

The Innovation Blueprint

The Future of Corporate Innovation

Dolores Assalini (Unilever), Jennyfer Corrazari (Givaudan),

Eleanor Harvey (Tom Ford Beauty), Megan Manco (L'Oreal),

Tori McGee (Unilever), James Purcell (Estee Lauder), Kristi Silko (Coty),

Andrea Steele (Unilever) Alejandra Thompson (Chanel),

Samantha Yungst (Chantecaille)

Cosmetics and Fragrance Marketing and Management Master's Degree Program

School of Graduate Studies

Fashion Institute of Technology State University of New York

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Abstract

Globally, companies are under extreme pressure from consumers to innovate quickly or risk becoming obsolete. As technology continues to grow at an exponential rate, and employees and processes are being replaced by various form of artificial intelligence, corporations will need to redesign their infrastructure to adapt and thrive in this new world. This intense landscape is disrupting the way corporations innovate.

This research is aimed at defining what the future of corporate innovation will look like within organizations over the next seven years. The “Innovation Blueprint” model will lay the foundation for how companies will need to organize in order to drive innovation in this volatile environment.

Fluid Organization, Time Design, and Trust are the three overarching concepts that will impact how companies can evolve to successfully innovate. Within this framework, companies will identify the right organizational design to drive diversity of thought and experience within the existing ecosystem, broaden the perspectives of employees via an elevated talent development structure, and create a work environment that is rooted in trust, which will allow for the exchange of insight and intellect in order to drive innovation.

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"When the rate of change inside an institution becomes slower than the rate of change outside, the end is in sight." – GE Chairman – Jack Welch

EXPONENTIAL GROWTH OF TECHNOLOGY

As technology, data, and information explode, corporations will need to revolutionize the way they think, act, and innovate in order to survive. Traditional and established companies are swiftly being replaced by more nimble and technologically savvy start-ups. In fact, research from the Olin School of Business at Washington University in St. Louis predicts that 40 percent of the current Fortune 500 companies will not be in business by 2025 (Volo, 2015). Further, in a recent survey conducted by *FORTUNE* magazine, 72 percent of CEOs of Fortune 500 companies chose the “rapid pace of technology” as the greatest challenge facing their company (Murray 2015, Exhibit 1).

Technology and data are also driving rapid growth in start-up companies. Uber, launched less than a decade ago in 2009, already has a valuation higher than 77 percent of the 2015 Fortune 500 companies (Griffith 2014). “Ronald Coase won the Nobel Prize for his theory... that giant companies were necessary because the ‘transaction costs’ of building large industrial operations in the free market were too great. Since the onset of the digital era, however, those transaction costs have plummeted. You can now build a

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global business from your bedroom” (Murray 2015). These “transaction costs,” such as large machinery and warehouses, are becoming lower and lower as technology breaks down the barriers of entry. Furthermore, companies are now providing more service-oriented products that leverage existing infrastructures, in order to minimize the purchase of machinery and warehouses. Companies like Airbnb and Uber are able to function without requiring any large industrial operations, relying solely on technology and people.

Technology is transforming innovation at its core, and companies that tried to preserve their original business model and neglected to evolve with technological advances, have failed. In 1976, Kodak had a 90 percent share of the film market and an 85 percent share of the digital camera sales in America (“The Last Kodak Moment?” Exhibit 2). Today, Instagram, Facebook, and even photobook companies like Shutterfly, have entirely replaced Kodak’s business. In fact, as camera technologies continue to get smaller and more potent, the iPhone itself is replacing digital cameras as well as printed photos. Similarly, Borders attempted to revamp its brick and mortar environment through the addition of superstores versus expanding into the digital space in 2011. Today, Borders has been completely replaced by tablets, eBooks, and the giant e-tailer Amazon.

The rapid growth of technology is also affecting the beauty industry. The market is intensely competitive, with new beauty brands launching at a more rapid pace and volume than ever. The barriers of entry are higher than in the services and technology

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industries, but those barriers are breaking down. For example, Korean-born cult beauty brand Tony Moly can now launch a product in 2-6 weeks (Wood, 2016), vs. a traditional beauty behemoth like L’Oreal, who is unable to launch a shade extension in under 6 months. The rules are changing. Companies no longer need to launch a fully-fledged brand with a lofty product line-up. Gone are the days where it was standard for brands to invest millions of dollars on a 360-degree media plan to ensure the success of their prized innovation. Today, it is imperative to launch products in a timely manner. If traditional corporations want to keep pace with the likes of Tony Moly and Amore Pacific, they will have to rid themselves of old structures and innovate in a smart, fast, and strategic way.

Due to these technological advances, there has recently been a surge of entrepreneurial beauty brands that are breaking the traditional rules of commerce in favor of more independence from retailers. “A group of savvy entrepreneurs is taking advantage of this evolving landscape by launching direct-to-consumer beauty and grooming brands like Glossier, Stowaway, Bevel, Onomie and Context ... despite their rule-breaking business models—most rely on single-channel e-commerce sales, offer just a handful of SKUs and eschew traditional advertising in favor of social media and influencer relationships—they're building buzz that any legacy brand would envy” (Bazilian 2016). These brands are finding enormous success by shunning the traditional rules and using technology and social media as their tools. Indie brand Anastasia Beverly Hills was started in 1998 but has grown tremendously over the past 3 years thanks to their

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successful Instagram strategy. The brand is leveraging influencers to generate awareness of their products and is posting multiple times a day to keep their followers engaged. Today, Anastasia Beverly Hills is the most “liked” brand on Instagram, with 9.7 million followers (as of May 15, 2016) and an estimated earned media value on social media of \$46.5 million vs. the \$26.4 million that MAC earned in the second quarter of 2015 (Brown 2015). Korean beauty trailblazer, Amore Pacific, has taken notice of this trend and can now get a product from concept to launch in under 3 months (Roh, 2016). However, it’s time that companies like L’Oreal, P&G, LVHM and Unilever start to take notice.

This macro-trend begs the question - Who will be the next Kodak or Borders? Dr. Peter Diamandis, founder and CEO of XPRIZE has ascertained that “If you started a company in the 1920s on the S&P 500, you had a 67-year run rate before someone disrupted you. Today, you’ve got 15 years, and that rate is shrinking” (Ashok 2014). How will companies like L’Oreal, P&G, and Unilever stay relevant and keep their precarious space in the Fortune 500 list? The answer is innovation.

MAN vs. MACHINE

The second trend that feeds our model is also related to technology. Artificial Intelligence, once only a sci-fi concept, is now quickly becoming a real challenge that corporations need to face. Robots have begun to permeate our lives, with Roomba robots cleaning our floors and smart fridges telling us when we are out of milk. While these

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helpful innovations were created to simplify our lives, Artificial Intelligence will also fundamentally change how we do business. Dr. Peter Diamandis explains, “Robots and AI are replacing people in the workforce; virtual commerce and telecommuting is having an effect on real estate trends. Digital manufacturing, known as 3-D printing, is allowing anyone, anywhere, to create physical items from digital blueprints, and it is ushering in an era of do-it-yourself innovation... these technologies will enable us to make greater gains in the next two decades than we have in the past 200 [years]” (Ioannou 2014).

