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The C-suite Agenda

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Contributors

Sam Birchall
Staff writer at Raconteur, focusing on the inner workings of the finance function and the trends shaping the future of financial leadership.

Sam Forsdick
Senior writer at Raconteur, leading its coverage of HR. He analyses the trends shaping the function and the workforce.

Francesca Cassidy
Raconteur's managing editor, responsible for its editorial strategy. She writes primarily on innovation, leadership and corporate culture.

Tamlin Magee
Senior technology writer at Raconteur. He's interested in big ideas shaping business tech and its impact on people and society.

Raconteur

Special projects editor
Ian Deering

Contributing editor
Neil Cole

Commercial content editors
Laura Bithell
Brittany Golob

Commercial production manager
Emily Walford

Commercial content executive
Jessica Lynn

Production executive
Sabrina Severino

Design and illustration
Kellie Jerrard
Colm McDermott
Samuele Motta

Design director
Tim Whitlock

Certified B Corporation

INCENTIVES

Not quite as easy as ESG

The case for tying CEOs' rewards to the attainment of environmental, social and governance goals has gained broad acceptance, but the practicalities of doing this effectively are far from straightforward

Sam Birchall

Unilever hit the headlines in 2014 when it paid its then CEO, Paul Polman, a £432,000 bonus for his work on the company's sustainability reforms. While this case drew criticism from those who saw it as a fat cat profiting from addressing global problems that his firm may have been part of, it fuelled the theory that the best way to persuade business leaders to manage their assets for the public good is to pay them to do so.

The movement to tie bosses' rewards to their companies' environmental, social and governance performance has since gathered momentum. By 2022, more than 90 of the FTSE 100 were incorporating ESG measures into their executive incentive plans, according to a Deloitte study.

Like most things ESG-related, the practice has encountered some scepticism. Does the promise of bonuses really drive business leaders to hit ambitious targets, or do such schemes equate to a Trojan horse, designed to sneak inflated compensation packages into the C-suite under the guise of rewarding corporate responsibility?

It can, when done well and in the right context, reinforce executive accountability to meet ESG targets. That's the view of John Dady, associate partner specialising in executive compensation at HR consultancy Aon. For many of his clients, the practice "feels like the next logical step" amid growing expectations and regulatory obligations.

Reflecting on conversations he's had with them about this, Dady says: "The question has become less about whether or not we should be doing it and more about how we can do it in a robust, reasonable way."

The main challenge lies in the "tricky practicalities of getting it right", he adds. The big risk is that the practice could result in more pay, not more effective action, but there are steps that firms can take to avoid this outcome and other pitfalls.

First and foremost, companies must put well-defined ESG metrics in place. Their absence would suggest a lack of substance, "opening corporations up to accusations of greenwashing or virtue-signalling", Dady warns.

The key is to set specific targets – minimum reductions in greenhouse gas emissions, for instance – for the whole business, advises Birgit Breitschuh, a partner at management


badahos via iStock

consultancy Oliver Wight.

"You need to be clear on how you will measure these, which may prove harder than it sounds," she warns, noting that ESG metrics are tricky to define and harder to quantify.

Organisations must therefore ensure they have the data and reporting capability to know what to measure, says Breitschuh, who adds: "Accept that you won't get it right the first time. You will get smarter if you stick to it and keep improving the alignment across the business's functions for achieving the goal."

Dady recommends separating internal metrics, such as workforce engagement, from external metrics, such as greenhouse gas emissions.

"This is an easy way for a firm to narrow down what aspects it should be looking at, while also making them as specific and relevant as possible," he says.

Firms should clearly explain their reasons for introducing ESG-related pay, including the benefits of achieving certain goals and the ineffectiveness of other incentive systems.

Pay follows strategy, not the other way round, stresses Lauren Chiren, corporate trainer and founder of Women of a Certain Stage, which provides executive mentoring and coaching to guide clients through changes such as the menopause.

Having helped Amazon, Lloyds TSB and Nike, among others, to tie incentive plans to diversity, inclusion and gender equality targets, Chiren advises that both the ESG goals and their importance should be embedded throughout the organisation and its business planning processes, with specific responsibilities allocated to the most appropriate teams. This should ensure that achieving them becomes part of its everyday decision-making.

A criticism commonly levelled against firms using ESG-related incentive plans is that the practice encourages bosses to pick the lowest-hanging fruit. If the CEO can achieve extremely high scores across the board, for instance, the scheme is unlikely to look rigorous enough.

With this risk in mind, ESG targets need to be so-called stretch goals – ie, "achievable but challenging", according to Dady, who adds: "What you don't want is a situation where a company fails consistently on its financial targets and succeeds on its ESG ones, resulting in bonuses for the bosses."

There are two main mechanisms for paying an executive for good ESG performance: through their annual bonus or their long-term incentive plan. In Dady's view, the latter is the more appropriate remuneration method for environmental accomplishments. Progress in other categories can be assessed and rewarded more easily on a yearly basis.

The best approach to take will depend on a range of factors, from the size of the business and its industry to its culture and wider commercial objectives. Choosing and calibrating the right mechanism requires finance teams to compile insights from across the business. They must "really understand the purpose and the practicalities of adding ESG to pay metrics", Dady stresses.

Rewarding the boss to incentivise good ESG performance "is a good place to start", but it isn't the only – or the best – way to do so. So says Amy Williams, founder and CEO of Good-Loop, a firm that serves online adverts for businesses while raising money for charity.

She argues that there are some disadvantages to this method. For one thing, it "puts the accountability of ESG performance on one person, when efforts should be shared across the workforce."

Williams believes a better way to bake impact into business as usual is to link it to earnings. Good-Loop, for instance, donates from its top line: for every £10 worth of advertising the firm sells, £2 goes directly to the charities it works with.

She explains: "If every time you sell more stuff you do more good, then your business model will have an impact baked into it. Your financial goals are automatically also aligned to your ESG goals."

Jenny Draper, commercial director at Barkers, a consultancy specialising in ESG procurement, agrees that firms could – and should – go further down this road.

"It would be more impactful for organisations to donate any funds they've withheld from executives who didn't meet their ESG targets to carbon-reduction or offsetting programmes," she argues. "This would ensure that the money is still used for good and doesn't simply go back into the company coffers."

90% of FTSE 100 companies now incorporate ESG measures into their incentive plans

40% include environmental metrics in their long-term incentive plans

5 companies in the FTSE 100 have linked long-term incentives to scope three emissions reduction

Deloitte, 2023

Commercial feature

Enhancing operational efficiency: the strategic impact of outsourcing payroll

With organisations facing a squeeze on their finances, outsourcing the payroll function is a way to unlock cost savings while maintaining regulatory compliance

Even for the most optimistic of business leaders, the operating environment going into 2024 looks challenging. Ongoing economic and geopolitical challenges are having an impact on businesses, which need to develop future-facing strategies in order to mitigate risks and promote operational efficiencies. Back-office admin functions such as payroll are affected by these challenges, but businesses that take action to streamline their finance systems will future-proof their operations.

Payroll teams are therefore having to manage with limited resources while at the same time attempting to navigate a constantly shifting tax and regulatory backdrop. In the UK, a January 2024 change to National Insurance contributions means extra work to ensure pay is calculated accurately for all employees at the new rate. Likewise, in Ireland, for example, new reporting requirements for expenses are creating additional compliance work for payroll teams.

