and responsive to rapid changes in circumstances. This might look like running more frequent performance assessments or offering continuous feedback. In recent years, firms like Google have found success in replacing key performance indicators (KPIs) with OKR (objectives and key results) management systems¹⁰ that assess employees on project outcomes and how they’ve contributed to the company’s business goals.¹¹ Others are attempting to integrate personal and professional goals to create more empathetic performance ratings.¹²

The barometer reveals that, over time, the majority of organisations are moving towards assessing productivity based on outcomes and value addition. In this regard, the global average rises from 5.21 to 5.37 over the course of five years, with the US ranking first both today (5.84) and in the future (5.96). These results suggest that US employees have a high level of confidence in their organisations’ efforts to transform their performance management criteria. Japan is on the other end of the spectrum, with a score of 3.80 today and 4.02 in the future thus reflecting that the Japanese expect positive changes over five years.

Industries like logistics, education and healthcare are quite confident about adopting new methods of assessing productivity based on outcomes and value addition. The logistics industry, in particular, appeared to have wholly embraced this, ranking first with a score of 5.90. These results come as no surprise considering the upheavals that have rocked supply chains and transport providers, forcing the industry to reconsider measures of success.¹³

Some firms, such as Allcargo Logistics, are experimenting with digital platforms to facilitate ongoing performance evaluations that are better suited to meet the demands of the ever-changing business landscape. Employee engagement should become crucial to any business strategy, as engaged teams have less absenteeism and better overall results.¹⁴ Continuous performance evaluations can facilitate better communication between managers and employees, allowing managers to make changes to team goals to suit timely changes in company strategy or needs.

Studies have shown that focusing more on outcomes can positively impact a company’s bottom line, as more aligned employees are demonstrably more motivated.¹⁵ An outcomes-focused approach also introduces a level of transparency into performance management, which can help boost worker trust and satisfaction, leading to a more magnetic workplace.

In order to facilitate these new performance management strategies, companies will need to adopt new technological solutions, hence reinforcing the close relationship between technology and productivity in building a more magnetic workplace.

10 Rework. Guide: Set goals with OKRs. <https://rework.withgoogle.com/guides/set-goals-with-okrs/steps/introduction/>

11 PossibleWorks. Advantages of Adopting OKRs in Performance Management. <https://possibleworks.com/blog/advantages-of-adopting-okrs-in-performance-management/>

12 Gartner. 6 Predictions for the Future of Performance Management. <https://www.gartner.com/en/articles/6-predictions-for-the-future-of-performance-management>

13 Capgemini. Fast forward: Rethinking supply chain resilience for a post-COVID-19 world. https://www.capgemini.com/wp-content/uploads/2020/11/Fast-forward_Report.pdf

14 Gallup. Employee Engagement vs. Employee Satisfaction and Organizational Culture. <https://www.gallup.com/workplace/236366/right-culture-not-employee-satisfaction.aspx>

15 Harvard Business Review. How Employee Alignment Boosts the Bottom Line. <https://hbr.org/sponsored/2016/06/how-employee-alignment-boosts-the-bottom-line>

Pillar 2: Employee engagement

The second pillar of a magnetic workplace assesses organisations' performance on how they engage with their workforce. This encompasses the internal infrastructure in place to not only support employees' day-to-day work, but also to drive their personal and professional development.

Policies that directly address employee engagement will be key to ensuring that companies can achieve the higher productivity gains set into motion by their technological innovations while maintaining employee satisfaction.

The changes in work culture wrought by the remote work revolution will require workplaces to have the infrastructure in place for workers to access new skills and accreditations in order to become magnetic. This is especially key to ensure that workforces are equipped to use new digital tools and have the opportunity to further their professional development.

Organisation leaders will also need to be open to a mindset shift to empower workers to take initiative beyond the immediate view of their managers—as employees decentralise their working day from the office, they don't just need autonomy but a whole new management style. A magnetic workplace, therefore, recognises the opportunities posed

by new technologies to enable a different way of working, leading and thinking.

This pillar is broken down into three main sub-pillars: autonomy and empowerment; skilling and professional development; and management.

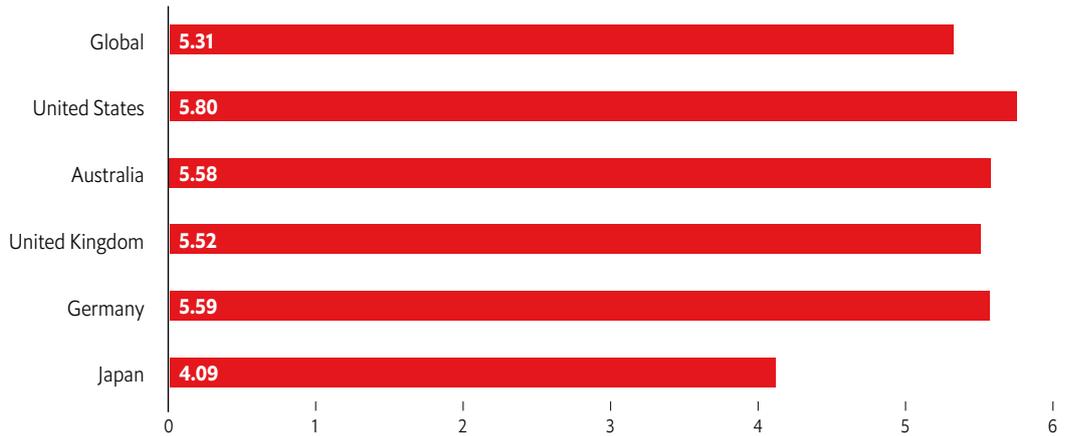
Empowering the workforce through flexibility in working arrangements and job crafting

This sub-pillar explores the extent to which organisations have empowered their employees with supportive infrastructure and policies. As noted in the first pillar, though remote working tools will provide the foundation needed to reap productivity rewards, companies also need to create opportunities to give workers a say over their work. Evidence has shown that when employees have more autonomy over their role—how it is shaped, where work gets done, and how work interacts with life—their productivity and wellbeing are positively impacted.¹⁶

“Workplaces that empower their employees with a sense of autonomy and belonging are actually investing in their ability to scale up their value proposition,” says Darcy Marie Boles, remote-first work consultant at Shift with Darcy Marie.