Machines are evolving faster than ever before and are swiftly beginning to take over jobs. Wendell Wallach, an ethicist at Yale University's Interdisciplinary Center for Bioethics and the Hastings Center, predicts “robots and AI may take [over] 50% of human jobs in 30 years” (Ashok 2016). IBM’s Project Watson, a tech platform utilized to synthesize unorganized data, is beginning to perform jobs that data scientists would traditionally do. Watson is performing these jobs faster and more accurately than humans ever could, thereby threatening the jobs of millions of computer scientists and data analysts. According to Kris Hammond, a computer science professor at Northwestern University, “what it’s [Watson] doing is counter to what we think of as machines. It’s doing something that’s remarkably human” (Waters 2016). This data analytics technology is moving into retail. The North Face is the first retailer to use Watson in the ecommerce and retail environment. IBM and The North Face co-created an app that guides consumers through the online shopping experience, using Watson’s expertise in

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the product assortment to provide product recommendations based on shopper input. “The company generated encouraging results from its two-month testing, which formally concluded in January [2016]. Some 50,000 people used it, engaging for an average engagement of two minutes. Users who provided feedback rated the experience a 2.5 out of 3, and 75 percent said they’d use it again, said Bouchard. The technology generated a 60 percent click-through rate to try product recommendations” (Marshall 2016). While Watson still has some bugs, the system was created to learn, thereby getting smarter the more people use it.

AI is not limited to data analytics. Machines are also starting to take over manufacturing jobs in China. The Ying Ao sink foundry in southern China’s Guangdong province found that employing humans was getting too costly, so four years ago they invested nearly \$3 million in machines. Today, “nine robots now do the job of 140 full-time workers. Robotic arms pick up sinks from a pile, buff them until they gleam and then deposit them on a self-driving trolley that takes them to a computer-linked camera for a final quality check” (Bland, 2016). The cost of investing in machines is still very steep, but the rewards far outweigh the cost. Machines are more reliable than humans and the margin of error is much lower.

This trend is permeating the fashion industry as well. This year’s Museum of Metropolitan Art’s Gala theme was “Manus x Machina,” exploring “how fashion designers are reconciling the handmade and the machine-made in the creation of haute

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couture and avant-garde ready-to-wear” (Metmuseum, 2016). In fact, one of the dresses at the Met Gala this year was co-created by IBM’s Watson. “As everyone was asked ‘Who are you wearing?’ one attendee—model Karolina Kurkova—got to say IBM Watson, in collaboration with high-fashion label Marchesa” (Busacca 2016).

While these machines still have a long way to go in replacing all jobs, companies need to start thinking about the future of AI and how it will impact their current organizational structures. "No area of life or business will be insulated from AI, in the same way that no part of society hasn't been touched by the Internet" (Abnett 2016). Corporations will need to find the balance between the benefits of Artificial Intelligence and the creative nature of Human Intelligence.

GENERATIONAL SHIFT IN THE WORKFORCE

Retaining talent is one of the biggest challenges organizations face today, and it is becoming increasingly more difficult as Millennials start to dominate the workforce and Generation Z begins to join it. In just 10 years, Generation Z will have taken over 31 percent of the workforce (Madden, 2016 Exhibit 3). Lucie Greene, the worldwide director of the Innovation Group at J. Walter Thompson, calls Generation Z (born between 1996 and 2010) “Millennials on steroids” (Williams 2015). Generation Z is entering the workforce in the next three years, and companies are not prepared for them. Generation Z grew up in a completely different world than previous generations. They grew up in the Great Recession, so they are willing to work harder and longer than their

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Millennial predecessors. However, they tend to reject bigger bureaucratic organizations in favor of smaller ones. “In fact, 55% of 50,000 Gen Z-ers polled said they're interested in starting their own company” (Bhattacharya 2015). Not only are they entrepreneurial, they are also independent and want to work on their own, “with 32 percent of Gen Z respondents saying autonomy is one of their most important career goals, compared to just 22 percent of Gen Y [Millennials]” (Bhattacharya 2015). This is a big step-change compared to Baby Boomers and Generation X. Generation Z does not believe in job security, so they're more willing to take risks and work for an authentic organization that is doing something good for the world; they are not driven by money.

Job-hopping will be a major concern for Generation Z as 83 percent of today's students believe that three years or less is the appropriate amount of time to spend at their first job. Furthermore, more than a quarter (27 percent) of students believe you should stay at your first job for a year or less (Crouch 2015). As Millennials and Generation Z take over the workforce, this tendency to switch jobs and careers will force Fortune 500 companies to fundamentally change the way in which they hire, develop, and retain employees.

Finally, Generation Z is the first digitally native generation. Unlike Millennials, who can remember a time before iPhones and Facebook, Generation Z is the first group to live in a world that is entirely connected through technology and social media. This digital connectivity will be invaluable to help companies do business in a social world

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and this expertise will become commonplace. Furthermore, this constant connectivity will undoubtedly redefine the traditional 9-5 workday.

Over the next 7 years, this generational shift combined with the exponential growth of technology and infusion of artificial intelligence will drive significant change. Companies will need to adapt in order to survive.

A new model for corporate culture, the “Innovation Blueprint,” offers a solution that consists of three concepts: Fluid Organization, Time Design, and Trust Culture. This combination enables corporations to thrive in the aforementioned changing business dynamics. The Innovation Blueprint, when successfully implemented, will increase revenue and profit growth. The implementation of all facets of the Innovation Blueprint will yield an estimated compounded annual growth rate of 7 percent over a seven-year period.

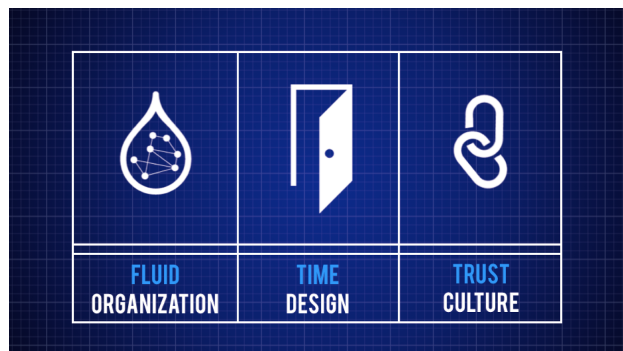


Exhibit 4

THE FLUID ORGANIZATION

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In order to keep pace with technology companies like Google, Netflix, and AirBnb, established corporations are remodeling their offices to more closely resemble smaller, nimbler, and arguably “cooler” competitors. Global CPG giants like Unilever are evolving workplaces to become more “agile” and are starting to offer some of the same benefits that smaller tech companies are offering such as nap pods and snack bars. While this seems like a step in the right direction, what these companies are essentially doing is taking teams out of one space and putting those exact same teams in a different, “more innovative” space, without changing the make up or design of the organization. In order to truly foster an innovative work environment, companies will need to fundamentally change not only the space in which they operate, but also the organizational design of the people that make up the operation. The ultimate goal is to deliver diversity of thought and experience to drive a culture around co-creation, thought leadership, and ultimately, innovation.

The concept of the Fluid Organization is not a new concept, but it is one that most likely resembles what companies will need to move to in order to adapt to the changing environment. Less than 5 percent of S&P 500 companies currently operate in a Fluid Organization. However, this model yields a 2 to 3 times greater CAGR over three years (Libert, Wind, Fenley, 2014). In 2004, Masao Kakihara from Kwansai Gakuin University, published a study, “The Rise of the Fluid Organization? Organizational Patterns of Mobile Professional Work” wherein he discusses how “firms are flexibly

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mobilizing human resources outside formal organizational boundaries” (Kakihara, 2004). The crux of the article is that in order to successfully compete and innovate, organizations need to pare down to a core organization and strategically bring in external consultants to work on certain projects in order to bring in diversity of thought. A modern day example of how different perspectives can drive innovation is observed within data science company Kaggle. This firm habitually holds contests with an open invitation to the public to improve the company’s algorithms. "In every one of its contests, external data scientists have beaten internal algorithms. And in most cases outsiders, or non-experts, have beaten the experts within a particular domain, which shows the power of fresh thinking and diverse perspectives" (Ismail 2014). This example clearly shows that oftentimes, an outsider can bring in an unexpected perspective that will solve a problem that those involved within the organization can no longer solve.

