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1 – CRUCIBLES OF INNOVATION

Five crucibles of change will restructure the world economy for the foreseeable future. Companies that understand them stand the best chance of shaping it. So write Bisson, Stephenson and Viguerie in [The McKinsey Quarterly](#).

Trends matter. Systematically spotting and acting on emerging trends helps companies capture market opportunities, test risks and spur innovation. Conversely, companies minimize or ignore trends at their peril. Business history is littered with examples of companies that missed important trends. Yet this history also shines with examples of companies that spied the forces changing the global business scene and used them to protect or contribute to the bottom line.

McKinsey & Co. has identified five forces, or crucibles, which offer the richest opportunities for companies to innovate and change going forward:

- **The great rebalancing.** The coming decade will be the first in 200 years when emerging-market countries contribute more growth than developed ones. This growth will not only create a wave of new middle-class consumers but also drive profound innovations in product design, market infrastructure and value chains.
- **The productivity imperative.** Developed-world economies will need to generate pronounced gains in productivity to power continued economic growth. The most dramatic innovations in the Western world are likely to be those that accelerate economic productivity.
- **The global grid.** The global economy is growing ever more connected. Complex flows of

capital, goods, information and people are creating an interlinked network that spans geographies, social groups and economies in ways that permit large-scale interactions at any moment. This expanding grid is seeding new business models and accelerating the pace of innovation. It also makes destabilizing cycles of volatility more likely.

- **Pricing the planet.** A collision is shaping up among the rising demand for resources, constrained supplies, and changing social attitudes toward environmental protection. The next decade will see an increased focus on resource productivity, the emergence of substantial clean-tech industries, and regulatory initiatives.
- **The market state.** The often contradictory demands of driving economic growth and providing the necessary safety nets to maintain social stability have put governments under extraordinary pressure. Globalization applies additional heat: how will distinctly national entities govern in an increasingly globalized world?

This new era will not evolve smoothly; crises are inevitable. Even talented strategists will have, at best, incomplete knowledge of what comes next. But an understanding of the forces defining the future will also provide the best chance for seizing it.

These five topics should be framing every organization's strategic conversations about how best to chart its future course, write the authors. Companies must pay attention to more stakeholders, more regulations and more risks. Complexity is greater, but so too is opportunity.

2 – THE CHANGING NATURE OF WORK

Gartner, Inc. predicts that the nature of work will witness 10 key changes through 2020 (gartner.com). Organizations will need to plan for increasingly chaotic environments that are out of their direct control, and adaptation must involve adjusting to all 10 of the trends:

1. DE-ROUTINIZATION OF WORK

The core value that people add is in non-routine processes – uniquely human, analytical or interactive. These contributions include activities such as discovery, innovation, teaming, leading, selling and learning. Non-routine skills cannot be automated.

2. WORK SWARMS

Swarming is a work style characterized by a flurry of collective activity by anyone and everyone conceivably available and able to add value. Swarms form quickly, attacking a problem or opportunity and then quickly dissipate. Swarming is an agile response to an observed increase in ad hoc action requirements, which will continue to displace structured, bureaucratic situations.

3. WEAK LINKS

Weak links are the cues people can pick up from people who know the people they have to work with. They are indirect indicators and rely, in part, on the confidence others have in their knowledge of people.

4. WORKING WITH THE COLLECTIVE

There are informal groups of people, outside the direct control of the organization, which can impact the success or failure of the organization. These informal groups are bound together by a common interest, a fad or a historical accident, and can be described as “the collective.” Smart business executives strive to discern how the col-

lective influences their organization. Gathering market intelligence via the collective is crucial.

5. WORK SKETCH-UPS

Most non-routine processes will also be highly informal. It is very important that organizations try to capture the criteria used in making decisions but, at least for now, most non-routine processes are unlikely to follow meaningful standard patterns.

6. SPONTANEOUS WORK

Spontaneity implies more than reactive activity. It also contains proactive work such as seeking out new opportunities and creating new designs and models.

7. SIMULATION AND EXPERIMENTATION

Active engagement with simulated environments (virtual environments) will come to replace drilling into cells in spreadsheets. The contents of the simulated environment will be assembled by agent technologies that determine what materials go together based on watching people work with this content.

8. PATTERN SENSITIVITY

Expect to see a significant growth in the number of organizations that create groups specifically charged with detecting divergent emerging patterns, evaluating those patterns, developing various scenarios for how the disruption might play out and proposing to senior executives new ways of exploiting (or protecting the organization from) the changes to which they are now more sensitive.

9. HYPERCONNECTED

Hyperconnectedness is a property of most organizations, existing within networks of networks,

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unable to completely control any of them. Hyper-connectedness will lead to a push for more work to occur in both formal and informal relationships across enterprise boundaries, and that has implications for how people work and how IT supports or augments that work.