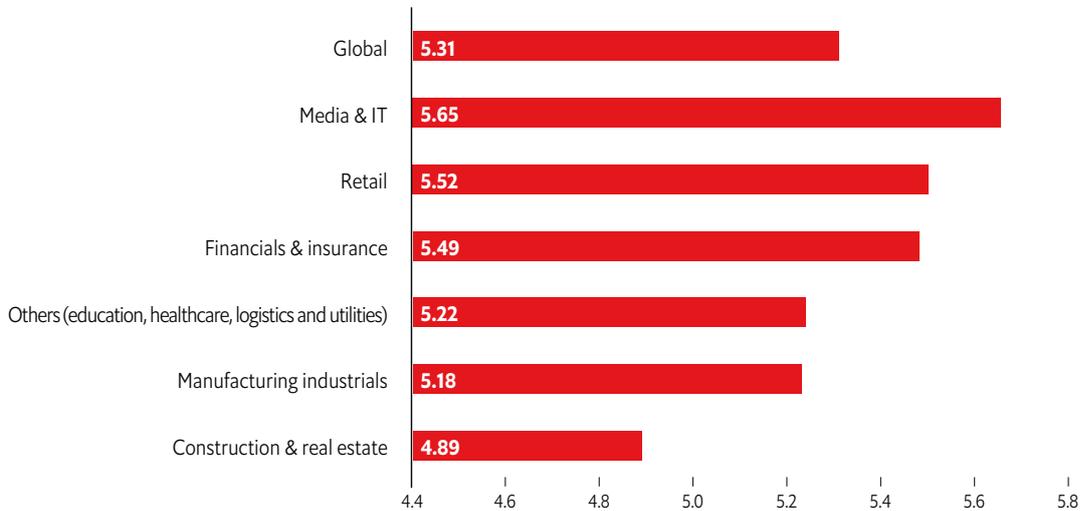
¹⁶ Harvard Business Review. How to Let Your Employees Job Craft. <https://hbr.org/2020/03/how-to-let-your-employees-job-craft>

Exhibit 6a: Companies in the US and Australia show better engagement with their workforce
Overall employee engagement scores today, by country - today



Source: Economist Impact

Exhibit 6b: Disparities in levels of employee engagement
Overall employee engagement scores today, by industry - today



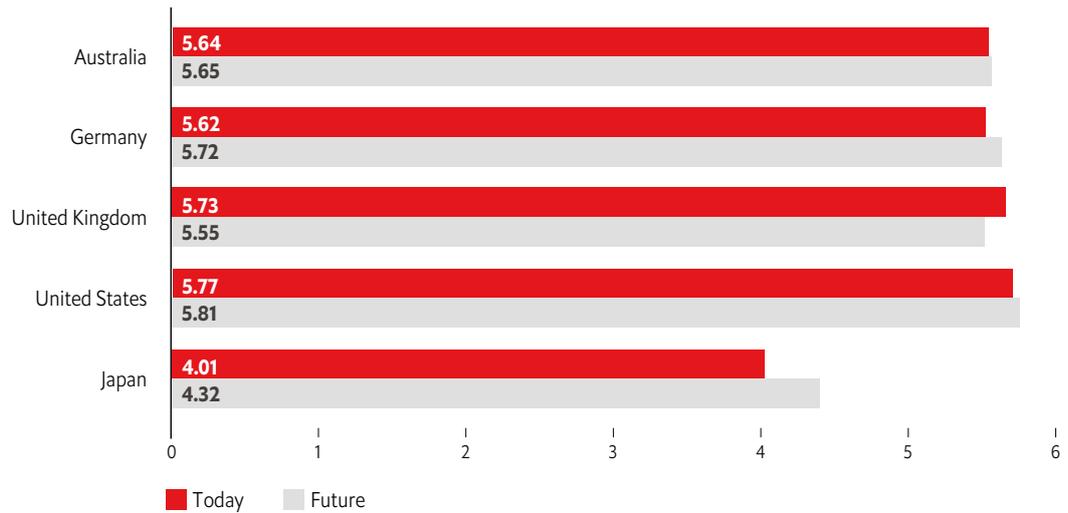
Source: Economist Impact

One element used to assess this sub-pillar is the degree to which flexible working arrangements (in terms of location and working hours) are made available to employees. The barometer reveals that organisations in most geographies are very forthcoming with respect to providing flexibility and better working conditions for their employees, with the highest scores garnered by companies in the US (5.77) and UK (5.73), followed by Australia (5.64) and Germany (5.62).

In comparison, Japanese organisations were less likely to offer flexible working arrangements. According to Ms Bond, the Japanese are plagued with a lack of a work-life balance. “The culture of why people are not allowing others to work remotely within teams is because of this old paradigm that I need to see my employer, or my employees, in order to know that they are working.” However, there is some suggestion this will change within the next five years. According to the survey,

Exhibit 7: Japan an outlier for not offering flexibility to employees today, but holds brighter outlook for the future

Flexibility in working arrangement - today vs the future



Source: Economist Impact

52% of Japanese respondents expressed confidence that flexible working hours will become available in the near future.

