Raconteur

March 2024
#0905
raconteur.net

An independent publication in association with THE TIMES

The C-suite Agenda

The C-suite Agenda

Distributed in
THE TIMES

Contributors

Rohan Banerjee
A senior writer at Raconteur, leading its coverage of the finance function and matters of interest to CFOs. He also writes about leadership and business strategy.

Sam Forsdick
A senior writer at Raconteur, leading its coverage of HR matters. He analyses the trends affecting the function, offering insights to guide C-suite HR professionals.

Leo Rayman
A regular sustainability columnist and founder and CEO of EdenLab, a green growth and sustainability innovation firm.

Raconteur

Special projects editor
Ian Deering

Contributing editor
Neil Cole

Commercial content editors
Laura Bithell
Brittany Golob

Commercial production managers
Jorden Evans
Emily Walford

Production executive
Sabrina Severino

Design and illustration
Kellie Jerrard
Colm McDermott
Samuele Motta

Design director
Tim Whitlock

Certified B Corporation

@raconteur raconteur-media @raconteur.stories

raconteur.net /csuite-agenda-march-2024

HR POLICY

How to deal with political tensions in the workplace

With a general election approaching, Raconteur has surveyed UK workers about their attitudes towards discussing politics in the office. Would a ban on such conversations ever be the right measure for an employer to implement?

Sam Forsdick

British etiquette dictates that there are three subjects one should avoid broaching in polite company: money, religion and politics. But, given that a general election is likely this year, the last of these may soon become a big topic of discussion in UK workplaces.

This can pose problems for employers. With politicians increasingly prepared to foment the culture war in recent years, political debates are becoming ever more divisive. If conversations about polarising topics spill into the workplace, they risk causing disputes between colleagues and impairing teamwork.

Despite this, most people aren't shy about discussing politics in the office. A recent Raconteur survey of 1,000 UK workers in partnership with Attest (a consumer research platform based in London and New York), has found that 67% of respondents are either very or somewhat comfortable about doing so. Only 15% are uncomfortable.

"Over the past five years, there has been a big push from organisations to enable employees to speak up and bring their whole selves to work," observes Megan Reitz, associate fellow at the University of Oxford's Saïd Business School. "It's no great surprise that the nature of our workplace conversations has changed. Cultural norms and what's acceptable at work have been chucked up in the air quite a bit."

It's not only that employees are becoming more vocal. They're also increasingly keen for their CEOs to take a stance on political matters. This is particularly true of younger people: 18- to 24-year-olds are three times more likely than those aged 55 to 64 to want their bosses to discuss such issues openly.

Despite this growing pressure, business leaders should speak out about "appropriate and legitimate" topics only, stresses N Craig Smith, chaired professor of ethics and social responsibility at the Insead business school.

"You certainly don't want business leaders speaking out on every issue that arises," he says. "That would be distracting from what they're supposed to be doing and, probably, neither appropriate nor helpful."

A 33-year-old solicitor, who works for a UK-based law firm and asked not to be named, offers a case in point. She reports being left "appalled" by a senior colleague

when they stated that they "could not imagine anything worse" than their daughter coming out as trans.

"I couldn't believe this was being said in the workplace," she recalls.

This did not lead directly to a confrontation, but 19% of the survey respondents say they have fallen out with a colleague over political differences. Among those aged 18 to 24, the proportion rises to 25%.

"If you've invited people to speak up, you need to be prepared for the consequences," Reitz warns.

The response from employers has sometimes been draconian. In 2019, Basecamp made headlines after its CEO, Jason Fried, banned all "societal and political discussions" from workplace communications, for instance. A year later, cryptocurrency exchange Coinbase took a similar stance when it outlined its rules for an apolitical employee culture. About 60 people quit both businesses as a result of the changes.

These sorts of blanket bans remain relatively rare: about 10% of survey respondents have been banned by their employers from talking about politics or other contentious topics in the workplace.

Although it is legal for an employer to restrict the types of conversations its employees engage in at work if it has a reasonable concern that such discussions could create a hostile environment or damage the organisation's reputation, such a policy can create "all sorts of trouble" for businesses, Reitz warns.

The main problem is the lack of clarity about which topics could be considered political. This makes it particularly tricky for the employer to police a ban effectively.

"What is political is very subjective. This can create misunderstandings about what is and isn't allowed at work," Reitz says. "The risk is that people will still have those conversations, but they will just go underground and pop up far more explosively further down the line."

Other restrictive policies, such as bans on the wearing of garments carrying political slogans or logos or on the display of political paraphernalia are slightly more common (reported by 18% and 16% of respondents respectively). Overall, 42% have had at least one such restriction imposed by an employer.

Smith notes that the nature of the employees' work can determine whether such policies are apt.

"You don't want staff in customer-facing roles to be arguing about whatever political issue is riling people at the time – the Israel-Gaza war or Brexit, for instance," he says. "In that context, you may need quite stringent measures in place."

Nonetheless, many firms' HR policies are ill-equipped to deal with the polarised nature of modern politics. That's the view of Sophie Clifford, principal consultant at workplace strategy consultancy Byrne Dean.

"For several years, companies have simply told their employees to be respectful of everyone's opinions, but that is clashing with how strongly people feel about current issues," she reports. "Employers are terribly nervous, because all they have to fall back on are these loose and ineffective policies."

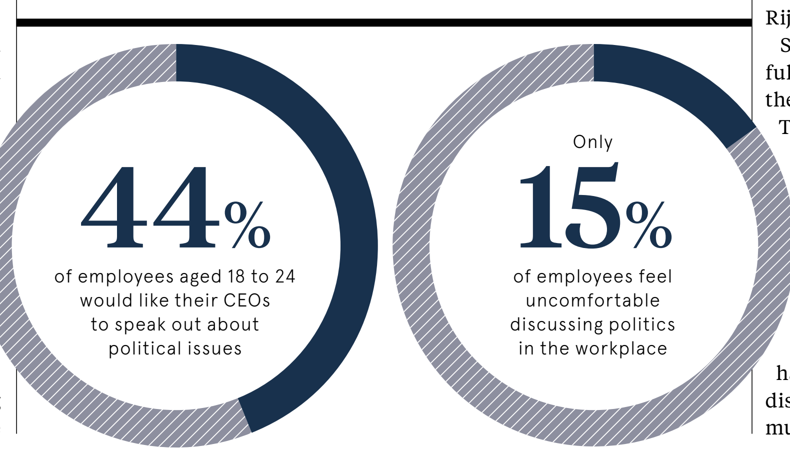
Firms should also equip employees with the necessary skills for holding contentious conversations, according to Terez Rijkenberg, chief people officer at transformation consultancy Socium10X. These include emotional regulation, empathetic listening and critical thinking.

She warns that an outright ban on political conversations could lead to increased feelings of suppression and discontent. Such sentiments are particularly strong among gen-Z respondents, who are 50% more likely than average to report being prevented by their employer from airing their political views at work.