"One of the largest headaches for payroll at this time of year is around managing updates like these," says Mary Stevens, head of managed services for UK and Ireland at Zalaris.

Payroll teams also continue to face a raft of underlying challenges as long-term under-investment means payroll professionals typically rely on outdated systems to do their jobs. From a lack of integration with third-party systems to an over-dependence on manual processes that can impact data accuracy and reporting quality, many payroll functions are not fit for purpose.

Given how vital payroll is for organisations to get right, this is a potentially short-sighted strategy.

Against this backdrop, some organisations are starting to outsource part or all of their payroll function to improve efficiencies and reduce costs. "This is enabling them to focus on their core business instead of worrying about payroll," says Stephen Burr, executive vice president and managing director for UK and Ireland at Zalaris.

A number of companies have been working with Zalaris to modernise their payroll and HR functions. UK pub operator Marston's plc has 14,500 people that rely on its payroll system, including salaried employees, pensioners and workers on zero-hours contracts. It also has up to 1,500 new hires or rehires a month to process, on top of other employment-related matters. In the past, Marston's relied on four separate payroll systems and 100 different applications to manage this. By adopting Zalaris' PeopleHub platform, the company was able to streamline those processes into one system, helping to cut costs and providing a nearly fully automated payroll service.

Outsourcing to a specialist managed services provider, like Zalaris, also allows organisations to fast-track the digitisation of the payroll function, integrating payroll with their core HR system and third-party services to access a greater trove of employee and time management data to increase automation. For an organisation's payroll function to be fit for purpose in an increasingly digital world, integration with third-party systems is a critical step.

"Whether that is your pension or benefit provider or a lease car provider, having all of those systems integrated will help reduce inaccuracies within payroll and make it as smooth as possible so there's not a mad panic because someone hasn't sent over some data," says Stevens.

65% of all payroll processing, audits and managed services will be automated and processed with no manual interventions by 2035

Gartner, 2023

80% of a firm's running costs can be attributed to employee pay

Zalaris, 2023

Automation saves time

That automation means payroll managers don't waste time manually entering variable data into a spreadsheet, a process that historically would increase the chances of error. Instead with automation, organisations can be reassured that payroll has been calculated correctly and all necessary regulatory reporting has been completed accurately.

"Having everything integrated means that when clients are approving payroll, they have comfort that everything is in place and they are not having to do additional checks and reviews, which just makes life all round a lot easier," says Stevens.

The pace of regulatory change – and the challenges it presents to over-stretched, in-house payroll teams – is another motivating factor to outsource the payroll function to third-party specialists. Managed service providers focusing on payroll can ensure companies are compliant with tax and employment legislation changes, thereby reducing regulatory risk.

> Having one provider means everything is much more efficient and should deliver cost benefits for clients as well

"Our role is to understand those changes and make sure that our clients are aware of the impact to them and that they are up to date," says Stevens.

The cost of being non-compliant can be significant. Not only can it result in headaches with tax authorities, if workers have been underpaid, it can have a severe impact on morale and productivity. "If you've ever been paid incorrectly, you'll know how stressful that can be," says Burr. "It's just one of those things that's a complete red line and you just don't go over it, because it not only creates more work to rectify the situation, but it can also cause bad feelings with employees."

Outsourcing payroll adds value

Outsourcing the payroll function – whether for software-as-a-service or a fully-managed service – can help payroll become more effective and start adding real value to the wider business.

"We try to ensure we've got as much efficiency within the whole process as possible to really give time back to clients so they can work on more strategic items within their own business," says Stevens. "That's where we really strive to listen and collaborate with the client to give them the best service and take the pressure away from them, so they're not fretting that it's payroll time."

Outsourcing can also ensure the payroll function is agile and can flex as the company grows, reducing the challenge of relying on a small team of payroll professionals or trying to find new staff members amid a broader industry talent shortage.

"If you're a finance director and you think you only really need one decent payroll person to run your payroll – what if they want holiday or they are sick or they leave?" says Burr. "There's a big risk there."

Cohesive cross-border payroll

For global companies that are adopting an outsourcing strategy, unifying cross-border payroll with one provider means companies can manage their multi-country payroll without having to deal with multiple service providers in each country.

"The beauty of having multiple payrolls managed by a single payroll service is that reporting-wise, you get an overall picture of what's happening with your payrolls across countries," says Stevens. "Having one provider means everything is much more efficient and should deliver cost benefits for clients as well."

In addition, having a consistent approach means employees have access to the same tools and documents as colleagues in other countries. "For organisations that are operating across many countries, it means their employees are getting the same experience no matter where they are located," says Stevens.

Zalaris provides multi-country payroll outsourcing services for Finnish forestry business Metsä Group across 28 different countries, giving the company access to local expertise but with a joined-up, consistent approach.

However, flexibility is key, says Burr, given that some companies may wish to manage payroll differently for each country. "For some countries a company might have a large employee population and have historically had an in-house payroll team that they want to retain, while for other countries they might have fewer employees and so they don't really need a payroll manager," he adds. "We can put that under one framework agreement, so they get a common service, but with the flexibility to manage certain elements differently."

Whether companies have complex cross-border payroll requirements to manage or they simply need to streamline their payroll function while maintaining regulatory compliance, outsourcing to a managed service provider can help companies cut costs without compromising their business.

For more information please visit zalaris.com

zalaris

Beyond the hype: unlocking the long-term value of generative AI in financial services

Generative AI has the potential to revolutionise industries, but going from ideation to adoption can be challenging. **John Da Gama-Rose,** head of banking and financial services at Cognizant, and **Symon Garfield,** director, capital markets advisory and digital strategy at Microsoft's financial services unit, spoke to leading voices in financial services tech to identify the challenges leaders face in proving the business case of generative AI

PHOTO: David Fearne, global head of generative AI at Cognizant, discusses how best to understand the impacts of GenAI in financial institutions

Generative AI, or GenAI, is taking the enterprise world by storm, supercharging digital transformation by enabling higher levels of human-machine collaboration than ever before. In the financial services world this can stretch from using AI-powered chatbots to enhance customer support, unlocking data insights to improve decision-making or automating processes to improve employees' quality of work.

But adoption is not without its hurdles and demonstrating the return on investment of such nascent technology can be a challenge. It was this topic that we sought to explore in a recent roundtable hosted by Cognizant and Microsoft that brought together thought leaders from several leading financial services institutions.

Proving the business case

A common problem holding back adoption is that many of the benefits of GenAI – such as improved efficiency, productivity and time-savings – aren't easy to measure in traditional organisational frameworks and may not be comparable across teams or departments. This complicates the ROI conversation within boardrooms where risk appetite is low.

St. James's Place, the wealth management firm, is deploying AI to augment its 4,800 advisors in their face-to-face relationships with clients. "We're trying to [...] free up advisors to have more time to build trusted relationships, doing the emotional aspect of financial planning, while using genAI to support the overall client experience," says Ian MacKenzie, the company's Chief Operations and Technology Officer. "One of our key measures is actually the amount of time we give back to advisor businesses."

Of course, GenAI might be able to offer new ways of working, new sources of inspiration or different starting points to solving a problem. But it can be very difficult to translate those things into something like a cost saving that would then justify an investment.

It's not dissimilar to the challenge we had with RPA [robotic process automation] ten years ago, when our team would tell me that we would save up to 1.7 million man-hours of time after process implementation – that's just not quantifiable as its fractions of peoples' time and doesn't equate to the headline number," says Jamie Ovenden, chief technology officer at Schroders.