However, both Mr Philippi and Lauren Howe, assistant professor of management at the University of Zürich, stress that the concept of “flexibility” should also be adaptable to specific industries and circumstances.

Unsurprisingly, those in media and IT (5.76), finance and insurance (5.57), and retail (5.56) were more likely to offer flexible working arrangements, as they may not necessarily rely on a physical space to carry out their work. More “traditional” industries like manufacturing (5.07) and education (4.75), where physical presence is a necessity, see lower scores.

Mr Murph concurs with these findings, adding that even highly regulated fields like medicine and finance were making strong pivots to remote work in an attempt to achieve maximum efficiencies.

The barometer indicates that optimism remains. Flexible working arrangements, a key hallmark of

a magnetic workplace, look likely to gain traction in these industries within the next half-decade.

Job-crafting—defined as the ability of employees to have a hand in shaping their role—is another element used to assess whether a magnetic workplace has empowered their workers. It has been shown to increase job satisfaction among workers, leading to more initiative being taken, enthusiasm and wellbeing.¹⁷

The reasons are obvious: employees are far likelier to stay with a company if they feel they have a stake in the outcomes and that their actions and opinions can have a tangible effect on the business. The impact of enabling employees to job-craft alongside their managers gains even more cogency when considered in light of the shift in performance management towards outcomes and value creation as well as targets set by both employees and managers, as discussed in Pillar 1. More autonomy can instil in employees a sense of ownership of their work, leading to overall improvements in the quality of work and more sustainable business growth.

¹⁷ The University of Melbourne. Crafting your work to increase job satisfaction. <https://pursuit.unimelb.edu.au/articles/crafting-your-work-to-increase-job-satisfaction>

The US (5.80) and Germany (5.66) emerged as leaders in this area, but the biggest change in scores was registered in Australia, where more employees will be able to access job-crafting within the next five years. Despite a more manageable scale, smaller companies were found to be less likely to offer flexible work arrangements or access to job-crafting.

Providing avenues for skilling and career growth a must now

A magnetic workplace is not just about attracting and retaining talent, but also enhancing the quality of existing workforce. Even as companies grapple with the ever-changing economic landscape and the demands of increasingly sophisticated technologies, labour shortages remain a constant source of pain for firms regardless of size or industry.

Therefore, it's become crucial that truly magnetic workplaces create avenues for employees to access resources to upskill and develop professionally as a strategy to manage talent shortfalls and ensure employees are able to cope with any new technologies. Upskilling will be an

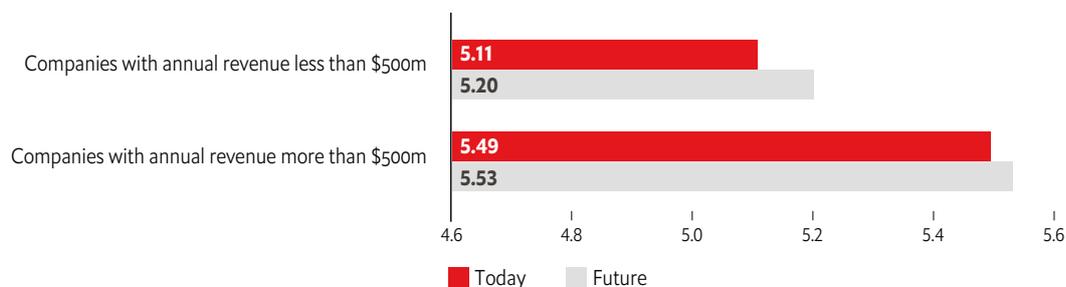
important bulwark for companies in the future, especially as work becomes a game of adaptation and agility.

Howard Yu, LEGO professor of management and innovation at IMD Business School, points out that upskilling opportunities have become much more accessible to workers thanks to the availability of a wide-ranging spectrum of available resources, from low-cost online platforms like LinkedIn to trainer-led programmes. Companies like Cigna and Abbott have introduced various initiatives to support employees' upskilling and reskilling efforts through online courses and formalised programmes.^{18,19} Amazon has committed US\$1.2bn to supporting 300,000 workers with access to higher education tuition.²⁰

Considering the rapid pace of change in today's environment, employees are not only looking for jobs that pay the bills, but that can also open the door to career growth. One survey found that a significant majority (88%) consider access to technology that helps them learn new skills a major factor while job-hunting.²¹

Exhibit 8: With more resources, larger firms are able to better support their workforces' professional development

Skilling and professional development, by company size - today vs the future



Source: Economist Impact

18 Cigna. Corporate responsibility at Cigna. <https://www.cigna.com/about-us/corporate-responsibility/report/our-people/human-capital-development>
 19 Abbott. Reskilling: A Key to Abbott's Success. <https://www.abbott.com/corpnewsroom/strategy-and-strength/reskilling-a-key-to-abbotts-success.html>
 20 Amazon. Our Upskilling Commitments. <https://www.aboutamazon.com/workplace/upskilling-commitments>
 21 Harvard Business Review. What Your Future Employees Want Most. <https://hbr.org/2021/05/what-your-future-employees-want-most>

According to the barometer, companies in the US and Australia offer the best opportunities for employees to develop existing skills and acquire new ones. Germany, meanwhile, sees the biggest improvement in the score for this indicator over the course of the next five years.

It's unsurprising that larger companies (5.54) scored higher in terms of providing avenues for professional development and clear trajectories for career growth compared with their smaller counterparts (5.01). Smaller firms tend to have flatter organisational structures than larger firms and more informal promotional structures. However, based on related survey, improvements are on the horizon for smaller companies, with 68% expressing confidence that their organisations will improve their employees' career trajectories within the next five years.

