

HEALTH WEALTH CAREER

THRIVING IN AN AGE OF DISRUPTION

PUTTING PEOPLE
AT THE HEART
OF CHANGE



MAKE TOMORROW, TODAY



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At Mercer, the concept of “thriving” has been a focus of our research agenda for a number of years — from understanding how countries can improve female participation rates in our *When Women Thrive* report, to learning about shifting employee needs in our annual *Global Talent Trends Study*. This paper builds on these insights with new research as well as input provided by participants of Mercer’s Global Diversity Forum.



THE EXPERIENCE OF THRIVING

Every organization has a vibe, a feeling that is noticeable from the moment you enter. Some are hectic and stressful; others feel cold and sterile. Many are humdrum and dull, with rows of under-engaged employees hard at work in their cubicles. But a few – a rare few – are different. Walk inside these organizations and one thing is clear: people are genuinely excited to be there. ***A perceptible buzz – an undercurrent of energy and vitality – permeates the air.*** A clear sense of pride, passion, and purpose is evident in every product, every moment of truth, and every interaction.

What distinguishes these exceptional organizations from the rest? The answer is that they have found ways to transform work into a compelling experience. They have thought carefully about how to create a deal that meets the full range of their employees' needs in an inspiring environment. And they have learned how to unlock the full potential of their workforce, one employee at a time. While many organizations are still searching for ways to survive in today's complex business world, these exceptional organizations have learned how to THRIVE.





FAILURE TO THRIVE

Rapid advancement in new technologies is causing change to reverberate through the world of work. Combined with an aging workforce and shifts in labor supply and skills availability, it has never been more important or challenging to stay ahead of the disruption. But why do so many organizations find it difficult to achieve the transformational work environment that will support their continued success? It's clearly not a lack of good intentions — organizations frequently express a focus on innovation, growth, and employee contribution in their missions, values, and strategic plans. Yet many are unsuccessful in their follow-through. From our work with companies around the world, we have observed three contributing factors.

First, organizations fail to adapt effectively to changes in their external environment.

They miss emerging technology trends, fall behind on anticipating their customers' wants, and fail to capitalize on growth opportunities. Rather than developing creative ways to tackle new problems, they often find themselves maintaining the status quo. As a result, they gradually drift into a state of survival — fighting just to get by.

Second, organizations fail to develop an internal environment that stimulates the growth and innovation they need to stay ahead. They view their relationship with employees as a transactional quid pro

quo and therefore struggle to find people who feel truly invested in their work and the organization's future.

And third, some organizations have uninformed decision-making processes.

They are unable to harness the vast amounts of data about their own business and workforce to make the right choices. Today's best practices are yesterday's news. Thriving organizations are curious about their people and laser focused on taking data-driven action, not just importing best practices from others. This approach enables them to pinpoint the unique menu of actions that will help their people thrive.

The impact of these failures is tangible. Globally, there is a widening socio-economic gap as lower-skilled workers struggle to find employers that will invest in their development and well-being. The World Economic Forum continues to predict huge talent shortages in the near future as industries and governments under-invest in skills development.¹ Women and minorities still find themselves underrepresented and often undervalued,² and the World Happiness Report suggests that strides in economic prosperity are not positively impacting individual lives.³ With the lifespan of the average S&P 500 company now under 20 years,⁴ it is clear that failure to thrive has a real impact on people, businesses, and the economy.

“Disruption is all around us. And what this means is for organizations to be agile, to be nimble, to have a very sharp focus on customers, and to be very data-driven. And that means a lot of challenges for the HR function to adapt itself.”

*—Subhankar Roy Chowdhury,
Executive Director & Head of HR — Asia Pacific, Lenovo*

¹ World Economic Forum. (2016). *The Future of Jobs*. Available at: <http://reports.weforum.org/future-of-jobs-2016/skills-stability/>

² Mercer. (2016). *When Women Thrive, Businesses Thrive*. Available at: <https://www.mercer.com/our-thinking/when-women-thrive-2016-report.html>

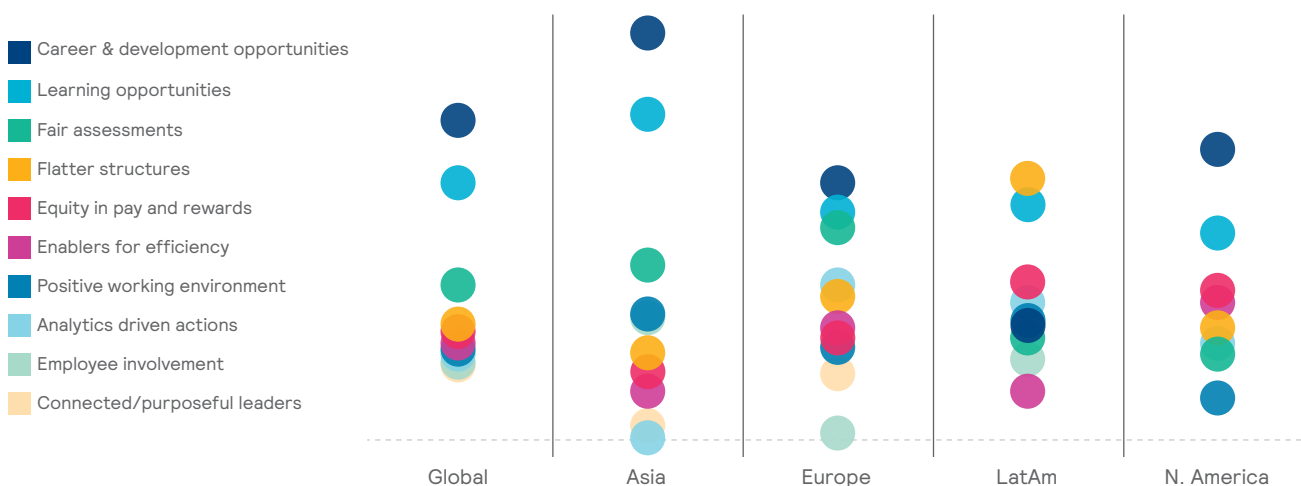
³ Helliwell, J., Layard, R. & Sachs, J. (2017). *World Happiness Report 2017*. Available at: <http://worldhappiness.report/wp-content/uploads/sites/2/2017/03/HR17.pdf>

⁴ Sheetz, M. (2017). *Technology killing off corporate America: Average life span of companies under 20 years*. CNBC. Available at: <https://www.cnbc.com/2017/08/24/technology-killing-off-corporations-average-lifespan-of-company-under-20-years.html>

OUR RESEARCH WHAT DOES IT MEAN TO THRIVE?