Cutting through the hype

Proving ROI is nonetheless possible; it often just requires a different approach. What many tech leaders are finding is that the hype around GenAI means that executive-level interest in the tech is already high. But to cut through the hype, the C-suite needs to truly understand and experience the benefits of GenAI first-hand.

"The number-one topic [among the C-suite] is not about positive financial ROI; it's to increase the level of predictability in your numbers and your delivery systems," says Gabriel de Montessus, executive vice president of Worldpay's Global Enterprise unit. "GenAI gives you the ability to drastically improve predictability – for you and your customers. And when you're more predictable, you can better understand the future for your company."

For Worldpay, the most immediate application of GenAI has been to increase the processing performance of payments. The reality is that, out of every 100 legitimate transactions globally, around 15 are mistakenly blocked by merchants or banks due to suspicions of fraud. This holds back commerce and produces frustration for all concerned.

"By trying to fight against fraud, we still block a huge number of valid transactions," de Montessus explains. "But using these types of technologies allows us to be way more accurate in our analysis and massively reduce the number of false positives, improving performance for our merchants."

The business case here is clear – and measurable: not only are merchants able to sell more products, payment providers like Worldpay (who take a fee on each transaction) benefit too, along with the positive outcome for the end-consumer.

> **Once you grasp [GenAI's] workings and learn how to align it with your enterprise's risk and regulatory frameworks, it becomes a profoundly powerful tool**

Pioneers and sceptics

Growing boardroom interest in GenAI is no surprise. But it will be those businesses in the financial services sector that are willing and able to innovate that will be those most likely to see success.

"Financial services businesses around the world have shared characteristics – like risk profile, regulatory scrutiny, competitive intensity. But one of the differentiating factors is organisational culture and the mindset of innovation and experimentation," says Piers Marais, chief product officer, Currencycloud, a Visa solution. "It's that level of organisational-wide desire to go and experiment with new technologies that really has to be ingrained in the entire business. That, to me, is the big differentiator."

But it's not just internal people that need convincing. But it's not just internal people that need convincing. For David Fearne, global head of generative AI at Cognizant, speaking to a new client often involves a healthy amount of time "debunking the FUD", and helping them to understand and delineate between consumer-grade GenAI (like ChatGPT) and enterprise-grade GenAI.

"Many people view generative AI with apprehension, perceiving it as an enigmatic and exotic technology. Yet, once you grasp its workings and learn how to align it with your enterprise's risk and regulatory frameworks, it becomes a profoundly powerful tool. This understanding can liberate and expand how people think about incorporating it into their use."

Convincing sceptics in the workplace, then, is key to realising ROI. Taking advantage of internal data can have a multiplier effect on adoption as it both backs up business use cases but also demonstrates the impact the change is having, according to Edward Achtner, head of HSBC's Office of Applied AI division.

"The emphasis for us at HSBC is not to innovate for the sake of innovation, but to actually create value, on a global scale. Leveraging world class research, highly skilled multi-discipline teams that fundamentally understand customer need and organisation strategy is key." says Achtner.

Workforce transformation also plays a vital role, across the entire bank, at HSBC. "We've introduced AI literacy pathways to ensure we have an engaged and informed workforce," says Achtner. "To guide our thinking, we published our principles and standards for AI and big data use to help us establish our 'North Star', ensuring what we build, where we build and how we build not only delivers for our customers but adheres to these standards in a responsible and ethical way.''

Such company-wide ambassador programmes can give employees a pathway to upskill themselves for the future, helping to get them on board with tools like GenAI. However, many financial institutions continue to employ analogue operating models that can pose challenges to the implementation and adoption of GenAI tools.

Visualising at the board level what a more digital operating model might look like with these technologies in play, and how this may create an end-to-end value stream, is a critical first step for any bank looking to successfully navigate this generational disruption and deliver value to its end-consumers.

HYBRID WORKING

Risk and return (to the office)

As more and more firms scrap hybrid working, it's vital that they handle the transition carefully if they're to keep staff engaged – and themselves clear of legal trouble

Johnny Greig via iStock

Sam Forsdick

The CEO of Boots, Seb James, said that there was "no doubt" in his mind that the office is the best workplace when he announced in March that his company was abandoning its hybrid working policy.

From September, 3,900 of the retailer's office-based employees will have to commute into the office five days a week.

Boots is not the only prominent company to have made this call recently. Construction giant Laing O'Rourke has ordered staff to return to the office full-time from April, for instance, as has video-game developer Rockstar Games.

In fact, 40% of UK firms have reverted to this arrangement, according to the Q4 2023 Business Movers Index report published by Virgin Media O2.

Since the end of the pandemic, companies have steadily increased their expectations regarding the number of days their employees should be attending HQ. The change has been gradual, but the direction of travel has been consistent.

Concerns about cultural cohesion are among the main justifications for return-to-office mandates. Explaining the reasons behind Boots' policy change, James told staff that in-person meetings and casual conversations in the office were better for the company's culture than the "enforced formality of remote meetings".

Caitlin Duffy, research director in Gartner's HR practice, believes there's "a sense that culture needs to be absorbed by osmosis – and that everyone needs to be in the same environment to participate in it".

Many of her clients have struggled to get a "critical mass" of people into HQ at the same time when mandating two or three office days per week. The solution, they've decided, is to simply demand a full-time return for all staff.

Gemma Dale is researching flexible and remote working as part of her role as a lecturer at Liverpool Business School. She contends that the cultural justification is insincere.

"It is entirely possible to have a strong, vibrant culture and highly engaged and productive employees in a remote- or hybrid-working model," she stresses.

Dale believes that the push for full-time in-office work is rooted in the experience bias of chief executives, most of whom built successful careers while working the traditional, pre-Covid way. For others, though, it's about exerting control.

"Throughout the history of work there's been a view, from some people, that employees do the minimum that they can get away with and will skive without supervision," she says. "This drives the fear that remote workers will not be productive."

> **It's crucial to emphasise that the transition is not about reverting to old ways of working**

The challenge of returning to pre-pandemic working arrangements has been compared to pushing toothpaste back into the tube. Research suggests that hybrid working is valued highly by employees and can help firms to improve job satisfaction measures and reduce attrition by up to one-third. Unsurprisingly, employees rarely embrace return-to-office mandates. Any company that ditches hybrid working must therefore be ready to encounter resistance.

Employees at Rockstar Games, for instance, described the firm's policy change as "reckless" and urged its leaders to reconsider. The Independent Workers' Union of Great Britain was also quick to raise concerns about the impact of the decision.

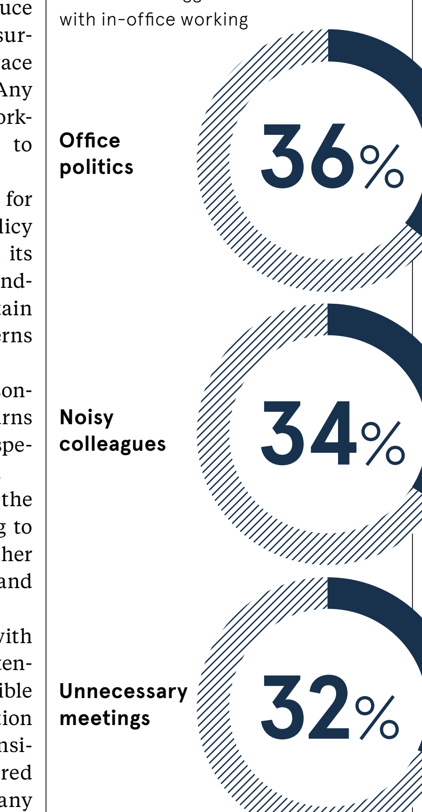
Firms must consider their reasoning for this choice carefully, warns Melanie Steel, an HR consultant specialising in change management.

