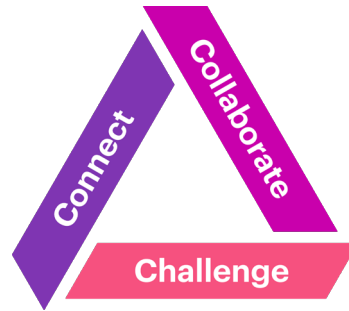
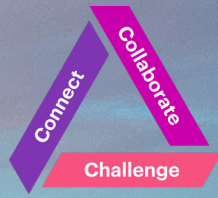




To the Future: Propelling Innovation and Partnership

Thursday March 2, 9:15 – 10:15












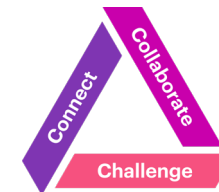
2023 landscape



-  Internet of Things
-  Wearables
-  Mobile
-  Cloud
-  Big Data Analytics
-  Cognitive/AI
-  Robotics/Bots

-  Additive Manufacturing
-  Block Chain
-  Cyber Security
-  Quantum Computing
-  Social
-  Augmented/Virtual Reality
-  Autonomous Machines

The importance of innovation



In 1958, S&P 500 companies were on average 61 years old.

Today they average 15 years old.

Of the 100 FTSE companies of 1984...

Only 24 survive today.

Digital world with greatly reduced barriers

Under-estimation of pace and impact of disruption

Failure to identify changing consumer needs

Inability to change

¹ <https://www.cnbc.com/2017/08/24/technology-killing-off-corporations-average-lifespan-of-company-under-20-years.html>

² <https://www.imperial.ac.uk/business-school/intelligence/executive-resources/why-companies-die/>

Fortification

vs.

Exploration



3M

//

If you put fences around people,
you will get sheep.

– Brian McKnight, Board Chair

//



//

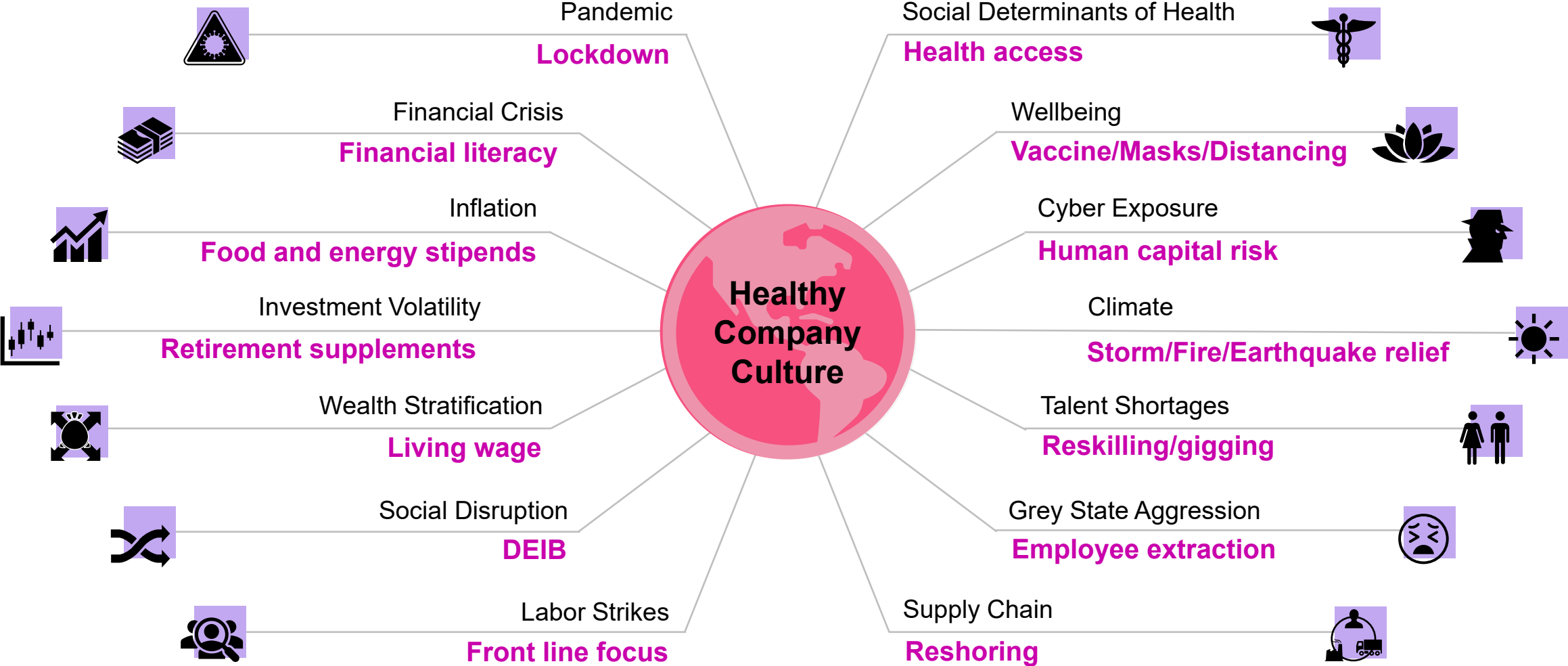
We got ourselves into a position in which
we thought Six Sigma would come to
our rescue.

– William Buckley, CEO (2005 – 2012)

//

State of the world: Winter/Spring 2023

People issues are at the center of intersecting geopolitical challenges



Sign of the times... still...

Spotted last weekend



The VUCA world continues...even more so...



- V**olatile... a rapid rate of change
- U**ncertain... unclear about future implications
- C**omplex... multiple competing/conflicting forces
- A**mbiguous... lack of clarity about what events will mean — even as they occur

Elastic Innovation emerges
([Forbes Link](#))

We need:

- » Clear intent
- » Clear direction
- » Clear vision
- » Agility to adapt to a changing world¹

“ The kind of strategy that works is to be very clear about where you are going but very flexible in how you get there² ”

VUCA: Judith Hicks Stiehm & Nicholas W. Townsend, [The U.S. Army War College: Military Education in a Democracy](#); Temple University Press, 2002.

¹ Denise Caron, CTO [Next IT](#).

² Bob Johansen, Distinguished Fellow, [Institute for the Future](#).

What we have learned...

Organizational paradoxes of innovation





Swiss Jolly Ball – Museum of Science & Industry, Chicago

- 1. Innovative organizations have strong innovation machines, but recognize that some of the best ideas come from outside the machine (and support them wherever they come from)**



2. Big, disruptive ideas are alluring, but small, incremental ideas often pay the bills (and are far less risky)

3. Small, incremental ideas often pay the bills (and are far less risky), but big, disruptive ideas may be necessary to secure an organization's place in the long-term



VS.



VS.





4. Siloes can be anathema to innovative thinking, but often are necessary for depth and execution



5. Process creates discipline, but also can suffocate good ideas

Psychological

Safety

6. **Psychological safety breeds better cultivation of ideas, but innovation is measured by results**

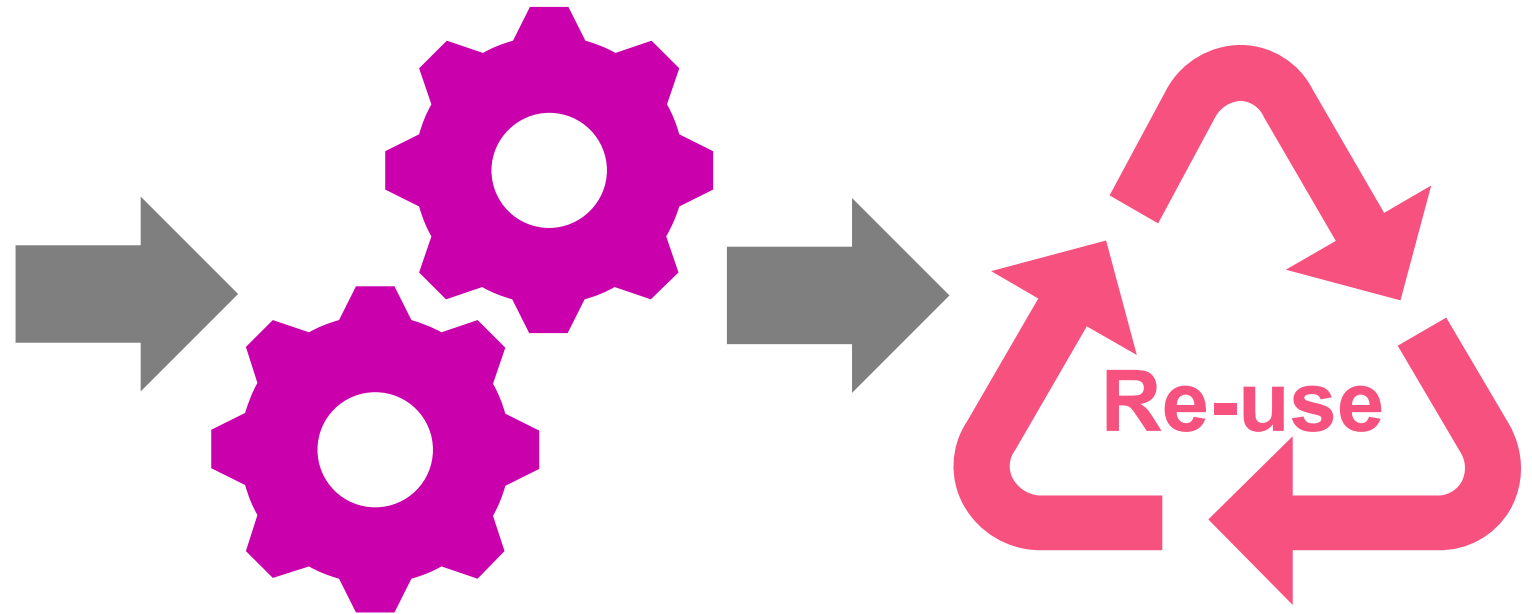


Los Alamos National Laboratory “Tunnel Vault” (Declassified)

7. Communication around innovation is key internally, but confidentiality is necessary to keep ideas from external competitors

8. Failing fast and learning fast reduce wasted time, energy and money, but artifacts allow for future composting and re-use

**FAIL FAST
LEARN
FASTER**





Microsoft SPOT Smart Watch, 2004

9. **Timing of ideas is essential, but an idea that fails in one year can succeed in another under different circumstances or with the right tweaks**

10. Cannibalizing existing business represents a threat to orthodoxy, but also prevents competitors from doing so



11. Successful innovation teams include deep content expertise and experience, but also generalists and process experts who look through a different lens and ask new questions