To find out what it feels like to Thrive at work, we asked over 800 HR and business leaders from around the world a series of open-ended questions about their organizational culture and people practices. Surprisingly, only half reported that their company is committed to helping employees thrive at work. Using semantic analysis of write-in responses, we identified a number of key themes in those companies that are committed to developing a thriving workforce. Growth and learning came out most prominently, matching previous research, which suggested that thriving is a combination of **vitality and learning**.⁵ In addition, our data showed that organizations have been focused on strengthening the sense of equity and efficiency in talent processes to help people thrive.

THRIVE RESEARCH: TOP 10 GLOBAL THEMES



We also saw regional differences in perceptions of what is required to thrive. North American respondents emphasized a leader's style, accessibility, and relatability — his/her ability to connect with the workforce. Perceived fairness was also important in North America, in terms of both assessment and equal access to development experiences. High-growth markets such as Asia and Latin America talked most about the importance of career and development transparency, with clear definitions of promotion criteria, key skills, and valued experiences making a difference to employees. Organization design

was part of the message from Latin America too, driven by a desire for flatter and more agile work structures. Respondents from Europe and Latin America emphasized the importance of using workforce analytics to track the progress of diverse groups and gather data on what people want at different life stages. Europe also stressed the importance of involving employees in decision making, especially in a change management context, citing the importance of bringing all employees into strategy discussions and encouraging broad participation in innovation to ensure they continue to thrive during disruption.

⁵ Porath, C., Spreitzer, G., Gibson, C. and Garnett, F. (2011). Thriving at work: Toward its measurement, construct validation, and theoretical refinement. *Journal of Organizational Behavior*, 33(2), pp.250–275.

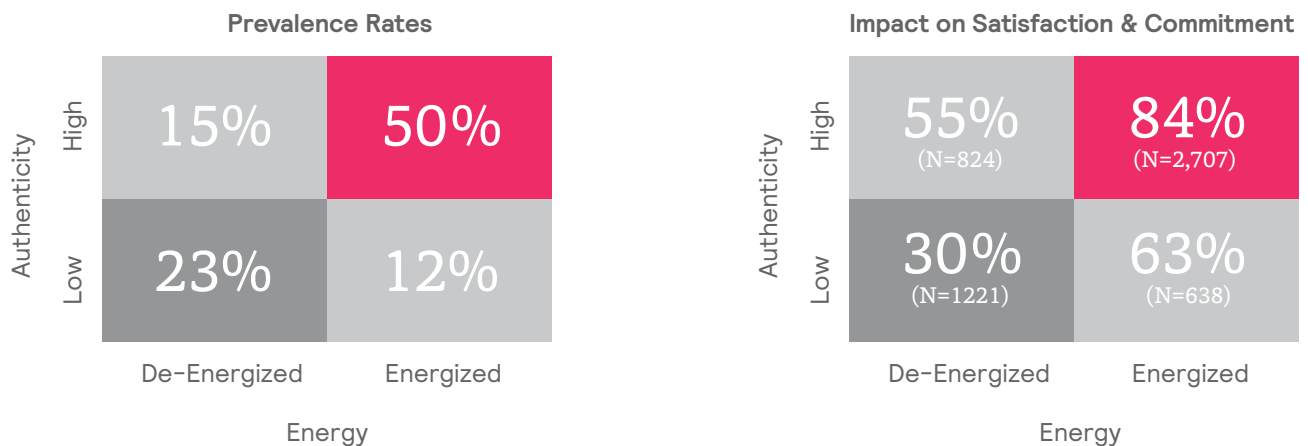
In today’s volatile business environment, employee confidence can be a precious commodity. When confidence levels are low, employees are more likely to look for jobs elsewhere, particularly during times of organizational change or distress. In our latest field study, we found that employee confidence is driven by factors associated with organizations that are thriving, such as organizational agility, social responsibility, and compelling career paths, along with a personal sense of accomplishment and trust in leadership.

DRIVERS OF EMPLOYEE CONFIDENCE



By overlaying these findings with Mercer’s Global Talent Trends Study results, we found that two dimensions were predictive of job satisfaction and commitment: how energized employees feel day-to-day and whether they can bring their authentic selves to work. When both factors occurred, employees were nearly three times more likely to report job satisfaction and a desire to stay with the organization.