"It's crucial to emphasise that the transition is not about reverting to old ways of working, but rather about adapting to future needs and opportunities," she says.

Steel recommends consulting with trade unions and employee listening groups at the earliest possible opportunity. Good communication and a clear outline for the transition plan, which should be shared with employees well ahead of any changes, are key.

WORKPLACE WOES

UK workers' biggest frustrations with in-office working



Virgin Media O2, 2023

There are also legal obligations that employers must observe, particularly if they have recruited people under a remote or hybrid arrangement. In such instances, altering their place of work amounts to "a significant change of terms, for which you would need a clear and strong business case", notes Gill McAteer, director of employment law at Citation.

Employees with disabilities or caring responsibilities are also protected under the Equality Act 2010. For these individuals, employers are obligated to make reasonable adjustments to working practices and environments.

McAteer adds: "Anyone managing a business will need to be mindful that there's a risk of indirect sex discrimination claims where the need for flexible arrangements is connected to childcare responsibilities."

Moreover, recent changes to the rules on requests for flexible working and carer's leave add a further layer of complexity.

For business leaders who are set on bringing everyone back to base, improving the office environment could ease the transition. Boots, for instance, has pledged to upgrade its IT, increase access to videoconferencing tools, create more quiet spaces and improve car parking before September. It hopes that these changes will help to make the office a more attractive place to work than employees' homes.

Middle managers will probably bear the brunt of employee resistance and will therefore require extra support from senior leaders. Steel says that directors will need to offer them guidance on managing resignations and grievances during the transition period.

Regular pulse checks are also vital for gauging employee sentiment and identifying problems early. If the return to five days in the office is clearly proving harmful to the business, the CEO must be ready to reverse their decision.

Duffy points out that many companies "walked back on these requirements because they saw spikes in attrition, increased disengagement and a generally negative response from their employees".

Nearly two-thirds (63%) of CEOs polled by KPMG in Q4 2023 predicted a full return to in-office working in the UK by 2026. It remains to be seen whether that will transpire, of course, but Dale notes that "the progress we have made in flexible working over the past four years should not be taken for granted – and it is potentially fragile".

With this in mind, some firms may prefer to wait and see how five-day in-office mandates affect their rivals' talent retention efforts before deciding whether or not to impose a full return to HQ themselves.

THE EXECUTIVE OUTLOOK

Business leaders are increasingly optimistic about their firms' performance in the near term, but ongoing political and economic turmoil are causing concern. While geopolitical instability is still perceived to be the greatest threat to global economic growth, worries about domestic transitions of power have markedly increased since December 2023, especially for businesses in North America

45% of private sector executives increased prices of goods and services in the past six months

51% of executives expect an increase in customer demand over the next six months

6 in 10 executives worldwide expect their organisation's profits to grow in 2024

GEOPOLITICAL INSTABILITY IS SEEN AS THE GREATEST THREAT TO ECONOMIC GROWTH

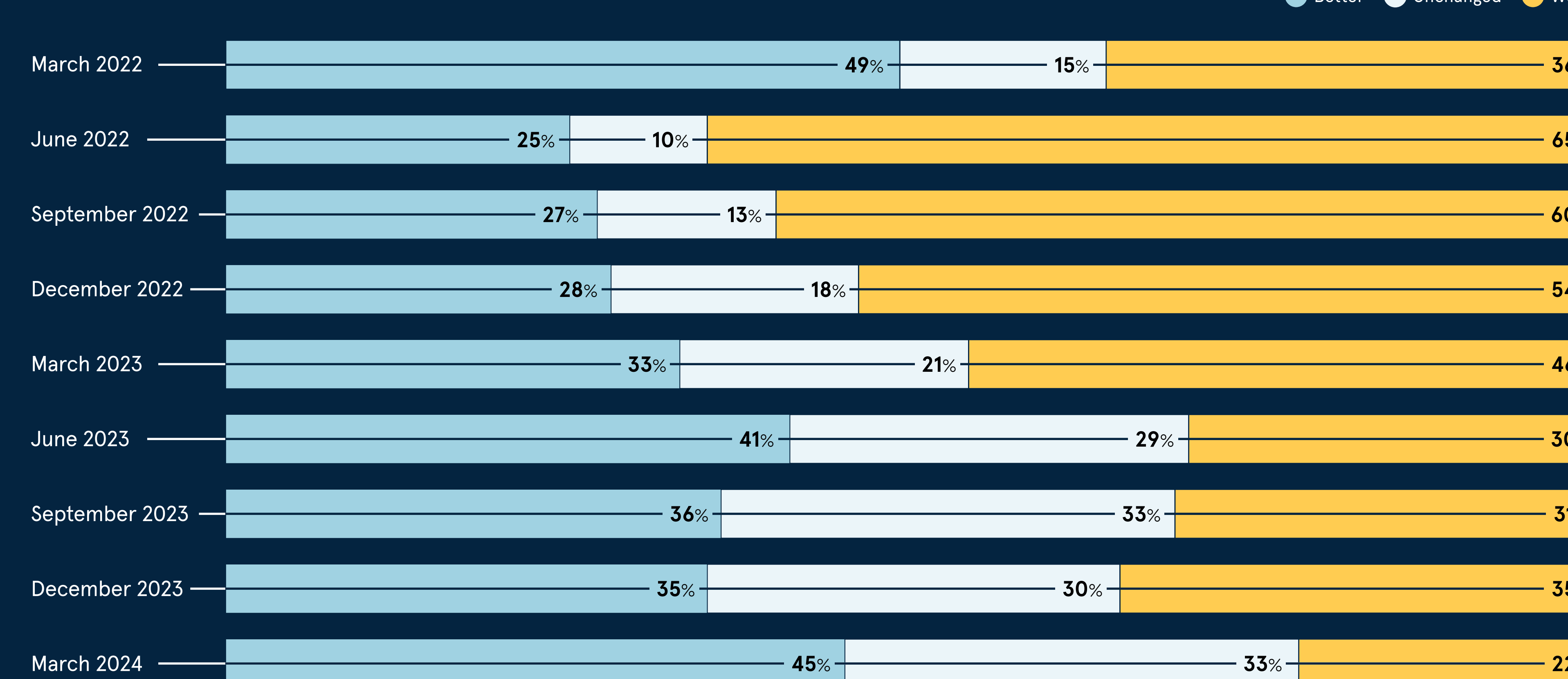
Share of executives listing the following as major risks to economic growth in their own countries over the next 12 months

	Europe	Asia-Pacific	India	North America	Greater China	Developing markets*	Overall
Geopoliticial instability and/or conflicts	58%	51%	32%	34%	20%	19%	37%
Domestic political conflicts	18%	31%	17%	36%	14%	40%	25%
Transitions of political leadership	17%	21%	31%	52%	6%	23%	24%
Inflation	18%	28%	17%	24%	21%	32%	23%
High levels of national debt	19%	5%	12%	20%	6%	40%	16%
Weak demand	21%	11%	7%	8%	22%	21%	16%
Slowdown in China's economic activity	6%	45%	2%	10%	23%	11%	16%