10. MY PLACE

The workplace is becoming more and more virtual, with meetings occurring across time zones and organizations and with participants who barely know each other, working on swarms attacking rapidly emerging problems. But the employee will still have

a “place” where they work. Many will have neither a company-provided physical office nor a desk, and their work will increasingly happen 24 hours a day, seven days a week. In this work environment, the lines between personal, professional, social and family matters, along with organization subjects, will disappear. Individuals, of course, need to manage the complexity created by overlapping demands, whether from the new world of work or from external (non-work-related) phenomena. Those that cannot manage the underlying “expectation and interrupt overloads” will suffer performance deficits as these overloads force individuals to operate in an over-stimulated (information-overload) state.

3 – THE END OF THE OFFICE

The United States Government Accountability Office has estimated that so-called contingent workers – everything from temps to day laborers to the self-employed to independent contractors – make up nearly a third of the workforce. And forecasters believe that proportion will rise. The growth is being driven partly by economic factors, with the uncertain economic climate making short-term contract workers more attractive to firms than full-time employees, but technological changes are at work as well. Cell phones, PDAs and broadband make it easy to farm out work – even complex, interactive tasks that previously only made sense to do in-house.

As Drake Bennett outlines in [The Boston Globe](#), this shift has begun to trigger a more fundamental examination of what a job is and what we expect to get from it. Despite the vast diversity of the work people do, the traditional notion of a job has tended to be a standard bundle of responsibilities, roles and benefits: We do our work for an employer to whom we owe our primary professional allegiance, and that employer pays us and provides us health insurance and a sense of professional identity. In the United States, many of the laws that shape health insurance, retirement and tax policy are structured around this model.

But in a few realms, people have begun to unpack that bundle and reassemble it in new, surprising, and potentially very important ways. As it becomes easier for companies to plug in on the fly to the constantly shifting network of freelance labor, freelance workers have begun to think not in terms of having a job, but of having a collection of different jobs at any one time. Some companies are unbundling work in more radical ways, using technology to “crowdsource” labor, to divvy it up into micro-jobs that can be farmed out to unaffiliated masses of remote workers.

At the same time, others have begun to think about the broad social implications of this reshuffling and to create institutions to fill the gaps that it is opening up. These new institutions, whether clubs, unions, or something more like a medieval guild, seek to provide those benefits – everything from a dental plan to a place to socialize to a sense of identity – that traditionally have simply come with the job.

Freelancers Union, founded in 1995 in New York City, models itself along these lines. It provides medical and dental benefits, a retirement fund and life insurance. It lobbies state governments for freelancer-friendly policies; among its causes right

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now is a proposal for a tax-advantaged unemployment insurance plan for freelancers.

It also tries to address some of the less quantifiable difficulties of freelancing. Many freelancers com-

plain that one of the great difficulties of the work is its solitary nature. Some of the online freelance companies try to tackle this; most have online forums through which they try to recreate some of the dynamics of an actual workplace.

4 – DECADE OF THE TELECOMMUTE

The rise in telecommuting is the unmistakable message of the just released 2009 American Community Survey data, reports Wendell Cox on NewGeography.com. The technical term is working at home, but the strong growth in this market is likely driven by telecommuting, as people use information technology and communications technology to perform jobs that used to require being in the office.

In 2009, 1.7 million more employees worked at home than in 2000. This represents a 31% increase in market share, from 3.3% to 4.3% of all employment. Transit's market share also rose, from 4.6% to 5.0%, an increase of 9%. Even so, single occupant automobile commuting also rose, from 75.7% to 76.1%, despite the huge increase in gasoline prices. The one means of transport that continued to decline was car pooling, which saw its share decline from 12.1% in 2000 to 10.0% in 2009.

The increase in working at home was pervasive in scope, writes Cox. The share of employees working at home rose in every major metropolitan area (over 1,000,000 population), with an average increase of 38%, and was also strong outside the major metropolitan areas, rising 23%.

At the current rate, more people could be working at home than riding transit by 2017. This is already the case in much of the country outside the New York metropolitan area, which represents a remarkable 39% of the nation's transit commuters. Taking New York out of the picture, 31% more people (1.35 million) worked at home than

traveled by transit, more than 4 times the 7% difference in 2000.

IMPLICATIONS

Working at home has been the fastest growing component of commuting for nearly three decades. In 1980, working at home accounted for just 2.3% of commuting, a figure that has nearly doubled to 4.3% in 2009. This has been accomplished with virtually no public investment. Moreover, this seems to have happened without any loss of productivity. Companies like IBM, Jet Blue and many others have switched large numbers of their employees to working at home. These firms, which necessarily seek to provide the best return on their investment for stockholders and owners, would not have made these changes if it had interfered with their productivity.

Over the same period, and despite the recent increases, transit's market share has fallen from 6.4% of commuting in 1980 to 5.0% in 2009. At the same time, gross spending on transit rose more than \$325 billion (inflation and ridership adjusted) from 1980 levels. Inflation adjusted expenditures per passenger mile have more than doubled since that time.

Given the remarkable rise of telecommuting, its low cost and effectiveness as a means to reduce energy use, perhaps it's time to apply at least some of our public policy attention to working in cyberspace, concludes the author. It presents a great opportunity, perhaps far greater and far more cost-effective than the current emphasis on new rail transit systems.