IMPACT ON ENGAGEMENT & COMMITMENT

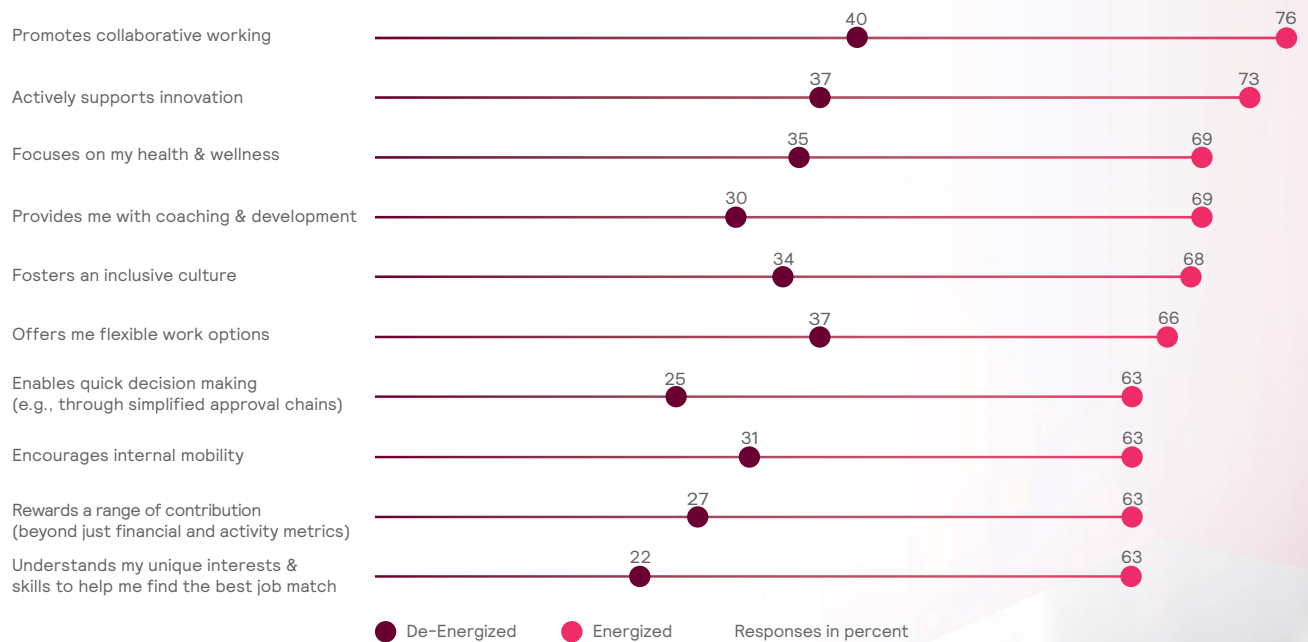


The same data set also uncovered large differences in the workplace experience between energized and de-energized employees. Energized employees are far more likely to describe their organization as one where their talents are understood, where effort is made to help them find their best fit, and where growth and collaboration are hallmarks of the work culture.

In the final part of our Thrive study, we used financial performance data from publicly traded companies, along with their employee attitudinal data from the Mercer|Sirota normative database, to take an external view of what it means to thrive. The data further reinforced the importance of agility and purpose-driven cultures. Although the sample size was smaller than our survey-based research, we found

significant positive time-lagged correlations between an organization’s revenue growth and its employee perceptions of organizational agility and purposefulness. Indeed, a growing body of research shows that organizations displaying thriving characteristics benchmark ahead of their peers in a number of ways. For example, in his book *The Enthusiastic Employee*, David Sirota spells out how companies with highly energized and enthusiastic employees significantly outperform in the stock market.⁶ In a 2012 study, thriving employees performed 16% better, were 125% less likely to feel burned out, and were 32% more committed to their organization.⁷ A subsequent study in 2016 found that firms with employees who strongly believe in the meaning of their work perform better than their competition.⁸ These results suggest a clear call to action.

ENERGIZED EMPLOYEES EXPERIENCE THEIR WORK ENVIRONMENT DIFFERENTLY



⁶ Sirota, D. & Klein, D. (2013). *The Enthusiastic Employee: How Companies Profit by Giving Workers What They Want (2nd Edition)*. New Jersey: FT Press.

⁷ Spreitzer, G. & Porath, C. (2012). *Creating Sustainable Performance*. Harvard Business Review. Available at: <https://hbr.org/2012/01/creating-sustainable-performance>

⁸ Gartenberg, C. M., Prat, A. & Serafeim, G. (2016). *Corporate Purpose and Financial Performance*. Columbia Business School Research Paper No. 16-69. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2840005



A NEW MANDATE

Thriving organizations do not happen by chance — they are deliberately designed and intentionally built. In the same way that leading organizations obsess about their customers, thriving organizations obsess about their people — finding ways to help them have transformational experiences at work.

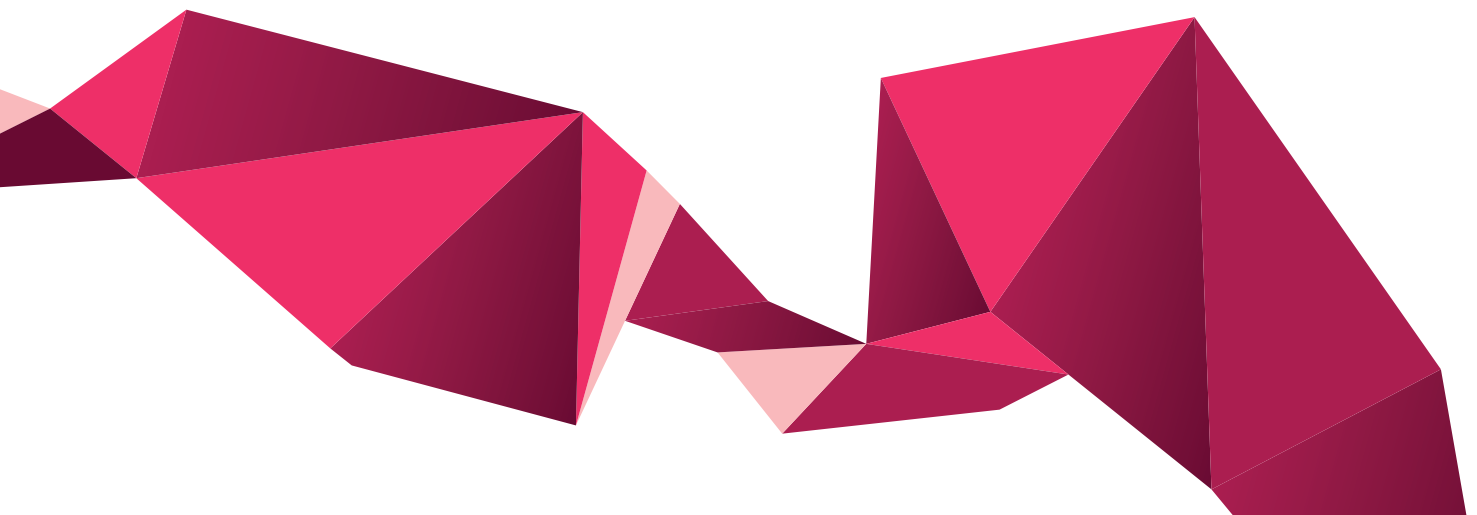
Our research has pinpointed the strategic focus of thriving organizations, the characteristics of thriving workforces, and how thriving individuals experience their workplace.