Trained managers an important criterion for better management and communication at the workplace

As key players of any organisation's employee engagement efforts, strong managerial leadership is crucial to a magnetic workplace. One study by Google found that the best managers are not defined by their technical expertise but by their ability to effectively engage with their teams, delegate and communicate.²²

As the frontlines of a company's leadership, managers wield significant influence over the success of a magnetic workplace, as evidenced by the fact that workers are likely to leave their company because of a bad boss.²³ Conversely, Mr Philippi shares that good managers have helped his firm avoid much turmoil because they fostered a strong sense of comfort in their workforces, leading to better retention rates.

"There's a question of leadership versus management here," says Ms Howe. "Managers are formal roles but a leader has social influence. Managers are good leaders when they build good relationships with their employees that leave people feeling like they can focus on doing good work."

"A lot of managers don't understand that they have a role in crafting culture," says Ms Boles.

Although training is often spoken about in relation to firms' rank-and-file employees, managers are just as much in need of training, especially if they have been newly promoted. A strong magnetic workplace will, therefore, have in place the necessary infrastructure to offer managers as much guidance as they need to be effective.

This sub-pillar is also concerned with managers' ability to conduct open and transparent communication as well as acquiring and retaining talent. This is especially important when it comes to their role in establishing performance management criteria in partnership with employees—the best managers are very often the ones who are actively in continuous conversation with their teams.

The barometer noted strong communication ability among managers and effective feedback mechanisms in the US (5.96) and Australia (5.67), although improvement is expected in Germany and Japan.

In terms of providing managers with leadership and management training, German organisations ranked first (5.80) followed by those in the US. Although Japan recorded the lowest scores with regard to managerial training, a strong sense of optimism remains for future improvement, as their scores rise from 3.82 to 4.10 within the next five years. Similarly, even low scorers in the construction and real estate industry are set to improve their managerial training in the near future.

22 Inc. Google Is Giving Away Its Best Tools for Managers Absolutely Free. <https://www.inc.com/jessica-stillman/google-is-giving-away-its-best-tools-for-managers-.html>

23 People Management. Two in five employees have quit because of bad manager, study finds <https://www.peoplemanagement.co.uk/article/1755785/two-five-employees-quit-bad-manager-study-finds>

Pillar 3: Culture

The third and final pillar of a magnetic workplace assesses how organisations are shaping their internal culture, especially with regard to three key elements: diversity and inclusion; organisational values; and wellbeing.

Some might argue, as Mr Philippi does, that a magnetic workplace relies on a strong approach to building an internal culture because all other categories stem from a cultural foundation.

“Without the right attitudes and a culture of communication, even the biggest investments in technology will fail.” Andrew Davis, head of future workplace strategy and growth at Fujitsu, concurs.

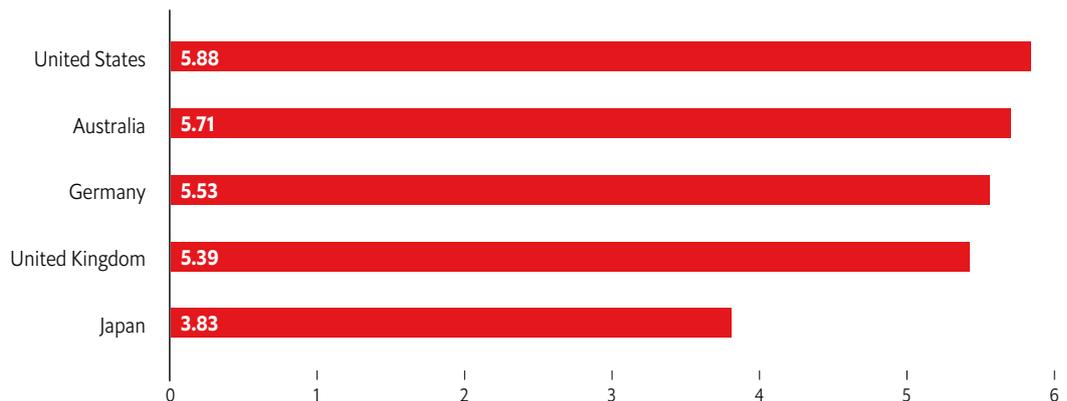
He says that “even for those that have got the technology right, there are concerns

over employee wellbeing and alignment to purpose that they are now seeking to understand and address.”

Mr Davies of Fujitsu emphasised the importance of a top-down commitment to building a human-centric workplace that can support remote work, which he calls the working model of the future.

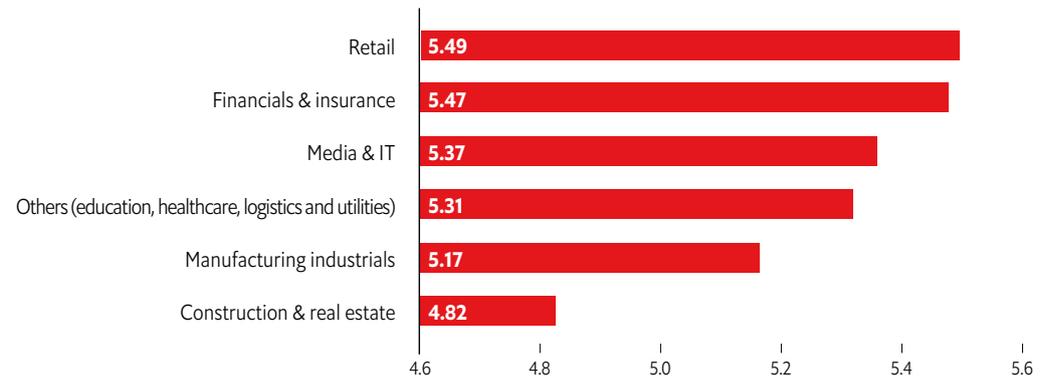
“We should be building our workplaces for highly distributed but connected workforces who are separate not just by location but time zones,” he says. “Using technology to enable us to connect both synchronously and asynchronously—wherever and however we choose to get work done—that enables us all to live fulfilling and purposeful personal and professional lives.”