Innovation Dream Team

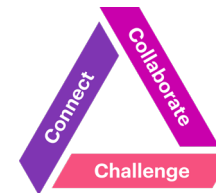
- Subject Matter Experts
- Technology Experts
- Those who have "been there, done that"
- Project Leader
- Sales Colleagues
- Generalists
- Futurists and horizon scanners

With thanks to WTW's Oliver Narraway

**12. Innovators often feel like imposters, but don't realize that feeling is part of a growth mindset...
"I haven't figured it out...yet..."**

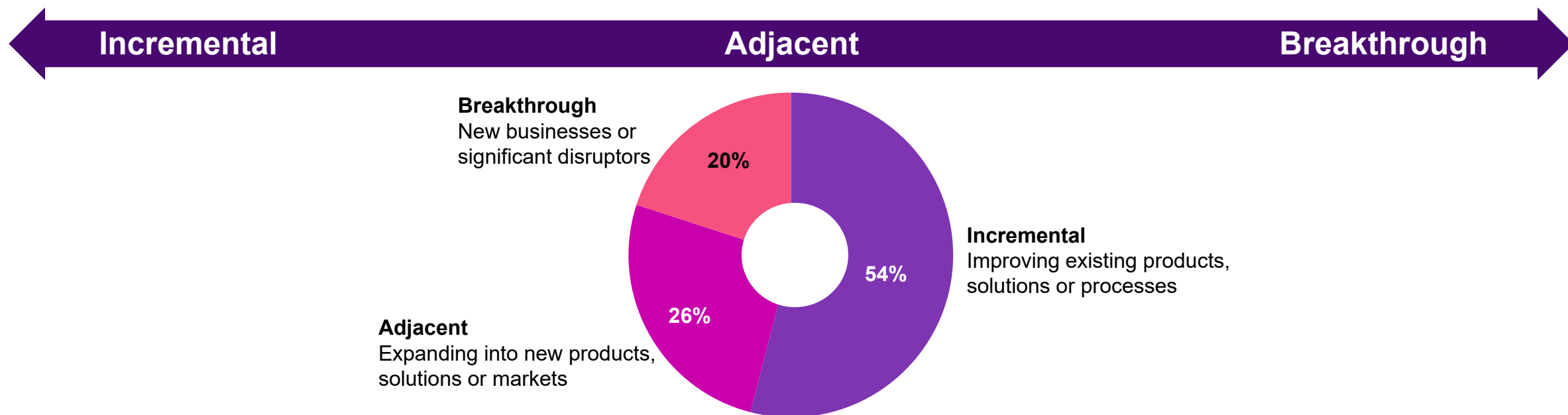
With thanks to WTW's Paige Seaborn

Innovation is about solving a problem – stated or otherwise



Most organizations tend to fall at a point on the innovation continuum that aligns with their strategic needs – but they have to make a choice as to where they want to focus

The Innovation Continuum (Financial services benchmark)¹



¹ "Innovation Leader & KPMG, Benchmarking Innovation impact".

Innovation and sustainable human capital require healthy mindset

Healthy company mindset supports an environment where employees can adapt to a new way of working



Cultural Foundations

94% of employers recognize dignity as important to their success over the next three years

Evolved and Healthy Company Mindset

Leadership (Ethical Conduct and Advocacy)



culture

(noun) cul-ture | \ 'kəl-chər

The set of shared values, beliefs, attitudes, aspirations, standards, mindset, behaviors and practices that characterizes an institution or organization.

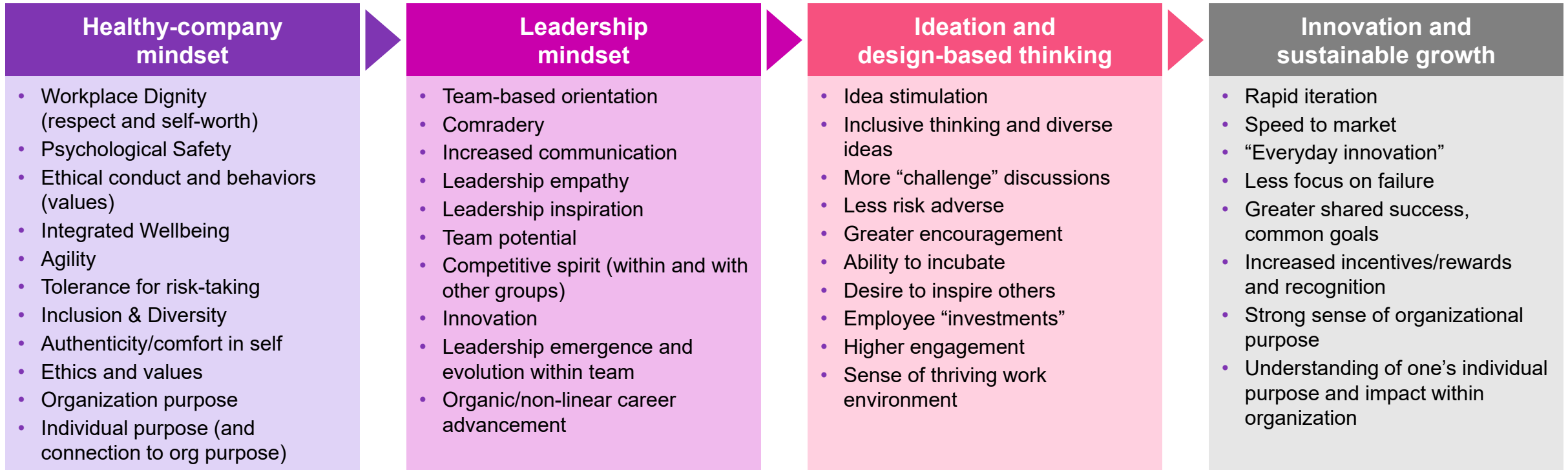
Source: Willis Towers Watson 2019 Global Benefits Attitude Survey



A healthy company mindset ensures a culture of wellbeing and engagement, where voice is encouraged, ideation leads to innovation and sustainable growth ensues



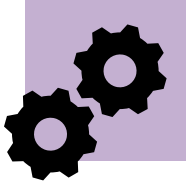
i Innovation is **6x** higher at companies where men and women are treated equally*



Wellbeing > Engagement > Productivity > Financial Results

Source: Willis Towers Watson CHRO Thinking Ahead Group
 *Source: Morgan Stanley HERs Report, August 2019

What differentiates an innovation culture?



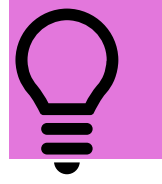
Diversity of Thought

- Safe to speak up, voice opinion
- Differing opinions discussed openly
- Support for workplace diversity
- Openness to trying new, different solutions
- Supervisor does not play favorites



Support for Risk

- Trial and error encouraged
- Innovative ideas can fail without penalty
- Development of innovative solutions encouraged
- Cross-functional collaboration on new solutions
- Healthy debate encouraged



Bias for Action

- Company moves quickly from idea to implementation
- Entrepreneurial leadership style
- Company willing to take prudent risks
- Right balance of analysis and action
- Effective pace of change



Anticipate Needs

- Company understands customer needs
- Company anticipates valuable new products
- Company creates excitement for new products
- Responding to market changes well

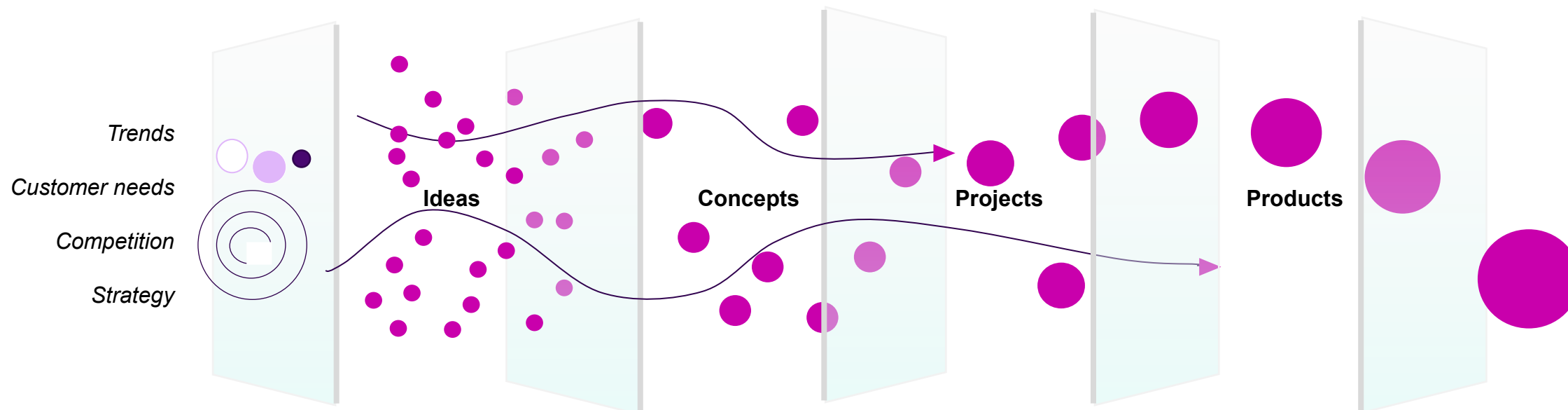
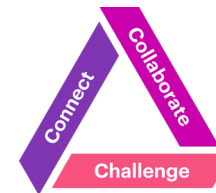


Clarify Priorities

- Leaders provide clear direction and priorities
- Leaders behave consistently with core values
- Celebrate wins
- Allow time and space for innovation

Source: WTW

A healthy innovation pipeline depends on clear processes, deliverables and metered funding



Phase	Exploration	Ideation	Testing	Development	Launch	Scale
Outputs	Trend reports Customer needs Competitive analysis	Idea Proposal Lean Canvas	\$ Market Sizing Prototype Business case	\$ Viable Solution Activation plan and content	\$ Marketing Distribution hand-off	\$ Advisory Support, where appropriate

 Investment decision

Our research shows a number of critical drivers (enablers and inhibitors) of innovation and an innovation culture