"Rather than avoiding political discussions, organisations should embrace them as an opportunity to strengthen their culture," Rijkenberg argues.

Stifling dissent is rarely a successful ploy. Businesses do best when they listen to a wide range of views. Teaching employees the skills to engage in constructive dialogue with those who hold different opinions should help to reduce the risk of inter-colleague conflict and also encourage more productive interactions.

As Reitz notes: "If the people in your business are incapable of having a conversation where they disagree with one another, you have much bigger issues."



INSIGHT

'We're more interested in measuring the hole than climbing out'

Leo Rayman, a Raconteur columnist and CEO and founder of EdenLab, explains why sustainability measurement is in desperate need of a rethink

You've got to feel for the sustainability manager. They have world-changing agendas but have been allocated 'tinkering' budgets. Too many spend more time on reporting than on making the deep changes we need.

Today, sustainability is 'disclosure' – we have the Task Force on Climate-related Financial Disclosure, the Corporate Sustainability Reporting Directive, the Carbon Disclosure Project and many more frameworks.

Don't get me wrong, it's hard to improve if you don't know where you're starting from. Establishing a baseline for greenhouse gas emissions or slavery in supply chains isn't unimportant. We all want businesses to be held to account.

Transparency can even be a competitive advantage. Consider for instance how Tony's Chocolonely wields its supply chain traceability and child-free labour over the rest of the chocolate industry.

'What gets measured gets done' is repeated so often that we take it as truth. Except it isn't.

Just this month the Science Based Targets initiative, which assesses company decarbonisation plans, downgraded 239 companies including P&G, Microsoft and Walmart, for missing their commitments on emissions reductions.

We're in the grip of a measurement cult. A cult more interested in measuring how deep the hole is than in having a hole management plan and grabbing a ladder.

The big management consultancies, the carbon accountants and hundreds of startups serving them with proxy emissions data are all complicit in building a high-precision rear-view mirror. Heads down in calculations and data capture, they're missing the giant obstacle in the road ahead.

All this measurement makes a big assumption that the past is a reliable guide to what comes next. Well, I have news: when it comes to climate breakdown, it isn't. Even the best scientists aren't entirely certain how things are going to unfold. Many of the models that we're relying on are linear and built in isolation.

But climate change is not a gentle upward glide of rising temperatures, it is an unforeseen chain of events as complex systems interact and spiral out of control. How will your metrics serve you then?

I'm not here to depress or scare you. But we must put this 'measurement as procrastination' exercise out of business. Instead of traditional sustainability metrics, firms would be better off measuring these:

Measure how radical you're being
If you're tinkering with business as usual, you won't get anywhere near net zero. You'll pluck the low-hanging fruit and then hit the wall. So how far ahead are you looking? How many truly radical ideas for future-proof business models, products and services are in your pipeline? How many are you testing each quarter and what's your hit rate?

Measure your clean, green share of market
The future is undoubtedly post-carbon (post-fossil-fuel-carbon, to be precise). So your business must have a post-carbon portfolio of products and services. Track the growth of clean, green revenues, track it against your competition and do some clear-eyed demand forecasting so you can see the growing pie.

Measure whether you're all in the same place
Many leadership teams get into head-nodding agreement on the sustainability problem. But it doesn't mean they're aligned on how to make solutions real or workable. Assess the alignment of your people. Do they have a clear guide? Do they know what sustainability means for their role? Or are we making outward pledges and commitments while internally everything is a permanent work in progress?

Measure your 'ROC' as well as your ROI
We need a return-on-carbon award show. The winners are those who have generated the best returns from low- or no-carbon emissions. The heroes of the new economy are those that build thriving businesses that don't destroy their own backyard.

Leo Rayman
CEO and founder, EdenLab

INTERVIEW

‘Blockbuster was not doomed to fail at all’

Was the company a victim of myopic strategy and poor financial stewardship or sheer bad luck? Its chairman and CEO in 2007-11, **James Keyes**, talks candidly about the video-rental firm’s final years and shares three lessons he took from the experience

Sam Forsdick

There’s a story that Marc Randolph, co-founder and former CEO of Netflix, never seems to tire of telling. In 2000, he and co-founder Reed Hastings met Blockbuster’s then chairman and CEO, John Antioco, at the video rental firm’s Dallas HQ. Blockbuster had about 5,000 stores in the US at that point, while Netflix had just started offering its new subscription model. The pair offered Blockbuster a 49% stake in their three-year-old business for $50m – and were laughed out of the room.

That rejection is widely regarded as one of the biggest mistakes in business history. Fast-forward to today and Netflix has a market capitalisation of just over $250bn (£200bn), while Blockbuster is defunct, having filed for Chapter 11 bankruptcy protection in 2010.

Many people believe that the Netflix rebuff sparked Blockbuster’s fatal decline, but that’s an easy conclusion to draw with the benefit of hindsight, claims James Keyes, who replaced Antioco as CEO in 2007.

“This is like asking someone: ‘Why didn’t you buy Apple stock in 1985?’” Keyes says. He maintains that he would have done the same as Antioco if he’d been at that meeting.

“I’d also have said ‘no’ at the time. All Netflix had in 2000 was DVDs by mail, which was absolutely something that Blockbuster could replicate on its own,” he recalls. “There really wasn’t a strategic advantage [to investing].”

In 2007, Keyes was identified as the ideal candidate to turn around a beleaguered Blockbuster, owing to the success he’d had leading the convenience store chain 7-Eleven. Between 1985 and 2005, he’d held several senior positions at the retailer, including CFO, COO and, from 2000, CEO.

During his tenure at 7-Eleven, Keyes successfully restructured the business following bankruptcy, helped to reverse a decade-long run of declining same-store sales and led it to 36 consecutive quarters of revenue growth.

Technology was the single biggest contributor to its upturn in fortunes, according to Keyes. Taking cues from the success of 7-Eleven’s Japanese stores, the US operation brought in new technology that enhanced the decision-making capabilities of its store managers. They, rather than distributors and central office, were granted the freedom and the know-how to set their own delivery schedules and decide which products to stock.

“We didn’t take the people out of the equation. Instead, the technology enhanced their ability to be better retailers,” Keyes recalls.

There was optimism that he could achieve a comparable turnaround at Blockbuster, partly because the business was so far behind the technological curve.

“Blockbuster was still early in its digital transformation when I joined the business. Its core systems were programmed in Fortran – an early computer programming language that’s one step above punch cards,” Keyes says. “It hadn’t upgraded its technology to even maintain effective operations inside the stores, much less be able to enter the digital age with streaming.”

