Sensing for Signals of Change

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About ADP

- One of the world's largest providers of Human Capital Management (HCM) solutions
  - Payroll Services
  - Benefits Administration
  - Recruiting and Talent Management
  - Human Resources Management
  - Time and Attendance Management
  - Insurance Services
  - Retirement Services
  - Payment and Compliance Solutions

- ADP pays 26 million (1 in 6) workers in U.S. and 13 million outside the U.S.
- 650,000 clients in more than 110 countries
  - Includes 470,000 small businesses
  - Over 80% of Fortune® 500 companies
  - Over 90 Fortune® 100 companies
- 57,000 associates worldwide in 40 countries
- Manage 7,000+ global tax agency relationships

- Moved approximately $1.7 trillion in U.S. client funds in FY 2016
- Committed to AA/Aa ratings category
- 41 years of consecutive dividend increases
- $11.7 billion in revenue in FY 2016

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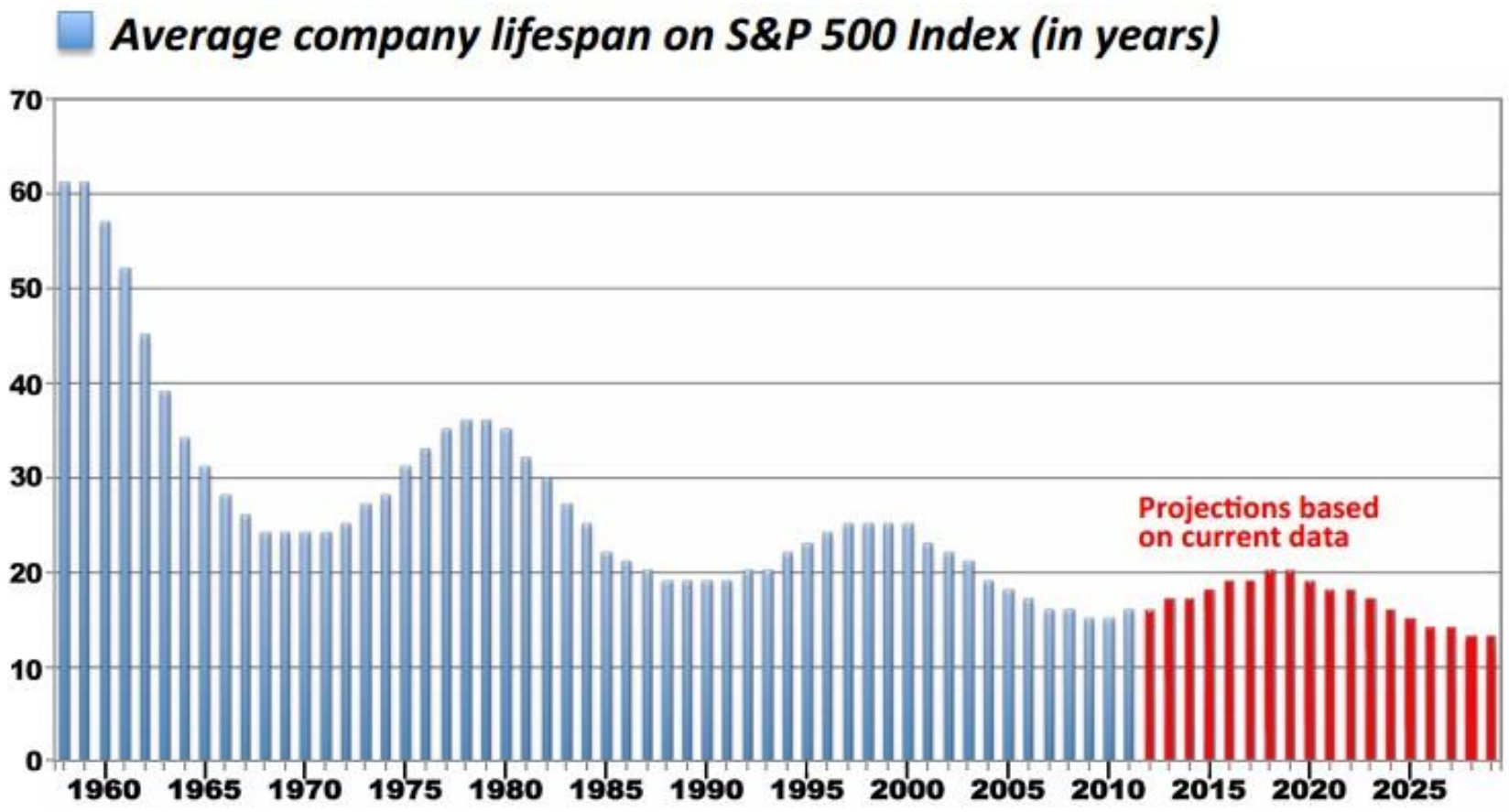
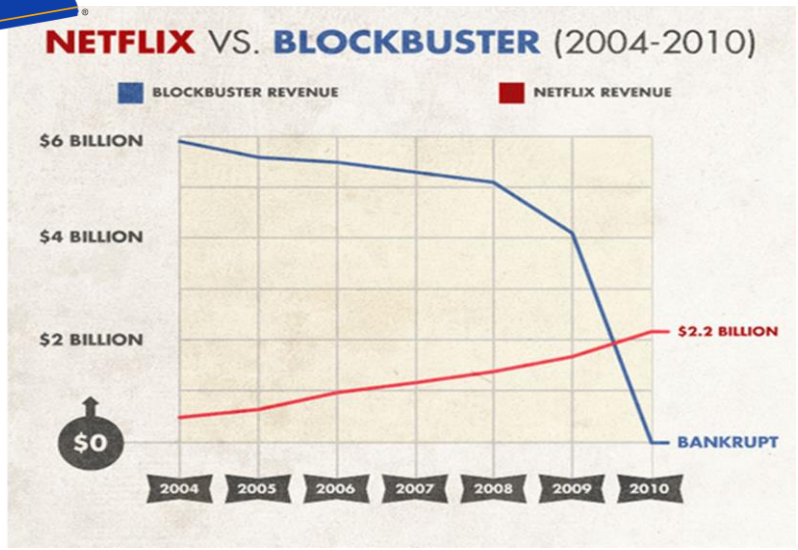
Corporate Lifespan