THRIVING ORGANIZATION

- ▶ Success Redefined
- ▶ Resilient and Agile
- ▶ Positive Societal Impact

How do thriving organizations conduct business?

- Thriving organizations **redefine success, moving beyond the profit principle** to inspire individuals with a sense of purpose. They acknowledge that, in times of change, organizations need to take a broader view of growth and profit expectations, investing both time and money to keep reinventing themselves (examples include Google's 20% rule and Amazon's constant focus on reinvesting profit into building new businesses).
- Thriving companies are **agile and resilient**. They embrace digital and connected ways of working and redesign organizational structures and networks to ensure they can pivot quickly. They continually review human capital practices and risks to secure a diverse skillset and a strong bench that is relevant to their future needs.
- Thriving organizations realize that in a more transparent and accountable world, their practices must be ethical and have a **positive impact on society**. They focus on attracting individuals who are inspired by their vision and are proud to lend their energy and their patronage. One example is ServiceNow's philanthropic commitment of donating 1% of equity, products, and employee hours.



THRIVING WORKFORCE

- ▶ Diverse and Adaptive
- ▶ Inclusive and Growth Focused
- ▶ Committed to Well-being

What does a thriving workforce look like?

- A thriving workforce is able to access a wide range of capabilities and experiences from across the talent ecosystem. Organizations that do this well place a premium on **diversity and adaptability**; attending to indicators of equity and personal growth. They invest in talent assessments and encourage collaboration and movement to assist people in broadening their perspectives.
- Building **inclusive and growth focused cultures** gets the best out of diverse talent. In thriving workforces, managers and teams work together to help everyone feel comfortable bringing their true self to work and united in their collective growth ambitions.
- Employers that build thriving workforces recognize that if they want workers to invest fully in their mission, they must invest fully in them. This reciprocation means thinking beyond the traditional employment deal and focusing on the **whole person agenda** – what energizes people and how the organization can support their physical, financial, and emotional well-being.

Microsoft's move towards rewarding an employee's "impact" – impact on the team, the business, and society – over traditional measures of performance acknowledges the myriad ways in which people are contributing to their business.

Mercer Asia Total Rewards Conference, Hong Kong, September 2017

THRIVING INDIVIDUAL

- ▶ Growing and Contributing
- ▶ Empowered and Connected
- ▶ Healthy and Energized

How do you know if an individual is thriving?

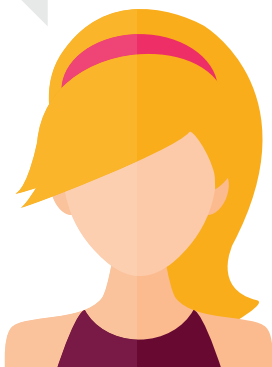
- Thriving individuals feel that they are **growing and contributing**. They find their work challenging and engaging, and believe the skills and exposure they are gaining will tangibly benefit their career. They have a clear line of sight to how their contribution makes a difference to organizational success.
- Thriving individuals are **connected and empowered**. They are able to access the knowledge and the people they need to form teams that deliver. Effort is made to ensure that structures and processes do not slow down their ability to add value for stakeholders.
- Thriving individuals feel **healthy and energized**. They enjoy their work and feel supported in reaching their personal and professional potential. They are confident that they are rewarded fairly and have flexible options that allow them to balance work with their health and lifestyle needs.

What is important to attract and engage Millennials?

Excerpts from Millennial panels at Mercer Thrive conferences, 2017

"Opportunities attract me, progress keeps me, and stagnancy makes me leave." ~ Shell

"I am attracted by something new and disruptive; I will stay if someone engages with me and I can see growth opportunities; and I will leave for something better." ~LinkedIn

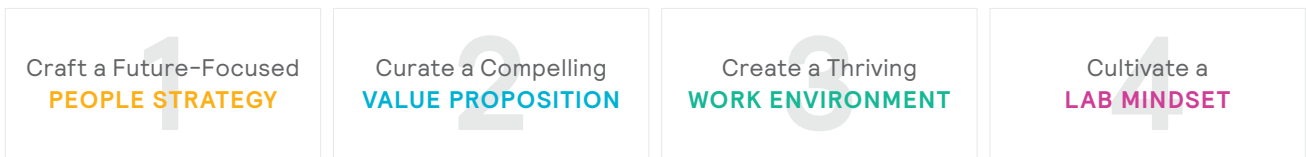


FOUR CRITICAL PRIORITIES

Creating a thriving work environment isn't easy. It requires a comprehensive, multi-level approach that starts with leadership and culture, and is supported by progressive talent management practices informed by data-driven insights. Ultimately, thriving is about focusing on the needs and desires of individuals and understanding what drives their

personal investment. To get there, organizations need a purposeful strategy and committed leaders.

Given this new mandate, how do you ensure that your organization is on the Thrive journey? Mercer recommends focusing on four critical priorities:



ONE: CRAFT A FUTURE-FOCUSED PEOPLE STRATEGY

Today's business planning approaches are increasingly focused on disruption, innovation, and large-scale transformation – responses to an increasingly uncertain future. As a result, organizations are trying to “hard code” elements such as dynamism, adaptability, and resilience into their culture. But while most organizations are purposeful about their innovation and digital strategies, many lack an equally deliberate approach to their people strategy. This is problematic for two reasons. First, each technological leap requires an equivalent revolution in talent. And second, talent typically

becomes more important following disruption. Our work with clients suggests that an effective people strategy must be:

- **Future-focused**, reflecting the necessary evolution of both the business and work culture
- **Data-driven**, leveraging insights into the current needs of a company's workforce to inform where to focus
- **Integrated**, breaking down functional silos and bringing together all of the company's talent and HR programs into one comprehensive plan
- **People-centric**, designed to make work more fulfilling and personally rewarding for individuals



Thriving organizations treat their workforce as an asset in which to invest – not simply a business cost. They systematically analyze and reflect on how they might be exposed to talent-related risks, not only to measure and address their bench, but also to understand what specific practices or interventions will encourage employees to bring their whole

selves to work. Identifying how to manage human capital risks can unlock greater growth than a continued focus on optimization.⁹ This evaluation is critical to ensuring that the tactics underpinning their strategy are grounded in data, reflect how their people actually work, and focus on what is most likely to help them thrive both today and in the future.