Cultural Driver	Enabler	Inhibitor
Vision and strategy	<ul style="list-style-type: none"> • Having a sense of shared purpose that is bigger than making profits • Thinking big – about changing the world • View ecosystem • Having a purposeful approach to innovation 	<ul style="list-style-type: none"> • Short term and focused purely on quarterly earnings • Not having a mission bigger than the self – no ecosystem view • Having no approach to innovation
Leadership behavior and shared values	<ul style="list-style-type: none"> • Active support of risk taking/acceptance of failure • Willingness to be challenged and foster a culture of honest conversations • Creates psychological safety 	<ul style="list-style-type: none"> • Limited or no risk tolerance • Desire not to hear the bad news – no culture where “truth can speak to power” • No psychological safety
Structure	<ul style="list-style-type: none"> • Flatter structure, wide spans of control • Agile team oriented, distributed governance 	<ul style="list-style-type: none"> • Hierarchical structure, narrow spans • Monolithic, centralized governance
Cross-functional collaboration	<ul style="list-style-type: none"> • Extensive cross functional collaboration in an institutionalized manner 	<ul style="list-style-type: none"> • Limited cross functional collaboration
Talent	<ul style="list-style-type: none"> • Focusing on getting the right people on board • Strong middle manager capability • Diversity 	<ul style="list-style-type: none"> • Focusing purely on efficiency in talent management as opposed to effectiveness • Limited mid manager capability • Limited diversity
Rewards	<ul style="list-style-type: none"> • Taking a long-term view and rewarding innovation and innovators 	<ul style="list-style-type: none"> • Enforcing traditional performance metrics and expectations
Learning and action	<ul style="list-style-type: none"> • Learning from failures, “fail fast and learn,” “connect the dots” • Rapid prototyping – lean “innovation” • Speed to commercialize 	<ul style="list-style-type: none"> • Limited organizational learning capability (lack of feedback loops) • Limited learning from failure • Innovation for innovation’s sake only

Measuring innovation

Sample metrics



People

- Participation rates in innovation activities
- Scores on innovation question for culture/engagement survey
- Diversity and inclusion metrics

Process

- # of ideas submitted
- # of ideas passing through different stages of the stage gating process
- # of ideas failed
- # of ideas commercialized



Intellectual capital

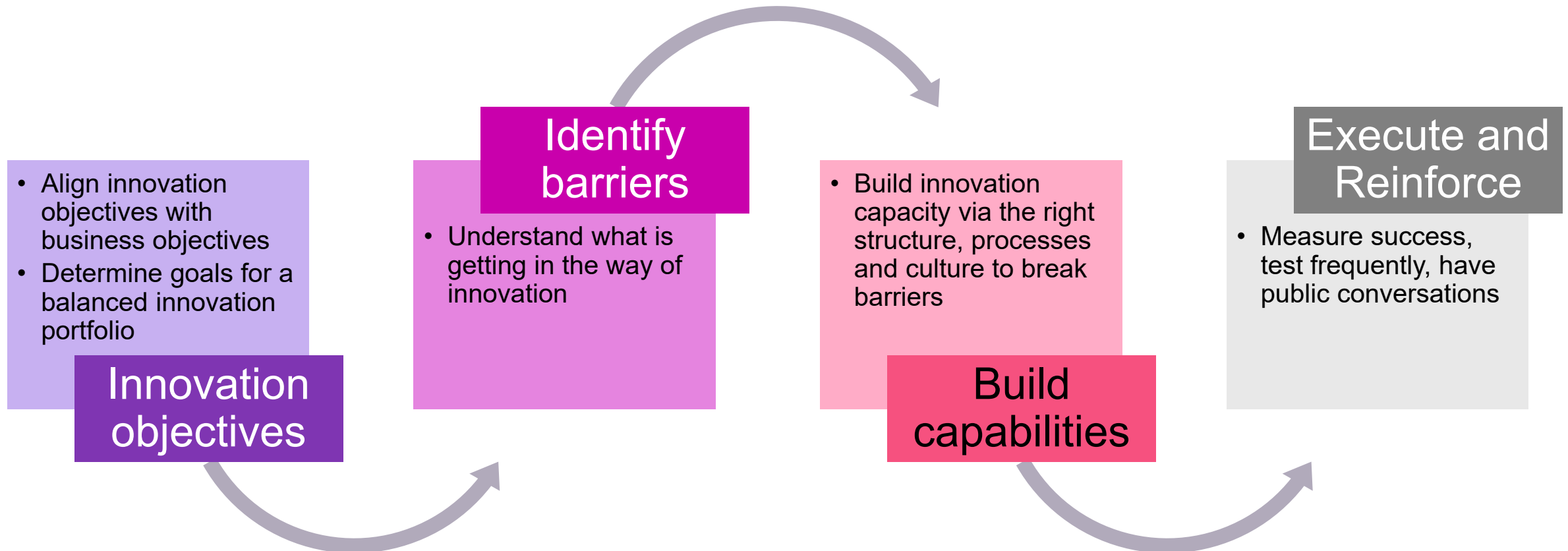
- # of patents filed
- IP revenue generated
- IP claims made
- R&D spend %

Value generated

- Revenue growth from new ideas
- Profitability of new ideas
- New customers acquired
- Market value generated



Road map for creating an innovative organization



Talent aspirations have changed... and so have demands...



Then...



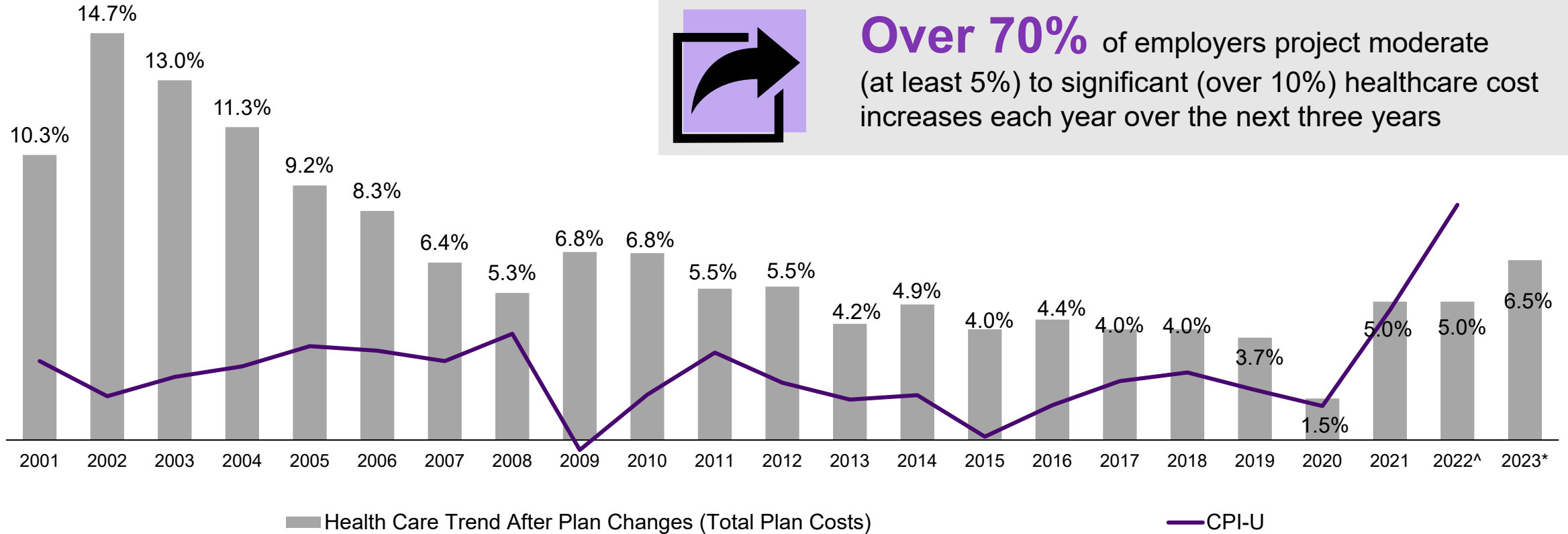
Now



Sharp increases in inflation and market forces driving projected rise in healthcare costs



Over 70% of employers project moderate (at least 5%) to significant (over 10%) healthcare cost increases each year over the next three years



Note: Percentages of healthcare trend are **median** numbers
 Sample: Companies with at least 1,000 employees
 Sources: WTW 2022 Best Practices in Healthcare Survey; Bureau of Labor Statistics, CPI-U, CES.

[^]Expected; ^{*}Projected

From The Great Resignation to Quiet Quitting

Real business impact



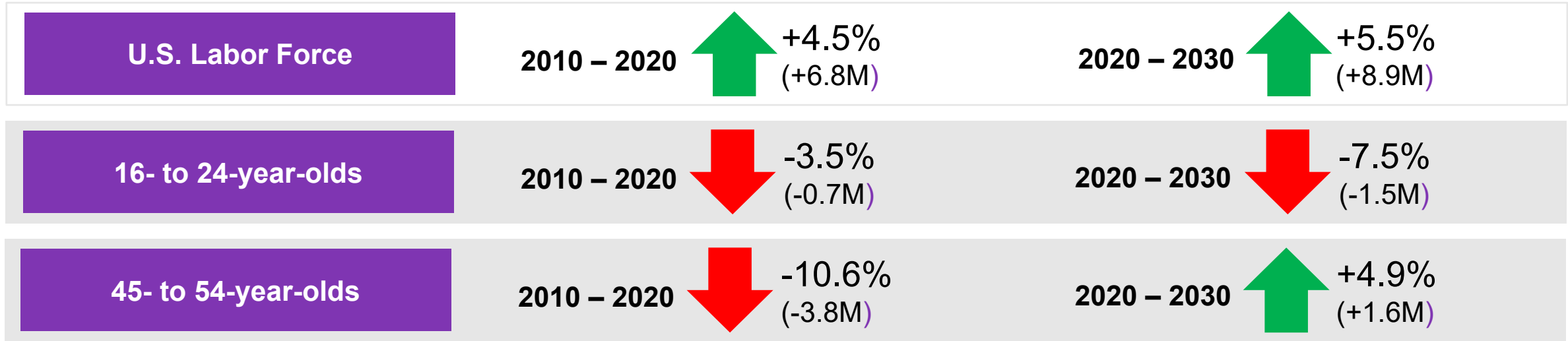
Unit labor costs experienced their largest four-quarter increase since 1982 due to undersupply of workers plus high inflation.



Labor productivity fell during Q2, showing the largest year-over-year decline since the U.S. Labor Department began tracking in 1948.