Exhibit 9a: Companies in general are doing well in terms of workplace culture
Workplace culture barometer scores, by country - today



Source: Economist Impact

Exhibit 9b: The retail and financials and insurance industries exhibit strong workplace culture
Workplace culture barometer scores, by industry - today



Source: Economist Impact

At the heart of a human-centric workplace is a satisfied employee. “I definitely see hybrid as an option. I feel employers are still concerned about how they make this work, but the employees’ preferences are now being accommodated more, because I feel that they’re more awake to what they want.”

What’s more, he adds, “people are—at least in the short term—going to go more and more flexible.”

“We need to move away from just focusing on the digital or employee experience, and take into account whole-life experiences” says Mr Davies. “Focus on wellbeing, diversity and individual growth in the workplace.”

In the past, issues around diversity and inclusion, as well as physical and mental wellbeing, were largely confined to certain segments of the business community. However, in the wake of the ‘great resignation’, questions around work-life balance, inclusivity and ethical business practices have fully entered the mainstream, driving increased demand from employees for companies to embody better hiring and working practices.

Generally speaking, our barometer demonstrates that companies are performing well when it comes to establishing a workplace culture—this

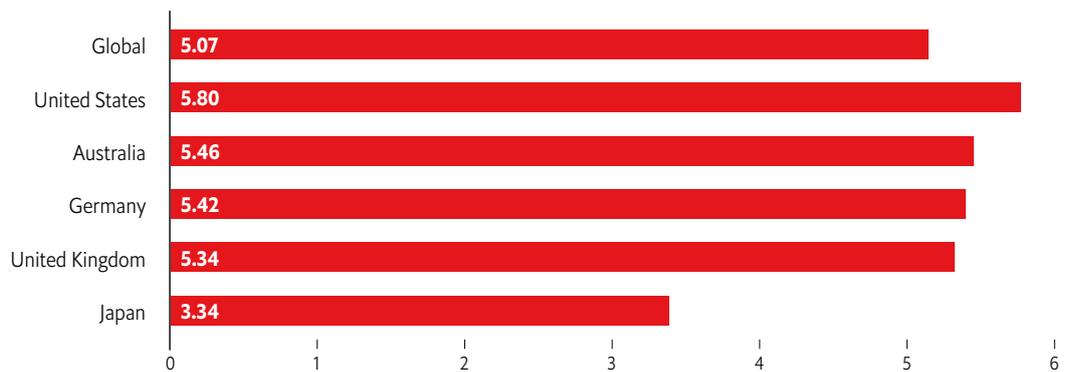
is a good thing, as the values formed amid that culture will serve as crucial touchstones while firms integrate new policies or technologies. For instance, even if a company is changing the metrics it uses to measure productivity, a clear understanding of its values around diversity and inclusion will help ensure fairness and employee satisfaction. Those qualities will translate into long-term, sustainable business growth.

Speaking of workplace culture, the gap between the retail (5.49) and construction and real estate industries is stark (4.82). When the pandemic broke out, retailers were forced to pivot to omnichannel selling to stay afloat. Customers rapidly adjusted, driving a boom in e-commerce, which is expected to stick beyond the pandemic. Many retailers and their employees were quick to adapt, work remotely and deliver. They experienced first-hand what it means to maintain workplace culture while going remote. The construction and real estate industry, meanwhile, did not have the experience of a remote shift. The industry only started up work once governments allowed on-site work with safety protocols. And with the real estate industry being hard hit, morale and workplace culture have taken a hit.

24 International Labour Organization. Greater progress on diversity and inclusion essential to rebuild productive and resilient workplaces. https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_841085/lang--en/index.htm

Exhibit 10: The US and Australia exhibit a strong push for diversity via recruitment processes

Diverse teams: recruitment processes that enhance diversity, by country - today



Source: Economist Impact

Organisations are now more focused on hiring diverse teams and making them feel included

While organisations have long practised some form of diversity and inclusion initiatives, they have arguably become core concerns for most firms today. Studies have shown that more diverse firms tend to perform better, resulting in higher levels of productivity, innovation and workforce wellbeing than more homogenous companies.²⁴

Although there is much more work to do, the positive attitudes towards diversity and inclusion reflected in the barometer suggest that enthusiasm is high for these changes. Among survey respondents, there is a high level of confidence that their organisations have introduced recruitment processes that enhance diversity (68%) and environments where all employees feel comfortable and included (72%).

These sentiments were especially strong among US companies, where the scores are well above the global average (5.07). Organisations in both Australia and the US also reflected the highest

levels of confidence that their efforts to create more diverse recruitment processes and safe environments will only improve with time. “From a diversity standpoint, it logically makes sense that if you are internationally pulling your talent, then you’re going to have a lot more access to the most amazing people. And I think that, culturally, Americans are a lot more open to whoever gets the job done the best way,” says Ms Bond.

