



cutting through complexity

fast | forward

Letting Go To Grow

kpmg.com/uk/fastforward



#03

Part 3 of 8

#03

LETTING GO TO GROW

CFIO – FAST FORWARD 2035

INTRODUCTION

Business today is facing what is perhaps the greatest combination of challenges seen in a century. Capitalism is under attack, with confidence in the current economic system at an all-time low, and new laws and regulations on the horizon. Geopolitical changes, falling personal wealth, volatile resource markets, climate change and shifts in the centres of economic power will exert tremendous pressure on the future business environment.

While these international factors shape the global market, organisations also need to keep ahead of the increasingly fast pace of change in operating conditions. They are doing this by innovating at ever increasing rates – the average number of patent applications in the US rose five-fold between 1985 and 2009.¹ Adoption of these new technologies means the amount of data is exploding, with the number of servers expected to grow 10 times and number of

files by 75 times over the current decade.² And the impacts of some technologies, such as social media, are only just starting to be understood.

What does the way the world is turning mean for today's CFOs? How can they prepare for this cacophony of change?

To start with, we think the CFO of the future will need to combine finance and information skills to become an executive who delivers valuable business intelligence. This new role will evolve into the chief finance and intelligence officer, or CFiO.

But the future for business is not so much about what the CFO will be called as about the external pressures that will impact their role – and how they will change their role.

¹ US Patent Office

² <http://www.emc.com/collateral/about/news/dc-emc-digital-universe-2011-infographic.pdf>

Tomorrow's CFiOs will need to be ready for the real game changers – what we see as the main pressure points that will shape the world of business in 2035.

Partly this is so they can ensure they are ready for the challenge; that they're suitably equipped to be able to engage with the brave new world that the coming decades will bring.

But it is also because we believe the mega trends we have identified will have a fundamental impact in shaping the role of the CFiO of the future.

Engaging with these trends can help build a better idea of how the business world will look in 2035, and how the changes between now and then will shape the CFiO's role.

Forecasting is a dangerous game. You may agree with our ideas; you may not. That's not relevant here. Our purpose is to get everyone thinking about the main ideas and issues that will create the global market of 2035, and to open the debate and encourage discussion around these topics.

We want you, our clients, to be involved in this debate. We want to be alongside you as you consider the areas your businesses will need to focus on in order to continue to be global leaders in 2035 – to consider how to negotiate the obstacles and make the most of the opportunities in order to guide your organisations to greater growth and prosperity over the coming decades.

In this, essay #3 in our Fast Forward series, we now look at another of those emerging trends; the manner in which Generation Z may demand a greater democratisation of the workplace.

In the twenty-first century, I believe the fight for equal rights will take its most daring and radical turn yet – and that this will be played out in the workplace.

For decades, brave CFOs have attempted to innovate workplaces by handing power over to employees through democratisation of the workforce. Previous heroic attempts have caught the headlines, but ultimately failed to ignite any credible wholesale change. But around the globe, whispers of change are emerging. In 2012 there were already grass root signs that over the next 20 years, democratisation of the workforce could finally become a reality.

Generation Z – the group which will be dominating the workplace by 2035 – are capturing the attention of the world. Gen Z will bring with them to the workplace a mindset that is no longer cowed by a sense of command-and-control-from-the-top, and a very definite set of expectations of employment.

They will demand a genuine say in the organisations they work for. They will expect to contribute meaningfully to the shaping and execution of strategy, and will no longer be content to work to the dictates of the “man-at-the-top”.

The CFiO will give in to employees’ demands for a more democratic voice. He will bend to a degree unimaginable today to understand and accommodate employees, and will consider them as individuals rather than units of production.

The outcome of all this? By eradicating hierarchy and embracing real democracy as the only way of doing business, the forward thinking CFiO will harness the incredible power of the individuals within the organisation, enabling them to make a deep and vigorous contribution to the business.

Gen Z: The Epitome of Empowerment

Just who are Gen Z, the generation that will be driving this elemental change?

They are the children of Gen X, the “me generation” that came of age during the politically-conservative 1980s. Gen Z were born between the early 1990s and the early 2010s. The first members of this generation will hit employment about 2015, becoming their most powerful by 2035.

Like those before them, Gen Z’s values and expectations of the working world will be pre-determined years in advance, shaped by their education, upbringing and political convictions.