Source: [US Bureau of Labor Statistics \(BLS\)](https://www.bls.gov), September 2022

Demographics drove shortages in key groups even before the pandemic



Group	Labor force, 2010	Labor force, 2020	Labor force, 2030	Labor force change, 2010 – 2020	Labor force change, 2020 – 2030	Percent change, 2010 – 2020	Percent change, 2020 – 2030
Total, 16 years and older	153,888	160,744	169,640	6,856	8,896	4.5	5.5
16 to 24	20,935	20,207	18,698	-728	-1,509	-3.5	-7.5
25 to 34	33,613	36,507	36,181	2,894	-326	8.6	-0.9
35 to 44	33,366	33,984	38,473	618	4,489	1.9	13.2
45 to 54	35,960	32,140	33,701	-3,820	1,561	-10.6	4.9
55 to 64	23,297	27,293	26,440	3,996	-853	17.2	-3.1
65 to 74	5,424	8,626	12,241	3,202	3,615	59.0	41.9
75 and older	1,293	1,987	3,905	694	1,918	53.7	96.5

Source: [US Bureau of Labor Statistics \(BLS\)](#)

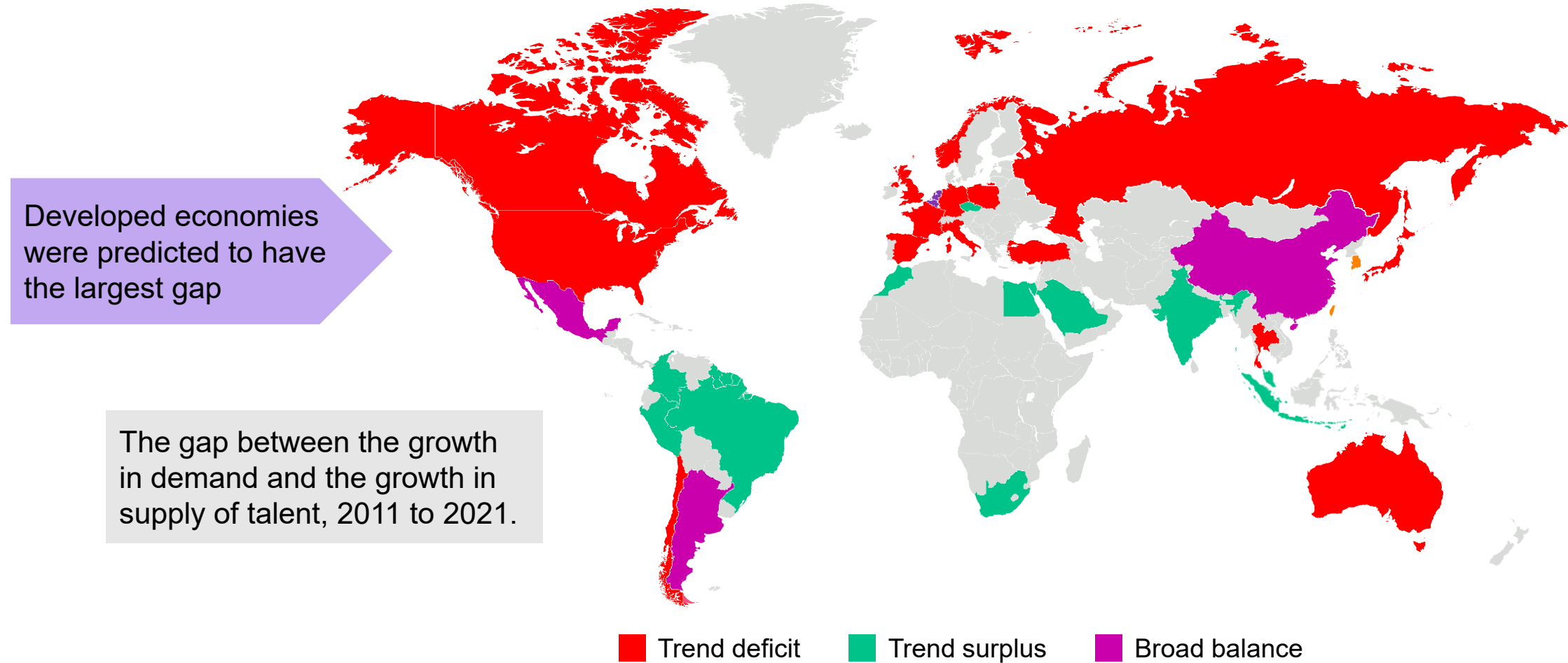
[Link to article](#)





Talent shortages in 2021: Not pretty for mature markets

Global talent heat map



Developed economies were predicted to have the largest gap

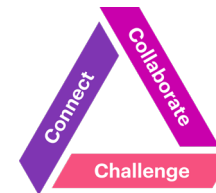
The gap between the growth in demand and the growth in supply of talent, 2011 to 2021.

■ Trend deficit ■ Trend surplus ■ Broad balance

Source: Oxford Economics

Impact of rising inflation on companies and their employees

Insights from WTW research



Inflation remains high

Headline CPI	Q4 21	September 22
U.S.	7.0%	8.2%
Eurozone	4.9%	10%
U.K.	4.6%	10.1%
Australia	2.1%	7.3%

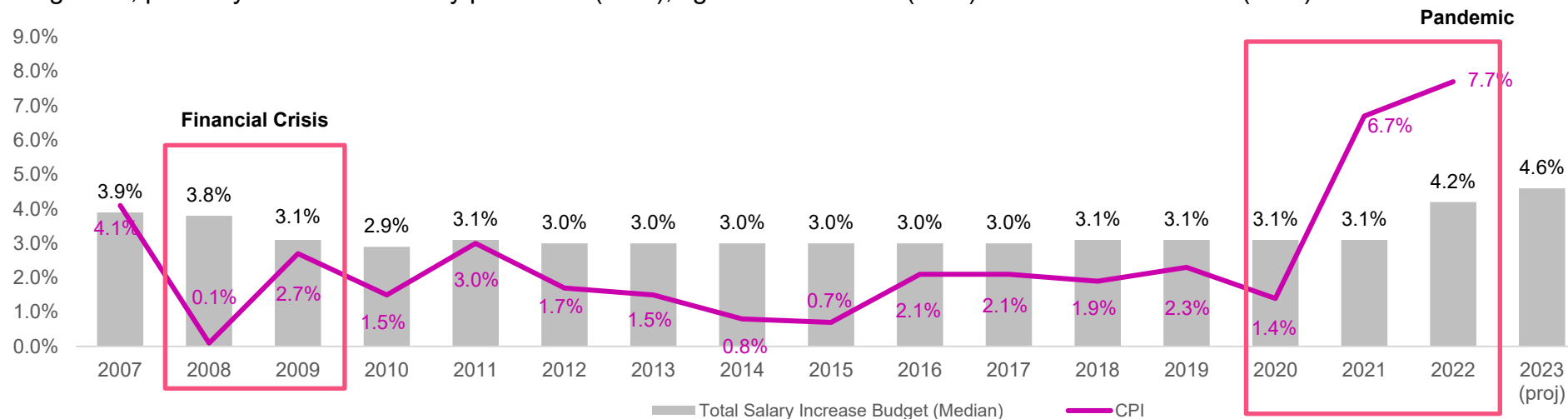
Inflation was **7.7%** in the U.S. at the end of October

Our outlook is for inflation to **fade in 2023** but risk around this is tilted to higher inflation.

Source: WTW 2022 Global Investment Outlook. Key inflation rates by country, Q4 2021 and <https://www.rateinflation.com/>

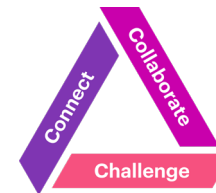
4.6% projected 2023 U.S. salary budget
All Sectors

Salary budgets tend to vary less than inflation however **52%** of organizations reported their **2023 projections increased** during 2022, primarily due to inflationary pressures (77%), tight labor markets (68%) and to drive retention (54%).



Source: WTW 2007 – 2022 Salary Budget Planning Reports; BLS CPI index; December year-end – U.S.

Employers and employees continue to be misaligned on priorities



Which of the following are your organization's top benefits priorities for supporting your workforce? *Ranked in top 3.*

	Employer	Employee	Gap (Employer – Employee)
Flexible work	16%	39%	-23
Retirement	23%	44%	-22
Day-to-day finances	3%	21%	-18
Career	14%	28%	-14
Insurance products	12%	24%	-12
Community and social responsibility	3%	12%	-9
Social connections	2%	11%	-9
Family and caregiving	13%	16%	-3
Getting most from benefits	45%	32%	13
Manage health	51%	33%	18
Inclusion and diversity	42%	12%	30
Manage emotional health	69%	27%	42

Source: WTW 2022 Best Practices in Health Care Survey; 2022 Global Benefits Attitudes Survey, United States

Employees are more willing to stay with their employer when they think their benefits meet their needs