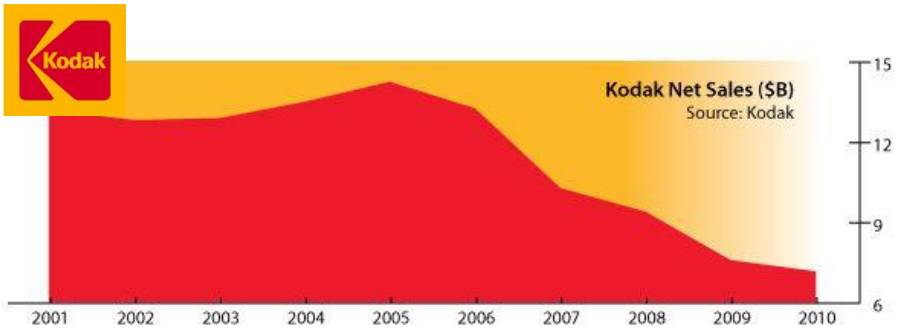
Sobering Lessons

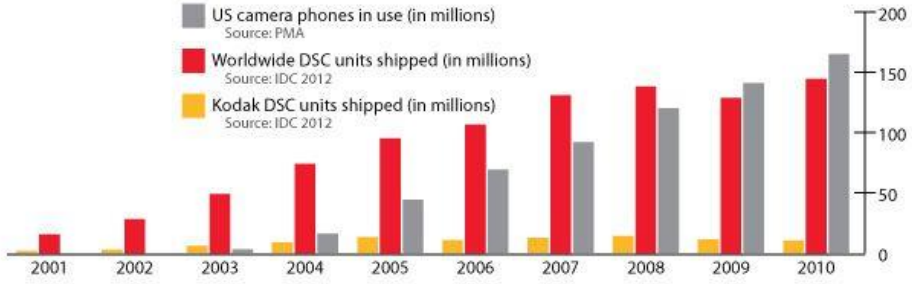


Source: New York Times

65% of Market Decline Drivers for Top Fortune 1000 Companies are Strategic*

*Source: The Corporate Executive Board (2009)





Source: Techcrunch

Known vs Unknown Risks

Opportunities to dive deeper and uncover gaps

Known Risks

- Identify top risks to the enterprise
- Develop governance, assign ownership and track actions
- Report and monitor top risks
- Connect smaller, disparate risks; Review mitigation plans and identify gaps