THE FIRST MEMBERS OF THIS GENERATION WILL HIT EMPLOYMENT ABOUT 2015, BECOMING THEIR MOST POWERFUL BY 2035.

This generation will have an astonishing belief in their ability. They will burst into employment with a swagger and confidence far beyond their age. They will bring astounding analytical minds, instant global networks and fresh foresight to the workplace. Most importantly, they will be convinced they have an essential role to play in the world and will be accustomed to having their voices heard and their wishes acted upon.

Will it be any wonder that they will not tolerate traditional restraints imposed by fixed capitalist rules or regulations? Or that their entry into the workplace will eradicate conventional management authority and hierarchy? Little surprise, then, that they will demand a

democratic voice in making and implementing the company's strategic decisions.

The demographic brain drain

The working age population in Europe will fall from 307 million in 2004 to 255 million in 2050, a reduction of 20 percent. In addition, there will be proportionately fewer Gen Z in the workforce. Today, one in five of the UK's population is aged between 20 and 34; by 2035 this will fall to 18.2 percent.³

This reduction in the younger working age population means that CFiOs will start their talent search and investment processes far earlier than they could imagine today.

³ <http://www.census.gov/population/international/data/idb/informationGateway.php>

STUDENTS WILL BE GIVEN
CORPORATE SPONSORSHIP,
MENTORING AND FULL JOB
OFFERS BY THE TIME THEY
LEAVE PRIMARY SCHOOL.

Head hunters currently recruit bright students in their final years at university. As the search for top talent grows fiercer, I believe students will be given corporate sponsorship, mentoring and full job offers by the time they leave primary school.

Schools by 2035 will have fully embraced a “breadth over depth” educational revolution aimed at empowering students’ life experiences. By using the latest technology to communicate with peers globally and determine class popularity (who’s got the most Facebook ‘likes’ today?) Gen Z will show their first-hand experience of projecting their voice across the world.

Schools will increasingly focus on exposing pupils to new, experimental subjects which won’t be “studied”, but rather approached from a dynamic group problem-solving approach. They will be encouraged to try everything – and be empowered to believe that they can achieve everything. Already, Citizenship classes at school are dedicated to teaching Gen Zers to be empowered, believe in their own convictions and to stand up for themselves.

In the workplace, Gen Z will demand the same voice, respect and empowerment they have grown up with at school.

Politically Motivated

Some question whether Gen Z will be interested in fighting for democracy in the workplace. After all, isn’t this a politically apathetic generation, more interested in the latest apps, fashion and pop-up exclusives than with societal or economic issues?

Not so. I believe that this myth is based on outdated ideas of activism. In the past, an engagement in politics was shown through formal allegiance to political parties. In the UK during the 1950s the Conservative party had nearly 3 million members, while the Labour party had more than 1 million. By 2010, in contrast, less than 400,000 people belonged to any of the three main political parties.⁴

But a quick look at the Occupy movements and at the growing protests unfolding across the world – from the Arab Spring to the demonstrations against austerity in Europe and the Americas – shows that Gen Z is very much part of today’s political debate. This is a generation that wants to lead and shape the agenda for societal and economic change.

Gen Z will not engage in outdated behemoths – large political parties that have had their heyday. Instead they will influence global political issues through social media and global interactions at real-time speed.

⁴ <http://www.parliament.uk/briefing-papers/SN05125>

During the week before Egyptian president Hosni Mubarak's resignation in February, 2011, the total rate of tweets from Egypt rose from 2,300 a day to 230,000 a day. The amount of content produced online by opposition groups, in Facebook and political blogs, increased dramatically. Videos featuring protest and political commentary went viral – the top 23 videos received nearly 5.5 million views.⁵

The power of gamification

Taking this empowerment and belief in democracy to the workplace will come naturally to Gen Z. Their experiences will make them confident and enthusiastic for group working and the collective sharing of ideas. Energetic round-table debates amongst knowledgeable employees followed by democratic voting will be driven by collective discussions based on bite-sized data. Democratisation will decide set all future strategy, targets and policies.

This utopia may sound enticing but, of course, the challenge for the CFiO will be that Gen Z employees will believe they have experience beyond their actual levels of knowledge. The Twitter generation will become the “flitter” generation. CFiO's will face the ultimate dilemma and risks of having un-experienced individuals making strategic decisions.