The Fluid Organization theory from the early 2000s was ahead of its time. In the early 2000s, “mobile professionals...account[ed] for a fraction of the whole workforce even in urban areas of the developed countries. Furthermore, the industries that actively utilize[d] mobile professionals as a competitive and flexible workforce are still quite limited, mainly to knowledge-intensive and/or ICT-related industries” (Kakihara, 2004). In fact, Google Trends (Exhibit 5) shows that traditional models for organizations such as “Matrix Organizations” and “Flat Organizations” are declining (Exhibit 6). While Google searches for the “Fluid Organization” are still nominal, the time for Fluid Organization is

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now. Today, as *FAST COMPANY* points out, “There’s no such thing as a non-mobile professional anymore” (Verdelis, 2014). The primary hurdle of the Fluid Organization in the early 2000s was the lack of technology. Today, technology allows employees to feel free to work as they please and how it best suits them. Furthermore, with the rise of big data and the exponential growth of technology, every industry is arguably considered “knowledge-intensive.” However, the Fluid Organization looks a little different from the vision that Kakihara outlined over 10 years ago.

The new Fluid Organization still involves companies whittling down to a smaller, dynamic core team with varying backgrounds and experiences, while the remaining team members are brought in externally on a project-by-project basis based on needs and expertise. However, the role of these consultants is very different than it was noted in the original model. “Contingent workers — freelancers, part-time workers, self-employed workers and the like — make up 40 percent of the workforce” (Solman 2015). However, thanks to technological advances, companies are also able to source talent from their communities. For example, the Hewlett Foundation sponsored a 2012 competition to develop an automated scoring algorithm for student-written essays. Of the 155 teams that competed, three were awarded \$100,000 in prize money. Most interestingly, none of the winners had prior experience with natural language processing, and yet, they beat the experts. (Ismail 2014)

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Richard Hsu, founder of TEDx Shanghai, also recommends injecting non-traditional points of view into your Fluid Organization, including elders, orphans, people from other regions (e.g., villages), and consumers (Hsu 2016). This mixture of diverse thought and ideas, allows for the disruption of traditional ways of thinking and imbues the organization with originality, diversity, and unconventional points of view. These different perspectives will foster an innovative culture and allow organizations to get closer to the consumer to understand his/her needs. For example, Shinola, a Detroit-based company that sells watches and leather bags alongside bicycles and pet accessories, intentionally plans its retail stores to be close to its target consumers. Bridget Russo, CMO of Shinola, explained that the company invites the community into its stores for events held by local small businesses to encourage interaction and socialization within the community (Russo 2016).

The result of bringing in the External Ecosystem is a diverse, Fluid Organization that can expand and contract like an organism over time based on needs and projects. This concept has also been re-branded as Exponential Organizations over the last few years, but ultimately, the core of the idea is rooted in the original Fluid Organization model.

Today, the ability to develop a truly Fluid Organization is becoming a reality; however, most companies are only starting to tap into the concept by curating the right talent and team to fit the needs of a project. For instance, Ivy Ross, VP of Project Aura at

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Google, explains that she curated 50% of her team for her current three-year project externally and 50% internally (Ross 2016). She argues that having the right diversity of viewpoints on the project leads to greater innovation. When asked if she would retain that same team when she moves to her next project, she said she would start again from scratch and design a team that fits the needs of the objective of the project (Ross 2016). Similarly, Sandrine Gadol, Chief Innovation Officer at L'Oreal, has curated a new, different type of team that brings in non-traditional perspectives to inspire innovative thinking (Gadol 2016). Gadol sees herself as a talent curator and organizer. This is a completely new and different model compared to how traditional companies function today, wherein the same team from the same brand takes on every project and challenge.

A real life example of full adoption of Fluid Organization principles across an industry is the Hollywood Studio Model. In the early 1900s, studios retained actors, producers, editors, and directors on staff whom they would move from one film to the next. However, in the late 1940s, the Hollywood model changed. Studios became more like venture capital companies. There isn't a set cast of people turning out "products" any longer. There is now a group of talent that congregates around projects that are worth being funded; a model that is still in place today in Hollywood. "Indeed, in some ways, businesses are becoming more like Hollywood movie production teams and less like traditional corporations, with people coming together to tackle projects, then disbanding and moving on to new assignments once the project is complete" ("Global Human

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Capital Trends. *The New Organization: Different by Design*", 2016). Another place where we see the Fluid Organization manifests itself is within companies like KPMG and pharmaceutical giant Merck as they move various teams to WeWork office spaces (Clark 2016). By being in this environment, the teams benefit from being around a diverse set of companies and mindsets, which results in new ideas and partnerships.

Bob Zheng, founder of People², the equivalent of WeWork in China, explained the future of office spaces and organizational structure, stating that “office spaces are like empty containers, it's not about the vessel itself” but rather it's about what you put inside of it” (Zheng 2016). The spaces are important, but not the sole source of innovation – it is about the connections.

In the near future, technology will play a strong role in sourcing internal and external talent to the right teams and projects. An eHarmony-like concept for business, wherein talent would be matched with corporate projects, could allow HR or team leaders to match the right skillset and interests of a mobile worker to the right projects at large corporations, bringing a diversity of perspectives that would result in the best input to drive innovation.

TIME DESIGN

Within the new Fluid Organization, once there is an organized team of individuals with diverse perspectives, it will be imperative to enhance the talent development

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structure to broaden the perspective and intellect of the employees in order to both retain talent and drive impactful innovation.

Daniel Pink, author of *Drive: The Surprise Truth About What Motivates Us*, points out that the current corporate model is based on a production line mentality, born during the Industrial Revolution (Pink, 2009). During this time period, companies attempted to maximize the output of their factories by keeping them running as many hours as possible, typically implementing a “sun up to sun down” workday (Hiskey, 2011).

Today, this antiquated model manifests itself in the traditional 9-to-5 workday. This linear structure places emphasis on output and offers little flexibility for employees to manage their time, energy and resources; thereby impacting their personal and professional development and negatively impacting their ability to innovate.

The days of operating in this linear work structure, reminiscent of the Industrial Revolution production line, are obsolete. As Baby Boomers begin to age out of the workforce, Millennials will continue to advance through the ranks while Generation Z prepares for their first taste of corporate America. This will require a complete overhaul of the existing organizational structure.

This younger generation of talent values independence, balance, connectivity and opportunities for growth [in the workplace] (Biro, 2016). “One of the top trends as named by the communications firm Euro RSCG Worldwide, is that employees in the Gen Y, or

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Millennial demographic —are overturning the traditional workday” (Schawbel, 2011). Studies show that intrinsic factors—the meaningfulness and purpose of work, for example—can motivate employees more effectively than just traditional extrinsic ones tend to do. (Beltramani, 2014). The current structure will no longer support the overarching values of these future leaders.

Generation Y and Generation Z, although close in terms of age, have distinct values that will need to be considered within the new Fluid Organization. For example, Gen Y is “very iconoclastic and very ambitious,” and they prefer a collaborative work culture rather than a competitive one (Asghar, 2014). Gen Z will “look for work that values autonomy, mastery and purpose. Gen Z will more than likely bring balance, leadership and stability to the workplace.” This demographic is also very entrepreneurial and inherently tends to be more “self-directed” than Gen Y. (Beltramani, 2014).

This new Fluid Organization calls for a new employee support structure, requiring a drastic shift in how employees manage their time and careers to drive innovation within the organization. Time Design will be the creative solution for igniting this change.

