

Viewpoints



Blockchain and human capital

The new people equation in the new economy

By Shai Ganu, Managing Director, Rewards, Asia Pacific, Willis Towers Watson

The digitalisation of the workplace and technological advances from blockchain to artificial intelligence (AI) are upending our notion of work, work relationships and economic models. Yet performance and rewards programs haven't kept up with these shifts. At the same time, many organisations are challenged to deliver programs that reward workers for the value they deliver. In particular, traditional approaches do not necessarily reward providers of services based on the perceived value by recipients. For example, consider the impact on nurses' earnings if compensation decisions were based largely on evaluations from very satisfied patients.

This then begs the question – is there a better model to recognise and reward value? And more fundamentally – how do we define value?



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The new economy and the new types of company

Distributed ledger technology, i.e. blockchain, makes possible a whole new way of designing economic structures. Instead of large, hierarchical, centralised entities, the blockchain enables Decentralised Autonomous Organisations (DAOs), which are highly localised structures that are connected via a distributed network.

Advances in technology are facilitating different business models. In what seems like a back-to-future view, new platforms are enabling 'barter' within ecosystems, where users trade goods and services using each other's token of value, i.e. coins, digital token, or cryptocurrency. This is also causing a convergence of the roles of customers, owners and shareholders, and a stronger drive towards purpose-driven organisations. For example, recently, one of the cities in Australia has kicked off a trial that will allow some residents to trade solar power. Households will enjoy the flexibility of determining the price at which they are willing to purchase and sell solar power for and then conduct the transaction on a blockchain-enabled platform, thus blurring the distinction between service provider and consumer¹.

This is changing the way performance is assessed and rewarded. Let's take the case of Steemit – a social media

platform where contributors get rewarded for creating and curating content, based on the popularity of the content. This is akin to getting paid based on 'likes' one receives.

One could argue whether such new-age companies are 'for-profit' entities, or whether they serve a higher purpose for the betterment of the community.

Think about it – if you were the owner of the local coffee shop where you get your morning brew – would you care solely about your profits, or also the quality of coffee, ethical sourcing of beans, satisfaction of your customers, and well-being of your barista? Now imagine if all the customers and all the employees of this coffee shop were also the co-owners; that would result in a closed-loop ecosystem where everybody is driven by the same purpose – good coffee, good service and fair prices. This sounds quite similar to an essential public utility – say the train system or the electricity grid.

Motivated by the mission and vision of the company, small lean teams are increasingly powered by a large distributed network of contingent workers from across the world. Under the democratisation of work, companies are beginning to deconstruct jobs and redistribute tasks to a combination of employees, AI providers, outsourcers, and gig-economy workers.

¹ Australia: Power Ledger's Blockchain Energy Platform Goes Live in Fremantle, CCN, August 12, 2018, Mark Emem

A new people equation – a world of ‘Likes’

Under conventional models, managers assess performance against goals set at the beginning of the year, and the organisation determine pay levels based on size of the job and market rates – with some variability based on employee performance relative to others. However, in a hyper-disintermediated model, such people practices could be governed by the end user directly.

An interesting example is UK-based AI solutions provider, Satalia, which have adopted a self-organising company structure that promotes open information, decentralised decision making, and complete individual autonomy to achieve collectively agreed company strategies. The company has a very interesting way of determining pay levels. People joining the company are paid on a scale that reflects educational qualifications (e.g. starting salary for a bachelor’s degree vs triple-doctorate), and there is complete transparency about everybody’s salaries. At regular intervals, every employee publicly requests the pay raise he or she thinks they deserve. The aggregated data about each person’s contributions to various projects are presented. With all the data made transparent, anyone can vote on any other person’s pay raise request, whether it should be approved at the requested level, below or even above that level. The HR analytics data provides information on whose ‘opinion’ will hold more ‘weight’, and this is reflected in making the pay level decision².

Era of the consumer

Imagine an economic model where every individual is an entity unto themselves, and a team is an ecosystem – with their own crypto-currency, balance sheets, and ledgers on the blockchain. In such a model the consumers will define value, and will be able to quantify intangibles such as service standards, quality of advice, social impact etc. Depending on the perceived value, customers would set ‘wages’ for services offered. The key distinction is that it’s not the company that sets salaries anymore; it is not the relationship between manager and employees that is the main determinant of performance and reward. Instead, it is the collection of consumers who determine value and reward via a corresponding number of coins or digital-tokens.

Blockchain-enabled platforms are allowing companies to quantify and measure intangibles such as reputation and social impact. Organisations will need to link reputation capital, crowdsourced feedback, quality-assurance systems, with rewards systems.

If these forces continue to impact the new economy (which we expect they would), they will likely redefine the very nature of organisations, people practices and reward systems. Progressive companies should start aligning their people practices with forces underpinning the new economy.

² How to Not Be Creepy While Using Employee Data in Workforce, Data Driven Investor, June 11, 2018, Mona Sabet

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