* Central and South America, Middle East, North Africa, South Asia and sub-Saharan Africa

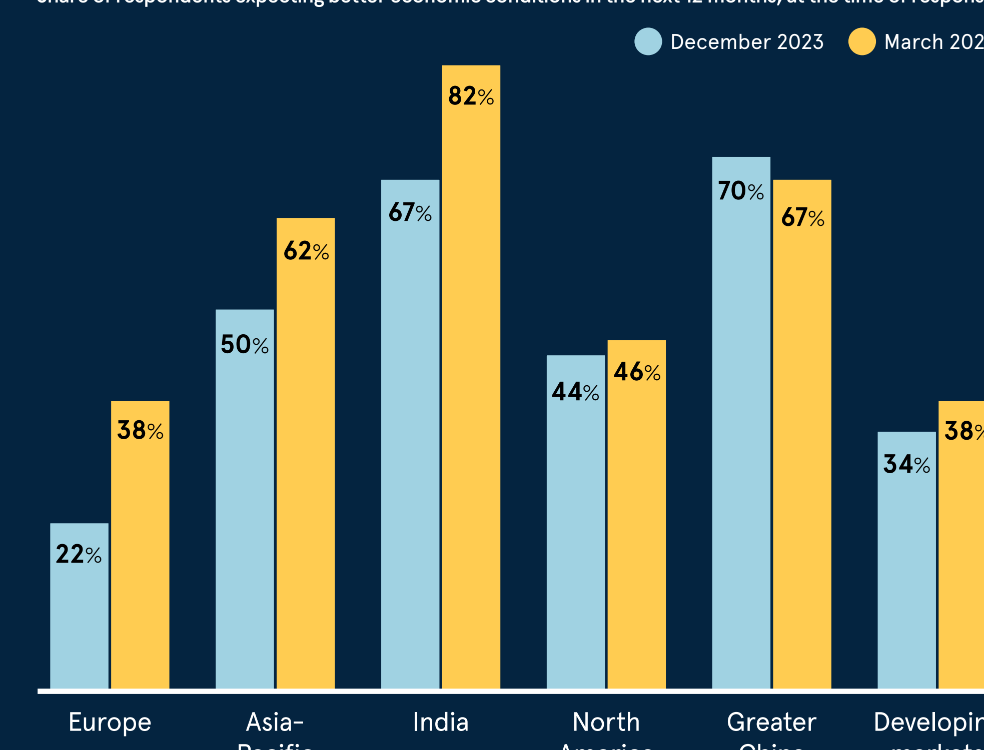
MORE THAN FOUR IN 10 EXECS THINK THE GLOBAL ECONOMY HAS IMPROVED

Executives' perceptions of conditions in the global economy compared with six months prior to response date



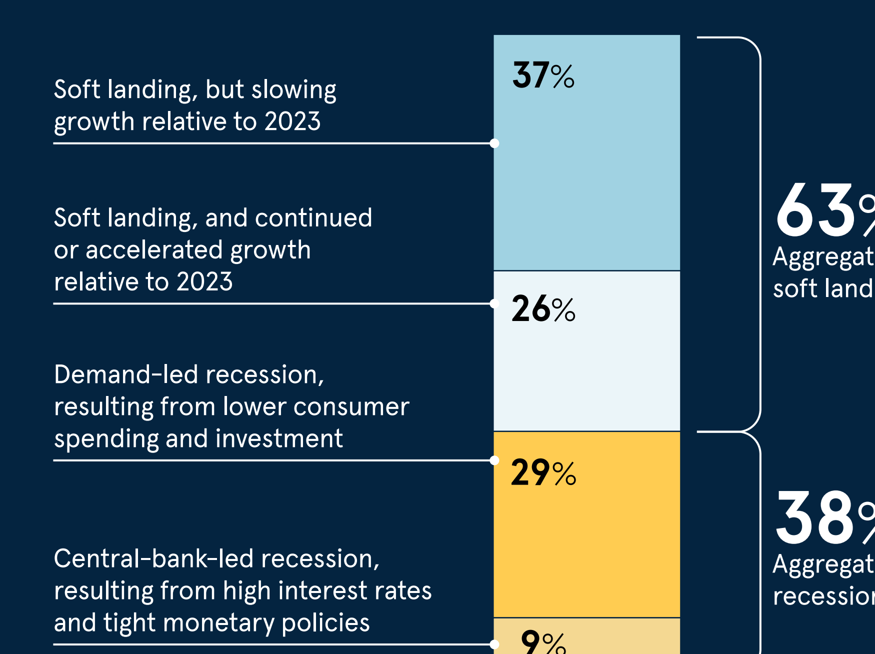
ECONOMIC OPTIMISM ACROSS THE GLOBE

Share of respondents expecting better economic conditions in the next 12 months, at the time of response



A SOFT LANDING FOR THE GLOBAL ECONOMY?

Share of executives ranking the following global scenarios as most likely to occur in 2024-25



McKinsey, 2024

ARTIFICIAL INTELLIGENCE

Less Clippy, more zippy: how to implement AI assistants effectively

Although AI promises huge efficiency gains, employers must remain realistic about its scope and adopt it in a strategic, controlled way that won't end up alienating people

Tamlin Magee

If we are to believe some of the bleaker headlines about AI, barely anyone's job is safe from destruction by automation. Apparently, the livelihoods of translators, scientists, mathematicians, writers and even poets are already under threat. No wonder 32% of UK employees think the technology could render their roles redundant, according to a survey published by the Office for National Statistics in Q4 2023.

Yet the same research found that 28% of workers believe AI could make their jobs easier. This is the pitch made by the many technologists who, in contrast to the attention-grabbing doomsayers, contend that generative AI tools such as ChatGPT are more likely to help workers than replace them.

They argue that AI-powered digital assistants can serve their human masters, rather than exasperate them like Microsoft Office's much-mocked Clippy feature used to do. They can remove the drudgery from people's everyday work, accelerate processes and/or use data in new ways.

And so it is that sectors ranging from retail and logistics to marketing and legal are exploring the potential of AI assistance tech. Influencer marketing agency Billion Dollar Boy, for instance, is streamlining its creative process by using Midjourney and ElevenLabs to conceptualise ideas and quickly produce mock-ups and storyboards, reports its global CMO, Becky Owen.

Meanwhile, international law firm Cleary Gottlieb uses GenAI to scan its databases and create a summary of its lawyers' relevant experience before meetings with a new client. The document produced by the AI "won't be ready to send immediately", says the firm's managing partner, Michael Gerstenzang, "but it's a pretty darn good first draft."

Most creatives have, at least once in their careers, experienced a paralysing fear when faced with a blank page to fill, resulting in procrastination and even writer's block. GenAI-based assistance tech can help to overcome such problems, according to Stack Overflow, a coding knowledge hub that recently signed up with Google to power the search giant's Gemini AI model.

"We believe it will be a lot easier to write code than it was yesterday. Back when I started coding, I was doing it the handwritten way and the only reference points were textbooks. For that first draft, GenAI will be able to generate all this foundational content," explains Stack Overflow's CEO, Prashanth Chandrasekar.