⁹Nalbantian, H. (2017). *Navigating human capital risk and uncertainty through advanced workforce analytics*. Available at: <https://www.mercer.com/our-thinking/career/voice-on-talent/navigating-human-capital-risk-and-uncertainty-report.html>

COMPOSITION OF YOUR WORKFORCE

Thriving organizations understand that hiring outside talent can accelerate change. But attracting talent with the aptitude and appetite to contribute in a new context is challenging, especially when today's hiring processes and leadership expectations tend to reinforce the status quo. Technology is helping to address this problem, providing tools that source individuals with hard-to-build skillsets and software that helps to eradicate bias in hiring processes. These include innovative new ways to conduct assessments, such as games that bolster validity and improve accuracy in matching people to jobs. Google is the poster child for applying the science of assessment to hiring practices — their HR team places disproportionate focus (and budget) on hiring over other people processes and ensures that line managers have the support they need to find the best talent.¹⁰

TECHNOLOGY ENABLED

If the future is truly people-shaped, HR systems and processes must evolve to deliver an efficient and “human” work experience. With employees expecting consumer-grade

interactions — especially with regards to technology, flexibility, and personalized options — attention must be paid to the employee experience before, during, and after employment. Workday, SAP SuccessFactors, ServiceNow, Google Drive, and Microsoft 365 can help drive baseline efficiency in how work is done and HR questions are answered. But it is the new breed of bespoke tools such as coaching bots, career apps, benefit platforms and collaboration tools that are enhancing employee's day-to-day work experiences.

Through an appreciation of how people want to work and how technology and digitization can help, talent management practices and the employee experience are intentionally being redesigned. As the future of work is predicted to be more project-based, outsourced, and automated,¹¹ the key to success is building the structure, culture, and talent engine that can drive and sustain the change — ensuring capability for today, while building capacity for tomorrow. Flexible career frameworks are a critical part of the modern HR response and shaping moments that matter.

¹⁰Bock, L. (2015). *Work Rules!: Insights from Inside Google That Will Transform How You Live and Lead*. New York: Grand Central Publishing.

¹¹Mercer. (2017). *Mercer Global Talent Trends Study: Empowerment in a Disrupted World*. Available at: <http://www.mercer.com/our-thinking/global-talent-hr-trends.html>



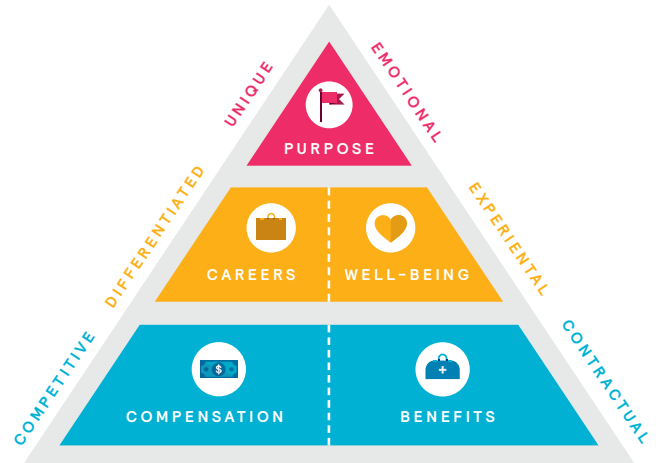
TWO: CURATE A COMPELLING EMPLOYEE VALUE PROPOSITION

As the modern contract of work evolves, there is greater emphasis on the realities of “the employment deal.” When two in five workers believe their company’s employee value proposition (EVP) is neither compelling nor differentiated,¹² there is an incredible opportunity for organizations to stand out from the crowd. People today are looking for more than just a place to work. Instead, they want jobs that work for them – jobs they can embrace and craft in ways that allow them to **bring their full selves to work and take an even better version of themselves home**. Employees expect their employer to provide them with tools to manage their health, wealth, and career in a way that is personalized, flexible, and unique to their own interests, aspirations, and life stage needs.

HEALTH MATTERS:

- *Employees put their health first – 60% rate it as more important than wealth or career*
- *Less than one-third of employees say their employer focuses on their health and wellness*
- *47% of employees expect their workplace to become more focused on health and well-being over the next two years*

Source: Mercer Global Talent Trends Study



A sense of personal ownership and empowerment is a critical part of an individual’s engagement.¹³ As employers have increasingly shifted responsibility for health and retirement benefits to their employees, they have not always equipped them with the resources or the financial education to help them understand how the decisions they make today will impact their future. From Mercer’s research, we estimate that the average US worker spends 13 hours per month thinking about money matters. Financial fitness is an important factor in maintaining a healthy outlook, especially for an increasingly multi-generational workforce, and is arguably as important as physical fitness. Thriving organizations recognize that employees want to work for organizations that care about their health and well-being, and they understand that those who are financially fit and informed are more present, engaged, and productive at work.¹⁴ Mindfulness programs, nutrition advice, and sleep workshops are just a few of the programs that organizations offer to treat employees as “whole people” in whose futures they want to invest.

¹²Mercer. (2017). *Mercer Global Talent Trends Study: Empowerment in a Disrupted World*. Available at: <http://www.mercer.com/our-thinking/global-talent-hr-trends.html>

¹³Sirota, D. & Klein, D. (2013). *The Enthusiastic Employee: How Companies Profit by Giving Workers What They Want (2nd Edition)*. New Jersey: FT Press.