In a recent Fast Company article, Thomas Davies, Director of Google for Work, explored the concept of designing your time as it pertains to managing your existing workload. Davies created an approach at Google that would enable employees to design their time as opposed to just managing it. (Davies, 2016). The objective is to break all of your work responsibilities into four different quadrants and then that will enable you to

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prioritize your daily tasks. The intended result is for employees to become more strategic about how they manage their day-to-day and enhance their efficiency. (Davies, 2016). The limitation with Davies' model is that it is one-dimensional and neglects to identify a holistic framework for employee growth and development; therefore making it unsustainable for the employees of the future.

In the new business model, Time Design will be characteristic of Cornell's principles of design; a foundation that is built on balance, proportion, rhythm, emphasis and unity (Jirousek, 1995). This model varies greatly from the traditional "top-down" time management approach, which according to Princeton University includes implementation of tactics such as creating routine tasks and blocking out time on the calendar to complete tasks (Princeton University, 2016). Time Design will breathe new life into the organizational structure. Companies have become way too output driven and must realize that in order to get to a successful outcome, employees must have the freedom to think, play and create without limitations. Ivy Ross put it very simply- "Think about cows, if we didn't give cows the time to graze, they wouldn't make milk" (Ross, 2016).

Companies must begin to examine the design of their employee journeys with the same intensity they bring to designing the consumer experience. Time Design is more than Human Resource programs and processes. The new focus will be on designing a productive and meaningful employee experience. This new approach will transform the

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traditional function of Human Resources (HR) into "Experience Architects (XA)." The Traditional function of HR, which typically focuses on activities such as staffing and compensation, will no longer withstand the changing dynamic of the workplace. As HR evolves into XA, organizations will move away from being service providers to valued Employee-Experience consultants. Only in this way can organizations build the innovative and talented leaders that they need.

In this sense, Time Design is a much more transformative and three-dimensional approach to employee growth and development. There are three aspects of Time Design; Career Curation, Experience Engineering and Project Orchestration.

Today, career pathing is linear in nature. Traditional careers are based on a “hierarchical, highly structured, and rigid structure. Past career models had a clear uni-dimensional or linear direction of prescribed “advancement”: this meant promotion. The organizational hierarchy was the ladder to climb on” (Baruch, 2003). Employees feel pressure to map out a plan that aligns with one specific destination in mind, assuming that one must check off specific boxes along the way in order to reach their desired goal.

The new organizational structure shatters the linear model of career pathing and predicts the extinction of the “corporate ladder” entirely. The traditional career path will evolve into Career Curation which will look more like a metro map; a dynamic system with many circuitous paths that lead to the best output for both the employee and the employer.

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In order to create an environment that embraces Career Curation as part of the Time Design model, companies should take a page from the education system's playbook, which fosters experiential learning in a three-pronged approach; electives, study abroad and sabbatical programs.

First, students can select electives that pique their interest. Electives provide students with a well-rounded education experience and assist them in identifying their career aspirations. Similarly, corporations can provide cross-functional learning experiences for their employees through the implementation of "electives". For example, a marketing professional could opt into spending a designated time on a sales project and vice versa.

Secondly, study abroad programs allow students to immerse themselves in a global mindset. Through this experience, students gain fresh perspectives, explore new interests, expand their cross-cultural knowledge, and witness new ways of life. These programs promote self-discovery and enhance professional development (International Student, 2016). Comparably, global corporations must think about their expatriate programs as an opportunity to grow and develop their talent, with the intent of infusing those learnings and diverse perspectives back into their home country.

Lastly, sabbaticals, derived as "an ancient human need to build periods of rest and rejuvenation into a lifetime," are also common within the education system. Sabbaticals can help you build your skills while you re-energize, refresh and renew your mind

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(International Student, 2016). In corporations, sabbaticals can be leveraged within the organization to build research time as well as down time for employees. This will allow for creativity to flow organically and spark innovative ideas.

By creating an experiential culture within the corporate landscape, employees will be empowered to manage their own career path in alignment with the overall business objectives. According to Charles Jennings, Co Founder of the 70:20:10 Institute, “workforce development can be distilled down to four basic elements: experience, practice, conversations, and reflection... employees need to be exposed to a multitude of experiences and undertake lots of practice to become competent, and to draw on their executional talent, and then undertake more practice and experience to become leaders” (Jennings, 2009).

Companies like Deloitte are taking heed of this approach and have re-modeled their business structures to emphasize the importance of holistic career path planning, which enables employees to make career choices that are meaningful to them. “Deloitte’s Mass Career Customization (MCC) framework deconstructs careers into four primary dimensions (pace, workload, location and schedule, and role) to provide a structured approach that facilitates collaboration between employees and managers to design career paths that make sense within each employee's broader life context and the business context” (Benko, 2008). This MCC model allows employees to change work preferences twice a year, creating a more flexible career path structure (Exhibit 7).

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As it pertains to career development within the Time Design framework, the recommendation is that employees would pivot their career plan based on their life stage and areas of interest. Therefore, the Time Design concept will shift away from strictly “career development” to a more holistic concept that encompasses the employees’ whole self; re-branded to become “Experience Engineering”.

Experience Engineering allows for employees to dial up or dial down the pace of acceleration based on personal preference and identifies trade-offs within their specific plan. Employees will collaborate with their managers and Experience Architects (XA) and will periodically select options along each of the dimensions that are aligned with their career objectives paired with their life circumstances.

To put this into context for application within organizations, consider the airline industry. Airlines offer frequent flyers programs that are designed to encourage their customers to accumulate points (or miles), which can later be redeemed for air travel or other rewards. Similarly, within Time Design, assigning points to each module and challenging employees to reach a certain total within a specified time frame will allow employees to design their own path for reaching that goal.

Time Design is also fluid in that it can flex to Family Design Time. Both women and men have insecurities about starting a family due to career pressures. According to a Pew Research Center Survey, 40 percent of those surveyed say it is better for a woman to hold off until she is well established in her career before having children. (Livingston,

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2015). Furthermore, men also lament having to start families later in life. “The findings, from a survey of more than 1,000 men older than 25, run by the multivitamin company Wellman, confirm that men are experiencing some of the same conflicting pressures that affect women as they try to juggle careers and the desire to have children” (Ward, 2005).

Many companies are starting to rethink Time Design for family-planning employees. Consulting firm Ernst and Young announced that starting July 1, mothers and fathers would both be eligible for 16 weeks paid time off after the arrival of a child through birth, adoption, surrogacy, foster care or legal guardianship. (Peck, 2016). Time Design is necessary to managing stress and anxiety and allowing employees to manage their careers holistically.

In addition to enhancing the Career Curation and Experience Engineering structures, Time Design can be employed for project management, which focuses on shifting the mindset away from output to input. The new approach to “project management” can be more accurately described as “Project Orchestration.”

Ivy Ross spearheaded Project Platypus in a prior role at Mattel. This project is a prime example of an open-minded approach to Time Design in regards to Project Orchestration. Under Project Platypus, 12 employees with varying backgrounds were given the task of developing a new brand within three months. They were moved to a completely new work environment where they could free their minds. During the first two weeks of a 12-week product cycle, new stimuli were put into the system. Employees

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were given the freedom to be creative, explore and test new ideas and concepts. This project created disruption within the traditional linear project management process and sparked innovation that may have never been uncovered (Bloomberg, 2005).

Essentially, Time Design will be centered on flexibility, customization and engagement. Time Design offers opportunities for substantial career and developmental growth, and most importantly, fosters an innovative atmosphere, which ultimately increases productivity, nurtures creativity, and creates a more enjoyable overall work experience.

TRUST CULTURE

Innovation is the result of team effort rather than individual inspiration; thus the key to sustained innovation is the creation of a framework for effective collaboration. This collaborative framework requires a focus on two streams. The first being the systems that are designed to cultivate innovation: Fluid Organization and Time Design. The second is the mental readiness of employees within the organization to undertake innovation.