Companies that implement a new AI tool without carefully assessing its possible cultural and practical side effects beforehand risk alienating employees or even making their lives more difficult. Firms should therefore identify whether the tech they're interested in is likely to be a net benefit or not, according to Peter van der Putten, assistant professor of AI at Leiden University.

He would advise any business facing this choice to consider the following questions: "Will this tool automate manual work at sufficient levels of quality? Will it improve life for customers and employees? Will it lead to better business outcomes?"

If a company can answer all these positively, it should then devise appropriate use cases with which to experiment. It would need to set up pilot and control groups to measure the tool's impact, just as it would with any new IT, stresses van der Putten, who is also director of the AI lab at US software firm Pega.

While it may be tempting to pick a low-value, low-stakes use case to test, he recommends choosing an application that allows for a "quick measurement of success" and could also make a big impact once scaled up.

Owen notes that such trials naturally involve a certain amount of error. "There's been a surge in AI-integrated tools, each promising efficiencies, but these can be clunky and add time to work processes," she says. "The truth is that we might not immediately land on the right solution. The key is to be open-minded."

> We might not immediately land on the right solution. The key is to be open-minded

For all the enthusiasm about GenAI, there are several pitfalls that firms seeking to implement it must avoid.

Chandrasekar recounts a meeting he had with 15 CIOs in the banking sector, who had all been keen to realise the huge productivity gains promised by GenAI. Three months later, these IT chiefs "hit a wall" when trust issues concerning data privacy and security arose during the pilots.

The CIOs were worried that the data they had been putting into the tools would "make its way, literally, into their competitors' banks", Chandrasekar says.

Given what's at stake, ownership becomes a "hot potato", he adds. "You're betting your career that this is going to work when you're fairly early in the hype cycle."

AI tools need to address the credibility problem by adding context such as citations to reassure the user that their output hasn't been poisoned by hallucinations. That's the view of Cassiano Surek, CTO at digital design agency Beyond.

"Given the data-heavy nature of AI assistance, ensuring that relevant, high-quality information is available will be key to its effective use, as inaccuracies can quickly erode trust," he says. "AI assistants must be able to cite their sources and have virtually zero hallucinations for such a business-critical usage."

Data privacy assurances were vital for fashion etailer Asos when it rolled out an AI-powered code-completion tool in September 2023 after a successful pilot at the start of the year. The firm had used 90 employees – a large enough group to provide useful feedback on potential problems – to test GitHub Copilot before making it available to all tech staff.

Dylan Morley, lead principal engineer at Asos, reports that measuring the impact of such tools is a topic of "great discussion" across the industry. But he adds that this is a more complex matter than simply adopting a tool and waiting for, say, a 10% efficiency gain.

"You can instinctively feel that Copilot is faster to solve certain scenarios, but there's a broader question about efficiency in tech. We're efficient when we're making progress towards strategic goals and delivering value to customers."

Morley argues that firms could be focusing on areas other than adopting AI tools if improving efficiency is indeed their main goal.

"Managing time spent in meetings, reducing context-switching, improving build-and-deploy pipelines – all of these things can have a much larger overall impact. You can be incredibly productive where there is a well-curated set of priorities and a tight feedback loop, and when you know exactly why you're building something and can avoid any distractions."

Morley believes that AI tools can save people time that they probably would have spent on busy work, but he adds a caveat: "What you do with that saved time – how you reinvest it to ensure that you're realising productivity gains – is the most important point."

28%

of UK adults think that AI could make their job easier

11%

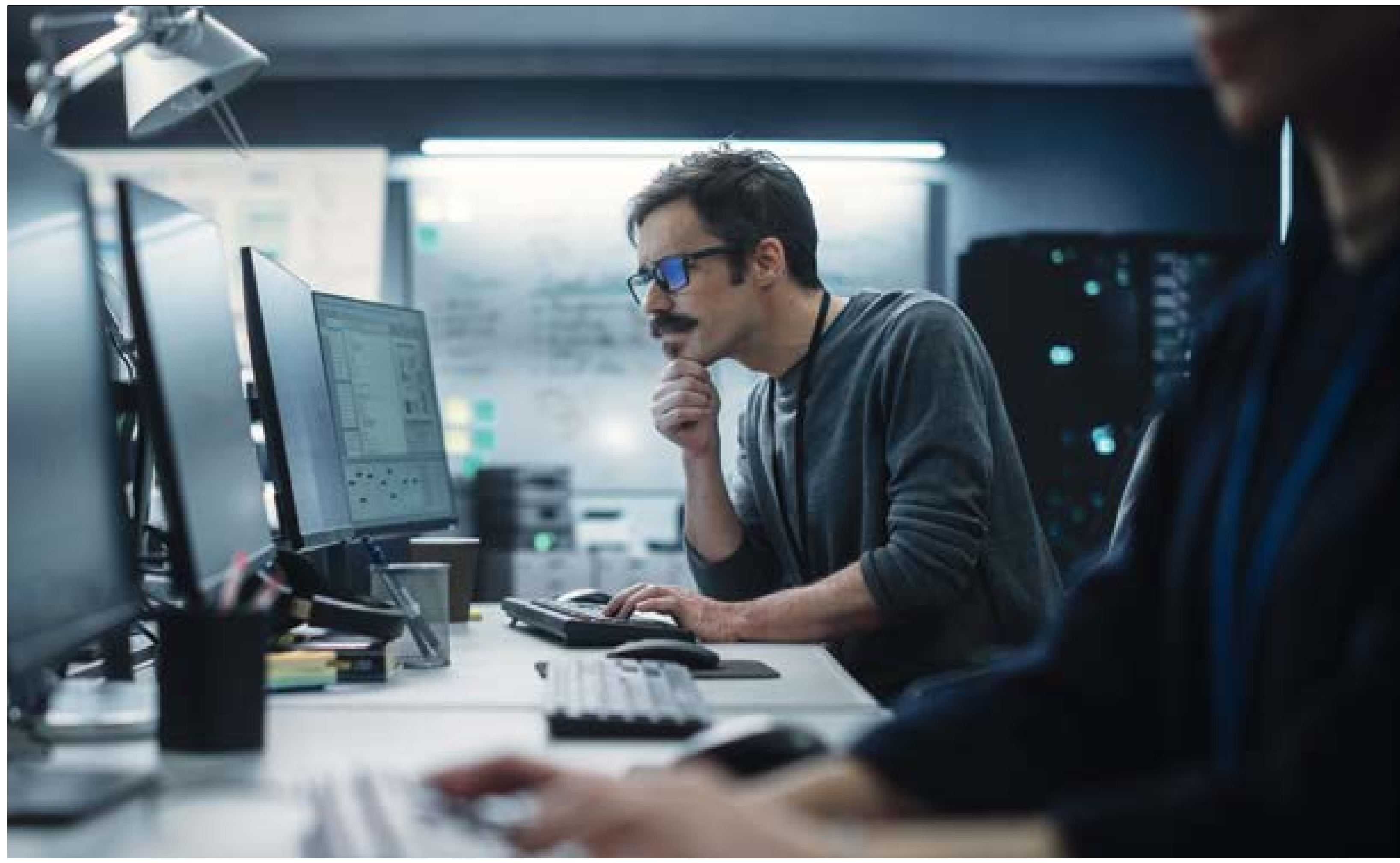
think that AI could reduce their hours without reducing their pay

8%

think that AI could improve their job prospects

ONS, 2023

Commercial feature



Why cyber attacks shouldn't be viewed as isolated incidents

The cybercrime landscape is evolving. With too many threats to guarantee safety, businesses must focus on curating an effective security culture to stay prepared

Cybercrime costs the UK billions of pounds, causes untold damage and threatens national security.