> All Netflix had in 2000 was DVDs by mail, which was absolutely something that Blockbuster could replicate

It’s apparent that Blockbuster never did catch up. Most industry observers pointed to the company’s failure to keep pace with digital advances in the industry as the main reason for its downfall. Dan Rayburn was one such analyst. Writing for businessinsider.com in 2010, he noted: “When asked different questions about Blockbuster’s digital strategy… Keyes responded by saying things like ‘these times demand a conservative approach’ and ‘we will proceed cautiously as to how aggressive the company should be’. For a company that has almost no digital offering today, those are some pretty scary statements.”

The reason for this conservatism was the fact that Keyes believed Blockbuster’s shops could still generate more cash.

“We had to focus on fixing the stores and generating more cash, so that we could invest in the digital future,” he says.

This left the business playing catch-up with the digital disruptors. To overcome that challenge, Keyes’ plan was to focus on securing exclusive material that would grant his company a useful competitive advantage. Its acquisition of the now-defunct video-on-demand service Movielink – a joint venture involving five big Hollywood studios – gave Blockbuster a substantial digital film library and a streaming platform that would enable it to compete with Netflix.

But that deal was sealed in August 2007, just before the global financial crash. This posed a serious problem for Blockbuster because it was yet to repay the near-$1bn of debt it had been loaded with by its former owner, Viacom, before it was spun out in 2004. The large amount of debt on the balance sheet made it hard to justify additional spending on its digital offering to shareholders when most of Blockbuster’s revenue still came from its physical stores. This meant that the business was unable to secure exclusive rights to the Movielink catalogue.

“It’s a lot more challenging to do a major transformation in a public market environment,” Keyes says. “If I had a crystal ball, I would have acquired Movielink’s content and locked it down exclusively. It would have left Netflix with very little content to stream, but we passed on that opportunity.”

> If I had a crystal ball, I’d have acquired Movielink’s content and locked it down exclusively. It would have left Netflix with very little content to stream

When he tried to buy struggling electronics retailer Circuit City in 2008, Keyes saw a chance to bundle Blockbuster’s on-demand offering with sales of its devices. “It could have been a Trojan horse for our video-streaming service,” he says.

But several analysts saw this as a last-ditch bid by a former 7-Eleven boss to rescue another retailer, rather than a long-term strategic play. Jim Cramer, the host of popular CNBC TV show *Mad Money*, even added Keyes to his Hall of Shame for proposing the purchase.

Keyes found the constant criticism wearing. “It’s not fun at all,” he says. “Most of my friends and family were saying: ‘Jim, get out of there.’”

Blockbuster ultimately withdrew its bid for Circuit City after going through the due diligence process.

Keyes believes that it’s important in such moments to keep in mind that others aren’t privy to all the data you can see as a business leader.

“When someone online accuses you of screwing up the company, you need to remember they weren’t looking at the balance sheet at the time,” he says. “That’s what allows you to continue to the next opportunity, recognising that you did your best with the information and resources you had at the time.”

The final “crushing blow” for Blockbuster was the decision of the studios it had partnered with to go from 90-day credit to cash. It was this, rather than any failure to keep up with the likes of Netflix and Redbox, that proved fatal to the business, according to Keyes.

“It made it impossible to sustain the company at that point and forced us to restructure,” he says.

Yet Keyes remains convinced that the Blockbuster brand could have survived had circumstances been slightly different.

“I don’t think it was doomed to fail at all. Blockbuster had huge potential,” he argues. “If we’d put together the pieces of the puzzle that I’d planned, we’d have had older movies exclusively and new releases on demand too. If that had happened, I think we would have been strongly competitive with Netflix.” ●

James Keyes’ three pieces of advice for business leaders

1 “All business leaders should understand the importance of cash flow, but the bigger the corporation, the harder it is to persuade people to accept that fact. This is the main difference between being held to an earnings-per-share standard and Ebitda.

“The reason that Ebitda is so important in a private company is the ability to satisfy financial obligations. During difficult economic times, as we have seen in the past year, businesses must be extraordinarily focused on cash flow so that they don’t find themselves behind the power curve.”

2 “Lesson number two is the importance of embracing change and communicating that change throughout the organisation.

“Change is always difficult – it can be challenging to communicate the difference between a subscription strategy and an on-demand strategy, for example. Having people rally around that strategy requires tremendous clarity. That makes good communication during challenging times extremely important.”

3 “The third lesson is a little more personal. When you’re going through tough times, there’s a tendency for people to take criticism personally.

“There was a picture of me in the *New York Times* with a Pinocchio nose, for instance. Even though you know you’re doing the right things and proceeding on a strategic vision, the criticism is easily lobbed in from the outside. That sort of thing is hard on your friends and family. You have to block out the noise. At the end of the day, it’s business; it’s not personal.”

Commercial feature

Redefining telecoms: delivering peace of mind in connectivity

As a telecom services provider of nearly three decades, Neterra knows just how crucial a customer-centric approach is in an ever-changing business landscape

Expanding a business rapidly and building an interconnected network of operations across multiple locations shouldn’t mean sacrificing the level of care and attention you get from your suppliers.

While many telecom suppliers may boast high-spec solutions and connectivity services, it’s often reliability and customer service that set providers apart as invaluable business partners.

And yet, despite living in an era where connectivity is foundational – not only to business growth but also to survival – having the right partner in place to ensure that everything just ‘works’ can sometimes be overlooked.

Neterra, based in the Bulgarian capital of Sofia, started out in the late-1990s as a direct supplier to telcos. British Telecom was its very first customer – a partnership that is ongoing to this day.

While still working with nine out of 10 of the largest telecom operators in the world, Neterra now also offers managed services to a host of businesses of all sizes, operating in 74 countries worldwide. The company provides everything from internet connectivity and secure data transfer for in-house applications, to colocation, cloud and dedicated servers, backup solutions and cybersecurity protection – something that is particularly essential as companies continue their transition to the cloud.

But what sets Neterra apart is its commitment to, and obsession with, customer experience. And with a Net Promoter Score of 71% – which puts it in the top 1% of internet service providers worldwide – it’s not hard to see why.

“We don’t sell technology, we sell peace of mind,” says chief executive and founder Neven Dilkov. “Nowadays, internet connectivity is a commodity just like electricity and tap water – nobody should need to think about it. Our job is to make sure you don’t.”

> Nowadays, internet connectivity is a commodity just like electricity and tap water – nobody should need to think about it. Our job is to make sure you don’t

Dilkov recalls an incident earlier in the year when a small business customer called and needed help at an office location in Sao Paulo.

“We flew an engineer there to resolve the issue,” says Dilkov. “We found out who the suppliers of the redundant line were, negotiated separately with them to recover the service and identified a third supplier to ensure that if those two failed we would have another option. The new services were ready within a week with no additional cost to the customer.”

Dilkov continues: “There are two types of solutions: an urgent one and a permanent one. We did both. The service was restored, but we also made sure that there was a long-term solution. That’s how we work.”