Corporate attempts to mobilize their organization to be sustainably innovative have failed. “Organizations that have trouble sustaining growth are sometimes managed by leaders who may not focus on building others’ skills... successful innovation leaders help employees understand how their input is beneficial to the company and urge them to step out of their comfort zone” (Imagintik, 2016). Innovation must become a part of the

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company's DNA, spanning across the entire organization. Innovation requires a mindset that rejects the fear of failure and replaces it with the joy of experiential learning. Failing fast and failing often gives organizations the ability to turn small-scale mistakes into future creativity. Enforcing this strategy will require a top down approach to ensure that the team feels safe, psychologically.

Team Psychological Safety, as coined by Harvard Business School Professor Amy Edmondson, is “a shared belief that the team is safe for interpersonal risk taking. Team psychological safety is not the same as group cohesiveness, as cohesiveness can reduce the willingness to disagree and challenge others' views (i.e. groupthink). The term is meant to suggest neither a careless sense of permissiveness, nor an unrelenting positive affect but, rather, a sense of confidence that the team will not embarrass, reject, or punish someone for speaking up. This confidence stems from mutual respect and trust among team members” (Edmondson, 1999).

Extensive research has established that when employees perceive that they are psychologically safe, they become more engaged with their actual role and they are inspired to extend their imagination to activities outside their prescribed role. According to Harvard Business Review, “when organizations develop positive, virtuous cultures they achieve significantly higher levels of organizational effectiveness — including financial performance, customer satisfaction, productivity, and employee engagement”

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(Cameron, 2015). When psychological safety is in place, there is an “untroubled state of mind,” says Sandrine Gadol, Chief Innovation Officer at L’Oreal.

When an individual employee is mentally primed for innovation, this can actually be scientifically observed. Janet Crawford, neuroscientist and founder of Cascadance, a leadership development firm that specializes in providing culture transformation services to Fortune 500 companies and high potential tech start-ups, has vastly studied this concept (Cascadance, 2016). Crawford’s work reveals that the prefrontal cortex area of the brain is where innovative thought has its genesis. In fact, neuroscientists can observe electrical changes in the brain reflecting feelings of being either secure or being threatened. Where an individual feels threatened, the tendency is to retreat into habitual responses and avoid any element of risk, but where he or she feels secure, then the individual will be prepared to venture into new experimental territory. (Symmetra, 2016).

By creating an environment that is balanced on trust and openness, companies will not only promote a healthy exchange of ideas and diverse perspectives amongst employees, but in doing so, will drive impactful innovation.

Trust is the glue that binds the team together and companies will need to focus on two key areas to ensure that trust is permeating throughout the organization. First, companies must provide clarity around where each person stands within the organization. Increasing demands and traditional performance development planning coupled with the

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outdated annual review processes, hold organizations back from creating genuine connections and restrict employees from knowing where they stand in the workplace. The demand for more dynamic feedback will play a greater role as the age composition of the workforce shifts and employees' expectations and behaviors change. Surveys indicate that 18-34 year-olds (one third of the USA workforce in 2016) are unsatisfied with traditional feedback in the form of annual performance reviews - "69 percent think the process is flawed" (Hernandez, 2015).

Only 8 percent of companies report that their performance management process drives high levels of value, while 58 percent said it is not an effective use of time. (Talent Management 360, 2015). If psychological safety is in place, there is a constant feedback loop, and therefore there is no need for a traditional annual review process. Instead, these touch points can turn into Career Development discussions. By getting out from under the burden of appraisals, managers will have the time needed to focus more on the development and professional growth of their direct reports. (Lund, Schaninger & Smet, 2016).

The second area of focus is about building authentic relationships and increasing engagement. It is critical for management to recognize that the tone for employee engagement is set from the top down. However according to research firm Gallup, roughly "51 percent of managers are not engaged; 14 percent are actively disengaged (Adkins, 2015). This study shows engagement is strongly connected to business

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outcomes that are essential to an organization's financial success, including productivity, profitability and customer ratings. And engaged employees are the ones who are the most likely to drive the innovation, growth and revenue that their companies desperately need” (Adkins, 2015).

Google’s Project Oxygen, a study in building better managers, states, “what employees valued most were even-keeled bosses who made time for one-on-one meetings, who helped people puzzle through problems by asking questions, not dictating answers, and who took an interest in employees’ lives and careers” (Duhigg, 2016).

One approach to fostering stronger connections and intimacy in the workplace is the implementation of the Spark Collaboration application: a systematic way of bringing people together from across the organization to generate ideas and spark creativity (Lloyd & Soto, 2016). The Spark tool, founded by Spark Collaboration, is an app that pairs coworkers together for meet-ups and allows employees to network, share ideas and break down silos. Companies can leverage Spark to drive employee engagement, create cross-functional networks, promoting diversity, pairing mentors with mentees and more (Spark Collaboration, 2016).

Creative and innovative outcomes in the workplace arise from a complex interaction between the individual and others at various levels of the organization. If these interactions lead to feelings of well-being, high self-esteem and motivation, the

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individual will become more inclined to stretch him or herself, to expend discretionary effort and to become creative or innovative.

Lastly, in a time where Artificial Intelligence (AI) is playing a greater role within the innovation process, it is more essential now than ever to harness genuine human relationships. Companies will have to determine the right balance of AI and Human Intelligence (HI), in order to achieve success in innovation. CEOs and their top teams will need to gain an almost architectural sense of how machines and people work together side by side, each making the other more productive and effective, while never losing sight of their employees' humanity (Lund, Schaninger & Smet, 2016).

Fostering trust and transparency amongst employees within an organization is only benefiting one side of the fence. These same principles must also extend to the consumer. Due to open source data access and wearable technology, consumers have an increased transparency into how products work and how companies deliver on promises.

According to a recent Gallup study, “only half of the almost 18 million customers surveyed strongly believe that the companies they do business with always deliver on what they promise. Companies that can create strong brand promises and consistently deliver on them have a legitimate opportunity to sway these customers and gain a greater share of the market. They have higher levels of customer engagement, which results in higher share of wallet, profitability, revenue and profitability growth” (Adkins, 2015).

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Two examples of companies practicing increased levels of transparency and building trust amongst their consumers are L’Oreal and Unilever. La Roche Posay, a L’Oreal brand, now has a UV patch which is the first-ever stretchable skin sensor designed to monitor UV exposure and help consumers educate themselves about sun protection (L’Oreal, 2016). Similarly, Unilever has publicly vowed to be carbon positive by 2030 (Unilever, 2016).

Within the new Fluid Organization, trust and transparency will create a psychologically safe atmosphere and keep employees engaged. The future of innovation within the corporate landscape will rely heavily on the ability of organizations to create an open work environment that is rooted in trust, and will allow for the exchange of insight and intellect in order to drive innovation.

FINANCIAL MODEL & CASE STUDY

The aforementioned concepts, Fluid Organization, Time Design and Trust, work together to create the Innovation Blueprint. Utilizing the key findings from this research, a financial model was designed to represent the return on investment upon implementation over a seven-year span. In order to substantiate this model, the following example will depict how this will be brought to life for a U.S. based, Global Company, including the business impact on sales, profitability, Research and Development (R&D), and marketing investment.

Assumptions

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Within the Fluid Organization component, it is critical that the organization is restructured to reflect a more dynamic mix of core team members as well as external consultants. The savings acquired from organizational restructuring will unlock additional resources that will be re-invested into Marketing and R&D initiatives to further drive the business, resulting in 7 – 10% sales growth.