In fact, the government estimates the cost of cybercrime to the UK to be £27bn per year. In all probability, the real impact is likely to be much greater, with businesses bearing the brunt of the attacks at a cost of £21bn.

Regardless of type or size, any organisation can suffer a cyber attack at any time. Yet despite this, many business leaders believe their organisation is somehow different. Like most crimes, it's natural to think 'it won't happen to me' – until it does. Or they've simply become desensitised to the daily headlines detailing the latest major breach.

But the reality is, it's no longer a question of 'if' but 'when' you fall victim to a cyber attack. And the consequences can be devastating. Even some of the largest security vendors in the world have found themselves in the middle of a cyber attack. After a data breach in October 2023, Okta's leaders decided to take a holistic approach to the attack, investing time in a culture and mindset shift. The first step was to pause everything across the business and focus solely on security for 90 days, resetting the entire security culture as part of an initiative called project bedrock.

"We're focusing on individuals, on culture, on how we help everyone across our industry – from customers to partners, prospects and peers – to understand what good looks like and what they should do when it doesn't look right. It's one of the fundamental backbones of a strong security culture," explains Okta's EMEA regional chief security officer, Stephen McDermid.

The four pillars of Okta's secure-identity commitment

Since being targeted, the company has sought to combine its cybersecurity expertise with its own experience of being breached to advise other organisations through actionable insights. The result of these efforts is the Okta secure-identity commitment, a pledge to lead the industry in the fight against identity attacks.

1 Investing in market-leading products and services

The first pillar is providing market-leading identity products and services, baking in security-by-design through a major investment to harden and secure its products. This includes some new enhancements and features made as a result of project bedrock.

"Typically, most threats will use some sort of identity or set credentials to get access and propagate across an organisation. So, we're making sure our services and products are capable of helping protect against some of these threats," says McDermid.

"An example would be identity threat protection with Okta AI, which looks at the context of each access request – it looks at the location, the device, the network, the time, the agent, the client – and provides a score analysis as to whether that's access you would expect to see. The ability for organisations to set that context analysis around every access request really sets the tone and is fundamental to achieving zero trust."

> The threat landscape is constantly evolving and companies must do more to protect privileged identities and accounts

2 Hardening corporate infrastructure

For the second pillar, Okta is hardening its own corporate infrastructure, extending the boundary around its people, processes and partners. This means treating everything with the same threat profile as it would its customer-facing environment. So, removing personal access to Google Chrome accounts internally, or additional monitoring and alerting around its admins and the sessions they create.

This, says McDermid, "demonstrates to customers the steps that we have taken to drive a security culture and make sure that we are advocating best practices internally as well as externally."

3 Champion customer best practices

The third pillar is championing customer best practice to help users get the best out of their Okta experience. "You will see Okta taking a much firmer line on making customers aware of where they are not following best practices and the risks that opens them up to," says McDermid. "For example, we've implemented idle timeouts on admin sessions to make sure that customers are protected against common threats. Helping them understand how they can protect against the risks they're facing is something we're aiming for."

4 A collaborative approach to security

Finally, Okta is thinking beyond its own business and customers, embracing the responsibility it has to elevate the entire industry to be better protected against attacks that originate through identity. Part of this includes a $50m funding injection through a programme called Okta for good, which extends assistance to non-profits working in areas such as social justice, climate change and investing in security skills.

Okta also believes in a collaborative approach to security. The company is at the forefront of the shared signals framework (SSF), an emerging standard enabling seamless security data exchange across the industry, alongside its continuous access evaluation profile (CAEP) interoperability with the likes of Apple and Cisco. The SSF is currently being developed by the OpenID Foundation, with the aim of making it easy for companies to share security events related to those who are using their systems. This allows organisations to leverage insights from various sources, creating a more comprehensive and unified security posture.

Cultural shift in addressing cyber threats

Throughout each of the pillars, Okta calls for a cultural shift in understanding and addressing cyber threats, while stressing the importance of driving security culture, industry leadership and a top-down commitment to cybersecurity.

"There is the old saying that culture eats strategy for breakfast, and I believe that's true," says McDermid. "If people understand the expectations and the environment in which they operate, then they should be well positioned to deal with these types of threats when faced with them."

Okta sees its role as championing a holistic approach to cybersecurity for its customers, partners and the industry.

"As the world's leading independent security provider, we are under threat constantly, fighting off more than 2 billion attacks every month. So, we need to share those insights and make sure our customers have visibility and understand them as well," says McDermid.

As Okta has demonstrated, a data breach can happen to anyone. The threat landscape is constantly evolving and companies must do more to protect privileged identities and accounts. Business leaders must absorb these insights from Okta's experience and take similar action to protect their organisations from the rising threat of cyber attack.

Commercial feature

Generating genuine business intelligence from AI technology

A fresh approach to business insights takes analytics out of the realm of experts and makes it accessible to every employee, empowering knowledge-sharing and strategic insights across every level of the business

Generative business intelligence, also known as generative BI – which combines generative AI with business intelligence tools – promises to help businesses operate in a smarter, faster way. It empowers non-technical users of BI tools to request information using natural language prompts (NLP) and easily refine the results they receive through further questioning.

Although there's undoubtedly a lot of hype around AI right now, generative BI solves a real problem for businesses. Over the past decade, many have invested considerable sums in BI tools that promise much but often fall short.

Despite the introduction of AI and natural language query features, for instance, crafting a question that will deliver the right results can still be tricky for non-techie types. Key insights may also remain hidden within overwhelming dashboards. Colibri Digital, a UK consultancy at the frontier of AI, big data and cloud computing, works with large and prestigious companies to unlock and harness the hidden potential in their data.

Many users therefore end up downloading data into Excel so they can work with it there.

"That's very difficult to control and govern, and you end up with data all over the place, which is obviously contrary to the whole data lakes paradigm." So says James Cross, founder and CEO at Colibri Digital.

Another problem is that simple, recurring requests for data take up a considerable amount of analysts' time.

"It's very common to have C-level executives sending one-line emails to analysts that say 'build me a report that shows this'. Often these emails are repetitive every month," Cross says. "So you've got a whole team of analysts – potentially a very large number in a big organisation – whose job is just producing reports for these execs."

A GenAI-powered natural language interface that builds on the data lake and metadata collection work many enterprises have already done could help to address this issue. "Instead of an exec emailing an analyst team, they can open a chatbot and say 'build me a report that shows X'," says Cross.

The chatbot will know where to go to get the data if the metadata has already been aggregated and collected. "Moreover, because it's aware of the history of those requests, and also what other execs are asking for, [it can] make suggestions to enhance that report and enhance the exec's understanding."

Cutting through complexity

"What you're actually trying to do is to spur on curiosity and insight by creating an interface that is as friendly to use as possible," says Paddy Vishani, director of customer engagement at Colibri Digital.

> What you're trying to do is to spur on curiosity by creating an interface that is as friendly to use as possible

Such interfaces would undoubtedly benefit users who lack the technical expertise to query data effectively. "What this [GenBI] is doing from a BI perspective is empowering more non-technical users to consume data [that has come from a technical environment], both internally and externally for their own customers," says James Rush, chief revenue officer at Colibri Digital.