Unknown Risks

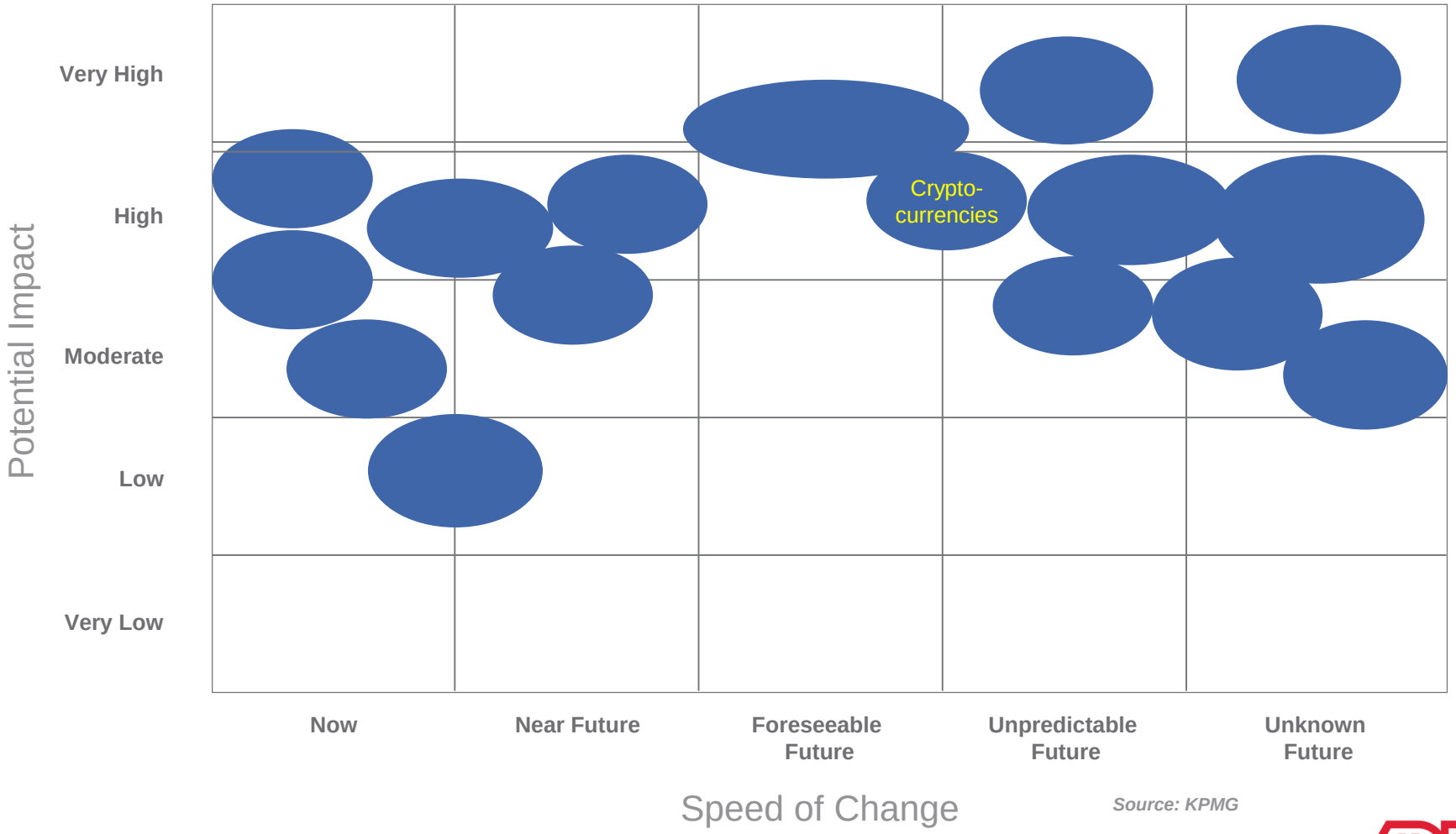
- Align risk assessment process with Strategy
- Develop a coordinated process to identify and size key disruptive trends (SoC)
- Develop a “Point of View” on a select number
- Agree on appropriate actions and follow-ups on several Signals of Change

So Many Signals, So Little Time

Filtering out the noise

Map Potential Signals of Change

Provide an initial view from several sources



Source: KPMG

Signals of Change Defined

Definition:
A **signal of change** is a an event or trend in the future that could disrupt or influence the market. Each signal of change will have varying degrees of likelihood, impact, and urgency (how fast it is approaching).

History has shown, that companies that do not identify, plan, or execute appropriately for "signals of change", often times do not have ample time to react and ultimately fail. As technology evolves, the velocity of these signals has increased.