Leave for 5%

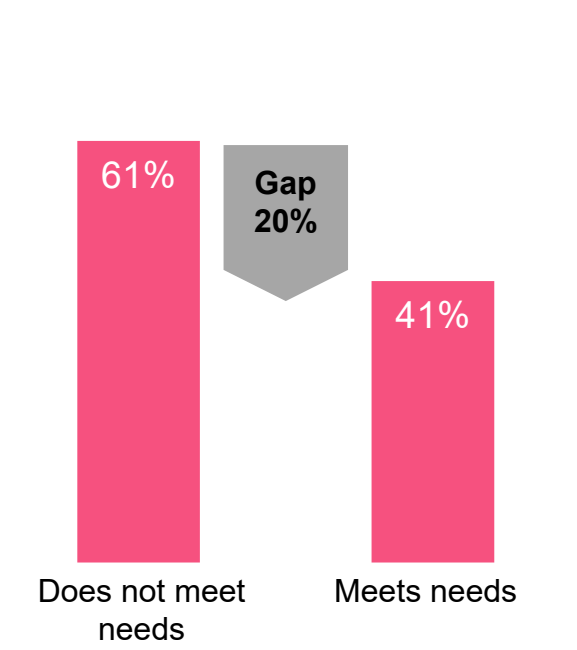
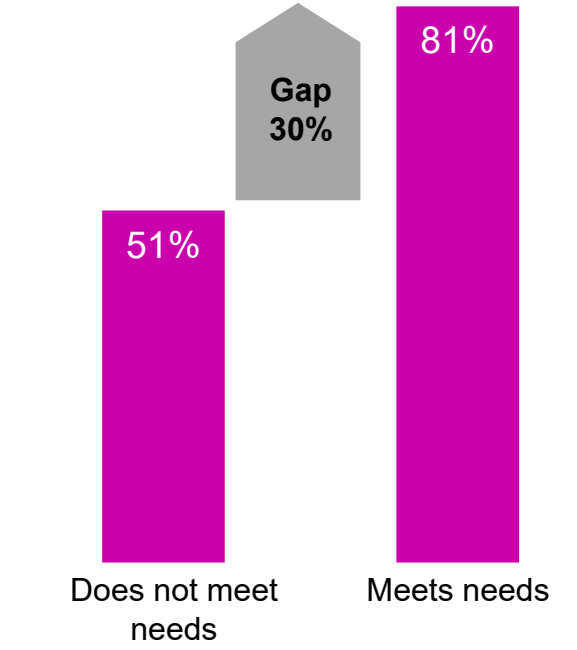
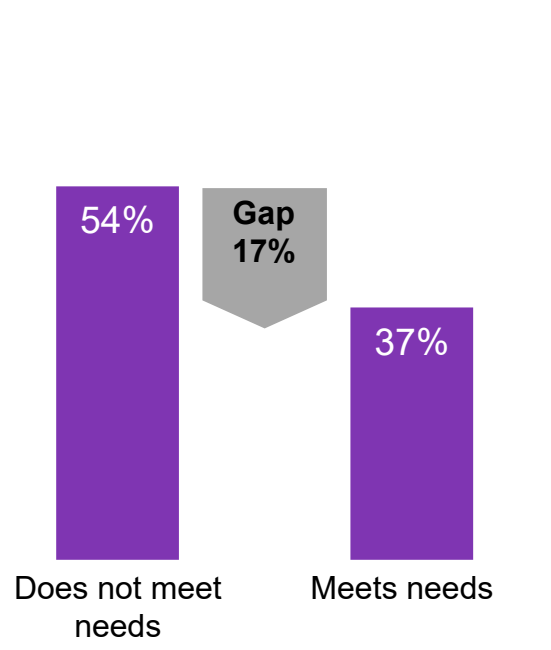
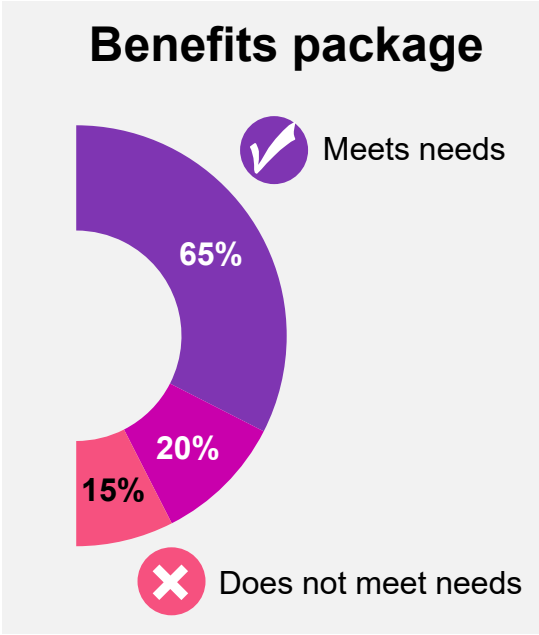
Would you leave your employer if you could get a 5% pay increase (yes)

Intention to stay

I would like to remain with my employer for the next two years (“agree” or “strongly agree”)

Job seekers

Employees actively looking for a job or planning to look for a job in the next three months



Benefits package

Sample: Full-time employees only.
Source: 2022 Global Benefits Attitudes Survey

People trends for 2023: emerging list... what to watch

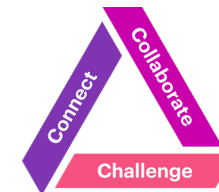
Top 10 list from the CHRO Thinking Ahead Group (December 2022)



- 1 Talent and skill shortages** continue... especially for key skills and roles
- 2 New work models** continue to normalize as organizations seek new equilibrium
- 3 Work and Total Rewards models** continue to transform
- 4 Inflation** abates but continues to drive decision making (balanced against recession concerns)
- 5 Employee engagement and presenteeism** frame quiet quitting phenomenon
- 6 Culture and Employee Experience** institutionalized as differentiators
- 7 Focus on connected risks** becomes embedded (e.g., geopolitics, economic volatility, population health, climate change, supply chain, talent, technology)
- 8 ESG matures and morphs** into next stage (HR focus on climate, wellbeing, DEI, governance, risk)
- 9 Wellbeing** drives key decisions (physical, emotional, financial, social all play a key role)
- 10 Choice and flexibility** in programs become mainstream

Be authentic and purposeful

Total Rewards must evolve to stay relevant



Employees are
3x more likely
to stay at a
purpose-driven
organization and
they are **1.4** times
more **engaged**.

[Victor J. Strecher, PhD, Professor, Health Behavior & Health Education]

- Total Rewards can no longer be a compilation of pay, benefits, wellbeing, L&D programs, all benchmarked to the median
- Modern Total Rewards programs have been designed with purpose and clarity of mission
- Authenticity will drive loyalty and engagement – align your Total Rewards program to support your organization's broader objectives on ESG, DEI, etc.
- Focus on equity in pay and benefits programs, with measurable outcomes
- Find creative ways to embolden your employees to be part of climate solutions through your Total Rewards
- Align incentives to these metrics



Global disruption is impacting the employee experience

The employee view

Pandemic fallout

Financial stress

Economic uncertainty

Labor market agency

De-globalization

Climate



Anxiety and depression

62% have experienced burnout



Crises of connection

52% feel disconnected from team



Looking for new deal

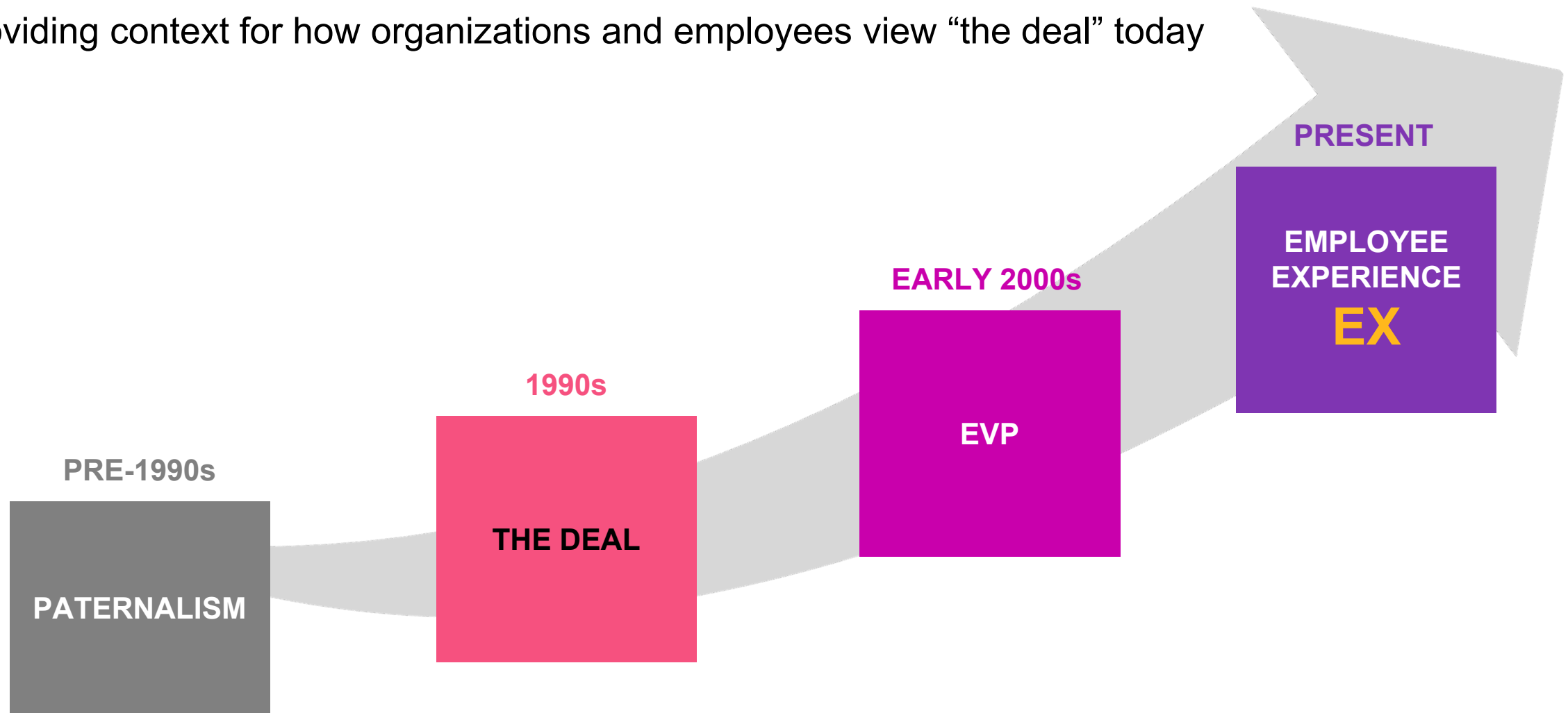
>50% are open to leaving



[Employee experience in an age of disruption:
How to future proof your organization](#)

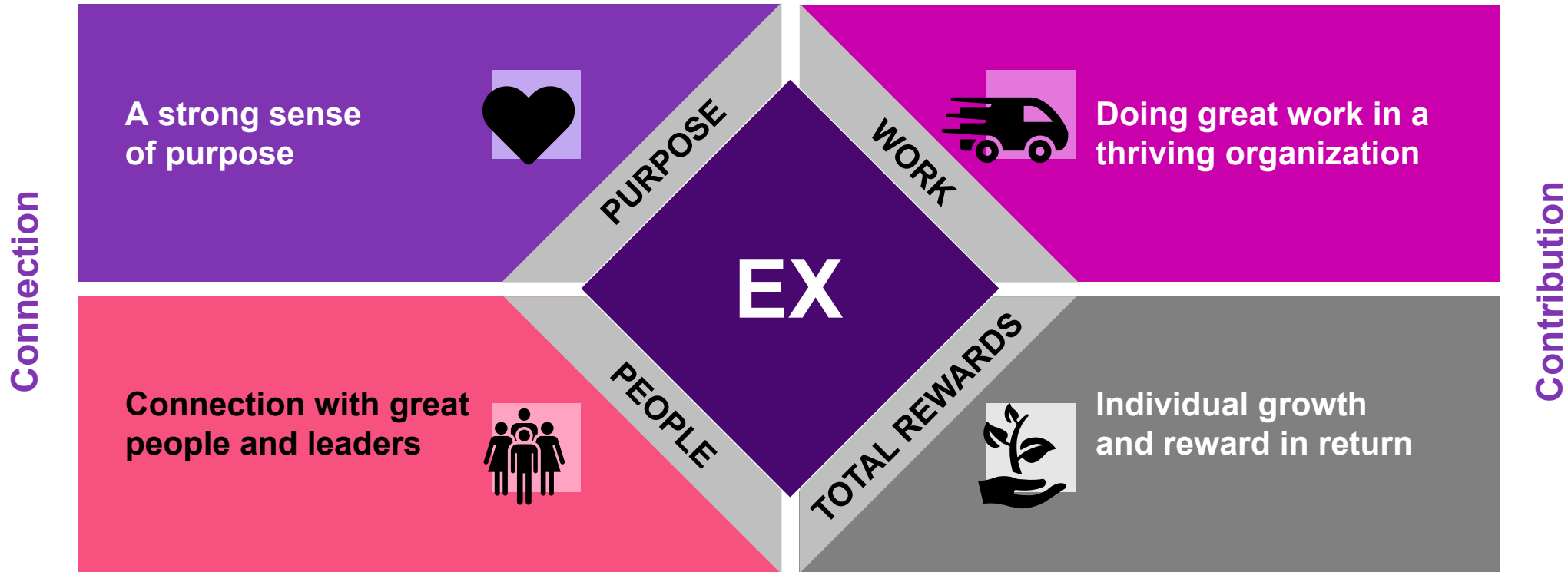
The expression of what it means to work at an organization has shifted