Being a smaller, more agile service provider means you have the luxury of being more flexible than bigger competitors and can get to know your customers’ needs intimately – something that Neterra prides itself on.

“The communications landscape is becoming increasingly complex,” says George Szlosarek, non-executive director at Neterra. “Enterprises require constant uptime and security across fixed fibre, mobile and satellite technologies.”

At a time when traditional telcos are consolidating or retrenching to invest in their core, regional markets, and are unable to provide the services needed to meet the rapidly evolving needs of multinational businesses, a one-size-fits-all approach is no longer adequate.

“Few companies remain with the expertise to handle global requests, deliver solutions and proactively address operational issues. This is where Neterra excels,” Szlosarek says.

The expanding, multifaceted and interconnected nature of operating a multinational business today means that enterprises need reliability. And with ever-evolving cybersecurity threats, while organisations continue to rapidly adopt new technologies and ways of working, businesses need that peace of mind like never before.

“It’s all about the customer experience. Today we live such complex, busy lives, and no one wants to be bothered about why a failure happened. They just want to be up and running, knowing they have a partner on whom they can rely in multiple markets,” Szlosarek says. “It’s a mindset. It’s a customer-centric approach. And it’s what we always preach internally.”

To find out more, please visit neterra.net

NETERRA telecommunications

ESG ACCOUNTABILITY

Environmental, social and governance (ESG) considerations have become increasingly important for companies over the past 20 years. As reporting regulations continue to be introduced in key jurisdictions across the globe, ESG accountability is no longer simply a matter of compliance, or consumer appeal. Investors too expect the companies they back to take real measurable action to reduce their carbon footprint and avoid negatively impacting the societies in which they operate

WHAT DO INVESTORS WANT COMPANIES TO REPORT ON?

Share of investors who say it's important to report on the following

The cost of meeting the sustainability commitments the company has set	76%
The effect of sustainability risks and opportunities on the company's financial statement assumptions	75%
The impact a company has on the environment or society now and in the future	75%
The road map to meet the sustainability commitments the company has set	74%

CLIMATE IMPACT IS BEST COMMUNICATED IN MONETARY TERMS

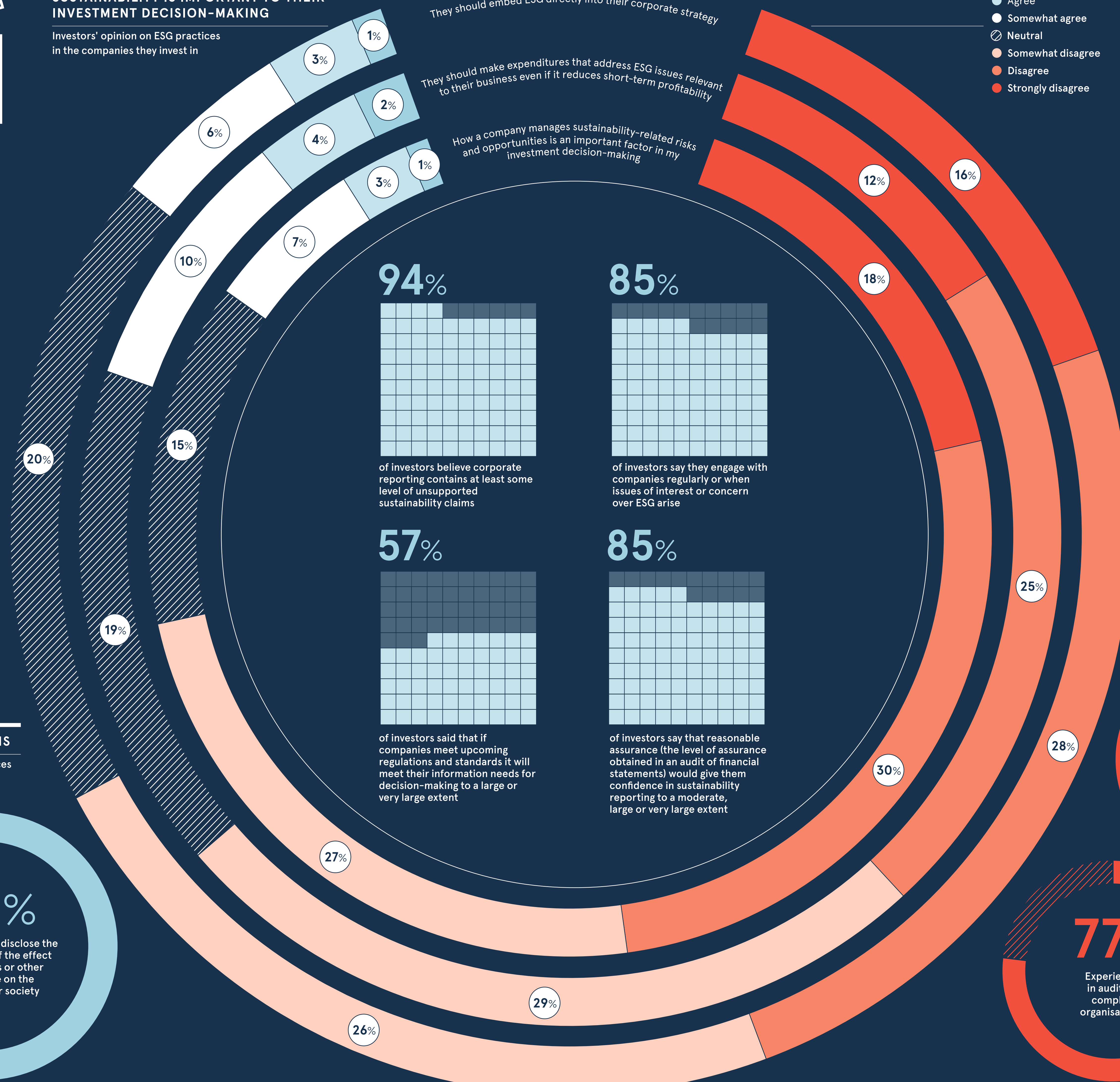
Share of investors who agree with the following statements about ESG reporting practices (of investors who believe ESG investing is important)

81% Putting a monetary value on a company's impact would help companies to better integrate any potential trade-offs between environmental and social issues into their decision-making processes

75% Companies should disclose the monetary value of the effect their operations or other activities have on the environment or society

THREE-QUARTERS OF INVESTORS SAY SUSTAINABILITY IS IMPORTANT TO THEIR INVESTMENT DECISION-MAKING

Investors' opinion on ESG practices in the companies they invest in



94% of investors believe corporate reporting contains at least some level of unsupported sustainability claims

85% of investors say they engage with companies regularly or when issues of interest or concern over ESG arise

57% of investors said that if companies meet upcoming regulations and standards it will meet their information needs for decision-making to a large or very large extent

85% of investors say that reasonable assurance (the level of assurance obtained in an audit of financial statements) would give them confidence in sustainability reporting to a moderate, large or very large extent

HOW DO INVESTORS DEAL WITH ESG LAGGARDS?