A data catalogue, for example, should be the "yellow pages" of your organisation's data, says Cross. "But, if the tables are called 'X_D_J' or whatever… you've got no idea what that means unless you worked on that particular data system."

Putting a natural language interface over the top of such systems cuts straight through this complexity. "You can say 'tell me how many beds I've got free in this NHS hospital' and it can answer that question and visualise it [for you]," says Cross.

This means users won't need to hunt for the particular table or column that holds the information they need. "Anyone can go to a library and see all the books on a topic," says Vishani. "But it's much more helpful when a librarian says 'this is what you're looking for'. And that's the key thing we're now on the cusp of."

These granular, real-time insights could lead to faster and more effective business decisions. That's because questioning a GenBI chatbot enables you to quickly get "down to that nitty-gritty detail" and then "get the information into a state where it can be published very quickly", says Vishani.

The result is an organisation where everyone is empowered to make data-driven decisions, leading to faster problem-solving and an enhanced ability to seize opportunities and respond to challenges. A language model trained on an executive's email history, for example, could also help to unlock highly personalised insights.

"It could say: 'Well, if you're interested in the weather price data for this region, perhaps also you're interested in this correlation, which I found in another region,'" says Cross. "It can make suggestions, but also highlight trends and analyses that perhaps you hadn't thought of."

Counting the cost

Training large language models on enterprise data is still expensive, however. "It can cost up to £200,000 for one training run, and you're not going to get it right first time. So you could end up spending millions," says Cross. As such, the challenge for the tech industry is to "create something that's both generic and specific – a ChatGPT that's optimised for BI use cases, but with a way of tuning it to your business that doesn't cost a fortune".

Until then, CFOs and other C-suite executives will need to carefully consider which generative AI use cases are likely to deliver the best ROI. While it's clear that GenBI and other emerging tools could solve some real business issues, no one wants to get swept up in the AI hype and end up wasting time, effort and financial resources on solutions that don't deliver transformative results.

"It's almost too easy to implement it," says Cross. "You've got partners popping up all over the place that claim to know how to do it but don't. The result is you get something that's relatively poor quality and not particularly useful, which sullies the whole concept of generative AI, NLP – and, subsequently, generative BI – because of poor implementation."

Colibri's affiliation with partners such as AWS enables it to offer customers the most compelling and competitive solutions. That relationship allows for the spark of innovation to run through everything Colibri does. The support and exposure provided to the latest cutting-edge tech means that Colibri's technology is up to the same trustworthy standards as that of AWS. With the personal service and business insights Colibri offers, plus the trusted support from partners, it offers the innovation of a massive company with the personal touch of a customer-oriented service.

The right partner can make all the difference when it comes to implementing generative AI tools in a cost-effective and results-driven way.

"All major players in the [enterprise IT] market are pitching AI modules as an additional licence," says Rush. "What Colibri does is empower our customers, defining the use cases for what GenAI to adopt and providing them with a clear path of what the total cost of ownership will look like."

Crafting the right generative BI tool can transform an organisation's analytics capabilities as well as its ability to use actionable, understandable data to achieve real business objectives.

For more information please visit colibridigital.io

Colibri Digital

BRAND BUILDING

Creativity pays: how marketers can get the C-suite on side

Ahead of this year's Cannes Lions International Festival of Creativity, **Spencer Fox**, senior vice-president, business lead, Lions Advisory and **Annie Smith**, head of content and insight for Lions Advisory at Lions, discuss how the C-suite is providing a roadblock to greater creativity in marketing

As told to Francesca Cassidy

Annie Smith Lions Advisory's annual State of Creativity report serves as a pulse check for the marketing industry and aims to provide a sense of the challenges and priorities with creativity for the year ahead. The latest edition showed renewed optimism around growth, with more businesses predicting higher growth this year than in 2023. But accompanying those expectations of growth are internal tensions that are stalling momentum.

We've described it as a communication breakdown on the road to recovery. There must be a greater focus on communication between junior and mid-level employees on the brand side and their senior leaders. This will help ensure that the leadership is fostering a creative culture and being provocative and audacious with the creative work that they do.

Spencer Fox Last year the biggest concern was uncertainty in the business world and how that was affecting attitudes towards both investment in marketing, broadly, and investment in creativity specifically.

Although organisations are more optimistic now than they were last year, in terms of risk appetite there is a disconnect between what creative marketers want to do and what leadership is willing to do. There is a sense that barriers to marketing ambitions exist at the most senior level. Marketers therefore must get better at communicating the real value of creative marketing.

> There is a sense that barriers to marketing ambitions exist at the most senior level

Why are marketers struggling to get C-suite buy-in?

AS Creativity, by its very nature, means doing something different. As a business leader, it can be scary to do something that's never been done before. If you have a large brand presence and you're quite well known, it's easy to keep ticking along, making sure that people are aware of you, but never really pushing the boundaries. It can be tricky to take those leaps and do something that completely breaks category conventions or moves the brand vision forward.

This is why it can be difficult to get the C-suite on board with creative initiatives. It's much easier to view marketing as a cost and drive efficiency with it, than to see it as a function that can transform your business strategy.

In certain organisations, marketing leaders do not have a direct line to the CEO; their place is slightly lower in the chain. But without this key voice on the executive committee, the board will often lack exposure to creative initiatives that could have a major impact on a firm's trajectory.

> Marketers must make better use of the available evidence and lobby for creativity as a fundamental way to drive non-incremental growth

SF We're at a point of change. For the past 10 years there has been an almost relentless focus on performance marketing and an obsession with short-term metrics. That is a result of the heavy emphasis on digital channels and their promise of high returns. This was accelerated through the Covid pandemic, which sparked an online-delivery culture where you could measure everything really easily.

This period was dominated by performance marketing and the marketing function was almost reduced to a reporting function with very tactical returns. But that's not a long-term strategy. We forgot about the power of long-term strategic brand-building. We've recognised that and we now need to redress the balance.

Marketing leaders are looking at the way their function is set up and reassessing what it is capable of. There are cultural issues to address and big changes that need to happen to rebalance the focus and investment priorities for the long and short term.

How can marketers prove the value of creativity to the C-suite?

AS Companies must be able to demonstrate the link between high-quality creativity and marketing effectiveness, using the body of evidence that's been built up over the past 15 years.

We did a study with McKinsey in 2016, which analysed the financial performance of companies that won the highest awards at Cannes Lions. It revealed a direct connection between financial performance and being recognised for creativity. In other words, the top prize winners at Cannes Lions also tended to perform better financially than firms that had not won prizes for creativity.

We also did a continuous study looking at companies in the S&P 500 and, again, found a positive correlation between performance at the Lions awards and share-price growth, particularly for firms winning the top awards.

These studies also point to useful examples of specific brands that are using creativity effectively. You can see it with brands like Heinz Tomato Ketchup which recently invested a huge amount in brand-building and is seeing the benefits.

While there is optimism and a desire for growth, marketers need to make better use of the available evidence and lobby for creativity as one of the most fundamental ways to drive non-incremental growth.

SF When it comes to embracing creativity, my advice to the C-suite is to target your marketing team on macro, commercial metrics. Your marketing team should be tasked with driving revenue growth, market share and profitability. Ensure that marketers are being measured on the business metrics.

We've become too reliant on very low-level brand and performance metrics. Target your marketers on the macro metrics and be confident in their ambitions to do better creative work, because there's evidence to support the outcomes – and then let them get on with it.