¹⁴Mercer. (2017). *Mercer Global Talent Trends Study: Empowerment in a Disrupted World*. Available at: <http://www.mercer.com/our-thinking/global-talent-hr-trends.html>

DATA AT THE CORE: THE SCIENCE AND ART OF A COMPELLING EVP

Translating the EVP into a compelling experience for each and every employee requires taking a holistic view of total rewards and using both art and science to make it resonate. The “science” starts with workforce analytics to map internal labor movements and identify personas¹⁵ that represent typical populations. It then leverages conjoint analysis to pinpoint those distinct benefits that appeal to each persona’s unique interests, wants, and needs. Platforms that use artificial intelligence (AI) to enhance the value proposition can learn what benefits are being used by different personas and make intuitive suggestions to employees at the right time.

While using data science is compelling, organizations also need to have a unique voice. This means stepping away from industry benchmarks towards curating memorable and distinct experiences for their people. Intelligent machines are able to recommend when a benefit or a career move might be most appropriate for a worker (for example, when a person has a baby or achieves a new professional qualification), but it is the conversations between employees and their managers that bring these choices to life.

FROM WELLNESS TO WELL-BEING 2.0



PHYSICAL

Energy, health risk, awareness, prevention, nutrition, exercise, sleep



EMOTIONAL

Resilience, mindfulness, stress management, learning, social engagement



FINANCIAL

Security, life planning, retirement, debt, management, insurance

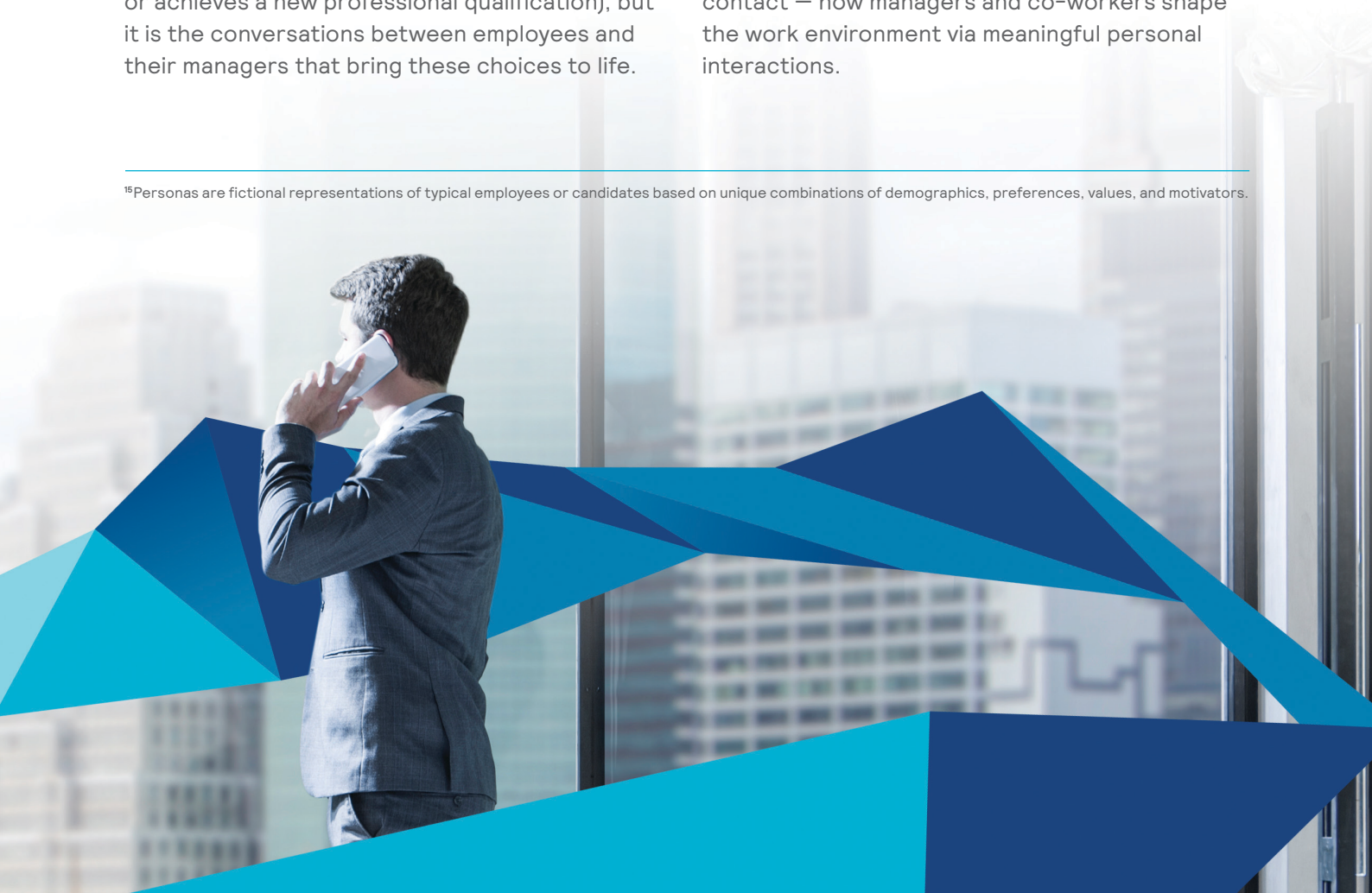


SOCIAL

Belonging, inclusion, togetherness, community, trust

The “art” of the EVP is, and will remain, the human contact — how managers and co-workers shape the work environment via meaningful personal interactions.

¹⁵Personas are fictional representations of typical employees or candidates based on unique combinations of demographics, preferences, values, and motivators.