Providing context for how organizations and employees view “the deal” today

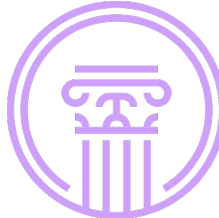
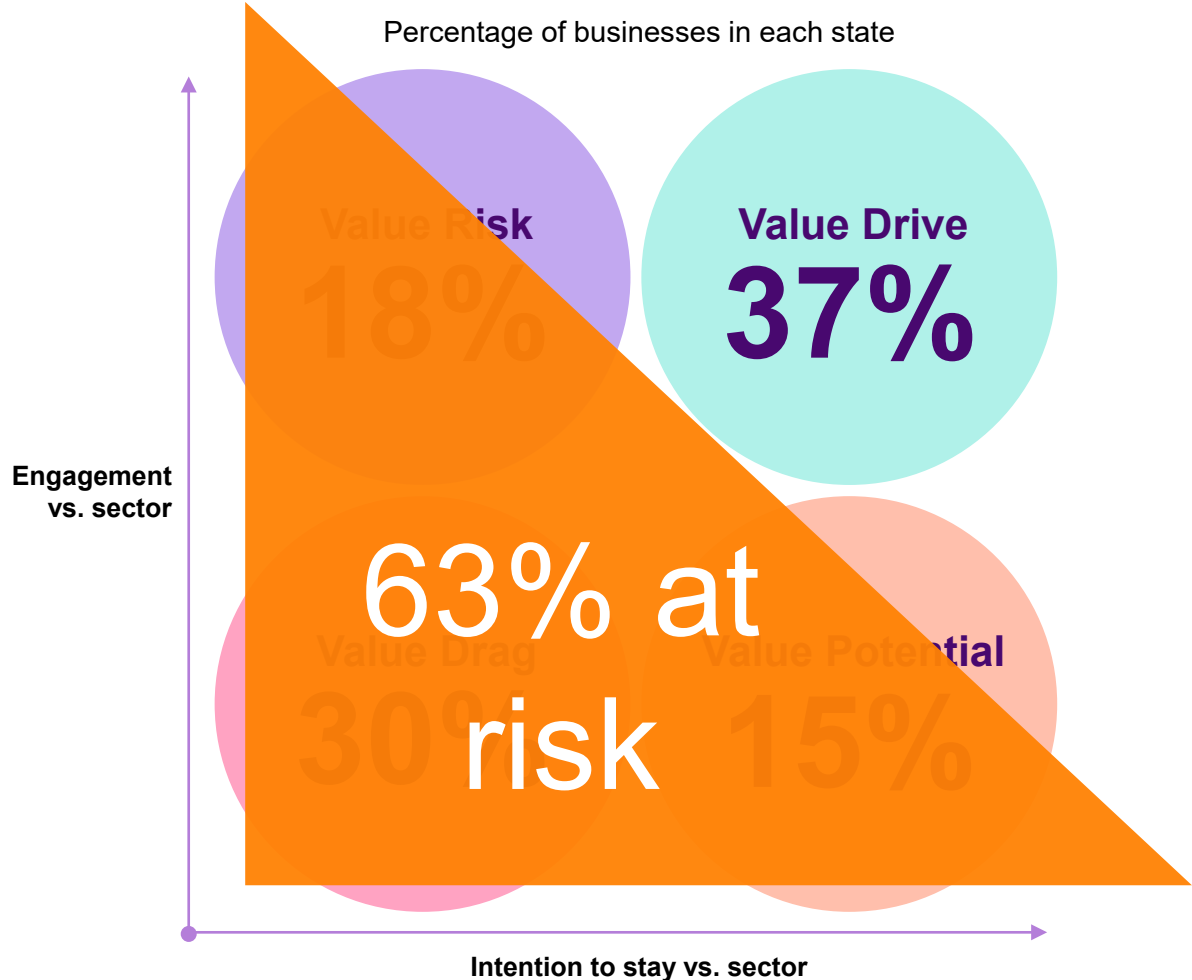
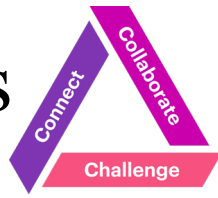


Employee experience

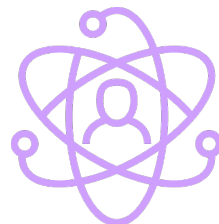
Fundamentally, employees are seeking Connection and Contribution through work



Employee experience impacts business value, in one of four ways



Study of **355 companies**

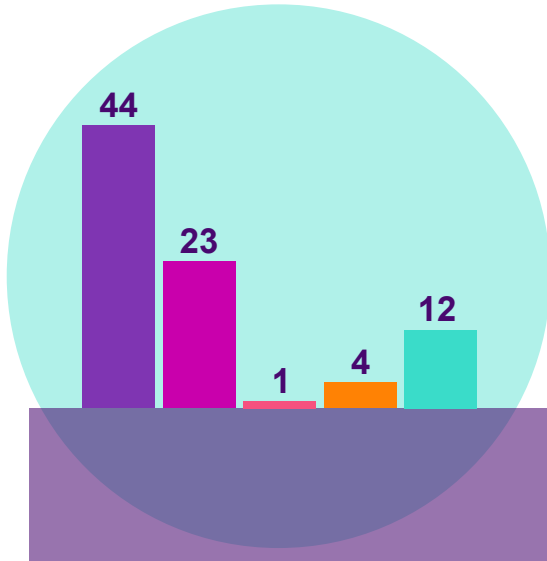


4 million employees

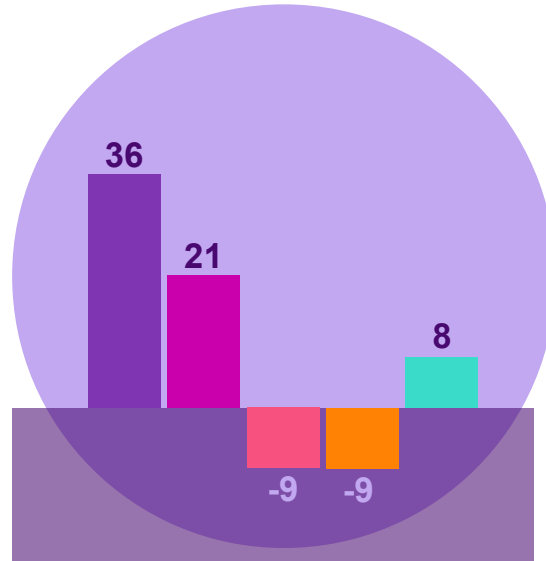
Employee experience determines financial outcomes