Examples of failures to identify and react to a signal of change

Transportation Logistics

Touch Based Smart Devices

Smart phones as general purpose computing devices

On demand / streaming movies & videos

BLOCKBUSTER

Online Book Purchases / Electronic reading devices

Signals of Change

Focusing on the most probable and impactful

Customer behaviors and expectations are changing

Technology innovation is accelerating and transforming every business sector

Tech giants are making significant innovation investments outside their core business

Startups are proliferating, funded by VCs intent on disrupting business models

An environment of constant change requires "signal foresight"

Signals of Change

Partnering with Corporate Strategy

Internal
- Employee Feedback
- Research Institute
- HR Labs
- **Crowdsourcing**

External
- Subject Matter Experts
- Industry Conferences
- Client input
- Venture Capital Funding

A wide range of internal and external sources are used to create an initial list of signals.

Survey Validation

Data Validation

Signals validated with a broad-based survey to internal and external stakeholders, along with existing data assets.

Trend Consolidation & Duplication Removal

Signals that are already been worked on across the firm are removed from the list

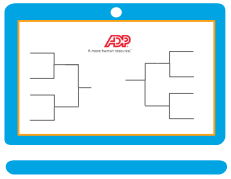
30 Key Signals for Deeper Analysis

Signals of Change

Crowdsourcing employee input

Crowdsourcing Structure

Initial Ask for Employee Ideas
CSO records a brief video outlining the firm's strategic direction and inviting feedback.



Online Bracket Tournament
The most interesting and valuable signals are collected and voted on in a bracket-style event

Winner Recognition
Employee suppling the winning idea presents it to the firm in another brief video.

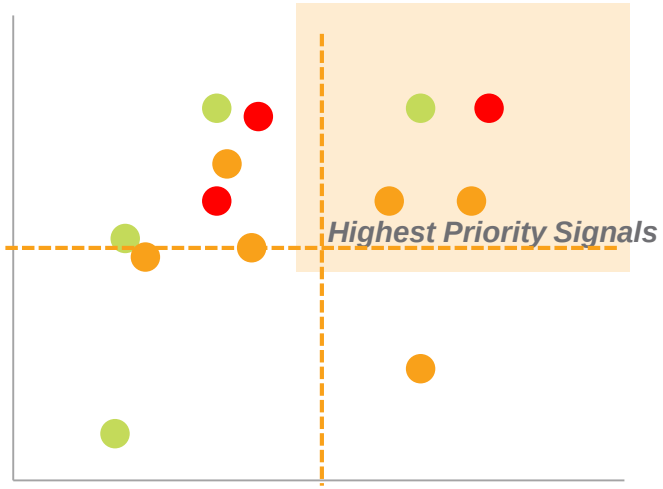
Output of Tournament Provides a Range of Useful Data

- Surface New Trends
- Test for Company Interest
- Evaluate Trend Urgency
- Assess Trend Impact
- Elevate Employee Vigilance & Engagement

Signals of Change

Prioritization

Primary Signals Prioritization Matrix



Impact:
Potential Upside or Downside

Urgency:
Speed for Appropriate Response

Response Readiness:

- Prepared to act
- Somewhat Prepared
- Not Prepared to act

Designed to Avoid Common Digital Trend Assessment Traps

- **Impact**: Based on breadth of impact to ADP (# of products, business lines & employees), rather than potential value (which is highly uncertain and difficult to assess).
- **Urgency**: Measured by observable facts (such as degree demanded by clients or VC investment dollars), rather than predicting specific timeframes or dates of impact (invites false precision)

C-Level Summary Slides

Signal Overview: Blockchain

Crux of the issue:

[illegible]

Impact:

Urgency:

Our Preparedness:

[illegible]

C-Level Summary Slides

Path Forward: Blockchain

Consensus:

Point of View:

Key risks:

Recommended strategy:

Passive — ***Sample options for path forward*** — *Aggressive*

A – Stay the course

B – Slightly Accelerate

C – Fast track

Signals of Change

Ongoing ownership

High Priority Signals
(3–5 Areas)

Signal Triage	Owner
Passive Monitoring • Longer term threshold • Regular cadence of reports	**Enterprise Risk Management**
Active Monitoring • Owner assigned • Threshold set for future action • Included in Quarterly ERM Report.	**Enterprise Risk & Global Strategy**
Formal Evaluation • Investment required • Business case developed	**Global Strategy** *(Part of Planning)*
No Regrets Launch • Pilot launched and evaluated	**Business Unit / Ventures Arm**

How Do You Turn Risk Into Value?

1. What are some Signals of Change on your horizon?

2. What are some of the risks associated with these emerging signals?

3. How can risk management present the opportunities and mitigate the risks associated with these signals?

Ultimately we need to determine how best to partner with Strategy, engage executive management, and collectively action.