For Time Design, the premise is that employees will be empowered to create more productive and meaningful experiences for their career journey by participating in more cross functional experiences, international assignments and in-depth industry research. Employees will infuse this knowledge back into the organization and drive value by delivering new ideas and processes, which will result in of 10 – 15% annual sales growth.

According to studies conducted by the Interaction Associates, research shows that High Performing Organizations (HPRO) have a high correlation between Trust and business performance. In this research, organizational performance is defined by how well companies grew their top and bottom line as well as how well they achieved their overall business goals. For the Trust component of the financial model, a 5% annual sales growth was applied within the analysis, indicating strong business performance (Interaction Associates, 2014).

Fluid Organization

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Based on our research, The Innovation Blueprint calls for a complete remodel of the workforce composition. Due to the increased representation of contingent workers, the Fluid Organization transitions into a mixed network of both full time employees (FT) and external consultants (EC). In an article by Maria Wood, “Staffing Industry Analysts annually surveys large companies with more than a thousand employees to get a beat on what portion of their workers were contingent. In 2014, the average share of contingent labor landed at 18%, up from 12% in 2009.” Exhibit 8 below depicts the estimated split between both FT and EC employees in the new organizational structure. Overall, the new business model indicates that the shift from full time employees to external consultants will evolve from 25% to 75% over a seven year span.

% of workforce		
	Full Time	External Consultants
Year 1	62%	38%
Year 3	43%	57%
Year 7	25%	75%

Exhibit 8

Now - Year 1

Global Company X would run a pilot program for one high profile project, with 50% internal FT employees and 50% EC recruits based on project needs. Beginning in year two, the shift from primarily FT employees to more contingent workers would begin to take place. In this stage, an investment would be needed to restructure the

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organization. Strong talent would be offered a fixed fee of \$5,000 in lieu of severance as an incentive to remain in the external talent pool to support project based work.

Near - Year 3

As the restructuring continues over the next five years, 50% of the savings would increase profit, while the additional 50% savings from the traditional personnel expense would be re-invested into the business (Exhibit 9). The re-investment in Research and Innovation and Marketing activities would help to grow top line sales approximately 7-10%.

Exhibit 9

% of 50% savings re-invested	
Marketing Costs	45%
R&D	50%
Other	5%

The money retrieved from the personnel restructure would be reinvested in Research & Development, which would increase R&D spend as a percent of Net Sales by 1.3%. However, there would be a decrease for marketing costs as a percentage of Net Sales, which would be used to fuel the business (Exhibit 10).

Exhibit 10

	Increase/(Decrease) in % as of NS		
	Base	Innovation	Δ
Marketing Costs	3.7%	3.1%	-0.6%
R&D	1.5%	2.8%	1.3%

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Next - Year 7

The Fluid Organization would further evolve with the introduction of an “eHarmony” tool, as previously mentioned, that matches every project and function to best fit the FT and EC talents and skills.

Time Design

An integral part of the Innovation Blueprint is Time Design. Time Design will be the way that companies attract talent for FT and EC employees in the future. Employees of the future will look for opportunities to grow both personally and professionally. While Time Design is the most costly element of the Innovation Blueprint Model it has the most potential to significantly affect topline sales.

Now – Year 1

During the pilot program, a FT employee would have the opportunity to choose between different programs, incurring a minor participatory cost of roughly \$1,000 per FT employee for one development opportunity, such as working for a week at a tech start-up or participating in a language class, or TED talk.

Near – Year 3

The Time Design concept would introduce development opportunities across the organization and roll out Time Design for Career Curation to 10% of the FT pool. Career Curation would include international rotations, cross-functional role experiences, or research sabbaticals. All FT employees would be offered a menu of development

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opportunities. Quarterly Career Curation touch bases with line managers would compliment “always-on” feedback and replace the annual review.

Next – Year 7

All FT employees would be eligible for all aspects of the Time Design concept opportunities and 25% of the EC employees would be eligible as well. Exhibit 11 shows the percent caps for both international assignments and research sabbaticals per year.

Exhibit 11

Percent of employees sponsored for Int'l Assignments & Research Sabbaticals

% of employees		
	Int'l Assignments	Research sabbaticals
Year 1	0.0%	0.0%
Year 2	0.0%	0.0%
Year 3	3.0%	7.0%
Year 4	4.0%	6.0%
Year 5	5.5%	9.5%
Year 6	6.0%	10.0%
Year 7	6.5%	93.5%

Due to the enrichment of employees’ knowledge throughout the Time Design opportunities the company would see an increase in this investment for topline sales and profit (Exhibit 12).

Exhibit 12

Incremental Return on Sales and Net Operating Profit

Incremental Increase/(Decrease)			
	Sales	NOP	
Year 1	0%		Investment of \$2.2M
Year 3	10%	-3.4%	
Year 7	20%	6.9%	

The Innovation Blueprint

Trust

The next layer of the Innovation Blueprint is Trust, which is the glue that bonds the team together through the creation of psychological safety and more meaningful interpersonal relationships.

Now – Year 1

The pilot group would practice Trust Culture through an “always-on” approach to feedback, fostering psychological safety. As mentioned previously, Spark Collaboration is a critical aspect to enriching cross-departmental relationships. All employees would be introduced to the Spark Collaboration Tool during the pilot program.

Near – Year 3

In year three, the company would commit to delivering certain product performance benefits and social responsibility behaviors to their stakeholders, leveraging big data and technology (i.e. wearable sensors) along the way to support these promises.

Next – Year 7

In year seven, the company will publicly implement an “always-on” feedback approach to communicating with stakeholders in regards to key challenges and commitments, to ensure the company is delivering on their promises. By implementing a performance accounting system known as “Multicapitalism” that measures economic, social and environmental impact in an integrated way, companies assess performance relative to organization specific circumstances and will empower leaders to adjust their

The Innovation Blueprint

strategies based on the results (McElroy & Thomas, 2015). Exhibit 13 depicts the incremental return for both top line sales and profit.

Incremental return on Sales and Trust

Exhibit 13

	Incremental Increase/(Decrease)		
	Sales	NOP	
Year 1	0%		Investment of \$0.3M
Year 3	5%	30.5%	
Year 7	5%	79.2%	

Summary

It is apparent that a key aspect to proper implementation of the Innovation Blueprint model is to invest in every component, which inherently means increasing the investment behind talent. There is no one size fits all approach to employing the Innovation Blueprint model, however each company will need to determine the best method towards implementation given its current structure.

This new proposed business model will result in a seven year Compounded Annual Growth Rate (CAGR) in Net Profit of 38.1% and a CAGR Net Sales of +8.0%, with +4.6% greater sales than a company that does not apply all aspects of the Innovation Blueprint. To put this into perspective, if a personal care consumer products company has annual sales of 600 million dollars today, and it stayed its course without implementing the suggested business model, it would reach \$758 million dollars by year seven, with net

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operating profit at 4.6% of net sales. However, if that same company implemented the Innovation Blueprint model, it would grow an additional 35%, to become a \$1 billion company by year seven, and be more than three times more profitable, with net operating profit at 16.8% of net sales.

CONCLUSION

The corporate innovation landscape calls for a complete overhaul of the corporate organization as Gen Y and Gen Z take over the workforce. Technology is advancing exponentially and artificial intelligence threatens the future of human intelligence. The current organizational structure will no longer support the fast-paced innovative environment that is required to fulfill the consumer's demands. How can companies organize to ensure that they can evolve and successfully innovate over the next seven years? The answer lies within a new organizational business model: the Innovation Blueprint.