Investors' actions if companies they've invested in fail to demonstrate that they are taking sufficient action on ESG-related issues

Engage in direct dialogue with the company	58%
Submit shareholder resolutions	50%
Divest their stake in offending companies	42%

WHAT INVESTORS WANT IN AN ASSURANCE PRACTITIONER

Investors' who prioritise the following attributes in a reporting-assurance practitioner

80% Access to experts with specific subject matter knowledge

79% A complete and interconnected view of business across all types of corporate reporting

77% Experience in auditing complex organisations

76% Expertise in applying professional scepticism in assessing management's forward-looking estimates and judgments

PwC, 2023

Commercial feature

The hurdles to IT modernisation – and how to overcome them

Amid budget constraints, tech obsolescence and a lack of prioritisation, many businesses struggle to get IT modernisation right. A panel of industry experts discussed the challenges and essential strategies for effective transformation

Modernisation must happen through evolution, not revolution. Although firms that invest effectively in modern IT infrastructure are likely to be more innovative, efficient and profitable, IT investment strategies are under increased scrutiny owing to budget constraints, an accumulation of obsolete tech tools and a lack of understanding at the board level of how technology benefits their organisation.

This was the message from a roundtable hosted by Raconteur and sponsored by Kyndryl, the world's largest IT infrastructure services provider.

The crux of the problem, according to Ruby McCormack, an independent technology consultant and practitioner, is building a compelling business case for IT. "In this economic climate, there has to be an understanding internally of how technology drives commercial strategy."

Andrew Bateman, head of sales for global corporate and international banking solutions at fintech FIS, says that success comes when internal business partners understand how technology can deliver results for different functions, such as HR, finance and marketing.

So how can business leaders rally support across the organisation for greater IT investment? And, what are the main roadblocks they'll need to contend with?

Ensuring IT is flexible and resilient

Byron Wilkinson, director of strategy consulting at Kyndryl, says IT modernisation will accelerate growth if companies have a clear plan, but adds that an effective plan must feature built-in flexibility.

Given the pervasive uncertainty in today's business environment, leaders must be able to quickly adapt their IT investment priorities to changing circumstances. "One of the problems today is that many organisations are trying to solve problems with behemoth, two-year IT strategies," he says.

McCormack agrees, stressing that organisations must not attempt to transform all of their IT infrastructure at once. Agility is key, she says, in both the planning of a technology strategy and in how new technology is delivered. "You need the flexibility to respond to trends, which means an openness to experimentation."

Bateman, too, highlights the importance of agility, particularly in the financial services sector, where "the pace of change is fast and there is constant pressure to discover new ways to serve customers."

However, for Jeffrey Wood, deputy director of ICT at Princess Alexandra Hospital NHS Trust, an additional hurdle is that too many stakeholders in public sector organisations are still nervous about the security and long-term suitability of new IT tools.

"Cloud resilience is a big thing and people need to be able to trust the technology and know there are back-ups," he says. "If an IT system goes down in a hospital the consequences can be serious because, ultimately, lives are at stake."

Wood, whose background is in the private sector, notes that many of the technology solutions used by private sector firms for years have only recently been embraced by the public sector. "When I first joined the NHS Trust, 65% of our IT equipment was more than seven years old. But because we have demonstrated the efficiency benefits of having modern IT, now less than 10% is older than five years."

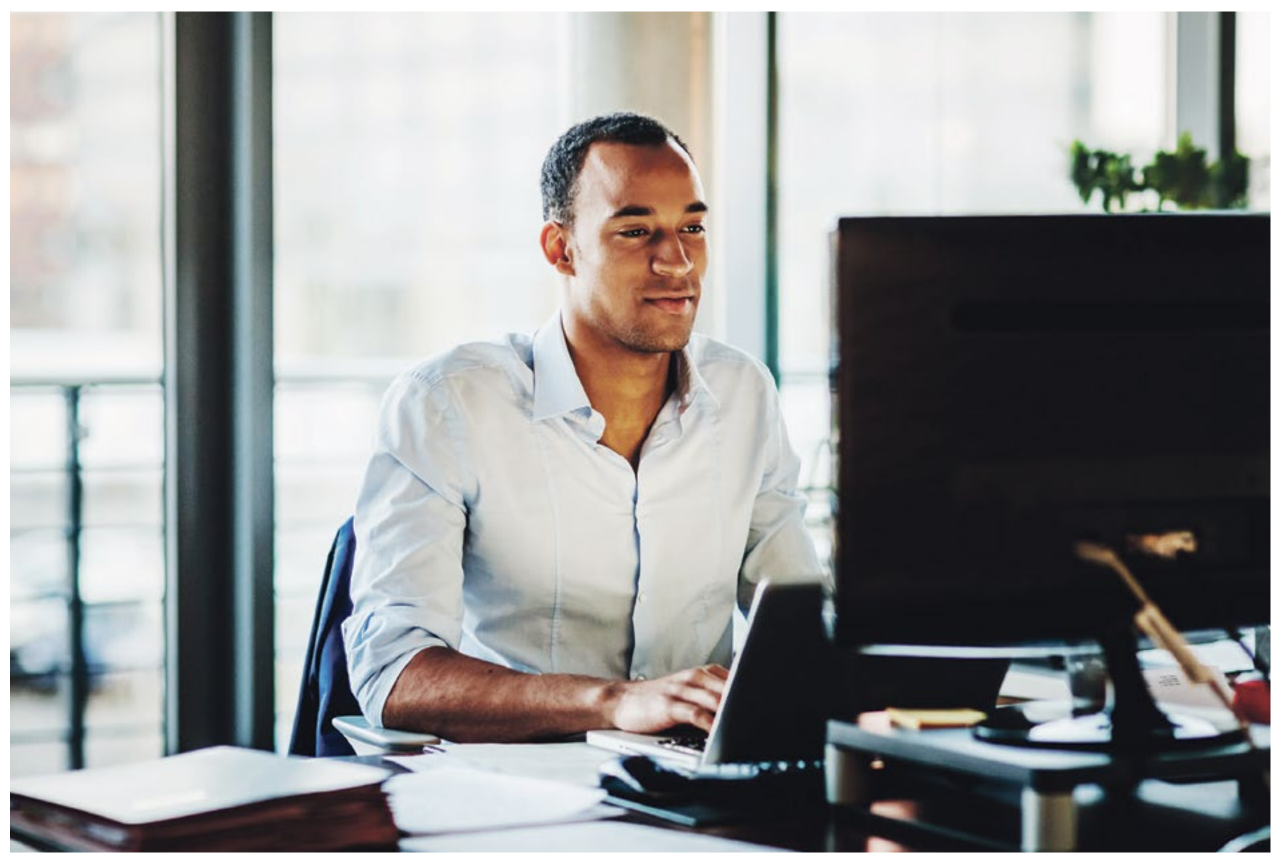
Tackling technical debt

Perhaps the biggest hurdle to IT modernisation is 'technical debt' – essentially an account of the time and cost required to rework a poorly planned IT system. Firms can find themselves in technical debt when they compromise on the quality or functionality of the technology that they invest in, or when they fail to maintain or update their systems regularly.