This is in stark contrast to Japanese companies that tend to have more homogenous workforces and less diverse recruitment. There are signs that change is on the horizon in Japan: the barometer signals that organisations are confident that improvements will take place in the near future, especially as local initiatives to introduce more diversity into the public consciousness take root.²⁵

Technology can underscore firms’ diversity and inclusion efforts by making it easier for firms to access a more diverse pool of applicants and remove certain biases that might impede their success. According to Mr Philippi, investing in digital technologies can tangibly improve businesses’ workforce diversity and inclusivity

25 Essence. Diversity in Japan: The nail that sticks out will not be hammered down. <https://essenceglobal.com/article/diversity-in-japan-the-nail-that-sticks-out-will-not-be-hammered-down>

26 CNBC. Most workers want their employer to share their values — 56% won’t even consider a workplace that doesn’t, survey finds. <https://www.cnbc.com/2022/07/01/most-workers-want-their-employer-to-share-their-values.html>

by creating more opportunities to invite more diverse workers into the fold, such as those with disabilities, or women with care responsibilities.

Diversity and inclusion issues have also risen to the top of the priorities list for employees, thanks in part to events such as the protests in the wake of the death of George Floyd and the ensuing global conversation on race. A survey of US workers found that more than half were willing to take a pay cut to work with companies that share their values.²⁶ Therefore, it stands to reason that firms wanting to make their workplaces more magnetic would do well to consider introducing policies that encourage diversity and inclusion.

That being said, these initiatives can be challenging and resource-intensive, which is likely why larger companies have had more success than smaller firms in recruiting diverse workforces (5.28) and creating inclusive environments. Implementing diverse recruitment processes could require firms to reach out to large candidate pools, engage with recruitment agencies or leverage cutting-edge technology

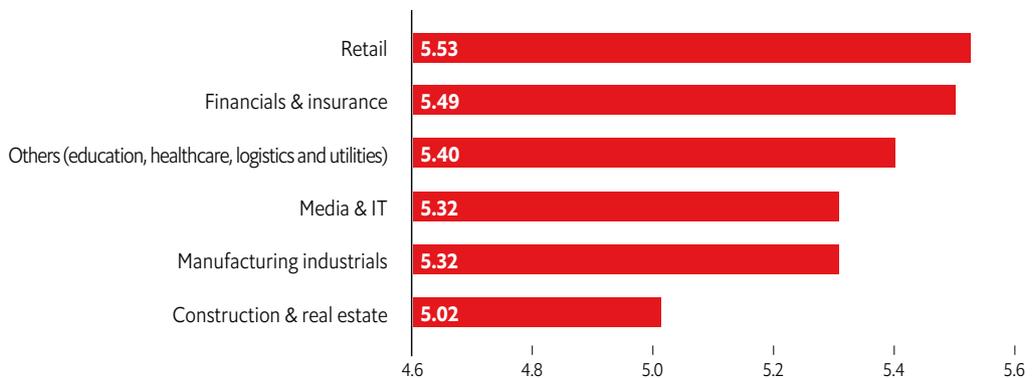
powered by artificial intelligence or machine learning—all of which smaller firms naturally struggle to access.²⁷

Mission-driven industries have stronger value-alignment

Perhaps one of the most challenging aspects of establishing a strong company culture is ensuring that employees feel their work is aligned with a core set of values and a sense of purpose. Some observers have argued that companies’ failure to bolster their strategies with foundational values was a central driver of the great resignation.²⁸

As workers increasingly look for professional opportunities that can also deliver a sense of personal value, it’s unsurprising that essential industries like healthcare, finance and insurance, and utilities demonstrate the highest confidence that their employees feel aligned with their company values. These jobs are places where workers are usually closely connected with a community or specific goal, helping bolster their sense of purpose.

Exhibit 11: Mission-driven organisations tend to have better value-aligned strategy
Organisational values scores, by industry - today



Source: Economist Impact

27 Ideal. Workplace Diversity Through Recruitment: A Step-By-Step Guide. <https://ideal.com/workplace-diversity/>

28 Gartner. Employees Seek Personal Value and Purpose at Work. Be Prepared to Deliver. <https://www.gartner.com/en/articles/employees-seek-personal-value-and-purpose-at-work-be-prepared-to-deliver>

29 The New England Journal of Medicine. Confronting Health Worker Burnout and Well-Being. <https://www.nejm.org/doi/full/10.1056/NEJMp2207252>

Technology may be able to mediate some of this feeling of disconnect by empowering teams to remain in continuous communication and therefore have a stronger sense of connection to broader business goals. Managers may also want to consider how they can partner with employees to set goals that help them feel more aligned with the company's overall mission, whether it's during regular team meetings or frequent performance reviews.

Some warnings should be heeded. Healthcare workers signal that they could risk falling out of alignment with their company in the coming future, perhaps a symptom of widespread burnout in the wake of the pandemic.²⁹ Similar issues are also noted in the education industry, where work-life balance and support for employees' mental health were especially lacking.

Conversations around burnout and mental health have become more commonplace in recent years, driving demand for workplaces that enable work-life balance. This has been shown to correlate with improvements in productivity, but also worker health and satisfaction, which have helped drive take-up of mechanisms by companies today. For instance, software developers Aloa have integrated mental health into their employees' quarterly KPIs, while Jobot and Rsume.io offer allowances that enable their workforces to access mental health services.³⁰ According to Ms Bond, companies are now becoming more open to their employees taking a day off. "I think that's a very healthy thing for everyone across the board because it also adds to the productivity. When people care about their teams, their teams are going to want to be more productive," she adds.

Leadership efforts will be key to ensuring employees' mental wellbeing by introducing the necessary infrastructure and processes to manage teams' workloads, even when digital remote working tools make it easy to work all the time. Managers can help make their workplaces more attractive to employees by empowering them with more autonomy to set their own hours and boundaries.