There are three interconnected components of the Innovation Blueprint that are vital to the generation of successful innovation in the future. Firstly, the new Fluid Organization must be implemented to develop diversity of thought and perspectives throughout the organization in order to drive innovation. Secondly, within the Time Design component, employees will broaden their perspectives and take control over their Career Curation, Experience Engineering and Project Orchestration. And lastly, companies that create a Culture of Trust will promote an environment where it is safe to

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exchange those diverse perspectives and ideas, thus retaining talent and generating a more innovative culture.

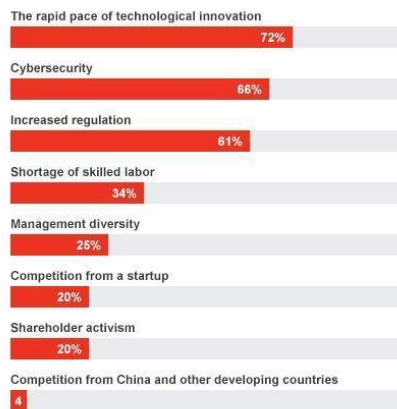
The Innovation Blueprint, if properly implemented will yield positive business returns over the seven-year span. Companies will need to take drastic action and implement the full Innovation Blueprint to thrive.

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Exhibit 1

GREATEST CHALLENGE?

Technology was chosen as either the greatest, or one of the three or four greatest, challenges facing their companies by 72% of CEOs.



Source: SurveyMonkey.

Exhibit 2

The Innovation Blueprint

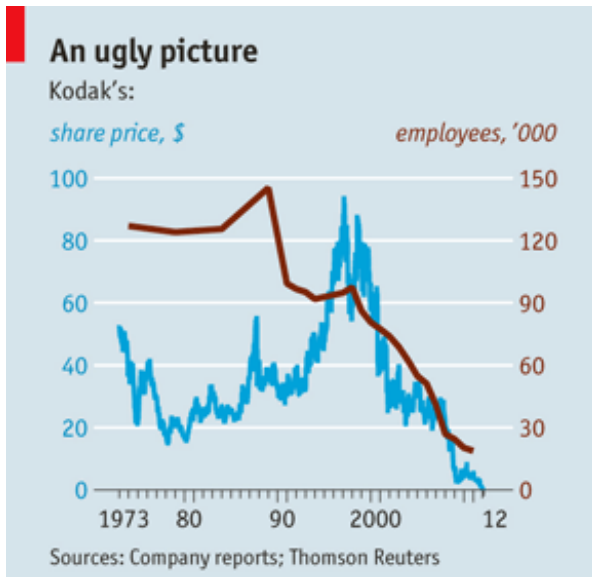
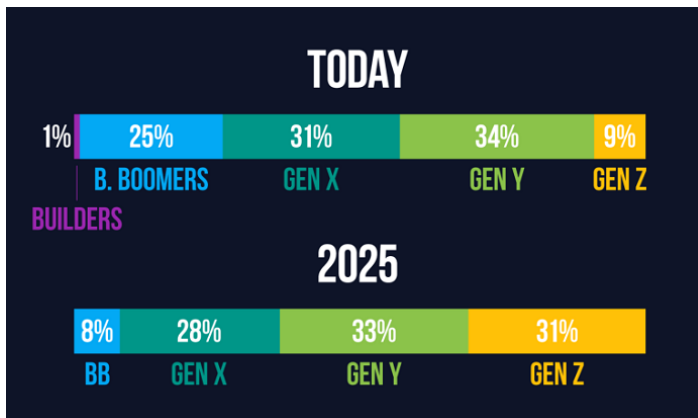


Exhibit 3



Source: http://mccrindle.com.au/the-mccrindle-blog/tag/gen_z/

Exhibit 4

The Innovation Blueprint

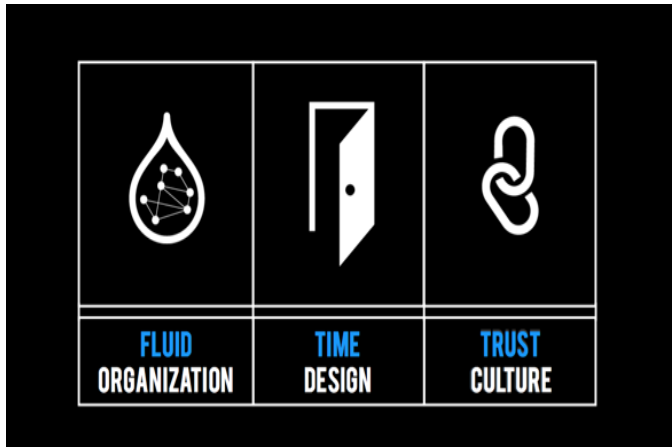
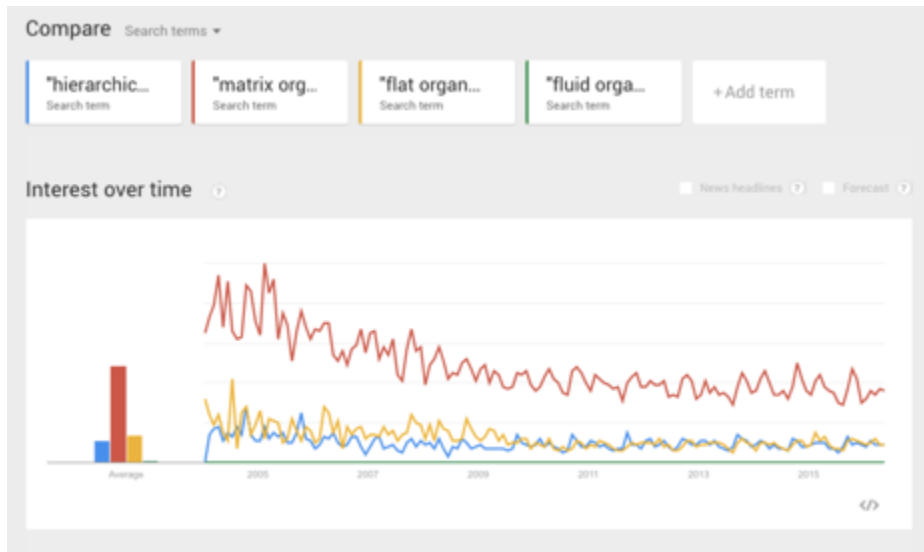


Exhibit 5

The Innovation Blueprint



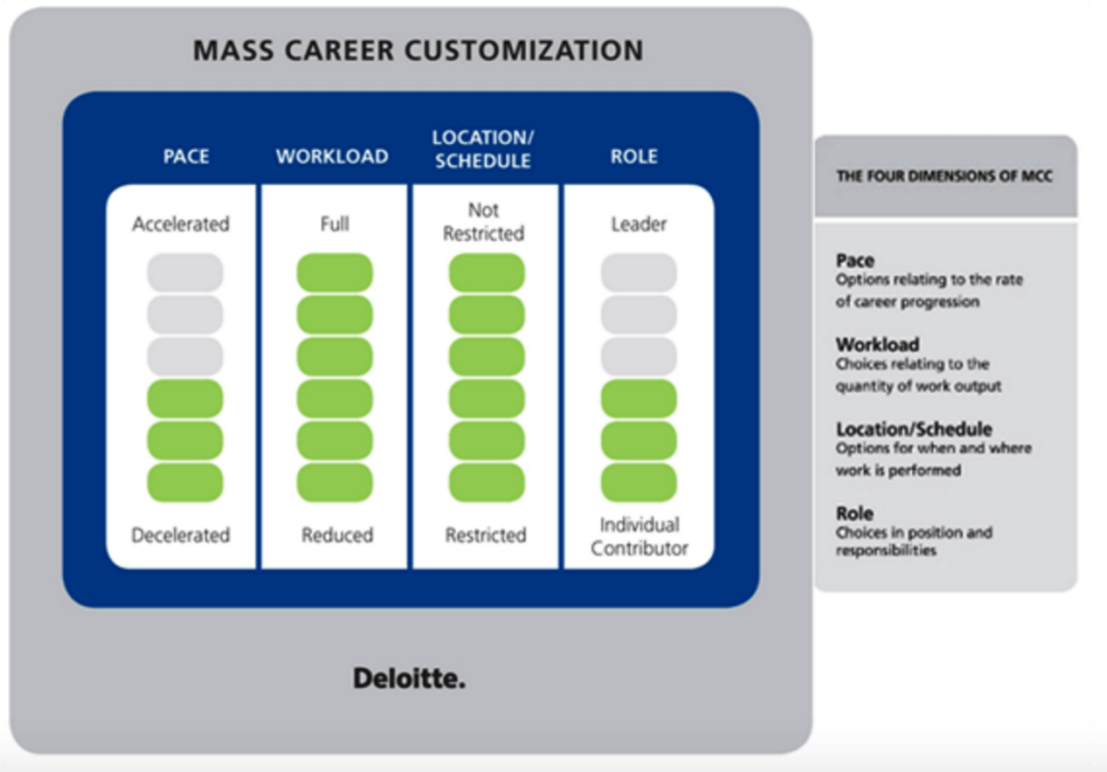
http://mccrindle.com.au/the-mccrindle-blog/tag/gen_z/