Wilkinson believes technical debt is reaching a crunch point for many organisations, which now acknowledge the need to modernise their IT infrastructure.

"Consider someone who has a car, but doesn't spend anything on it for five years. Instead of paying £200 a year to keep it in good condition, they end up spending thousands of pounds after five years because they have not kept on top of things," he says. "You cannot fix all your technical debt at once, but you also cannot fix none of it, because your business and organisational practices will be evolving."

Bateman adds that companies must keep on top of technical debt because of the need to transform and manage risk, especially cybersecurity risks. However, he says: "There will always be some technical debt and you have to address different issues over time. You have to decide which are the priority areas."



McCormack agrees that outlining priorities is crucial to addressing technical debt and adds that investment decisions around IT modernisation must be assessed based on risk, customer need and where business revenues come from. "There has to be someone internally who can broker these discussions, because technological change impacts everyone in an organisation."

Dr Nicola Millard, principal innovation partner at BT, says a crisis situation can usually help to identify priority areas for investment. Moreover, it is often during difficult times that innovation and modernisation occur. One such example of necessity leading to innovation, she says, is the modernisation that occurred during the Covid pandemic.

"Organisations had to modernise and we saw that through the adoption of cloud collaboration tools, when the way employees worked changed overnight," she says.

> There has to be someone internally who can broker these discussions, because technological change impacts everyone in an organisation

Modernisation is a never-ending process

The panel was adamant that modernisation must be continuous but accepted that it can be tricky to always keep employees onside.

Millard says that it must be clear to people how new technology makes life easier for them as individuals, for the organisation and for the clients. And, changes to the IT setup must consider both the physical and virtual environments in which people work.

"Does the technology allow for collaboration in the new ways of working and have people been educated properly on how to use it? Ultimately, is the IT system modern enough to help employees with their strengths and weaknesses? Technology is transforming everything," she says, "so where is the common ground?"

There was a general agreement that more CTOs should sit at the top table within businesses to help senior stakeholders understand why they should care about modernising IT infrastructure and how to do it properly.

Bateman says the CTO role has become more strategic because technology and customer needs are changing so quickly. McCormack, meanwhile, points out that tech chiefs will be able to ask the best questions about IT investment and explain to others in the C-suite how technology will add value to their specific function.

But, ultimately, tech leaders who can speak the language of their non-IT senior colleagues will have the most success in optimising and modernising their organisation's IT systems. Kyndryl's Wilkinson insists that those responsible for explaining the need for IT modernisation must understand which factors CFOs and CEOs are measured on. With this knowledge, he says, it will be easier to get engagement from all levels of the organisation and identify the priority areas for IT infrastructure investment.

Q & A

CEO on the spot: 10 questions with Bupa's Iñaki Ereño

The group CEO of the private healthcare provider gives his views on leading by example, work/life balance and what business can learn from sport

Rohan Banerjee

After joining Bupa in 2005, Iñaki Ereño held a variety of leadership roles in sales and marketing across the company's European and Latin American operations. In 2021, he was appointed CEO of the private healthcare group.

Born in Melilla, an autonomous city of Spain in north Africa, Ereño holds a law degree from Comillas Pontifical University in Madrid and an MBA from the University of Navarra's IESE Business School. He also has a postgraduate diploma in advanced management studies from the Wharton School of the University of Pennsylvania.

Before Bupa, Ereño held senior jobs at Telefónica Group and Carrefour. He also founded an online retail startup back in 1999. The Covid-19 pandemic has made him an even stronger advocate for digitising business and making more health services available online.

Here he explains what makes a good leader, why it's crucial to pick your battles and how he would advise a successor to build on his work.

Q Did you always want to be a business leader?

A It wasn't really my plan, to be honest. It just happened. My original aim was to be a sports star, but then nature did its job, I suppose, and that didn't work out for me.

My first role as a CEO was in 1999. I founded a startup called Netels during the first wave of the internet. I led that for three years and then became the marketing director at Telefónica before joining Bupa as a general manager. Here I've worked across sales and marketing, learning all the different aspects of the business. And, as I moved up, the opportunity to become CEO came along, which I graciously accepted.

Q What qualities make for an effective business leader?

A There are three common qualities. First, you need a lot of energy. You have to be enthusiastic about your company, your product or service and your own work. If you show energy, you are more likely to get the same response from your staff. You have to lead by example.

Second, you need to be inclusive. You must involve people in your processes – don't just try to decide everything on your own without speaking to anyone else.

Third, you need to be results-oriented. You must keep your eyes on the prize, always reminding yourself and your team of your targets and the reasons that they've been set the way they have. I think that CEOs can sometimes make a mistake by not "owning" their firms' targets. If you are falling short, you need to ask yourself why and address the reasons immediately.

Q What do you think your staff think of you?

A I hope they think positively! One thing I truly believe is that you have to lead by example. I hope that they can see me working hard and know that I don't like to cut corners. But hard work also needs balance. I want my staff to know that their life outside work is also important. I want the time in work to be as productive as possible, but also comfortable and engaging, so that they enjoy doing what they do.

Q What do you look for when hiring, particularly among your leadership team?

A I've always tried to ensure that we hire team players. I don't believe in superstars, but I still want them to have a winning mindset. There are lots of lessons that business can learn from sport and this is one of them. People have got to have a collaborative mindset and understand that they are only as strong as the weakest link. Wherever we have a knowledge or skills gap, I'm always looking to plug it. I am never arrogant enough to think there's no room for improvement.

Q What's the best business advice you've received?

A To choose your battles. I think you have to know when to fight and when to walk away. You can't face everything and you certainly can't do that alone. You have to be careful how you expend your energy. If you run out of energy, that does not look good for your staff. So you need to be smart about which battles you pick. Of course, for the ones you do fight, you must ensure that you win them.

> You have to know when to fight and when to walk away. You can't face everything

I think another thing is to be happy in everything you do. If you're not happy at work, you're not going to be happy outside work – and vice versa. You need to have a positive attitude and think about solutions, rather than just focusing on the problems you have.

Q What is the biggest challenge facing business at the moment?

A I think that would have to be retention. At a time when there is so much choice available, the big question for every business is: how can I make my customer more loyal to me? So there is a big challenge for businesses to personalise their offerings and tailor these in such a way that people feel, when they make a choice, that their choice really reflects what they want and need.

Q What's the main driver of change in your business?

A Particularly in the healthcare space, I think digitisation is the big force. Covid made us think very quickly about remote care delivery for our patients and remote working for our staff. We've got to have the technology in place to cope with this evolving demand.

