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STRATEGY HQ



**ARE YOU GRADING
YOUR ORGANIZATION
ON A CURVE?**



DESPERATE FOR JOB KILLING ROBOTS

by Rohan
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There have been numerous stories over the past few years of people fearing that they may lose their current jobs to automation and Artificial Intelligence. Unfortunately, small and medium businesses in some states also have fears that they will lose their current businesses due to rising labor and training costs. These business owners may even be desperate enough to band together and establish a GoFundMe account to develop a kinder, gentler version of Skynet. Small and medium-sized businesses need a viable robot solution delivered within the next two to three years. If they are unable to acquire these robots, then there may be no hope for them to survive the skyrocketing costs to acquire and retain human labor.

Coming into 2019, it was not unusual for some businesses to see labor costs totaling around 30 percent of sales. However, after 18 states or districts raised minimum wage in 2018, there will be another surge of 20 states raising minimum wage in 2019. Some New York restaurants have already seen their labor costs approaching 40 percent of sales since minimum wage was increased to \$15 per hour at the beginning of 2019. This adds tremendous pressure to businesses who are already fighting an extremely tight labor market.

Many businesses are reluctant to pass costs to their customers for fear of losing traffic. With ridiculously high turnover due to the tight labor market, some employers are begging employees to stay loyal by offering perks such

as gym memberships and tuition reimbursement. Papa John's has even recently announced that they will provide upfront tuition payments for a degree from Purdue's online undergrad and graduate programs. Businesses like these are fighting to keep their labor force happy and engaged because they

finish each dish according to the requested final garnishes of each guest. Orders are input at a self-serve kiosk with a human available to assist when needed. The total prep time to serve the dish is three minutes and most meals start under \$8. These robots clean their cookware between dish

Skilled Labor in Demand

There will always be empathy to those who are inevitably displaced by automation, but as of the beginning of 2019, the United States was at an amazing 3.9% unemployment rate. It seems so ironic that this in itself is fueling the need for automation more than many other factors. Skilled laborers are in demand in many industries now, so there will be almost an immediate absorption of displaced workers into other trades. Robots are not only here to augment repetitive human tasks, they are here to help humans evolve into better, elaborate careers. In a not so subtle twist of fate, these robots will help humans evolve into a species that can start avoiding dangerous, mundane job responsibilities and are free to develop more creative, artful, and more expressive careers.



need workers to keep their businesses open. But how much more can they afford to give to workers while still being able to turn a profit?

In addition to tight labor markets, some businesses are also facing lease renewals. These 10-year lease renewals are nowhere near the terms of the Great Recession. New York is the leading poster child of suffering since some businesses are seeing a doubling and tripling of lease renewals. Small to medium-sized businesses are getting hit from multiple angles and need real solutions.

Robots: More Than the Assembly Lines

Robot labor is the augmented way to this solution. Spyce fast-casual restaurant in Boston uses robots to cook and construct the base components of their salad and grain bowls while only a handful of humans

preparations. Starbucks has been able to use mobile ordering and payments to increase its sales without having to hire more cashiers. They have been able to hire more baristas to handle the increased traffic once guests increased their visits realizing they could skip the lines at the counter. Augmentation has allowed them to improve service and efficiencies that otherwise may not have been possible. FedEx will be using robots to complement their existing workforce for last mile efficiencies and they have no plans to replace any of their workers with these robots. Alibaba's FlyZoo hotel uses robots in the bars and restaurants allowing the staff to spend more time with their guests and distinguish themselves from their competition. Many industries are having to augment their businesses with automation to contain rising costs in delivering their goods and services. These businesses have utilized machines to reallocate labor to more crucial areas of their businesses and they are seeing strong returns on their investments.

Kronos, which is a US-based workforce information firm, recently partnered with IBM to create an AI-powered Watson Career Coach for hourly workers in smaller organizations. The mobile-based, chatbot service provides workers with personalized coaching in which career training is most advantageous for their careers and guides them in how to obtain promotions. The service is aimed at organizations that employ a disproportionate number of hourly-paid workers who might not otherwise receive meaningful 1:1 human career management. They are helping to advance the future of society by counseling a part of the workforce that normally would not receive this type of guidance. Anyone who is against this is totally against the advancement of society. It seems that humanity should be more fearful of those who are against the advancement of civilization as opposed to a few self-serve kiosks or robot bartenders. Let's grease the skids of change and accelerate our path to automation to improve mankind.

by David Cooper

ARE YOU GRADING YOUR ORGANIZATION ON A CURVE?