The only way for the CFiO to manage this will be to keep employees properly informed by using the mechanics of gaming to ignite their interest and passion. The CFiO will need to invest in combined gaming, information and planning technology that enables information to be fully available and used at all levels across the organisation rather than being hidden away in the executive suite as it is now.

Distilling this information in a compelling, informative and timely way will test the CFiO's resourcefulness to the limit. Unlike traditional boards, workers won't have the time, patience or indeed inclination to read a 20 page board report written in incomprehensible jargon. How can a CFiO communicate complex concepts at the heart of an organisation's competitiveness – its knowledge and its intellectual property – safely, quickly and in an innovative way?

By 2035, gamification in the workplace will have taken over not only learning and development, but will be embraced by the CFiO in order to fully equip employees with all the knowledge they need to democratically vote with confidence and conviction. Employees will enter constructed virtual simulations where their avatars can fully understand binary facts and figures by “living out” scenarios. In this gamified

⁵ <http://www.sciencedaily.com/releases/2011/09/110914161733.htm>

world they will finally enact their ultimate fantasy – being the big boss.

Gamification will give the CFiO the opportunity to safely allow employees to become active participants and experiment with an infinite number of variables and opportunities. They will virtually “live out” the impacts of potential decisions. They will be able to enter a virtual world where competitors have already been defeated and where proposed products are already flying off the shelves. Gamification will give employees a glimpse into the future, boosting their confidence that when voting day comes, they will be adamantly sure that their decisions are right.

Shift in power structures

With this devolution of power to employees, the question of ownership in the company is ultimately begged. Who will be running this show? There may still be one CFiO, but I believe that this individual will not have the concentration of power they enjoy today.

Depowered leadership has been around for decades. In one of the most famous examples, Semco still amazes economists by continuing to give employees the power to hire their own managers and puts every decision to a staff vote. Since 1996 alone, profits have

tripled and staff turnover remains at 1% against an industry average of 20%.⁶

Fast forward 30 years from its inception and Semco is still a globally recognised case study of the potential positive force of democratisation. However, case study it will remain since, to date, it has failed to ignite a wider revolution in corporate organisations which foolishly insist on clinging onto traditional, autocratic management structures.

By 2035, CFiOs will gradually relinquish power to allow Gen Z to grow to resemble an army of mini CFiOs who will revolutionise traditional capitalist models; the CFiO role will be embodied in the enthusiasm, empowerment and democratic voice of individual Gen Z employees.

Democratisation will enable employees to believe they own “their” organisations. But essentially the democratisation of points of view also becomes a democratisation of wealth for those who own a financial stake in the organisation. This will require a huge shift in attitudes until we reach a point where an organisation’s staff will have a louder and more important voice than its shareholders.

⁶ Ricardo Semler: Creating Organizational Change Through Employee Empowered Leadership’ Peter A. Maresco, Ph.D., Christopher C. York, J.D., Sacred Heart University, Fairfield, CT. <http://www.newunionism.net/library/>

Interestingly, shareholders will support this shift. The idea of employee democratisation will be so well established that they will completely understand the value of a company putting staff at its centre, and will appreciate the need for the CFiO to embrace this new working culture.

If the CFiO foolishly attempts to hold back on democratisation, it will be a race between staff and shareholders over who will abandon the company first. There won't even be the need for drawn out AGMs and damning votes of no confidence. Staff and shareholders will already have voted with their feet, condemning the CFiO to be leader of an empty company with nothing but a name.

Loyalty in the workforce

With future employees' brimming self-confidence and empowered voice, will the trend of roaming, nomadic self-employed consultants without employers continue? Will employees ever be capable of being loyal to an organisation in 2035?

Startlingly, I believe they will. Following our current long and dramatic economic slump and the reshaping of the economic order which we're now on the verge of, I reason that people will have a very low risk appetite and will see the value of having loyalty and

commitment to an employer. Redundancies are still very much on the foreseeable horizon, with European banks slashing jobs six times faster than their US peers. In 2011, 40,000 jobs were cut from European banks in one month alone⁷, and youth unemployment of 18-24 year olds stands firm at 20 percent.⁸

Staff loyalty can be secured by CFiOs who understand the non-financial drivers which will really motivate staff in 2035. As I've discussed, democratisation will encourage staff to feel ownership of "their" companies. The other policies they will vote for will finally clinch staff loyalty for good. What will staff democratically demand from the CFiO?