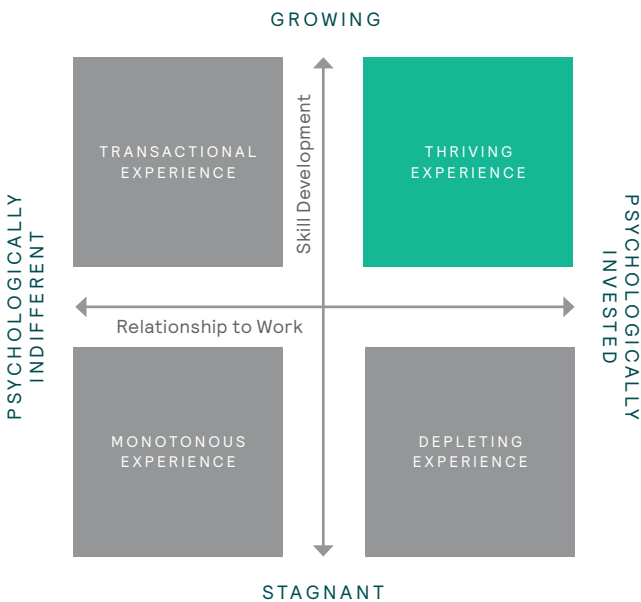


THREE: CREATE A THRIVING WORK ENVIRONMENT

People strategies and value propositions set the direction, but the employee experience is shaped by day-to-day events and galvanized by work relationships, especially with managers and leaders. Research shows that people thrive when work is challenging and purposeful, when they feel empowered to make decisions, and when they are purposefully connected to their colleagues. When all three of these circumstances are in place, individuals are most likely to be fully invested and experience growth and vitality in their role.

LEADERS MAKE OR BREAK IT

Creating a work environment that elicits both psychological investment and growth requires a strong commitment from the top. ***At the core of all thriving organizations is a leadership team that seeks to do well while also doing good.*** This mantra calls for leaders who act as responsible stewards for their employees, their shareholders, and society. Organizations that are getting this right focus on cascading a strong vision. And although they are ambitious about making the numbers, they are also passionate about making a positive impact on their people and the societies within which they operate.



Our data shows that connectedness is one of the five drivers of a thriving culture. Leaders who are admired, CEOs who hold frequent all-employee and local town halls, executives who make time to dine with new recruits, managers who bring their own life experience into their discussions – these were all cited in our Thrive research as examples of behaviors that are meaningful to employees. Building capabilities in these “human” areas requires development programs that emphasize a leader’s core values and identity, as well as rapid adoption of today’s critical skills such as digital leadership, a global mindset, inclusive team-building, and an understanding of design thinking and innovation.¹⁶

¹⁶Mercer. (2017). *Mercer Global Talent Trends Study: Empowerment in a Disrupted World*. Available at: <http://www.mercer.com/our-thinking/global-talent-hr-trends.html>



THRIVE CULTURAL DRIVERS

TRUST

TRANSPARENCY

INCLUSION

CONNECTEDNESS

ACCESSIBILITY

SHOW ME THE WAY

One of the surest ways to bring people along on the journey is to provide them a clear map for achieving their goals. With flatter organizational structures and new jobs emerging, employees may not be clear on the possibilities for career progression. Thus providing support and empowering them to navigate their own career path must be part of the solution. Our research shows that **employees who report being able to drive their career forward are eight times more likely to feel energized at work.** These findings provide a strong business case for HR to focus on building compelling career frameworks and leveraging technology to help people navigate their options and prepare for the future. It also places an even greater emphasis on

managers to be active partners in understanding individuals' skills and aspirations in order to broker fulfilling career opportunities.

Understanding how the work environment is helping individuals thrive requires meaningful insight into talent flows to ensure the organization is delivering on the diversity and inclusion agenda. This means tracking how key employee populations are entering, exiting, and progressing in the organization, and using predictive analytics to drill down into bottlenecks and drivers of career success. Pay equity studies and analysis of promotion parity can reveal inherent imbalances or systemic biases that are holding populations back and stunting business growth.¹⁷

"I discovered that we didn't have gender pay equity, which baffled me as we have a value around having an egalitarian culture. It taught me to become less certain and more curious about how talent is progressing and how it is being rewarded. We took immediate steps to rectify this and are now actively monitoring this thrive indicator. Without diving into the data we would not have understood the reality nor the impetus to address the causes."

–Stuart Irvine, Chief Executive Officer, Lion

Engagement data can also provide insight into whether the organizational culture is poised to encourage commitment and productivity. Today's engagement surveys are prioritizing dynamic factors associated with employees' perceptions of thriving, with results demonstrating that when there is alignment between personal goals and work goals, people are better positioned to thrive.¹⁸

A focus on health and well-being, including a commitment to flexible work arrangements, is one aspect of the culture that we know makes

a difference. Employees who are able to work where and when they want report increased engagement — they are also more energized at work, feel a greater sense of control, and see savings in both time and money.¹⁹ For companies experiencing the effects of talent scarcity — for whom access to a wide labor pool is a business imperative — flexibility to accommodate older workers, working caregivers, and returning parents is critical. It is clear that, when done right, flexible working is a win-win for employee and employer.

¹⁷Levine, B., Moldavskaya, D., Xiong, K. & Doherty, J. (2017). *Global Gender Pay Equity: An Examination of Gaps Outside the US*. Available at: <https://www.mercer.com/our-thinking/career/global-pay-equity-paper.html>

¹⁸Hyland, P., Garrad, L., Caputo, A. & Reeves, D. (2017). *Win the confidence game*. Talent Quarterly. Available at: <https://www.talent-quarterly.com/the-new-thinking-issue-published>

¹⁹Mercer. (2017). *Capturing the flexibility quotient in your organization*. Available at: <https://fowinsights.com/insights/people/capturing-the-flexibility-quotient-in-your-organization/>

FOUR: CULTIVATE A LAB MINDSET

In today's fast-changing business world, organizations have two choices: evolve or expire. ***Maintaining the status quo is no longer a tenable strategy.*** Companies that are producing the same products, providing the same services, and using the same processes as a year ago are already behind. Whole economies will survive or thrive based on their ability to drive productivity through innovation. The surest way to stay ahead in changing times is to cultivate a lab mindset – one that encourages experimentation, design thinking, risk taking, and a climate of continuous learning.