The Covid crisis caught a lot of businesses off guard. Now we have to make sure that as many of our products and services as possible can be accessed and delivered online. This is to ensure greater convenience and also to ensure that we're prepared if, heaven forbid, there were ever another lockdown.

Q What's been your proudest achievement as Bupa CEO?

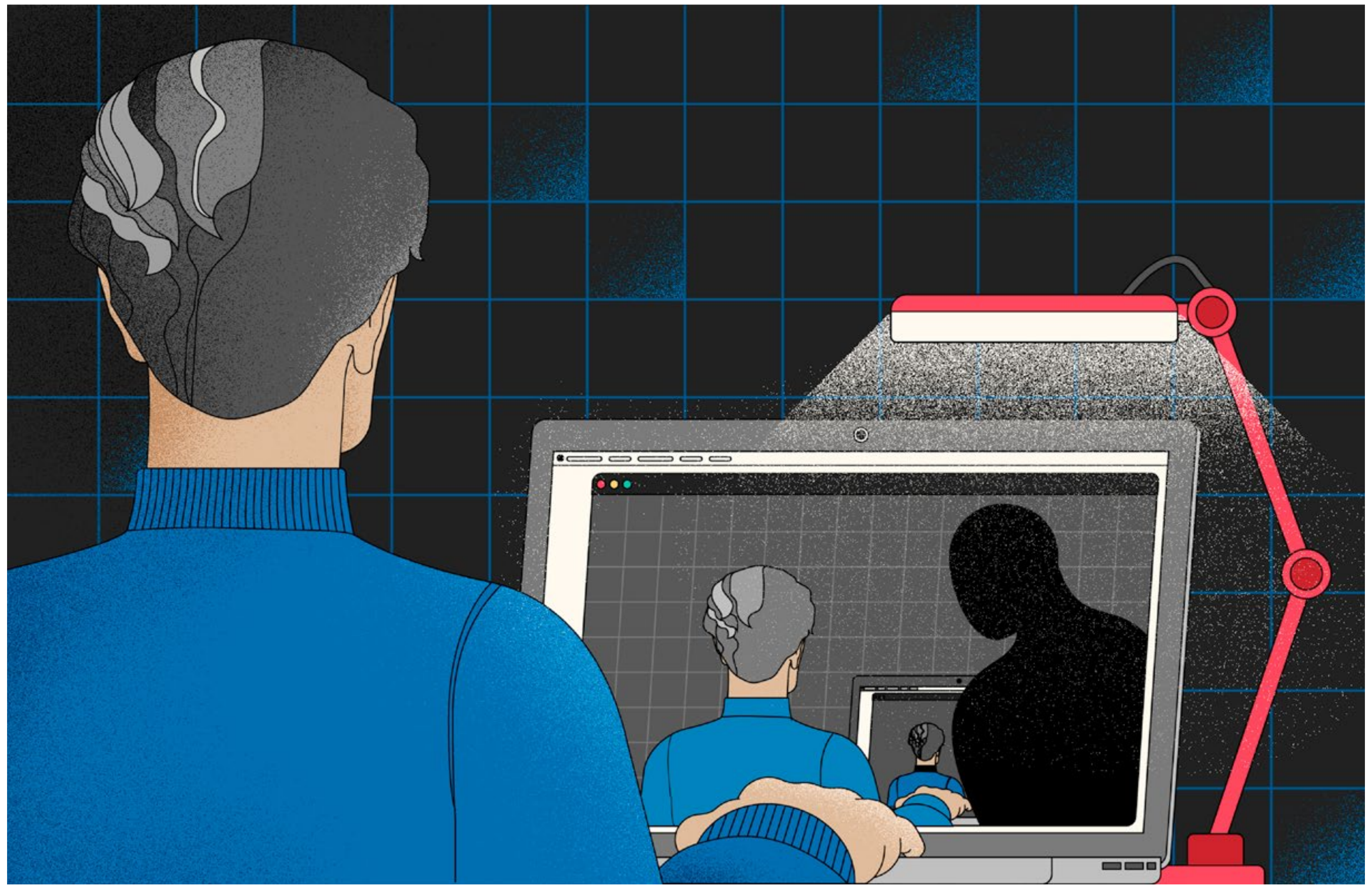
A The one that sticks out has been to make sure that every employee, in every part of the world, has health coverage. That's close to 100,000 people. It took the board exactly one second to sign that off, because every member knew it was the right thing to do.

Q Which book do you think every business leader should read at least once?

A *The Culture Map*, by Erin Mayer, is really good. It is aimed at people with an international mindset. I found it so accessible and interesting to learn about how business is done in different countries around the world.

Q What single piece of advice would you offer your successor when the time comes to hand over at Bupa?

A I'd say: "Have fun." This is an industry that's always evolving. New technologies are challenging, but they're also exciting. It's best to approach the changing landscape with a positive attitude and mindset. Enjoy the pressure, enjoy the rush, enjoy having to come up with new ideas all the time.



SURVEILLANCE

Watching you, watching me – what people think about being monitored by their employers

More and more companies are using surveillance technology to keep an eye on what their workers are doing, both at home and in the office. But employees are finding new ways to avoid their gaze

Sam Forsdick

Do you ever get the feeling that you're being watched at work? If so, you're not alone. Just over 80% of workers feel that they are being monitored by their employers to a moderate or high degree, according to a new survey conducted by Raconteur in partnership with Attest.

These concerns are not unfounded. According to a 2023 analysis of 50 of the most prevalent employee monitoring tools by online résumé builder StandoutCV, there has been a marked increase in the use of video monitoring, document scanning and attendance tracking since its previous review in 2021. One phone-booth maker is even thinking about adding heart-rate sensors to its office furniture to help monitor people's stress levels.

Employers are becoming increasingly interested in when and where their staff are working. The return-to-office push has led firms such as EY to monitor the use of employees' access-control cards as they move around their offices.

Similarly, paranoia about the productivity of remote workers has caused some businesses to keep closer tabs on their activities. Last year, fintech firm Monzo was found to be using a so-called BizOps system to check that members of staff were using work devices for at least 85% of their contracted hours. More recently, Starbucks, Nestlé and AstraZeneca were among a number of companies found to be using Aware, an AI-powered tool that monitors employees' messages.

While such Big Brother methods often capture headlines, some of the most common examples of employee tracking are more benign. Half of the 1,000 survey respondents reported being asked to log their working hours, while 49% said that their employers were recording their office attendance.

Only 8% said they were aware that their employer was using so-called bossware – software that more closely monitors people's activities by recording their keyboard and/or mouse usage.

Josh Bersin, a global HR technology analyst and CEO of The Josh Bersin Company, notes that the tracking of employee activity by companies is nothing new. Indeed, the practice is well established in call centres and sales teams.