In a competitive marketplace, insight into your performance against competitors is crucial. Gauging your position helps you not only draft and execute strategy, but also stay on top of changes. Industry benchmarking can be a valuable tool to understand your position, but only if organizations avoid this all-to-common mistake: Grading your organization on a curve.

Like the chemistry student who earns an 85 but consoles himself because (in an underachieving class) an 85 is an A, we mentally justify lackluster results. Because our numbers are slightly better than our direct competitors, we grow comfortable with relative success. *It could have been much worse, we tell ourselves.* Is it any wonder that *actual* success and increased profits then prove elusive?

If you've been grading your company's performance on a curve, consider the consequences of this insidious habit. Instead of lowering the bar, commit to changing your culture to one where real performance, not watered-down comparison, is the standard by which you evaluate results.

Case in Point: "We're only down 8% this year."

Imagine an established running shoe

manufacturer dealing with declining sales—down 8% last year. Shouldn't this be cause for reflection and regrouping, if not outright panic?

Rather than a "come to Jesus moment," company leaders managed to placate themselves, even shareholders, by pointing out (correctly) the industry's downward trajectory. Their nearest competitors' sales numbers, after all, had fallen even more — an average of 10.3%. It was a category-wide problem, they assured themselves.

No one was laid off. No austerity measures implemented. Hiring was affected slightly, but the implicit message from the top rang through loud and clear: we outperformed our



competitors. Let's stay the course. Yet without an honest reckoning based on their true performance, will this company muster the will required for better results? In this case, like too many others, inaction is likely to only accelerate the downward trend. As Seth Godin says: "Doing what you've been doing is going to get you what you've been getting."

Choose the Correct Competitors

Do you recognize any similarities between the running shoe company and your organization? If so, here are two alternatives to those lowered expectations.

Choose a different competitive set.

Be certain that your basis for comparison is sound. Are there significant differences between your business model and theirs? Between your products? Between your capabilities and your customer base? If so, your metrics and the resulting data could be invalid. Maybe you need to compare yourself with more successful competitors. Re-examine your competitive set and decide whether you actually belong there.

Position yourself to lead.

Pursuing industry leader status will require a new and radically different strategy. But if you are consistently outperforming a relevant competitive set, perhaps it's time to make the audacious moves needed to step up and dominate your niche.

Complacency Breeds Mediocrity

When leaders accept poor results based on relative performance to underachievers, they set in motion a pervasive chain reaction. Embracing mediocrity becomes tacitly encouraged and permissible throughout the company, top to bottom. Do not imagine for a moment that everyone — from operations to sales to HR to IT —

won't receive the message and behave accordingly. This is only one of many pitfalls in competitive benchmarking, but it's among the most serious. Rather than competing to innovate and optimize, taking the path of least resistance becomes standard operating procedure. We don't need a crystal ball to predict that declines will continue, and possibly accelerate.

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How to Stop Grading on a Curve

The only antidote to grading on a curve is to change your competitive

benchmarking and, more importantly, your culture. But how?

For a start, leaders must link employee self-interest to the success of the organization. As humans, we all protect and prioritize what benefits us as individuals. Everyone must understand that gradually lowering standards not only works against organizational goals, but also against personal success. Of course, not everyone will be willing to make the challenging journey to new assumptions and behaviors. You will lose some people along the way. When this kind of cultural attitude is entrenched, a great deal of effort and transformation will be required to turn it around. Losing people is never the goal of change, but a fresh commitment to accountability and higher standards must be made crystal-clear.

In the end, no business operates within a vacuum. Yes, data is critical and organizations need accurate performance data. But they must never allow flawed comparisons and cognitive errors to limit their potential for growth and profitability. To achieve better results, embrace your true performance, not your relative performance to an underachieving group. Rethink your strategy and begin the difficult work of demanding more from everyone, at all levels.



IS CONFIRMATION BIAS AFFECTING YOUR ABILITY TO MANAGE MILLENNIALS?

by David
Cooper



Have you ever wondered why perfectly intelligent people can seem so immune to the influence of fact when it comes to politics, or almost any other topic they care about? The human tendency to latch onto experiences and facts that support our existing beliefs while downplaying, rationalizing, or ignoring contradictory facts has a name: confirmation bias. We all--even scientists--cherry-pick facts to support what we already believe. Apparently, we'd rather prove ourselves right than actually be right.