³⁰ Forbes. 10 Creative Ways Organizations Are Supporting The Mental Health Of Remote Employees. <https://www.forbes.com/sites/christopherlittelfield/2021/02/23/10-creative-ways-organizations-are-supporting-the-mental-health-of-remote-employees/?sh=490bc9b27f14>

Concluding remarks

Our 2021 report revealed how remote work and WFH models would become the norm in the post-pandemic era, but the last two years have shown that tech is only one of the keys to building a magnetic workplace. The other lies in fostering a workforce that feels supportive and satisfying so that employees can produce their best work.

Mr Davies of Fujitsu emphasised the importance of a top-down commitment to building a magnetic workplace that can support remote work, which he calls the working model of the future.

“We should be building our workplaces for highly distributed but connected workforces who are separate not just by location but time zones,” he says. “Using technology to enable us to connect both synchronously and asynchronously—wherever and however we choose to get work done—that enables us all to live fulfilling and purposeful personal and professional lives.”

At the heart of a magnetic workplace is a satisfied employee. “I definitely see hybrid as an option. I feel employers don’t want to necessarily make it an option, but the employees’ preferences are now being accommodated more, because I feel

that they’re more awake to what they want.” What’s more, he adds, “people are—at least in the short term—going to go more and more remote.”

“We need to move away from just focusing on the digital or employee experience, and take into account what’s personal and individual,” says Mr Davies. “Focus on wellbeing, diversity and individual growth in the workplace.” These initiatives might include allocations for mental healthcare, more autonomy over their working conditions, partnership when it comes to setting professional goals, and so on.

Whatever companies choose to pursue, it’s clear that investing in employees requires a holistic approach that integrates the lessons and values found in all three pillars. While technologies such as virtual reality will help teams bridge physical distances and raise productivity, companies must pair these investments with a focus on human-centric policies that consider individual employees’ needs and limitations. Most importantly, it will help build a more magnetic workplace of the future.

Therein lies the path to sustainable business growth and long-term viability.

Key findings from the report

- The US is a leader when it comes to how confident they are in establishing a magnetic workplace, scoring higher than the global average. US firms demonstrate a strong commitment to investing in the latest tech tools to enable flexible work options; policies that facilitate work-life balance; and the necessary leadership to undergird changes in work culture in order to promote higher levels of productivity. By contrast, Japanese organisations tend to be more conservative when it comes to facilitating flexible work options; investing in technological infrastructure; and experimenting with different performance assessments. However, Japanese companies have expressed marked optimism for improving flexibility for employees in the future.

All industries in the survey are more upbeat about the magnetic workplace of the future, albeit only marginally.

- Construction and Real Estate: today (4.82) and future (4.88)
- Financials and Insurance: today (5.45) and future (5.52)
- Manufacturing: today (5.23) and future (5.39)
- Media and IT: today (5.54) and future (5.58)
- Retail: today (5.55) and future (5.68)
- Others (education, healthcare, logistics and utilities): today (5.18) and future (5.29)

The keys to unlocking the magnetic workplace

Pillar 1: Technology and productivity

- **Digital technologies are the bedrock of the magnetic workplace.** With strong investments in the latest technologies and a culture of upgrading legacy systems, organisations are able to realise the gains from allowing employees to work where and when they are most productive. Remote work technologies, collaborative and automation technologies will be necessary ingredients to empower workers with more autonomy and access to skills development opportunities.
- **Performance management is changing, as more companies rethink what values and outcomes matter to them.** The growing decentralisation of the workplace will require companies to shift to a style of performance management that is outcome-driven and continuous to encourage transparency and trust between managers and employees. Magnetic workplaces are focused on rethinking productivity measures to include more frequent assessments and personal goals for more human-centric ratings.

Pillar 2: Employee engagement

- **Flexible work is here to stay**, especially among industries where remote work arrangements have the biggest impacts such as media and IT (5.76), finance and insurance (5.57), and retail (5.56). Magnetic workplaces can leverage flexible work options to provide employees with more autonomy, but also to access more diverse talent. Flexible work allows employees to work in a way that maximises their performance and increases productivity for sustainable business growth.
- **Magnetic workplaces are not focused on just attracting and retaining talent, but upskilling and developing existing employees.** Employees are actively looking for companies that foster upskilling and career growth, and companies that can meet these demands will see their retention improve. Conversely, firms may reap the benefits of a workforce that are capable of harnessing the power of sophisticated new technologies, and adapt to any business challenge.
- **The advent of more flexible work will require more skilled managers equipped with new approaches to employee engagement.** This next generation of managers need to be able to manage scattered workforces and encourage effective communication via digital communication tools. A magnetic workplace will encourage training and upskilling not just for their rank-and-file members, but also for those in middle and upper management.

Pillar 3: Culture

- **Going all-in on diversity and inclusion can boost talent retention and attraction.** Recent events such as the George Floyd protests and global reckonings on issues of race and gender have pushed issues of diversity and inclusion into the spotlight, especially as employees are actively looking to work with firms that share their values. Technology can help firms bolster their diversity and inclusion initiatives, but strong internal values are foundational to ensuring a magnetic workplace make them a reality.
- **A strong sense of alignment with a business's overall goals can help drive employee retention.** When employees feel tethered to a core set of values and a sense of purpose, they report better job satisfaction and productivity. Technology can help mediate this sense of disconnection by fostering better communication of company goals and in-team collaboration.
- **Work-life balance is a paramount concern in magnetic workplaces, especially as mental wellbeing is increasingly becoming an important factor for job-seekers.** Companies that ensure workers' personal time is protected tend to see improvements in worker productivity, health and satisfaction. Clear leadership will be integral to ensuring employees are equipped with the tools and resources to maintain their physical and mental health.