Changing challenges

Gen Z will insist on moving around the business constantly. Everything in their lives from their quick-fire education to their 20 minute chunk entertainment hits will have been packaged to come in short, sharp bursts. They will expect the same of their employment. Their short concentration spans mean they will lose interest in positions and projects rapidly. They will want to be cycled around the business, rotating positions frequently. They will not be interested in a fixed position – their ideal will be to work on a series of assignments, none of them longer than six months.

⁷ <http://www.bloomberg.com/news/2011-08-23/european-bank-job-bloodbath-surpasses-40-000-as-ubs-cuts-workforce-by-5-.html>

⁸ Seasonally adjusted ONS data

To compensate for their “breadth not depth” education, Gen Z will demand much more sophisticated training from their CFiO. They will not tolerate being forced on pointless training courses which add no value. They will expect rapid, focused and technical just-in-time training. They will demand teaching with shorter lead times, from specialist trainers, using the latest gamification technology which is focused on a definite project on which they will be guaranteed to work in the imminent future. The CFiO will need to understand that investment in training employees will be much higher than it is at present.

Rolling assessments

Gen Z will require a different approach to understanding their performance. They will not be satisfied with current practice of strictly scheduled and infrequent assessments. This is a generation that has been relentlessly tested from nursery school onwards. They will carry this obsession over performance metrics into their careers.

They will demand full regular performance appraisals, with public recognition of success. Generalisations of targets by grade will go out of the window – performance will be measured directly against their

personal development plans and the expectations based on their assignments. This will place a high burden on the CFiO who will have to deliver real-time accurate management information on individual performance metrics and be prepared to sign off vast sums of money to provide regular individual analysis.

As traditional grades and hierarchies disappear, so will base salaries. The CFiO will be less able to predict salary budgets, but will need to stay in-tune with, and be supportive of, the individual development and pay of employees.

The end to the fixed office

Another practical aspect of work that Gen Z will demand to change is location. By 2035 these employees will not tolerate the idea of getting everyone together for a physical meeting or a conference call to discuss an issue. They will insist that they be able to work globally from any location, and will expect to be trusted to work productively and efficiently.

CFiOs will have to provide the infrastructure to enable this. Social networking, cloud, virtual gamification of projects and video conferencing – and whatever new

THIS IS A GENERATION THAT
HAS BEEN RELENTLESSLY
TESTED FROM NURSERY
SCHOOL ONWARDS. THEY
WILL CARRY THIS OBSESSION
OVER PERFORMANCE
METRICS INTO THEIR CAREERS.

technology is in place by 2035 – will allow globally dispersed individuals to work together. This will place a strain on traditional managers who have worked in an environment where “presenteeism” demonstrates work ethic.

However the good news on the cost front is that selling redundant business space will free up the financial capital needed to invest in the virtual connectivity this new style of working requires. In fact there may be another compelling reason for selling offices – while companies currently bask in the status of being based in impressive offices in a prestigious location, in the future this conspicuous display of ostentation will, I think, be seen as an embarrassment.

Democratisation by itself alone will not secure loyalty of staff. Real democratisation which allows voting staff to finally take charge over their own professional destiny will at last guarantee staff's loyalty and allegiance to a company.

Democratisation on the march

These thoughts on democratisation of the workplace are not pie-in-the-sky ideas – the processes I have described are starting to happen now. We are already seeing social media applications which

promote collaboration through lateral and horizontal communication, extending employees' voices and making their opinions heard throughout an organisation.

Annual staff appraisals are becoming a thing of the past, with software companies producing programmes that enable a more continuous type of performance management.

There's a greater understanding that intangibles count for a bigger slice of business value creation potential than fixed assets. Integrated reporting is helping bring the different strands of capital together, enabling more thoughtful business decisions to be made.⁹

This is the first time in the post-industrial age that young people are operating at such a staggering level of success in business. Today's youth are leading not just artistic, political and social trends but also economic and technological trends, and this has pushed the upcoming generation into another degree of power.

And here's one final fact to muse over: this chapter was written by a 24 year old.