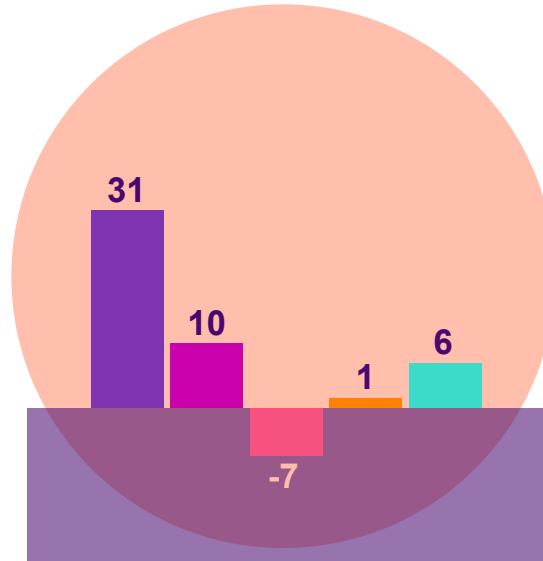
Value Drive



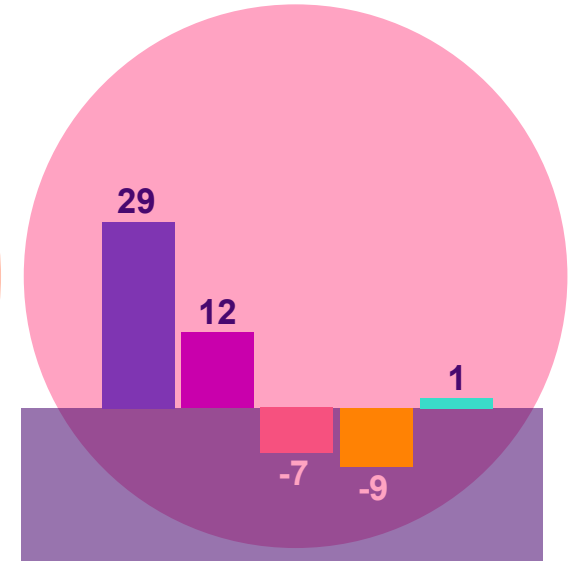
Value Risk



Value Potential

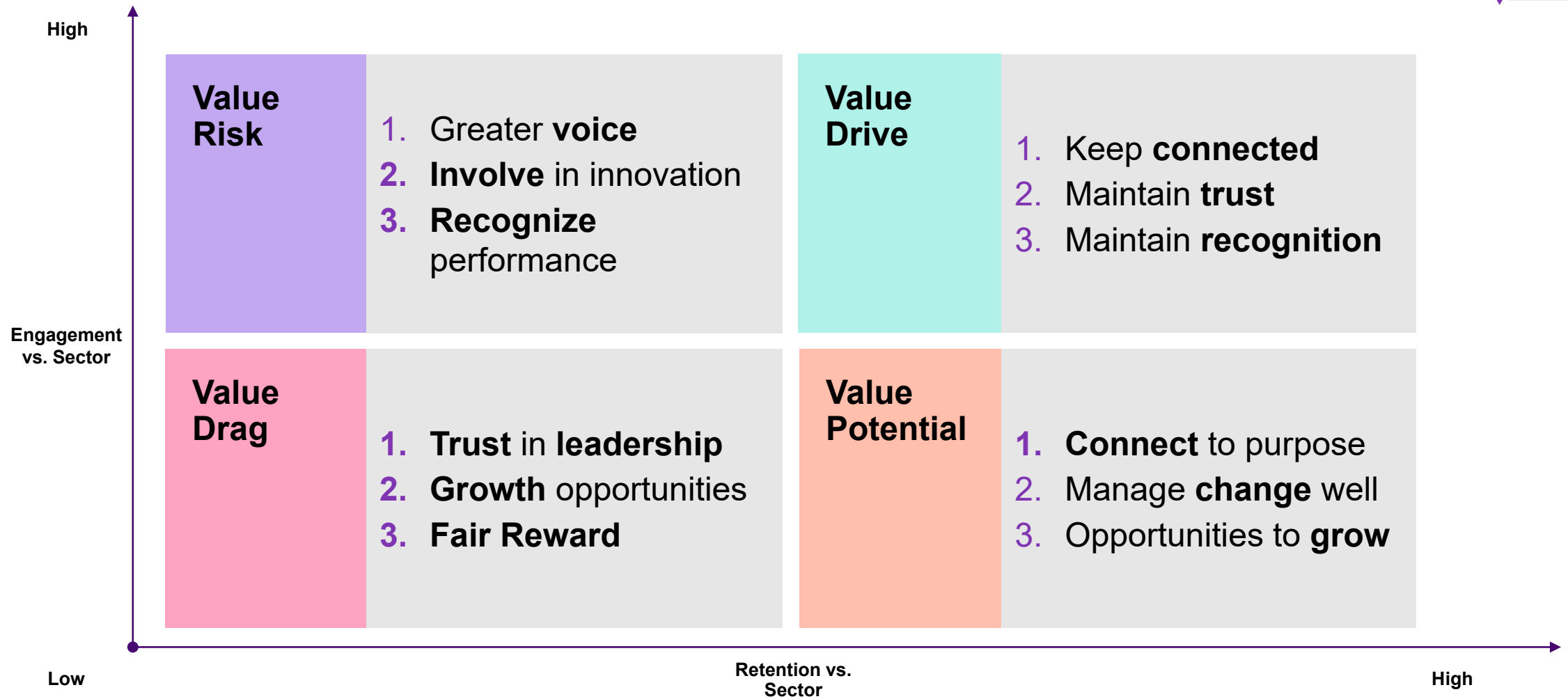


Value Drag



■ Gross margin %
 ■ EBITDA margin %
 ■ Revenue 1 year change
 ■ Gross profit 1 year change
 ■ Return on equity

How to enhance value in each segment

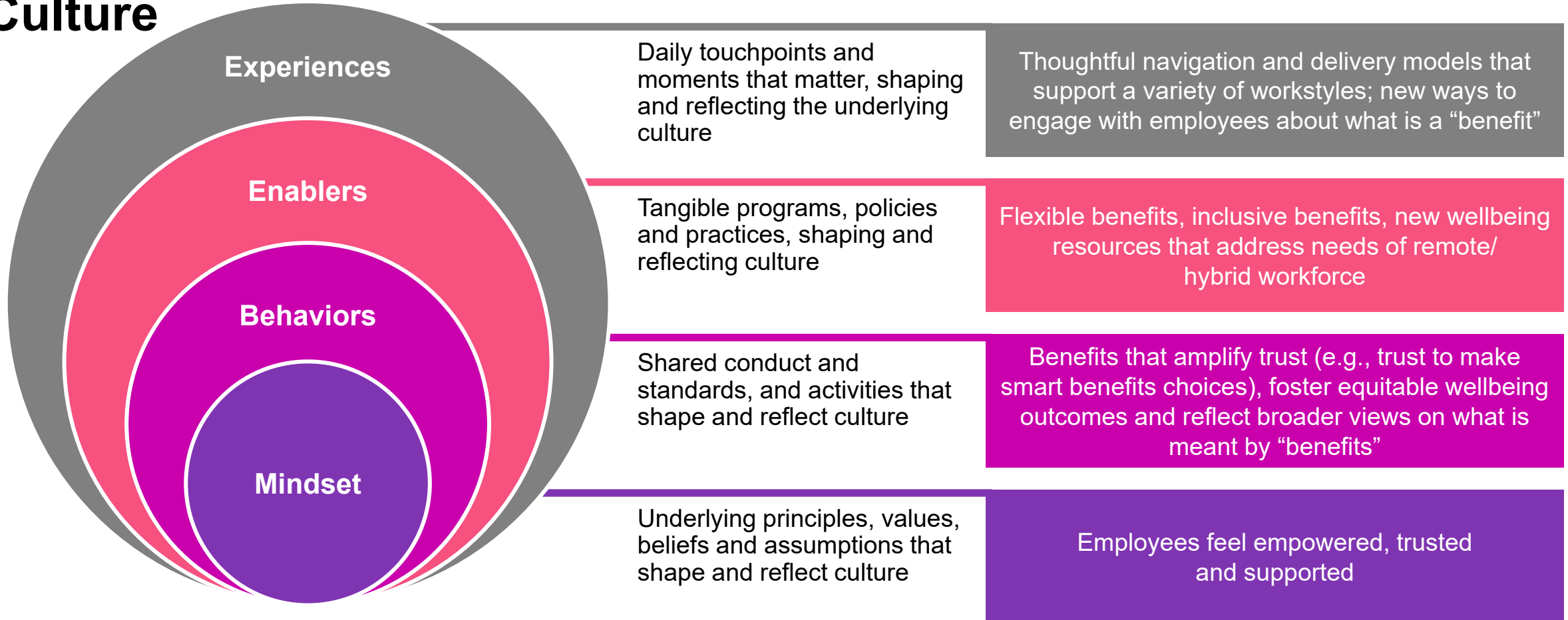


Source: WTW global EX insights data base – Study of 355 companies, 4 million employees

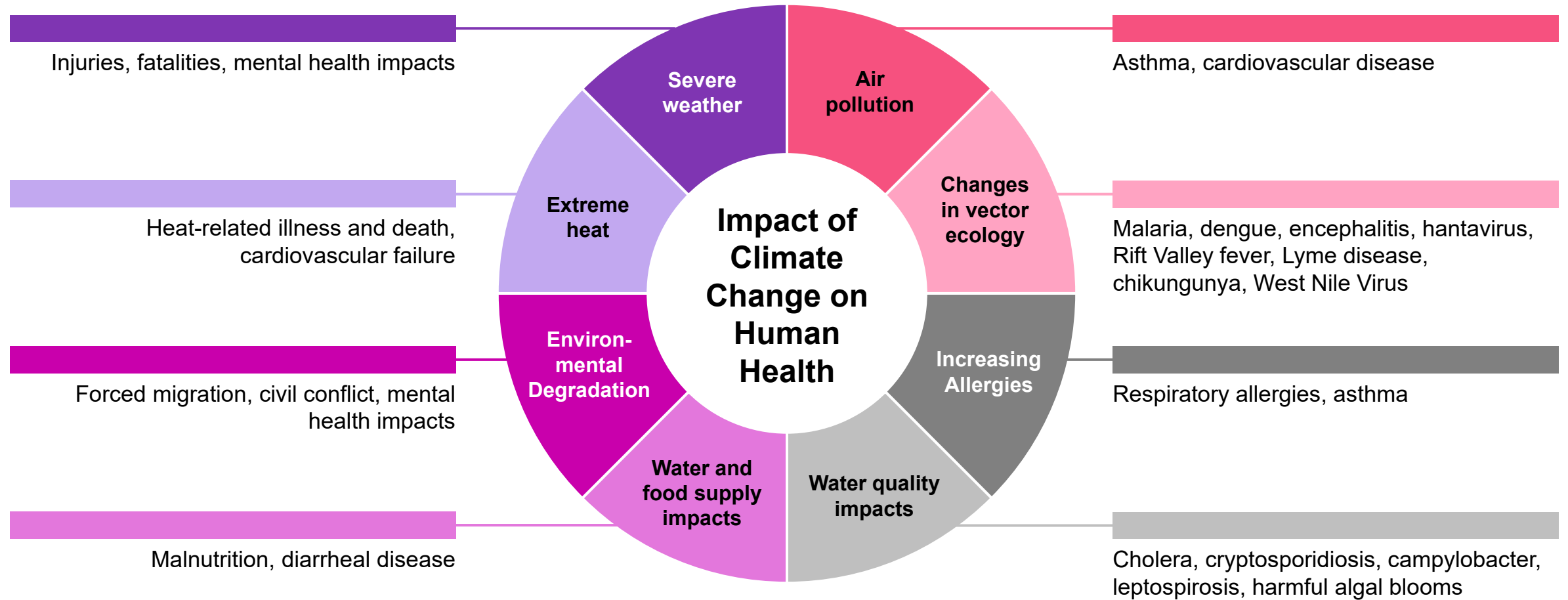
Using benefits to amplify your desired culture and employee experience

Illustration: How benefits link to flexible/hybrid work culture you are trying to achieve