Exhibit 6

	MATRIX	HIERARCHICAL	FLAT	FLUID
FAST IS TOO SLOW	✗	✓	✓	✓
MAN V. MACHINE	✗	✗	✓	✓
TALENT EXODUS	✗	✗	✗	✓
DIVERSE PERSPECTIVES	✗	✗	✗	✓

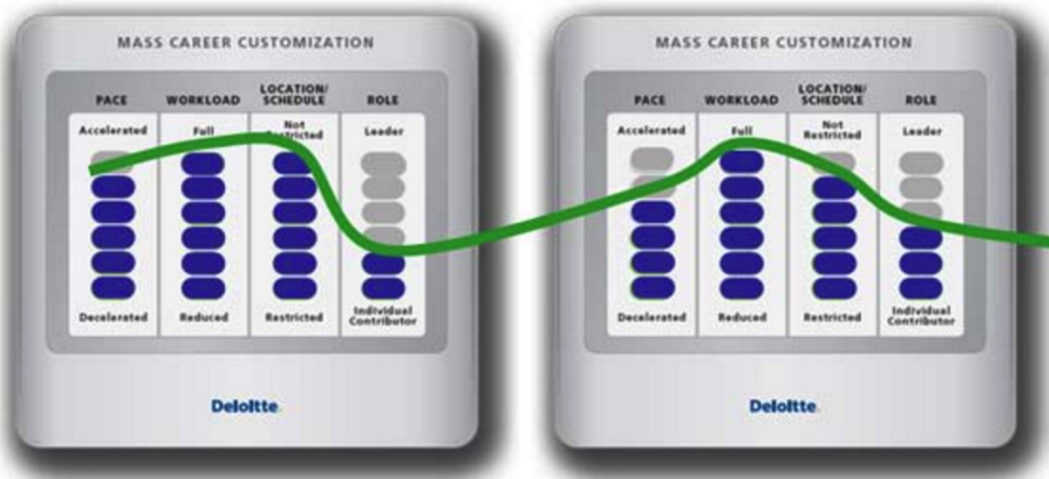
Exhibit 7 – Deloitte Mass Career Customization Model

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Career years: 0-3
Post MBA

Career years: 4-7
Changed Industries



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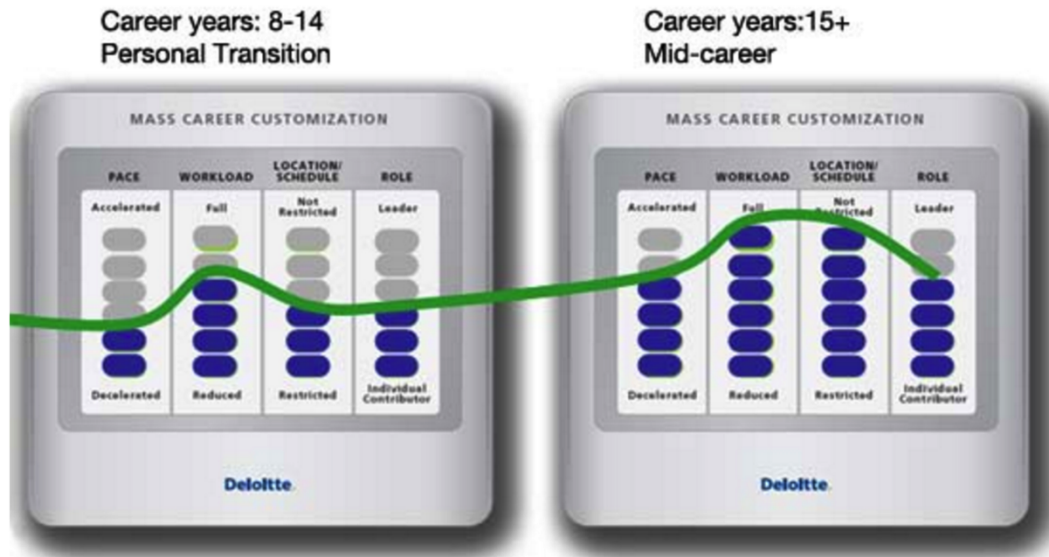


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Exhibit 11

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Exhibit 12

Incremental Increase/(Decrease)			
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Exhibit 13

Incremental Increase/(Decrease)			
	Sales	NOP	
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Year 3	5%	30.5%	
Year 7	5%	79.2%	

Exhibit 14

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GLOBAL COMPANY X

Concept	Now (1 year)	Near (3 years)	Next (7 years)	Cumulative ROI
Fluid Organization	<ul style="list-style-type: none"> Run a pilot on one high profile project, recruiting 50% external support, 50% internal based on project needs 	<ul style="list-style-type: none"> Full transformation to the Fluid Org model across the organization 	<ul style="list-style-type: none"> Evolve Fluid Org model by developing an internal/external "eharmony" – matching every project and function to the best fit employees 	62%
Time Design	<ul style="list-style-type: none"> Leverage Time Design on one critical project – minor cost impact (\$1k / employee in the Fluid Org pilot group) Offer one development opportunity to every internal employee (e.g., work for a week at a tech partner, take a language class, field trip, TED talk) 	<ul style="list-style-type: none"> Scale findings from project management into all innovations and projects Roll out Time Design for career path to 10% of internal pool (i.e. international experience, cross functional role experiences, research sabbaticals) Offer menu of development opportunities for every employee (expands yr 1, mix of no/low cost opportunities) 	<ul style="list-style-type: none"> Roll out Time Design for career path to 100% of internal pool with option to opt out. Employees can opt to + up additional projects via eHarmony (or maintain base level) Continue to offer menu of development opportunities for every employee 	-98%
Trust Culture	<ul style="list-style-type: none"> Pilot "always on" feedback with the Fluid Org project Internally determine what external, consumer-facing promises will be made Pilot Spark with 50 people (internal and external) 	<ul style="list-style-type: none"> Roll out "always on" feedback to the full organization Replace the annual review with quarterly "Career Design" touch bases Announce open promises to the public around product and social performance using big data/tech (sensors) to support these promises Roll out Spark to internal organization 	<ul style="list-style-type: none"> Publicly open the "always on" feedback related to key challenges and executives to show delivery on corporate promises Roll out spark to total US org (internal and 1/4 external) – creates relationships that build trust 	331%
ROI	-200%	-20%	34%	40%

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