Appendix

Methodology note

Research process

The barometer framework aims to quantify the confidence level of senior executives regarding the attractiveness of their workplace for the employees today and in the future. To establish the determinants of an attractive workplace, which are captured by the barometer pillars, key elements and indicators, we first conducted an extensive literature review. These factors were then continuously revised and improved through an iterative process that includes rigorous desktop research, supported by expert interviews. Consulting experts from academia allowed us to construct a barometer that is guided by scientific findings and evidence whereas industry experts helped us incorporate the realities on the ground into the framework. In light of this framework, we conducted a survey with senior executives whereby survey questions inform each indicator.

B. Structure and components of the barometer framework:

The barometer consists of three layers: pillar, key element and indicator. After identifying key elements under each broad pillar category, we construct indicators to operationalise these key elements and questions to assess the indicators. Scores of one or several survey questions feed into the indicator score. Different indicators are then grouped under key elements, which belong to one of the three main pillars: productivity and infrastructure, employee engagement, and culture.

Key element scores (on a scale of 1-7) show the confidence level of executive respondents regarding the extent to which a workplace has the key elements to attract and retain employees. For instance, whether it has the kind of technological support that employees need and value. Pillar scores (also 1-7) show whether the workplace has the kind of productivity and infrastructure, employee engagement or culture to be a magnetic workplace.

Table 1 below lays out the specific key elements considered under each pillar as well as the indicators that fall under each key element.

Table 1: Pillars and Indicators

Pillar (Weightage)	Key element (Weightage)	Indicator
Productivity and infrastructure (1.0)	Technology (0.5)	<ul style="list-style-type: none"> a. Updating and adopting the latest digital tools b. Use of digital software to facilitate collaboration and increase efficiency c. Technology infrastructure to facilitate productivity (e.g. network infrastructure)
	Productivity (0.5)	<ul style="list-style-type: none"> a. Assessment of productivity based on outcomes and value addition b. Growing overall level of productivity
Employee engagement (1.0)	Autonomy and empowerment (0.3)	<ul style="list-style-type: none"> a. Flexibility: Availability of flexible working arrangements (location, working hours, etc.) b. Job-crafting: the ability of employees to shape their role
	Skilling and professional development (0.3)	<ul style="list-style-type: none"> a. Opportunities to develop existing skills and acquire new skills b. Avenues for professional development and clear trajectories for career growth
	Management (0.3)	<ul style="list-style-type: none"> a. Training: Managers receive adequate leadership and management training b. Communication: open and transparent communication and effective feedback mechanisms for employees c. Talent acquisition and retention
Culture (1.0)	Diversity and inclusion (0.3)	<ul style="list-style-type: none"> a. Diverse teams: recruitment processes that enhance diversity b. Sense of belonging: employees feel comfortable and included
	Organisation values (0.3)	<ul style="list-style-type: none"> a. Alignment with company culture and values b. Sense of purpose felt by employees working towards the organisation's mission
	Wellbeing (0.3)	<ul style="list-style-type: none"> a. Mechanisms to maintain work-life balance b. Support for employees' mental health and provision of psychological security

C. Barometer score calculation:

For each question, respondents can indicate their level of confidence by picking a whole number ranging from 1 to 7, 1 being the least confident and 7 being the most. Every indicator corresponds to a question(s) in the survey. So a single organisation’s score or confidence level for an indicator is their response to the corresponding question(s), still on a scale of 1-7. To calculate the indicator scores for a country, industry or group within the surveyed population, we took the weighted average of the scores (i.e. question responses).

To calculate the overall confidence level for an indicator, we calculate the weighted average by multiplying the proportion of respondents with the score they provide and summing up the results. Next, to obtain the key element score, we take an average of the scores for each indicator under the key element. Then, we multiply this average score for each key element with the predetermined weightage (see Table 1). The three pillars are weighted equally as they are of equal importance to the magnetic workplace, which reflects one of the findings from our expert consultations. As a result, some of the key elements within these pillars have different weightages (0.5 each if there are two key elements and approximately 0.3 each if there are three key elements). Finally, we sum up the results to obtain the pillar-level scores. We repeat this process for categories of countries, industries and revenues as well as the overall score. This way, we can construct comparative analysis not only at a global level but also within these specific groups. See Diagram 1 to get a sense of the score calculation visually.

Diagram 1: Barometer Score Calculation

Survey questions corresponding to barometer elements (e.g.):

Key Element:	Indicator:	Survey question:
Technology	Updating and adopting the latest digital infrastructure	How confident are you that your organisation successfully provides the following today? i) The latest digital tools to enhance individuals’ productivity (most updated devices, software, applications, and work set-up)

Question	Indicator:	Indicator Score	Key Element	Key Element Score
How confident are you that your organisation successfully provides the following today? i) The latest digital tools to enhance individuals’ productivity (most updated devices, software, applications, and work set-up)	Updating and adopting the latest digital infrastructure	5	Technology	$(5+6+5)/3=5.33$
	Use of digital tools to facilitate collaboration and increase efficiency	6		
	Technology infrastructure to facilitate productivity	5		

Survey responses on 1-7 scale drive similar indicator scores, which are aggregated for key element scores:

Pillar	Pillar score	Key Element	Key Element Score	Weightage	Weighted key element score
Productivity and infrastructure	2.67+3.25=5.92	Technology	5.33	0.5	5.33*0.5=2.67
		Productivity	6.5	0.5	6.5*0.5=3.25

Pillar scores are on a scale of 1-7 and are used to generate an overall barometer score, which is an average of the three pillar scores on a scale of 1-7. Overall barometer score (1-7) reveals how “magnetic” a workplace is for employees, i.e., how close it is to the magnetic future workplace.

While every effort has been taken to verify the accuracy of this information, Economist Impact cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor.

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