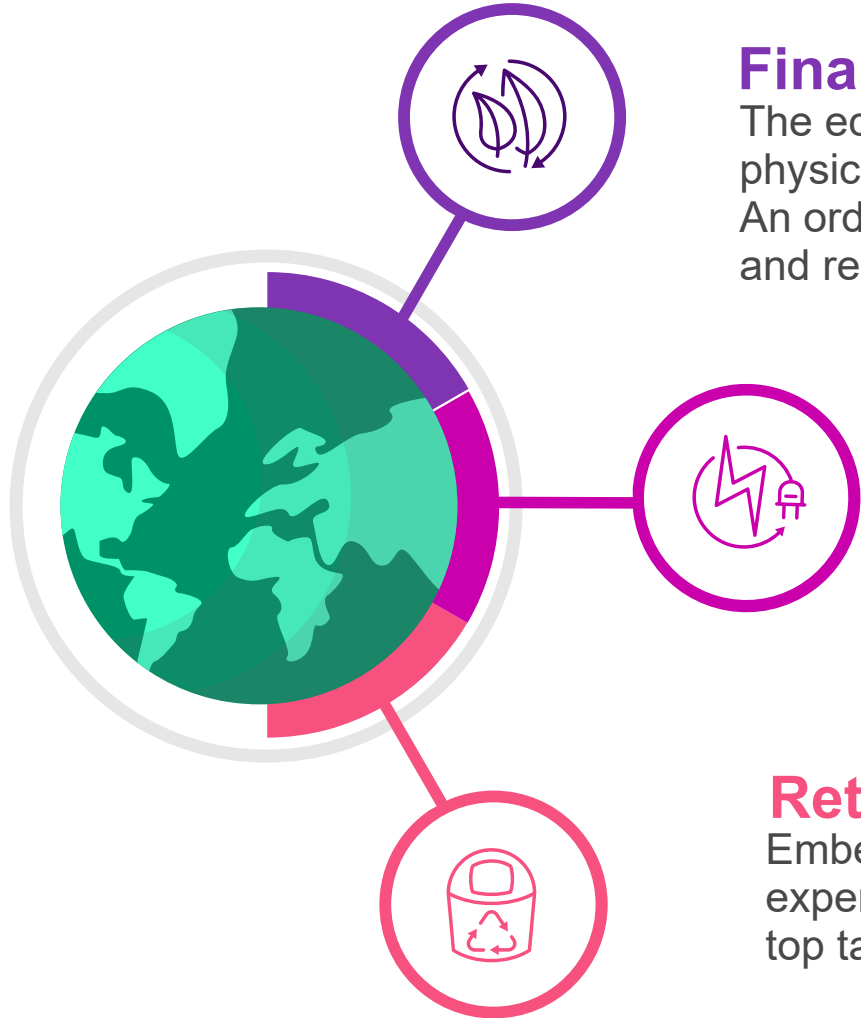
Culture



It is still uncertain what the impact of climate change will be on health and healthcare



Why should organizations care about climate change?



Financial value and risks

The economy-wide transition to net-zero and the increasing impact of physical climate risks will affect the assets and operations of organizations. An orderly transition is essential to protect financial sustainability, brand and reputation; and to unlock opportunities for growth.

Regulatory requirements

Accounting and corporate standards, reporting frameworks and policies have been introduced to mandate climate-related disclosures and action. The pressure from regulators, investors and shareholders is mounting for organizations to measure, manage and report climate risks.

Retain and engage talent

Embedding actions to mitigate climate change in your employee experience and employee value proposition is essential to retain top talent.

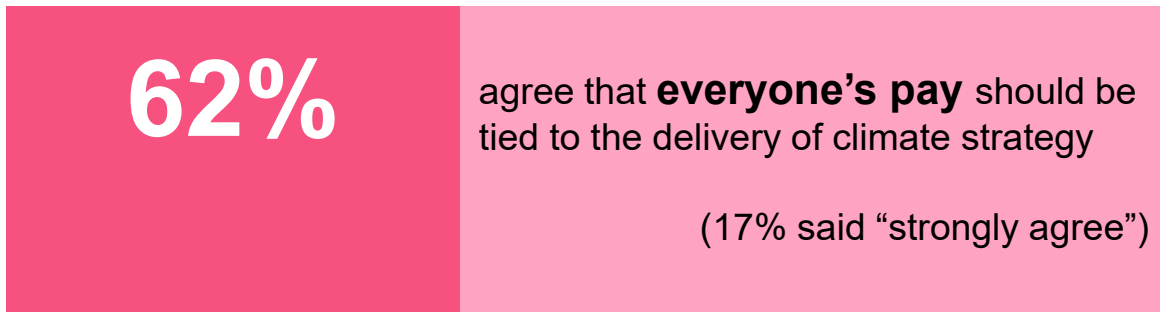
Clear appetite and opportunity for greater HR involvement



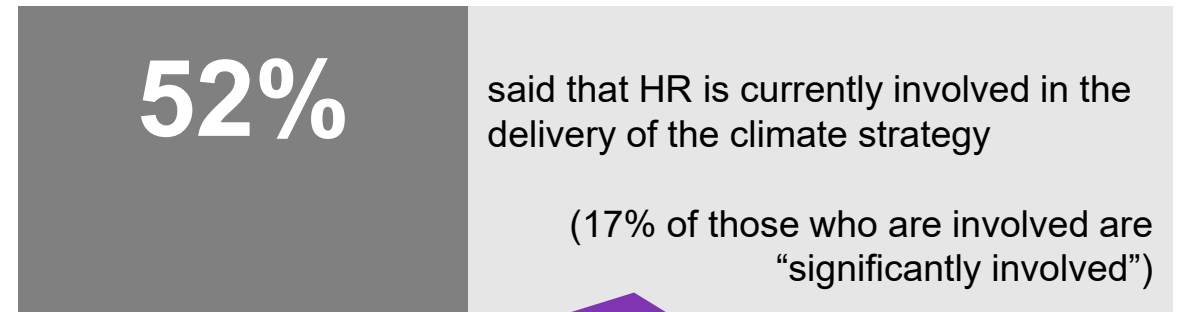
Role of employees



Employee pay

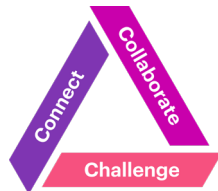


HR involvement



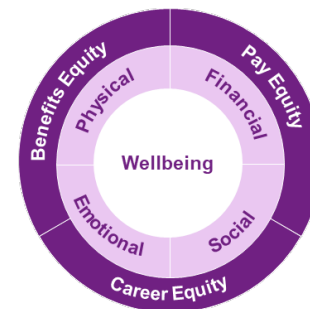
Of the 48% of organizations where HR is not yet involved, only 9% said there were plans to going forward

Supporting ESG commitments Equitable Total Rewards



Over two-thirds of companies globally incorporated ESG metrics into incentive plans as they headed into 2023

Source: Willis Towers Watson proprietary research based on proxy filings.



Environmental



Social

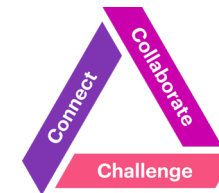


Governance

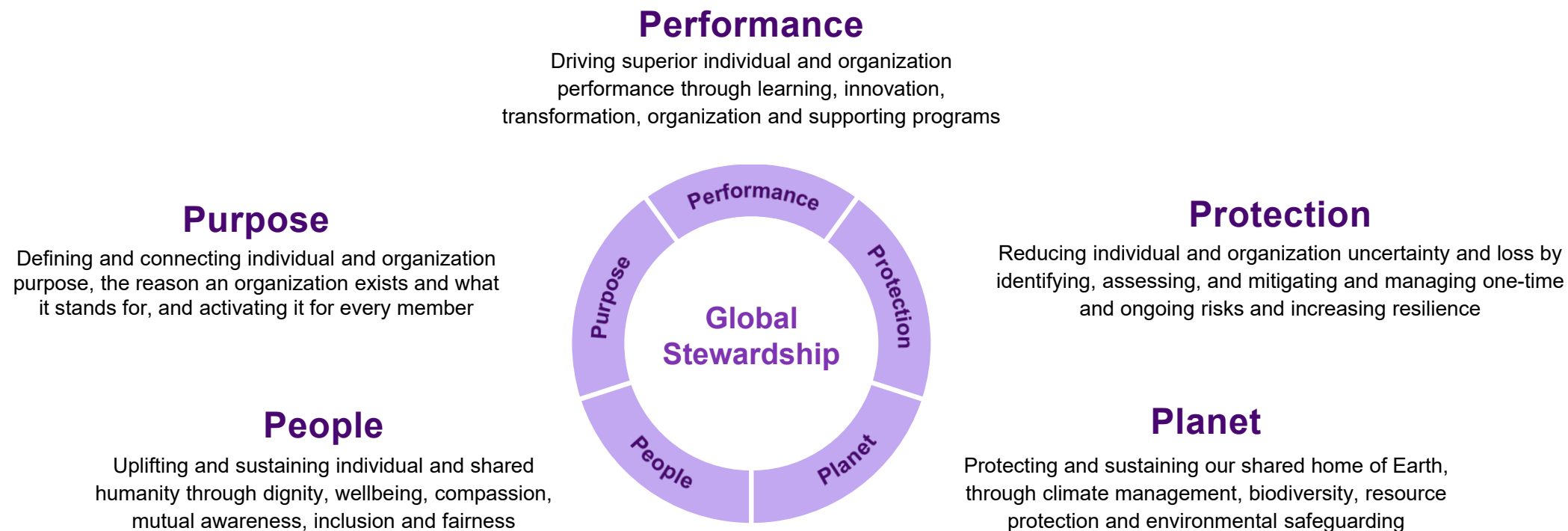
	Environmental	Social	Governance	
Pay	<ul style="list-style-type: none"> Climate ST/LT incentives Aligned incentives (climate actions) Environmental metrics, including impact of human capital on the environment 	<ul style="list-style-type: none"> Fair pay/pay equity Living wage/thriving wage Pay progression Shift premiums/hazard pay Pay for skills 	<ul style="list-style-type: none"> Aligned incentives (social actions) Social and human capital metrics Evolved performance management 	<ul style="list-style-type: none"> Pay transparency Governance and risk metrics Aligned incentives (governance actions)
Benefits	<ul style="list-style-type: none"> Green benefits Energy-efficient product discounts Programs for employees in climate-affected areas Live near work incentives, bike racks, other commuter programs Savings plans, HSAs, with sustainable investment 	<ul style="list-style-type: none"> Virtual/telemedicine Family-friendly; caregiving benefits Real-time emotional support Stress management Employee assistance programs PTO/Leave policies Housing, food subsidies 	<ul style="list-style-type: none"> Wealth creation and ability to save Health and wealth equity Financial literacy/decision support Inclusive benefits quality/access Loan programs accessibility 	<ul style="list-style-type: none"> Inclusive benefits Benefits governance Global consistency, philosophy Purpose-driven benefits Environmental justice (e.g., health care for underserved communities)
Career	<ul style="list-style-type: none"> Eco-focused work arrangements Eco-focused work environment (and locations, e.g., LEED) Green skilling programs Carbon transition innovation programs 	<ul style="list-style-type: none"> Flexible work arrangements Flex-focused goals and performance expectations Bias-free talent selection Psychologically safe culture Workplace health and safety 	<ul style="list-style-type: none"> Mentoring and sponsorship plans Career experience Career pathing/progression Tuition reimbursement/loan repayment 	<ul style="list-style-type: none"> Employee Resource Groups Inclusive representation Anti-bullying/harassment DEI & dignity governance

Wellbeing

Creating and preserving long-term value through global stewardship



A lens for forward-looking boards and executives connecting people, risk and capital.



Thomas Alva Edison



“I have not failed 10,000 times—I've successfully found 10,000 ways that will not work.”



Thank You!