Over time, these “confirming” experiences strengthen our bias, making it entrenched and resistant to reason.

Does this mean confirmation bias is a moral or ethical problem? In pure isolation, confirmation bias is neither wrong nor right, and most of us are usually unaware of its power. Instead, it's a universal human tendency, and has probably served an important evolutionary purpose. Those in leadership positions, however, should consider the impact of confirmation bias on our interactions with various

groups--particularly millennial employees, the current subject of intense (and often unflattering) media coverage. If we want to lead a diverse workforce effectively, it's important to guard against the pitfalls of confirmation bias.

Case in Point: Meet Andy and Drew

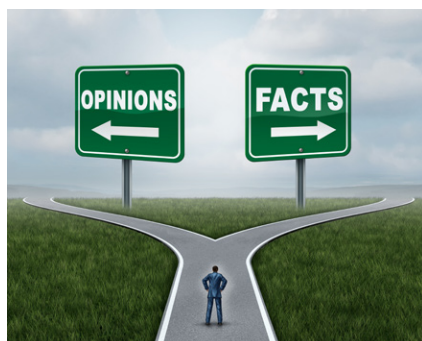
Consider the scenario of Andy and Drew, two candidates for promotion to a director-level position. Coincidentally, both are named Andrew. Andy is a member of Gen X., born in 1970, when

“What the human being is best at doing is interpreting all new information so that our prior conclusions remain intact.” - Warren Buffett

the preferred nickname “Andy” was common. Drew, on the other hand, is a millennial, and like many millennial-aged Andrews, prefers to be called “Drew.”

Both Andy and Drew lacked the soft skills required to excel in the new role, and their most recent performance reviews were unimpressive. Yet both had done--in their own words-- “a pretty good job” and had been with the company for about six years.

When informed that they’d been passed over, both Andy and Drew spent their debriefing sessions rehashing why they felt they deserved the promotion. They devoted little time or energy to asking



questions that might help pinpoint weaknesses and areas for improvement. This, however, is where the similarity ends.

When Drew left his manager, Judy’s, office, a scowl on his face, she couldn’t resist muttering under her breath: “Another entitled millennial.” Judy is a younger baby boomer, born in 1964. After Andy’s debriefing, her response was very different: “Andy doesn’t get it. I guess it’s just his personality.”

When Drew displayed behavior consistent with a pre-existing

“... people prefer reassurance to research.” - Neil deGrasse Tyson

belief (that millennials feel entitled to unearned promotions), Judy’s confirmation bias was reinforced. When Andy displayed the same behavior, she instead ascribed the attitude to an individual personality trait, rationalizing information that called her bias into question. On this day, at least, the millennial employee demonstrated the problematic behavior with no greater frequency than the Gen X representative.

Yet, going forward, is there any doubt that being “proven right” yet again will influence Judy’s attitude about millennials? One can only imagine the cumulative, reinforcing effects of similar scenarios, over time.

What If? (A Better Outcome)

What if, rather than accepting the confirmation at face-value, Judy had thought something like this? “Well, my first response is ‘Another entitled millennial,’ but Andy acted really entitled, too, and he’s not a millennial. Maybe I should change the way I’m thinking.”

The antidote to confirmation bias, if one exists, is to acknowledge its power, understand how it works, and cultivate the habit of considering alternative explanations. We are almost always better off digging deeper and asking “What’s really going on here?” “Is there another possible explanation for this behavior (other than demographics)?” “Do I see the same, or similar, behavior in other demographics?”

But Generational Differences Exist!

No one can deny that generational differences exist and that historical forces have shaped all of us. Keep in mind, however, that criticism and skepticism of the methodologies and assumptions of the “generational differences in the workplace” trend are beginning to emerge. So while we shouldn’t ignore the idea that generational traits can influence our employees’ behaviors and attitudes, we should tread very carefully when applying group generalizations (whether negative or positive) to individuals.

After all, according to Pew Research, there are currently 71 million millennials living in the U.S. Within any group this large, countless factors shape lives and careers--geography, social class, economics, family background, educational achievement, and more. Millennials are as diverse as any other group.

The Bottom Line: Fairness AND Effective Leadership

Confirmation bias, of course, isn’t focused solely on millennials. It comes in many flavors and affects us all more than we’d like to admit, both personally and professionally. Because it has the power to skew our perceptions and distort our judgment, we should work hard to examine and “talk back” to our pre-existing beliefs. Not only is it the right thing to do, but it can make us wiser, fairer, and ultimately more effective, leaders.

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