What do we mean by a “lab mindset”? An experiment in a science lab starts with a provocative question that is methodically

investigated. Cultivating a lab mindset in an organizational context is no different. It is stimulated by an environment of curiosity to pose questions that matter and substantiated by data. By asking the right questions, providing the right support, and creating the right conditions, the collective energy of the workforce can be channeled to spur innovation.

For example, to help their employees grow their ideas into viable new businesses, Merck runs several ideation channels, offers coaching support for internal teams and external startups, and provides a clear governance structure to focus employees' efforts and incubate new ideas. This is combined with an open exchange on failure and lessons learned to form a complete ecosystem of innovation.

“Merck’s philosophy is that curious employees are more efficient and ultimately contribute to sustainable company growth.”

–Tobias Weitzel, Head of Operations, Merck Innovation Center



UNLEASHING THE SPIRIT OF EXPERIMENTATION

Encouraging risk taking requires both an openness to failure and an appetite for rewarding the spirit of experimentation. To some extent, this means getting out of the way and letting go as people try new things. But it also requires a strong support foundation at

the organizational level and a framework that outlines enterprise priorities. Open access to data, tools to analyze results, and direction on what types of ideas would add most value to the business are critical. The value of upfront guidance can be quantified – the same amount of time costs \$1 in the design phase, \$10 during development, and \$100 post launch.²⁰



Based on research and experience from Inventium, a firm dedicated to building innovative work cultures.

With an organizational framework in place, a number of approaches can encourage the spirit of experimentation, including idea generation platforms, innovation labs, and hackathon events. These can all be used to take a deep dive into a problem and brainstorm potential solutions, welcoming all ideas equally before narrowing down the list. Within agreed-upon guardrails, teams can form hypotheses upon which to experiment, which leads to forming solutions, working up minimal viable products, and using technology and data to help formalize trials to take ideas forward.

This is all good practice, but thriving organizations do not limit themselves only to asking questions that their data can answer. Instead, they seek to address business issues, not just people issues; and use their organization's expertise, not just HR intelligence,

to find solutions. Experian is a good example of a company leaning on their expertise to address a persistent problem in a new way. They have started using their proprietary credit score technology to predict staff turnover, yielding a new level of insight into how to support their people.

Similarly, at Coca-Cola, micro-experiments have transformed the way HR leaders gain buy-in for a People initiative. In the past, they would embark on a lengthy internal sales campaign, whereas now they let the numbers speak for themselves – conducting formal experiments to prove their case before they get into the boardroom. Most recently, this approach was applied to a radical shift in the company's performance management approach, with a number of offices adopting and testing the new model before it was rolled out globally.²¹

²⁰Design Council. (2015). *The design economy report*. Available at: <https://www.designcouncil.org.uk/resources/report/design-economy-report>

²¹Panayiotou, S.V. (2017). *Firing Line with Bill Kutik: HR Technology Conference*. Las Vegas, USA.

EXECUTING CREATIVELY

Even with a spirit of experimentation or leadership statements that place value on innovation, developing a lab mindset takes time. Poor planning and lack of infrastructure can lead to apathy — people often get discouraged when their ideas are not chosen or when innovations take too long to materialize. The following four dimensions have proven useful for accelerating a lab mindset:

- **People.** A lab mindset is powered by “learning workers”²² rather than “knowledge workers.” These individuals are adaptable and agile, with cross-functional expertise, analytical thinking skills, and a natural curiosity. They are masters of uncertainty, comfortable working with an idea — from hypothesis to prototype — that remains “looser for longer.” They can flexibly apply what they’ve learned in a variety of situations and combine principles to invent something new. In sourcing these learning workers, it may be necessary to borrow from across the talent ecosystem.
- **Data.** Often, organizations are already collecting and storing the data that is needed for experiments, but it needs to be cleaned and organized into an open-access format to facilitate analysis and testing. Creating a store of data can make experimentation faster and results more reliable.
- **Tools.** Technology is needed to gain insights from data, run analytics, monitor performance, and provide data-driven recommendations that take advantage of statistical and AI capabilities. Other mechanisms such as integrated communication strategies, change management methodologies, and wikis can fuel the creative process as well. These tools will propagate developments and spread seeds that will grow further innovations.
- **Commitment.** A lab mindset needs to be more than a mission statement. Living it day-to-day takes persistence and patience. Perhaps the biggest contribution to a lab mindset is an organization’s commitment to data-driven decision making. If decisions continue to be based on intuition, or if the results of successful experiments are not operationalized, then the spirit of creativity will wither on the vine.

Leveraging both archival data analyses and predictive modeling techniques, HR can measure how new talent practices impact key metrics such as engagement, productivity, and absenteeism — to name a few. Transferring these insights in real time from HR professionals to line managers will represent the biggest leap forward in how companies lead and inspire their talent.

²²Morgan, J. (2016). Say Goodbye To Knowledge Workers And Welcome To Learning Workers. Forbes. Available at: <https://www.forbes.com/sites/jacobmorgan/2016/06/07/say-goodbye-to-knowledge-workers-and-welcome-to-learning-workers>

CONCLUSION

Digitization, diversity, and disruption are shaping the next decade of work. If your organization is not developing people strategies that account for these forces, prepare to be blindsided. Companies that take the lead will be those that put people at the heart of their business – both their customers and their employees. Thriving organizations seek to enrich the lives of their employees – meeting their health, wealth, and career growth needs. They ensure that managers provide the personal support required to help

individuals reach their potential and, as much as possible, are able to contribute to the innovation agenda. As a result, people feel connected, challenged, and empowered.

Most people spend at least half of their waking hours at work; for many, organizations are where the majority of life is lived. Therefore when employees thrive, organizations grow. When organizations thrive, they benefit stakeholders, shareholders, and the community at large.

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 Positive Societal Impact

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