CLARITY REPORT_Q1

UNCERTAINTY IS THE THEME OF THE NEW YEAR. Political change, stock market volatility, destabilized oil prices and an increasingly poor outlook set the stage for Q1 2019. As we look ahead and steady ourselves to meet the challenges of the new year, several trends continue to dominate and will likely remain on the trend alert for some time, including: the conflict between short-term returns and long-term sustainability; fear (lack of psychological safety) in organizations; and constantly shifting societal norms.

1. TREND: THE CONFLICT BETWEEN SHORT-TERM RETURNS AND LONG-TERM SUSTAINABILITY

The challenging economic environment has exacerbated the need to focus on more immediate results at the expense of long-term sustainability. We continue to see legacy companies with reliable, strong performance numbers being faced with extreme consequences when any dip in performance occurs. A continuing overemphasis on quarter-to-quarter results is compromising overall performance, safety and employee satisfaction. Leaders are becoming more conflicted and less strategic as they make decisions to appease boards and shareholders versus protecting the employee base and their long-term viability and well-being. Shortcuts have become the survival tool of leaders – using a patchworked approach to impact the immediate future. Lost is the longer-term focus on the people drivers of culture that define performance and ensure sustainability. The unhealthy competition between today and tomorrow sacrifices the organization and pit it against the employee base. Until we begin to see a return to long-term, strategic prioritization by the highest levels of organizations, employees will continue to be used as pawns in a short-term game. The decreasing emphasis on value and behavioral alignment, employee engagement and professional development will only widen the gap of a growing dearth of mid-level managers and increase the disconnect between leadership and the front lines of business.

2. TREND: RETREAT TO BASICS

The economic, political and social uncertainty has created a business environment whereby leaders are being forced to retreat to basics and rethink fundamental connection points across the organization. Corporate leaders are beginning to re-envision what is achievable and recreate their longer-range strategy to both accommodate and survive the chaos in the marketplace. Leaders have begun to forgo major growth initiatives and instead return focus to build upon the core to weather potentially turbulent times. This focus on strengthening connections inside and outside the organization – by reconnecting the brand to its purpose, and by shifting resources to more people-centric initiatives – is made in an effort to get more output with less resources. Related to gaps caused by board directives and short-term gain mentality described in Trend #1, increasing attention will be redirected to human connections and human capital development. The shift from more aggressive growth-minded, aspirational plans will be replaced with more grounded, more traditional people-centric platforms. Look for companies to embrace more human characteristics in the coming months.

3. TREND: TRUTH IN LEADERSHIP

The shifting political power bases and increasingly polarized media outlets (all sides of the political spectrum) and online blogs have created a vacuum where the truth is being sacrificed for political expediency, corporate survival, and individuals continuing need to belong to something bigger than themselves. Leaders are seemingly unaware of the overly sensitive work environments they are encouraging, especially in the top echelons of leadership, where 100% of the truth is not demanded with any measure of frequency. Instead, the inherent need to be politically correct, where both sides are compromising their real beliefs, eliminating conflict and avoiding the risk of offending at any cost is costing companies significantly. There is a growing trend, especially among leadership teams, where the "go along to get along" mindset prevails. Siloed organizational charts are further encouraging and exacerbating less than fully open and transparent conversations. There is inherent conflict when the Communications, Legal, Human Resource, Finance, etc. teams are brought together to solve complex problems. Each are entrenched in protecting their ideological turf – often at the expense of not only the truth, but of what is best for the whole of the company. Boundaries and silos are beginning to define the workplace. Leaders are less candid, unwilling to express vulnerability, and remain politically correct to a fault. There is less conflict or challenging of other leaders, departments or individual's ideas. The trend is to retreat back to the departmental view, rather than to fully engage and challenge others to get to the right enterprise solution. Leaders are less apt to stand up, even when they disagree, and carefully offer a watered-down response simply because it is the easier, less offensive way to go. We're seeing a "choose your battles" mentality without ever crossing the line to respectfully engage in something worth fighting for. That is affecting our ability to lead and follow with passion and strength.

4. TREND: IMPACT OF FEAR (LACK OF PSYCHOLOGICAL SAFETY) ON PERFORMANCE

The ever-present factors that increase the likelihood of elevated fear in organizations are on full display. The growing pressure on management to perform, the shifting political power base and retreat to the extremes by political parties, the elevated shareholder expectations, and personal pressures in and out of work are exacerbating the fear being experienced on the front lines of our companies today. Our research is showing dramatic spikes in fear with decreasing performance in areas of trust, employee voice and empowerment. Employees are forced to make decisions for the good of the company or for their individual survival. They are faced with balancing fear of retribution and loss of position or status, with the concern they will be ostracized by their supervisor or co-worker, or shunned in the community for a decision they make in their company. The result is poor or limited decision-making which is stifling the organization and inhibiting the necessary performance. This same fear negatively impacts teams by encouraging silos within previously high functioning departments and promotes behaviors that inhibit trust, employee voice and empowerment.

5. TREND: CHANGING SOCIETAL NORMS AND THE WORKFORCE

The shifts in the power structure in Washington D.C. have reset the tone across the political landscape with harsh rhetoric, more frequent investigations and increasing uncertainty. This impacts not only public policy, but practices that cross over into business. It also brings to the forefront the ever-present societal battles that are being waged across the country on any number of issues. And, it empowers a new set of growing and increasingly vocal voices across the spectrum to weigh in on any number of issues. In opposition to the trend of truth in leadership, where people are hesitant to cross an unspoken line, here individuals blast right through respectful discourse and resort to forceful efforts to make their needs and concerns known. This backdrop of perpetual chaos is creating an environment where employees feel increasingly justified and more emboldened to lash out against policy, people or leadership with little to no regard of the consequences. The lack of balance caused by the wild swings outside the workplace is creating a level of unprecedented uncertainty and increased anonymous attacks in social and traditional media, as well as other communication forms, including letters sent to boards and other leaders. Employees are turning on leadership; on each other and their company to express their views if they differ from the company's or if they feel their voice or perspective is not being considered. Customers are not exempt from the conversation either. There is an immediate response for any decision that differs from our own. The lines are becoming blurred between what is personal and what is business, so much so that false information and incorrect conclusions can quickly harm or destroy careers, products or companies.

6. TREND: TIME IS THE NEW CURRENCY

The ever-increasing speed of business and everyday life, caused by the confluence of changing technology, increasing uncertainty, shifting generational priorities and fluctuating expectations, is redefining time as the new currency. People now evaluate in what and how they will invest their time including work, causes, social engagements, as well as social media, technology, actions and consumer habits. Yet, the friction in this trend lies in the contradiction of its application – with leaders demanding more, faster; with employees being expected to do more, faster; with consumers expecting more, faster; and with generations altering priorities from faster to more meaningful as exhibited in Millennials and Generation Z. In the business environment, patience is waning across the workplace. There is little patience for delays of any kind or actions inconsistent with our individual internal clocks. This same intolerance is equally evident in consumer behavior as we avoid lines, have others shop for us, and invest in programs like those at airports, to eliminate any form of waiting. More and more, we are willing to pay for the ability to save a few minutes. The investment of this finite resource will continue to come under greater scrutiny as life demands, inside and outside work, continue to grow and are compounded by the speed of society.

Deutser Clarity Institute publishes business trend reports each quarter based on research and work conducted in industries across the country and globe.

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