But he adds: "The recent uptick in surveillance has been because there is more remote work. Managers are getting bogged down in whether remote employees really are working at home all day. This stuff is useful only when it's used to improve productivity, not to monitor people to ensure that they aren't slacking off."

The survey reveals that 63% of respondents would consider the use of tracking software for such purposes as a reason to leave their employer, with 28% strongly agreeing that this would make them consider quitting. They're significantly less concerned about the monitoring of office attendance, but 38% would still regard it as a reason for leaving their company if it were to introduce such a measure.

> This stuff is useful only when it's used to improve productivity, not to monitor people

Any organisation that's thinking about introducing workplace monitoring must tread a fine line between being supportive and inadvertently creating a surveillance culture. That's the view of Terez Rijkenberg, chief people officer at business transformation consultancy Socium10X.

"Companies need to be upfront about why they're watching," she warns. "Only by being completely truthful can you foster a culture of trust that withstands the challenges of workplace monitoring."

Hayfa Mohdzaini, senior research adviser on data, technology and AI at the Chartered Institute of Personnel and Development, agrees.

"Monitoring technology is not a simple solution for performance problems and does not replace good leadership," she says. "Employers should consider carefully whether employee monitoring is needed and, if they do need to introduce a new monitoring measure, they should be clear about what they're doing so and why."

Context is also an important consideration, adds Mohdzaini, who would remind any employer that what's acceptable in one setting might not be in another.

The increased use of surveillance is also leading some employees to seek ways to avoid detection. The survey reveals that relatively low-tech methods are most common, such as selecting the private setting on a web browser (reported by 14% of respondents), using secure messaging applications such as WhatsApp to chat to colleagues (13%) or setting their status to online while away from the desk (13%).

A small percentage are prepared to go to extra lengths to escape the eyes of their employers, including using virtual private networks to protect their privacy online and sidestep website blocks (7%); deleting spyware applications from their work devices (3%); and installing tools such as mouse jigglers that can fool bossware into thinking that someone is active on their computer when they aren't.

Fewer than half (48%) of those surveyed claim to have never used any method to prevent their employer from monitoring their activities. The fact that more than half have been willing to use deceptive tactics to avoid being tracked points to a breakdown in trust between employees and employers.

Younger workers are particularly wary of the increased use of corporate surveillance. Members of gen Z are more likely to feel monitored at work and more frequently seek ways to avoid such surveillance. This is despite the fact they are the most likely age group to agree with the suggestion that workplace monitoring improves productivity.

Simon Watson is global head of innovation at Kinly, a provider of remote and in-office monitoring systems for employers. He believes that there is a perception problem surrounding the technology.

> If monitoring is excessive or fails to respect the employee's privacy, it can damage trust, cause stress and reduce productivity

"The word 'monitoring' has negative connotations in the context of the workplace, but nobody has an issue with the technology when it comes to sharing their personal information with Samsung through a fitness tracker," he says.

In Watson's view, too few companies are promoting the employee wellbeing benefits that monitoring systems can provide. For example, video monitoring tools can be used to analyse an employee's home working environment and provide recommendations to optimise light or noise levels.

"Monitoring technology gives HR more power to help employees work in the best way from wherever they are. It can warn you to turn on a light or take a break. It could even tell you that it's more economical to go into the office on a given day, as opposed to staying at home," he argues. "If people understand why they're being monitored and it's clearly communicated that this is for their wellbeing and a better work experience, there shouldn't be too much of an issue."

If businesses do decide to monitor employees, any methods should not be excessive and their use needs to be justified, stresses John Palmer, a senior adviser at the government's Advisory, Conciliation and Arbitration Service.

"Employees are entitled to some privacy at work, including while working from home," he says. "If monitoring is excessive or fails to respect the employee's privacy, it can damage trust, cause stress and reduce productivity. And, in some circumstances, it is possible that an employee's legal and human rights could be breached."

Overstepping the mark can lead to legal and financial punishments for businesses. For instance, Amazon's operation in France was recently fined €32m (£27m) for what was deemed by the French data privacy watchdog to be the "excessive" monitoring of warehouse workers.

Meanwhile, in the UK, The Information Commissioner's Office – which has released guidance on how to comply with data protection law when monitoring employees – ordered Serco Leisure to stop processing biometric data to check people's attendance.

Employers must be able to justify the level of detail collected and ensure that this aligns with the monitoring purpose, warns Gearalt Fahy, employment law expert and partner at Womble Bond Dickinson. Personal data has to be processed lawfully in a fair and transparent manner; collected only for legitimate, specified purposes; and limited to what is necessary in relation to its purpose, he adds.

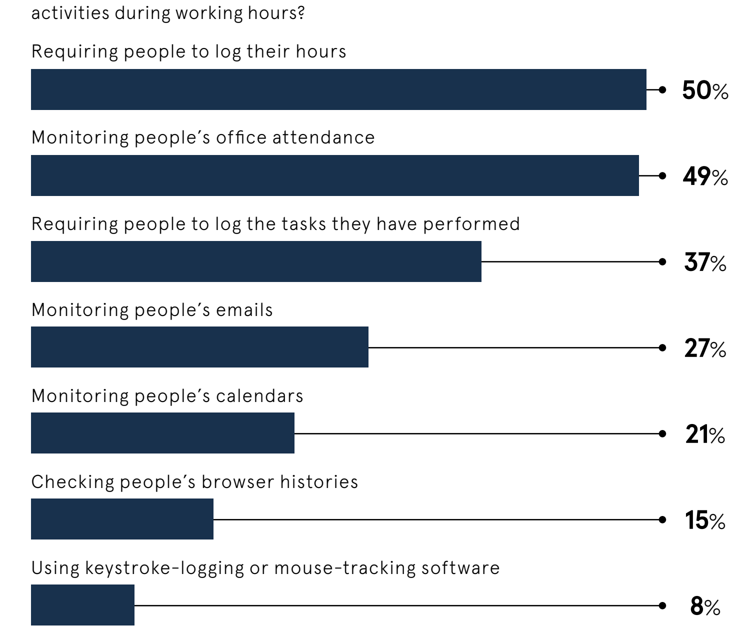
Data protection rules will apply to the information that is gathered, while employees retain the right to request access to any of their personal data that is collected.

It's also worth remembering that relying on data alone can be misleading. Fahy notes that this is "particularly relevant for performance monitoring, where factors such as neurodiversity and reasonable adjustments for disabilities may not be reflected in the data and require additional consideration".

As the use of monitoring becomes ever more prevalent, firms need to understand their legal obligations. They must also be mindful of the effects such practices can have on those under surveillance. The benefits of greater oversight may not always outweigh the risks it poses to good employee relations.

TIMESHEETS ARE THE MOST COMMON MONITORING METHOD

Which, if any, of the following measures is your employer using to track your activities during working hours?



Raconteur, Attest, 2024