⁹ Integrated Reporting: Performance insight through Better Business Reporting, Issue 1, kpmg.com

THEY WILL BE INTERESTED IN HOW MUCH A COMPANY WILL BEND OVER TO GET THEM INTO THE WORKPLACE, AND IN A ROLLING ASSESSMENT OF HOW THEY ARE PERFORMING.

Survival of the quickest

The generation that will be riding the crest of the business wave in 2035 will be driven by a sense of real empowerment – a sense that has been imbued in them from their early childhood and reinforced through their education, their travel, their connections and their overwhelmingly strong self-belief.

They will be interested in how much a company will bend over to get them into the workplace, and in a rolling assessment of how they are performing.

Most of all they will be driven by a sense of individual responsibility for their companies' actions and how much they have been able to influence the business.

They will demand full and equal voting rights in “their” companies – the businesses they both work for and invest in – to such an extent that the management power structures we know today will cease to exist. Gen Z will understand that their real power will come when management truly lets go.

Gen Z will be shaping not only the future direction but speeding up the timeline, enabling the CFiO to think on a shorter timescale. Today's CFOs might give themselves two years for a merger to work. But Gen Z is so used to change that it will take them a lot less time to adapt to a different course, meaning the CFiO will not need to buffer in the same time allowance for success.

Gen Z will give the CFiO the confidence to change his mindset and to do things quicker. The world of business in 2035 will not be so much about survival of the fittest as survival of the quickest.

The universal challenge

The challenge for the CFiO will be to embrace the change: to genuinely welcome democracy in the workplace. By bending over backwards to accommodate the upcoming generation, with all its complexities and challenges, the forward thinking CFiO will begin to understand and benefit from the powerful contribution these employees can make to the business.

This generation will be more imaginative, less hide-bound and more flexible in its thinking than any other. These complex individuals will bring a wealth of new ways and speeds of thinking to companies that are operating in an environment in which the pace of change is accelerating at a bewildering rate.

In return for letting go of the old ways of doing business, the CFiO will expect that employees will use their initiative and be empowered to take decisions without having to refer them up the line. The CFiO will take it for granted that these empowered employees will be more committed to and involved with their organisations. This will translate to more innovation, greater sales and higher product and service quality, all achieved at a faster pace than is even imaginable in today's business world.

The rationale for embracing democratisation of the workforce is clear. In fact, I believe that businesses which do not welcome this future will fast see their competitive edge disappear – they will be democratised out of existence.

ON THE RIGHT TRACK?

Questions to reset your assumptions

- ☐ Mark Zuckerberg made his first billion dollars aged 23. How long will it take you to make yours?
- ☐ Have you ever invited the mailroom man into a brainstorming session?
- ☐ The world's most powerful no longer meet. They tweet. Do you know what Bill Gates is having for breakfast?
- ☐ If you've ever been bowled over by the raw instinct and sharp mind of a child – why didn't you offer them a job?
- ☐ Warren Buffett made his first investment aged 11. Would you have given him your money to invest?
- ☐ How many of your meeting rooms are actually being 'met' in right now?
- ☐ Do you hold your board meetings in public? If not, what's stopping you?
- ☐ How far do you trust your employees? What do you do to earn that trust?
- ☐ How much more would a competitor have to offer your staff for them to desert you?
- ☐ How much would a competitor have to offer you to desert your organisation?
- ☐ What do your new graduates represent to your organisation?



Biography

By Cassandra Hancock

Today I'm an analyst in KPMG, joining the firm off the back of a summer internship. I accepted my job offer the day Lehman Brothers went down.

In the day I crunch spreadsheets, deck slides and compile Management Information. In the evenings and at weekends I study.

In 2035 I'm still an analyst – along with every single other employee in the company. There's no management structure beyond the board. My virtual team (we've never physically met) all make decisions by democratic consensus.

I did serve a rotational stint on the board in 2021. It was a good experience, but at that time the board still had too much power. That didn't agree with me. Who cares about the power of a dozen when you can change things much more through the movement of millions?

The board today is much better. They listen more to our ideas and opinions. I feel as though they care about what thoughts I can generate rather than what profit I can generate. I suppose that's why – 25 years after joining – I've never left.

Contact us:

For more information on the Fast Forward series, please email us at fastforward@kpmg.co.uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2013 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. Printed in the United Kingdom.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.

RR Donnelley | RRD-270671 | January 2013 | Printed on recycled material.